

Gentoo Group Limited

Annual Report and Accounts for the year ended 31 March 2015

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Homes & Communities Agency (HCA) Registration Number: L4313

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Chairman's Review 2015

I am delighted to introduce the Group's annual report and accounts. There have been many significant achievements during the year and we are also mindful of changes in the external environment that have brought both a new Government and increased attention on regulators on the activities of registered providers.

A new Government has seen a continuation of austerity measures recently confirmed in the summer budget. These measures will affect our business and our customers through changes to the rent formula and further welfare reforms. We will continue to work with our most vulnerable customers to help them through the difficulties brought about through the benefit cap, universal credit and the bedroom tax. Throughout the year our staff have consistently gone the extra mile to assist our customers however we cannot ignore the Government's direction of travel and its intention to cut a further £12 billion from the welfare budget. We will continue to support our customers as further welfare changes are made. It is unlikely we will see an increase in capital subsidy so it is vital the Group continues to make the most of our cross subsidy to assist new development whilst working on new financial and development models.

During the year we have reviewed our governance arrangements, to address concerns on value for money, and the performance of non-core activity. This has resulted in our subsidiaries, Astley Facades Limited, Astley Facades (UK) Limited, Astley Facades (North East) Limited and Astley Facades (Midlands) Limited being sold. We have also formed a joint venture with Tolent to create Gentoo Tolent to manage future construction contracts and commitments. This is a very positive outcome in the current difficult trading conditions.

The Group plans to become a Community Benefit Society (CBS) during 2015/16 so we are assessing the implications for governance and succession. This will result in a simplified Group structure with a sharper focus on our Art of Living activities. We will continue to review the performance of our subsidiaries in line with regulatory requirements so Gentoo continues to prosper and deliver the Art of Living.

This year we have completed further new housing with a series of new and exemplar developments. Haddington Vale in Doxford Park is a high quality extra care scheme bringing the highest standards of living and support to our residents. Further developments at Ryhope, Doxford, Downhill and Holmlands prove that high quality housing can be created in spite of difficult public funding conditions.

Our commitment to the planet has seen the continued expansion of our solar photovoltaic (PV) panel installation programme with nearly 4,000 homes now benefiting from cheaper and more environmentally friendly electricity. This makes us one of the largest installers of PV by local authority area in the country. Our performance in CO₂ savings has once again improved and we will continue to monitor our carbon footprint to ensure our impact on the planet is minimised.

I am delighted to see Genie being launched in London through a £40 million revolving loan facility provided by the Greater London Authority (GLA). Innovation of this nature is essential for the supply of affordable housing to increase and once again Gentoo is ahead

Chairman's Review 2015 (continued)

of the curve. Our housing supply has also been significantly enhanced by the performance of our subsidiary, Gentoo Homes which has beaten its profit targets and thereby enabled the Group to cross subsidise high quality new developments across the North East.

Looking forward, the Group will focus on its core activity as it moves towards charitable status. This will have the dual effect of cementing the Group's core activity whilst ensuring the Group's operations are well managed and tax efficient.

Finally, I would like to thank Gentoo's staff, board members and many customers who give something back to our communities through volunteering on many brilliant projects. This work enables us to ensure the Art of Living is a reality in our communities.

John Walker
Chairman
Gentoo Group

24 September 2015

Chief Executive's Review 2015

This has been a year of significant change and development for the Group as we have looked to re-focus our attention on our core activity, centred on people, planet and property. We have continued to embed the Art of Living across the Group with a strong focus on culture and alignment with the Group's values. We have brilliant people within Gentoo and we have looked to enhance the leadership capability by bringing together performance and culture so that the whole Group continues to be vision and values driven.

As we continue to improve the Art of Living, it is worth reflecting that Gentoo is a large social enterprise that has an impact on many areas of society, either through direct service provision or our influence at a national and international level. This is increasingly being recognised by the many awards received by the Group and members of staff.

Our commitment to creating and maintaining great places to live for our customers continues and I am delighted that the Group is about to reach one of our biggest milestones to date. We are about to mark a billion pounds invested by Gentoo in the City of Sunderland since 2001, on a variety of property related activity. A billion pounds has been invested on the modernisation of our homes; new housing and infrastructure fit for the future; and energy efficiency measures such as PV panels.

This commitment continues with the delivery of even more high quality, affordable new housing for residents. Our future renewal plans include further new homes at Houghton-le-Spring, Chester Road, Pennywell, Glebe and Broomhill. In terms of our existing homes, in the last year alone we have invested £24 million on modernising our properties and we have committed a further £26.8 million to deliver our planned maintenance programme during the year ahead.

As a responsible business we have always recognised the importance of combining physical, social and economic regeneration and this work had been underpinned by a range of people focussed Gentoo initiatives to enable people to realise their true potential and achieve their aspirations.

My work during the course of the year has included acting in the role of HRH The Prince of Wales' Responsible Business Ambassador for the North East. This has enabled me to discuss and promote the role of business in its widest context across a whole spectrum of business interests. Gentoo plays a key role in demonstrating how a business can take its wider responsibilities to society and the individuals within society seriously. In doing so we can act as employer, service provider, wealth generator and change agent in a way that enriches people's lives today paints a picture of a better society tomorrow.

Our work with people has continued to progress with a number of significant achievements during the year. This includes the launch of the Domestic Abuse Housing Alliance (DAHA) which has been widely supported by Government and housing providers. We have also maintained our top ranking with Stonewall where we are now a Star Performer in recognition of the excellent work and services we provide in regard to support for Lesbian, Gay, Bisexual and Transgender (LGBT) staff and customers. Further recognition of the Group's approach to responsible business has been secured by the five

Chief Executive's Review 2015 (continued)

star rating in the Business in the Community Corporate Responsibility Index (CR Index). These are nationally and internationally recognised achievements and the Group is justifiably proud to be operating at this level across many sectors.

I was also delighted to be able to attend the 50th anniversary celebrations of our subsidiary West of Scotland Housing Association (WSHA). This topped a great year in which WSHA was also able to take on the ownership of 102 homes from the Commonwealth Games' athletes' village. We will continue to grow our operations in the West of Scotland and look forward to further development opportunities in the coming year.

It has been inspiring to see the great work done through the Group's volunteering programme. Many of our staff and customers give up their time voluntarily to get involved in a whole range of projects that have a massive and sometimes life changing impact on people. Whether it is befriending someone who is isolated, helping with reading in schools, charitable fundraising or making physical improvements, these activities demonstrate what can be achieved from the ethos of being a responsible business.

During the course of the year I have been immensely proud to see what our staff can deliver however I am also aware of the need to maintain a strong focus on our core activity. There are therefore a number of challenges that I will address with the support of my executive colleagues. These include addressing the key compliance requirements of regulation; delivering business as usual; enabling cultural alignment and resourcing; generating new ways of thinking; focusing on the customer agenda; developing our City partnership and continuing to work with our colleagues at WSHA. Taken collectively these will ensure the Group can continue to deliver on our key challenges consistent with our vision and values.

The Group is now genuinely improving the Art of Living for thousands of people. I would therefore like to thank all of the participants and stakeholders in Gentoo for the opportunity to make a real difference in people's lives and look forward to the challenges ahead.

Peter Walls
Group Chief Executive
Gentoo Group

24 September 2015

About us

Gentoo is a large North East based social enterprise with a vision to improve the Art of Living. Our work is focused around three key areas to maximise our impact: people, planet and property.

We invest the income from our property activities along with the talent and energy of our team into finding solutions for some of society's most pressing concerns. Ultimately we aim to enable people to realise their true potential and achieve their aspirations.

Nationally, we campaign and influence strategies that may affect our colleagues and customers. Locally, we are one of the biggest employers and landlords in Sunderland.

People

People are at the heart of our business, whether that be our staff, our customers, our partners or the wider community. Our Art of Living philosophy helps to create value for our customers. As a major housing provider in the North East of England, we stay close to our communities and neighbourhoods. For many customers Gentoo is their first port of call.

We pride ourselves on being a responsible business and champion this approach with our partners and external colleagues. This adds value to our business and the people we serve, supporting our vision. This year our activity was recognised when we topped Business in the Community's annual benchmark of responsible business, the CR Index. We were the only organisation in the Index to achieve a full score of 100%, representing a five star rating. We are also the only housing provider to achieve five stars. This maximum score shows we have fully integrated responsible business practice into everything we do, right through from our strategy, to our operations and impacts. We are very proud of this achievement and it recognises the hard work and commitment of our passionate staff.

Our accolades continued this year when we were named a Stonewall Star Performer. Star Performers recognises the work of eight organisations who have consistently been ranked as top ten LGBT-friendly workplaces in the annual Workplace Equality Index. Star Performers lead their industry and will now work with Stonewall on pioneering initiatives that will define best practice for tomorrow. From launching global campaigns to revolutionising service delivery, Stonewall's Star Performer organisations will share their expertise and pave the way for others to follow.

Star Performers will actively mentor another employer who are working to create a workplace culture that is inclusive of LGBT people. As a Star Performer, we have committed to an ambitious programme of work to support older LGBT people in their homes as well as to help tackle domestic violence in same-sex relationships and we're making great strides on this commitment.

Supporting some of this activity, we were involved in the launch of a housing alliance to focus the housing sector's response to domestic abuse. The alliance is a partnership between Standing Together Against Domestic Violence, housing association Peabody

About us (continued)

and Gentoo. More than one million women are subjected to abuse in the home every year, and as such the Domestic Abuse Housing Alliance (DAHA) has developed an accreditation to help improve the housing sector's response. Housing providers have a key role to play in tackling domestic abuse and this approach has been welcomed by Government. We have a long standing commitment to tackling domestic abuse and we believe this alliance will make a huge difference to those people we identify and support. Our focus is to standardise processes across the UK, ensuring we make a positive impact on the lives of our customers.

'Give us all you've got' is one of our values and our passionate staff certainly live and breathe this ethos. Whether it be giving up their time, making donations or charitable giving, our staff embrace it. We have supported a number of campaigns this year to help improve the Art of Living for our customers and communities. Our teams have worked together to collect and donate items for local food banks, recycled school uniforms, Easter eggs and secret Santa gifts, these small items can make a big difference to those most in need.

We know time is precious and giving hours is perhaps the thing that can have the most positive impact on lives. Coordinated by our dedicated Volunteering Team, we have participated in initiatives such as Responsible Business Week and Good Deeds Day organised regular befriending of vulnerable people and reading in schools, to name but a few. We actively encourage staff to get involved during working hours as we really see the benefit to both recipients and our staff who report more happiness, fulfilment and wellbeing. It's amazing to see so many passionate people volunteering their time and efforts to make a difference. Volunteering provides the opportunity for Gentoo to join forces with communities and corporate partners, and give back to the communities we are proud to be part of. We hope we can inspire people to continue to support others – as even the smallest gesture can make a huge difference.

Gentoo continues to be a proud sponsor and support to Academy 360 and everything that it stands for. We work closely with the team and are passionate about improving the Art of Living beyond imagination for their young people.

Complementing this, the Group's 'Genfactor' talent competition has again grown this year. The Genfactor is a talent competition which gives young local people a chance to shine and showcase their talents, inspiring confidence and raising aspirations along the way. The competition aims to find the next big star. Since it launched in 2009, over 800 young people from across the city have taken part and last year, over 150 young people auditioned - all with the hope of scooping the 2014 Genfactor title.

To celebrate International Day of Older Persons, we also held our first 'Seniors Got Talent' event. Eleven talented acts, aged 60 to 95, got out their tap-dancing shoes, dusted down their joke books and sang some classics, as they competed for the first ever 'Seniors Got Talent' trophy. This event helped us to raise awareness and appreciate the contributions older people make to society. It's about celebrating what older people bring to our local community and this event showed seniors really do have talent.

About us (continued)

We believe in enabling people to achieve their aspirations and live the life they choose. As people get older, many require extra help and support to maintain their independence so we offer support to older people to remain independent in their homes, for as long as possible. Support is offered to Sunderland City residents aged 65 and over via our new Wellbeing Team. In conjunction with City partners, the team delivers a needs based service which may be for as little as a few months or until a person's individual needs are met. From helping people to feel safe or by simply putting up a handrail, we aim to help people live the life they choose for longer.

It is important to us to measure the impact and value of the work we do. This year our Vision and Culture's Impact and Performance Team won the 'Measurement of Social Return on Investment' category at the Housing Association National Accountancy Awards (HANA's). The Impact and Performance Team has been developing its expertise and its method of measuring social impact since 2009. The team applies a range of approaches to measure the social value of the Group's services, including Social Accounting and Auditing and Social Return on Investment (SROI).

In 2014, the Group's third set of Social Accounts were produced; these evidence the extent to which Gentoo's services are supporting our customers to achieve their Art of Living. Understanding what has changed in a customer's life enables us to calculate the social value. In total, our services have created a social impact of £29.6million, making the average social return of £7.34 for every £1 invested across all services. This initiative will continue as we explore ways to measure social value and challenge our approach to delivering value for money.

Finally, there has been a lot to celebrate at West of Scotland Housing Association (WSHA) this year as we marked our Scottish business' 50th birthday with not one, but three top awards. The Association has been awarded the prestigious Investors in People (IIP) Gold Standard Accreditation, a Health and Wellbeing Award and the Investors in Young People Accreditation. These awards are assessed rigorously by IIP and are given only to excellent organisations which demonstrate true support and development of their staff and customers. We are one of only very few organisations in Scotland to have achieved all three awards and it is a fitting way to celebrate our 50 years of providing quality housing and excellent customer care in Scotland.

This commitment to our customers in Scotland was marked with the launch of a new community inspired park for the benefit of our customers in the heart of Glasgow. The park enhances our WSHA subsidiary's 15 year, £60 million regeneration of Camlachie and brings about transformational change by taking a vacant and derelict land site and creating a fantastic space for people to enjoy. This partnership project enhances the delivery of our sustainable communities' strategy with the long term aim of improving the health and wellbeing of our customers and the wider community.

About us (continued)

Planet

At Gentoo, we believe that acting in a socially and environmentally responsible way is just the right thing to do. We believe it is our responsibility to help protect the planet's resources for future generations.

In 2013/14, we launched Planet Smart – the Group's sustainability programme focused on:

- Establishing sustainability as 'how we do business at Gentoo'
- Finding innovative solutions to technical problems
- Driving a reduction in our direct and indirect carbon emissions
- Delivering commercial value to the organisation
- Enhancing the Art of Living deliverables

We have deliberately set ourselves ambitious Planet Smart pledges. There are more than 40 pledges in total, each one directly aligned with our business streams. A Planet Smart project team has been established within Gentoo and holds a direct responsibility for facilitating, measuring and reporting Planet Smart activities. Progress and outcomes are recorded in the Planet Smart Pledge Register and reported annually in the Planet Smart Journal.

Carbon neutrality of Gentoo's direct operations by 1 April 2016 remains a strategic objective. Through the Planet Smart programme we are carefully reviewing, measuring and targeting specific areas such as energy consumption within our office buildings; our commercial fleet and the business miles we travel, with the aim to reduce our direct emissions. A carbon offsetting approach is now in development to complete this objective.

Going beyond our internal impacts we aim to integrate this Planet Smart approach in the communities in which we work. For example, a total of 1,598 school pupils have now received Gentoo's Planet Smart in Schools Programme, exceeding our school engagement targets and inspiring young children to think about their impact on the planet.

Our very first community car project has had a very successful first year with local volunteers using a Nissan Leaf electric car, donated to Gentoo by Nissan. This free and accessible mode of transport has been used to take people to local lunch clubs, weekly community groups and hospital appointments, and even deliver food to our essential food banks across the City. Using the Leaf is anticipated to improve the Art of Living for many customers and communities by giving them access to free, sustainable transport. The Group has the car for another two years and we want to help people who are isolated and vulnerable as a result of not being able to access public transport.

'Incredible Edible' is another initiative introduced to the City of Sunderland by Gentoo. It encourages local communities and businesses to work together to create edible landscapes where food can be grown and enjoyed by all for free. Thanks to support from Sunderland City Council, local traders and volunteers, an 'Incredible Edible' Green Route is successfully underway in Pallion, Sunderland.

About us (continued)

Local traders have taken responsibility for planters outside their businesses, each including 'Incredible Edibles' such as herbs, plants and flowers which local people are invited to pick and take home to use in their kitchens.

All of this work is supported by Gentoo staff and the many volunteers we recruit as part of our Volunteering Programme. To date, we have recruited over one hundred volunteers to work on a range of Planet Smart projects and initiatives. From giving energy advice and teaching others to grow their own food, to getting a new qualification or driving a community car, we offer something for everyone.

A big part of our approach is believing 'nothing is impossible', changing the conversation and pushing boundaries. Gentoo's Boiler on Prescription project investigates the effectiveness of energy efficient home improvement measures to act as health interventions. During a successful pilot with six patients, preventative measures such as new boilers, insulation and draught proofing have been prescribed by GPs to tackle illnesses which are exacerbated by cold temperatures, specifically Chronic Obstructive Pulmonary Disease (COPD).

In December last year Gentoo and Sunderland Clinical Commissioning Group (CCG) reported encouraging results with a 28% reduction in GP visits and 33% reduction in outpatient visits for patients involved in the study.

The scheme has already recruited two new partners - Durham Darlington Easington and Sedgefield (DDES) CCG and Northumberland County Council via their public health departments. By aggregating these three individual projects we can increase the sample size of the study to at least 18 patients and establish a more robust dataset. Some 20 other organisations from around the UK have spoken with us about joining a national Boiler on Prescription Partnership and this past year the scheme has attracted interest from as far afield as France and Australia.

This year also saw us reach a significant milestone in our mission to alleviate fuel poverty amongst our customers by fitting 3,948 homes with solar PV panels. By April 2016, around 5,000 Gentoo properties will have been fitted with solar PV, taking the total installed capacity to over 10 Megawatt Peak (MWp) – that's enough energy to power 8% of Gentoo's total housing stock per year or the equivalent of 2,280 homes per year.

Solar PV technology has so far proved hugely popular with our customers and is delivering bill savings on average of £96 per year, per household. Based on current energy prices and what is already installed, the Group will have enabled an annual bill saving of £379,008 for our customers. Over a 20-year period this will add up to savings of £7.68 million and a knock on effect of £7.68 million more being spent in the local economy during the same period.

Sunderland is now ranked fourth amongst Local Authorities in the UK by number of Solar PV installations in the Local Authority area. Gentoo's PV programme is largely responsible for the total of 5,575 domestic PV installations made in Sunderland up to the

About us (continued)

end of March 2015. Our commitment to a further 1,200 installations this year will cement this strong position.

Our Planet Smart commitment and influence extends both nationally and internationally. In Africa, the limited and unreliable access to electricity means that being able to study or work after sunset is a real challenge. The Nuru Fund is a charitable body created by Gentoo to enable families and communities in East Africa to address a dual problem: the lack of access to electricity and the unsafe, expensive, off grid alternative of kerosene lamps. It is estimated that around 85 per cent of the population in Africa has no access to electricity. Kerosene lamps are severely damaging to people's health and inhaling the fumes from one lamp over the course of one day is equivalent to smoking 40 cigarettes. Through a small customised loan the fund allows the purchase of solar lamps that can also power mobile phones.

By working with our partners we are lighting up lives in Kenya, Tanzania, Malawi and Nigeria. So far the Nuru Fund has raised £43,170 and distributed 910 solar lamps. Each kerosene lamp replaced with a solar lamp can save up to 1 tCO₂e emissions going into the atmosphere every five years. Our projects will help to save up to 910 tCO₂e over their five year lifecycle.

The impact is proving to be huge with people feeling safer at night, children finding it easier to do their homework and school grades improving, and food security increasing as the lamps enable more entrepreneurial activity.

Property

We aim to transform the built environment with a goal to create environmentally efficient, safe, secure and brilliant homes that enable people to get on and live their lives in so many other ways. If you don't get your housing right, things like education, employment and ambition can suffer. We see housing as a key enabler for people to achieve their life aspirations within communities.

This coming year will see the Group achieve the major milestone of investing one billion pounds in the City of Sunderland since 2001. This investment has been in a variety of property related activity including the modernisation of our homes, the replacement of unsustainable neighbourhoods with new housing and infrastructure fit for the future, and energy efficiency measures such as PV panels.

We're not planning on stopping here, our commitment and investment in the City of Sunderland continues as we remain on our journey to improve our customers' Art of Living.

Our aspiration to bring quality new homes to Sunderland is stronger than ever. This year has seen Gentoo complete more sites than ever with new sites already under construction. This will add to the 1,800 new homes already built throughout Sunderland by Gentoo.

About us (continued)

We have recently completed our 96 home, £14 million older person's development at Haddington Vale in Doxford Park. Having seen a very successful pilot of our extra care development at Cherry Tree Gardens in Houghton-le-Spring, we have developed this similar scheme at Doxford Park. The development will provide residents with a safe and secure environment whilst enabling them to live independently in their own homes.

Our £16.3 million development at Ryhope is also nearing completion with the 143 unit scheme having a mix of bungalows, apartments and houses. Set in the centre of a small, long-established neighbourhood, the new homes are all for rent with the exception of one bespoke sale property.

Our new homes division, Gentoo Homes launched a number of new developments across the region last year from Redcar and Cleveland up to Northumberland. We have seen substantial interest in our new homes and this last year 176 customers have moved in with us. Five new show homes have helped us showcase the selection and quality of our developments and have received great feedback.

We continue to push for innovation and to lower our impact on the planet. This year saw nearly 100 Gentoo properties in Glebe, Washington, being transformed through their thermal performance.

The £3.9 million investment in low carbon and energy efficiency measures saw all of the properties upgraded and re-fitted with the latest energy conservation measures, including a communal biomass heating system. This has enabled our customers to keep warm, improve wellbeing and reduce energy costs, tackling fuel poverty. The project secured a £1.94 million grant from the European Regional Development Fund, which is managed by the Department for Communities and Local Government, plus additional investment from Gentoo Group and Sunderland City Council, contributing to local and national carbon reduction targets, and helping to create jobs.

West of Scotland Housing Association (WSHA) has expanded its portfolio this year with 102 properties from the former Commonwealth Games Athlete's Village. The village was home to around 7,000 competitors and officials during the Glasgow 2014 Commonwealth Games, and is now becoming home to hundreds of families. The award winning development of sustainable homes is now improving the Art of Living for WSHA customers and offers a fantastic legacy for the Games.

Our Genie Home Purchase Plan is going from strength to strength and is now seeking partnerships with London developers to deliver 2,000 new homes in the capital over the next 10 years. Genie has signed a deal with the GLA which will see it access £40 million of loan finance to deliver the properties.

Genie is a 30 year homeownership plan which doesn't require a mortgage or deposit and is targeted at helping first-time buyers and long term renters into home ownership. Gentoo created Genie after asking the question "where are our children going to live?" We recognised the large section of society who want to own their own homes but are

About us (continued)

unable to do so. Genie is an ethical and unique product that helps people to access affordable homes in popular locations.

The London investment follows Genie's successful pilot in the North East of England which has seen 95 families move into their own homes.

Romag, the Group's provider of PV and specialist glass has had a number of success stories this year. Its new and innovative range of 'Intecto' fully-integrated PV tiles is designed with new build projects in mind to help alleviate planning concerns by incorporating PV seamlessly into domestic roofs. The tiles are available in a range of colours allowing architects to blend PV perfectly into new housing projects. Intecto is designed for the discerning customer, its good looks and energy efficiency are helping to put renewable technology back on the list of essentials for all new architectural building designs. Our first Intecto designs have already been installed on Gentoo new build homes at Beechbrooke, South Shields and have been closely followed by further installations by Taylor Wimpey at their Morley Carr site in Stockton.

Finally, we pledged to carry out a whole Group review of the business size and shape this year and make decisions about the future viability of our non-core business activity, reviewing the fit with our vision and strategic direction. Gentoo Construction Limited and Astley Facades formed a key part of this review.

Following discussions about Gentoo Construction with Tolent Ltd, the two businesses have now formed a joint venture, Gentoo Tolent Ltd, on 1 April 2015. Tolent is a highly respected and experienced construction company with whom we have enjoyed an excellent working relationship. We therefore felt the time was right to create this venture which would enable both organisations to share skills and knowledge in different and complementary areas of work. Both organisations felt that this synergy enables the best prospects of a sustainable regional business, protecting the workforce and enhancing the construction offer into the future.

This review also highlighted that the activity of Astley Facades did not fit with our future plans and as such we have sold this business. The company was purchased as a going concern in March 2015 and staff were transferred to the new owners. We wish the business well in the future.

We will now be spending time refocusing on activity more closely linked to our Art of Living vision and strategic corporate aims.

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2015

Principal Activities

Details of the principal activities can be found on page 31.

Business Model

Details of the key work streams undertaken to deliver our services can be found on page 7 to 14.

Business review and results

Performance for the year can be found on page 17.

Key Performance Indicators (KPIs)

Details of the KPIs used and measured can be found on pages 17 and 18.

Future Development

Details of the Group's aims and objectives can be found within the Operating and Financial Review on page 17.

Principal risks and Uncertainties

Details of the principal risks and uncertainties can be found on page 23 and 24.

By order of the Board:

Approved by the Board of Members and signed on its behalf by:



John Walker
Chairman

24 September 2015

Operating and Financial Review 31 March 2015

Activities

Gentoo Group is a people, planet and property business with a number of subsidiary companies, offering a variety of products and services:

- **Gentoo Sunderland Limited** – a Registered Provider of social housing in Sunderland
- **West of Scotland Housing Association** – a Registered Provider of social housing in Scotland
- **Willowacre Trust** – a registered charity in Scotland
- **Gentoo Homes Limited** – a residential property development company
- **Gentoo Construction Limited** – a design and build and repairs and maintenance contractor
- **Gentoo Genie Limited** – a provider of Home Purchase Plans
- **Genie Homeplan Limited** - a trust Company that holds the legal title for assets subject to Home Purchase Plans administered and provided by Gentoo Genie Limited
- **Gentoo Genie Admin Limited** – which will administer Home Purchase Plans provided by Gentoo Genie Limited
- **Gentoo Care Limited** – a provider of care services
- **Romag Limited** – a provider of PV and specialist glass
- **Romag PPM Limited** – a provider of leased assets to Romag Limited
- **Gentoo Group Limited** – parent company, a provider of Group functions and centralised head office services to the rest of the Group. Also a Registered Provider of social housing in Sunderland
- **Gentoo Living** – our social investment, independence and enterprise division
- **Gentoo Green** – our environmental sustainability division
- **Gentoo Art of Living** – registered under the Co-operative and Community Benefit Societies Act 2014
- **Nuru Fund Limited** – registered under the Co-operative and Community Benefit Societies Act 2014

Each of our subsidiaries and divisions have produced their own business plan and set their own operational targets. As we do not have shareholders, we do not distribute dividends. Instead, we aim to reinvest any profits made in accordance with our core strategic aims.

Operating and Financial Review 31 March 2015 (continued)

Group Strategic aims and objectives

The Group Business Strategy sets the overall direction for the Group including the vision, mission, values, strategic priorities and business streams. The Group's strategic aims are:

Aim 1: To enable people to fulfil their aspirations

The Group will: support people to realise their potential; increase their motivation, confidence, skills, knowledge and resilience; support people to make informed decisions about their lives; provide support so that people can live independent lives; provide a range of high quality, accessible affordable and planet smart homes to fulfil people's housing aspirations.

Aim 2: To enable successful neighbourhoods and communities

The Group will: provide opportunities for people to participate in decision making about their neighbourhoods and community; support people to fulfil their vision and aspiration for their neighbourhood and community; provide support to enhance relationships within and between communities; provide services and products that enhance the look and feel of Gentoo Group's neighbourhoods.

Aim 3: To enable Gentoo to add value to society

The Group will: ensure the services and homes the Group provides respond better to the needs of people, communities and the planet; ensure that social, economic and Planet Smart benefits are generated from Gentoo Group's investment and programmes; influence local, regional, national and international policy and practice as a responsible business.

Foundation aim: to enable Gentoo to remain financially viable, well governed and operate responsibly, in line with the Group's values.

The Group will: ensure the Gentoo Group brand is strengthened by delivering excellent customer service and products; ensure that Gentoo Group is recognised by regulatory bodies and other stakeholders as having excellent corporate governance; ensure that Gentoo Group adheres to corporate objectives and pursues opportunities in accordance with those objectives; ensure Gentoo Group is recognised by regulatory bodies and other stakeholders as operating highly efficiently, effectively and economically across all of its activities; ensure that Gentoo Group's values and culture are embedded across all of its activities.

Performance for the year

Financial performance headlines

The Group's income and expenditure account and balance sheet are shown on pages 44 and 46 of these accounts.

Turnover of £243.8m has been achieved (2014: £209.5m) and surplus for the year is £2.3m (2014: £5.0m surplus excluding the negative goodwill arising from the strategic partnership with WSHA) which exceeded our business plan. The valuation of our housing stock, which is independently assessed on an annual basis by FPD Savills, or JLL for properties owned by WSHA, has increased by £3.1m. Stock loss through 'Right to Buy' and 'Right to Acquire' has increased with 106 properties sold during the year.

Operating and Financial Review 31 March 2015 (continued)

As at 31 March 2015 the Group owned 32,671 properties (of which 32,336 were revalued) with an average 'existing use value' of £33,273 per unit and managed a further 1,629 properties.

The table below summarises the overall results:

	2014/15	2013/14	2012/13	2011/12	2010/11
Financial performance	£m	£m	£m	£m	£m
Turnover	243.8	209.5	175.2	175.1	144.0
Cost of sales	(96.3)	(64.3)	(47.7)	(56.6)	(35.5)
Operating costs	(117.8)	(117.1)	(100.8)	(119.0)	(86.8)
Operating Surplus	29.7	28.1	26.7	(0.5)	21.7
Exceptional – West of Scotland Housing Association	-	12.8	-	-	-
Deficit on disposal of investments	(1.7)	-	-	-	-
Net interest charges	(21.9)	(23.4)	(23.1)	(21.8)	(24.1)
Surplus/(loss) on sale of assets	0.6	0.4	(0.4)	0.5	0.3
Taxation	(4.4)	-	(1.5)	1.3	-
Surplus/(deficit) for the year	2.3	17.9	1.7	(20.5)	(2.1)

Financial position

	2014/15	2013/14	2012/13	2011/12	2010/11
	£m	£m	£m	£m	£m
Stock valuation	*1,075.9	998.1	964.0	944.6	911.0
Revaluation and capital contribution reserves	531.2	534.0	505.6	488.9	445.0
Net debt	(643.3)	(638.0)	(588.3)	(575.1)	(566.1)

* Includes £85.4m relating to West of Scotland Housing Association.

Housing management performance indicators

	2014/15	2013/14	2012/13	2011/12	2010/11
	%	%	%	%	%
Current tenant rent arrears as a % of rent due (incl voids)	3.3	2.9	2.8	1.9	2.0
Void loss	1.0	0.9	0.9	0.9	1.3

Non Financial performance

	2014/15	2013/14	2012/13	2011/12	2010/11
	No.	No.	No.	No.	No.
Stock numbers	32,671	32,526	29,232	29,412	29,620
Demolitions	25	85	215	271	278
New build	224	156	23	308	135
RTB / RTAs	106	94	106	20	20

Source: Internal systems

Operating and Financial Review 31 March 2015 (continued)

Value for Money (VfM)

At Gentoo the application of Value for Money (VfM) is fundamental to our operation and underpins the achievement of our vision and mission. Our focus on VfM and continuous improvement remains a key element of our business strategy. VfM is embedded both within the Group Business Strategy and the Group Business Planning process.

Our definition of VfM is connected to our mission and vision. The word 'wealth' in our mission isn't necessarily just about financial wealth, for us it is also about recognising the resources we have available in the community in the shape of individuals' skills, and maximising the opportunities to utilise those skills to improve the lives of our customers.

Our approach to VfM is to consider economy, efficiency, and effectiveness in everything we do. We are concerned about the costs and quality of our service along with the social and environmental impacts of our choices.

The Homes and Communities Agency (HCA) sets out their VfM expectations in the Regulatory Framework for Social Housing in England, and our annual VfM self-assessment report demonstrates how we are complying with the standard. This detailed report can be viewed on our website www.gentooogroup.com.

At Gentoo we have a continued commitment to VfM and good progress has been made in 2014/15 to further embed VfM within the Group using the VfM strategy which has been reviewed and updated during the year as the "Value for Money Policy 2015" and sets out the Group's plans for VfM to 2017. The key priorities in the policy are set out in summary as follows:-

- A robust approach to strategic decisions
- Ensure the financial sustainability of the Group
- Optimise the use of our assets to achieve our vision and mission
- Ensure robust management of all performance and costs
- Ensure the Group's approach to VfM is transparent to all stakeholders
- Maximise our capacity to achieve the Group's priorities by working in partnership and procuring goods and services in the most sustainable, economic way possible
- Maximise the value and capacity of our people
- Deliver social and environmental value that achieves the Group's vision and mission
- Create a framework to measure our approach to VfM

VfM is embedded both within the Group Business Strategy and the Group Business Planning process. This ensures that all business decisions are taken within a robust and accountable framework that takes into account VfM and risk. This also includes a strategic review of all business plans and budgets by our Group Board, including implications of business plan assumptions and robust scenario modelling and testing.

The VfM Working Group within Gentoo continues to meet regularly to oversee the Group's progress against the 2015 Policy reporting regularly to Group Executive, Risk and Audit Committee and the Group Board. The working group is currently developing longer term

Operating and Financial Review 31 March 2015 (continued)

plans that will further embed the VfM principles of Efficiency, Effectiveness and Economy within day to day activities, decisions and processes of employees and partners such that VfM is increasingly evident in the culture of the Group and demonstrated in the results being achieved.

The plans include:-

- Embedding VfM principles in all key corporate planning and strategic documents
- We will use the Clearview Performance Management system to capture and report projects, tasks, risks and key performance information and link them to the key focus areas outlined in our VfM Policy. This will allow us to clearly demonstrate how VfM is being embedded within the overall activities of the business
- Using Qlikview and Clearview as part of a consistent approach to data reporting
- The more effective use of benchmarking, including Housemark benchmarking
- Further developing the Group's active asset management capability, initially via the Insight tool
- Developing the use of the EFQM excellence model as a framework to further embed VfM principles and assess outcomes (The EFQM Excellence Model allows people to understand the cause and effect relationships between what their organisation does and the results it achieves)

Some examples of our Group of achievements in 2014/15 have been:-

- The rates of return for all assets have now been established at both a gross and net yield level. Rates of return on all social housing assets are also available using our Insight modelling database. This information will ensure that we are able to maximise the performance of the individual assets and overall portfolio. Year on year targets are developed to maximise the return on assets and performance against these targets is reported to Group Board on an annual basis.
- The fleet renewal program has saved £122k per annum in lease costs with an additional saving of £76k per annum being made on fuel costs due to vehicle efficiencies.
- Boiler specifications have been reviewed resulting in a more efficiently operating and cost effective specification which also delivers a saving of £104k per annum.
- A review of the ratings assessment for the Head Office buildings was carried out during the year and this resulted in a £188k net saving over the next three years.
- A full systems review of the new build process has been completed and an efficiency target of £300k has been included in the 2015/16 business plan.
- Gentoo Living created social value of £29.6m from an investment of £4m. This means that for every £1 invested in improving peoples Art of Living we have achieved £7.34 of social value.

Numerous Green initiatives have been carried out during the year generating energy and financial savings. For example, waste minimisation in Gentoo Construction saved £25k and 94.8 tCO₂e; changing Head Office lighting to LED's saved £18k and 160,533kwh; reduction in area depots and offices energy consumption saved £22k and 201,573kwh;

Operating and Financial Review 31 March 2015 (continued)

and introduction of the Opti-time system for electrical repair organisation saved £13k in printing and paper costs in addition to savings in staff productivity.

How we compare

We aim to measure or compare our value for money on a verifiable like-for-like basis with other organisations using a range of absolute costs and benchmarking activities. The main source of benchmarking for Gentoo is through Housemark which is an integrated data gathering and analysis provider to the social housing sector.

The table below summarises a number of our key value for money measures:-

VfM analysis	Gentoo Group 14-15	Gentoo Group 13-14	Benchmarking Position 13-14
Responsive repairs cost per property	£599.01	£605.28	3 rd quartile
Major works cost per property	£838.35	£1,175.89	3 rd quartile
Cyclical maintenance cost per property	£210.86	£192.76	1 st quartile
Average cost of void repair per property	£1,468.94	£1,725.50	1 st quartile
% repairs completed at first visit	89.65%	82%	4 th quartile
Current tenant rent arrears as a % of rent due (excluding voids)	3.34%	3.34 %	3 rd quartile
Rent Collected as a % of rent due	99.41%	98.5%	1 st quartile
Relet times – social housing properties	35.84 days	29.93 days	2 nd quartile
Housing Management cost per property	£518.00	£512.17	4 th quartile

Whilst our performance is mixed compared with our peers, the year on year performance has improved in most areas. The benchmarking data helps to identify areas where further improvements can be made. We are using the benchmarking information to focus our business improvement work. By improving our operational performance, we can re-invest resources to deliver the Group's vision and mission.

Optimising return on assets

The VfM standard expects all providers to understand the return on its' assets employed, and have a strategy for optimising the future returns. Our current portfolio, excluding land, is as follows:-

Operating and Financial Review 31 March 2015 (continued)

	EUV- SH/Market Value	Historic cost Net Book Value	Turnover	Gross Yield Market Value	Gross Yield Book Value
	£m	£m	£m	%	%
Social Housing lettings	1,080.9	844.8	135.4	12.53%	16.03%
Market Rent	5.4	4.7	0.3	5.56%	6.38%
Commercial Property	5.3	4.7	0.4	7.55%	8.51%
Rent to Buy	6.2	4.4	0.3	4.84%	6.82%
New Build Homebuy	2.2	1.8	n/a	n/a	n/a
Shared Ownership	8.0	4.8	n/a	n/a	n/a
Mortgage Rescue	2.2	0.9	0.1	4.55%	11.11%
Genie	10.2	9.6	0.6	5.88%	6.25%

We will continue to invest in our social housing assets based on stock condition surveys, replacing components on a condition led basis to maximise asset life. We have reviewed the asset lives of our components and have reflected this review within our Investment Plan. We also continue to model the current and future values, and investment requirements of our assets using 3 year, 5 year and 30 year investment models to ensure that our housing assets are sustainable and maintained to the required standards. Our decisions are informed by our Neighbourhood Assessment Matrix and have regard to the impacts of government policy. We will also continue to review the financial options for individual schemes and properties to support decision making to retain, convert or dispose of stock.

Our primary aim is to continue to manage the non-social property assets in such a way as to maximise the financial return to the Group through a mixture of maximising occupancy, sales, rent reviews and implementation of the terms of the various grant assisted schemes.

Conclusion

Achieving VfM to support the Group's Vision, Mission and Strategic Objectives and continuing to comply with the requirements of the HCA Governance and Viability

Operating and Financial Review 31 March 2015 (continued)

Standards are of critical importance to the Group and we believe our current performance and future plans will help to achieve these aims.

Our plans contain our commitment to achieve a high level understanding of our costs and achieving VfM in everything we do. This will ensure that we can focus our efforts on delivering our vision and mission, whilst at the same time achieve the Government budgetary targets set for the Housing sector.

We consider our VfM policy and approach to be robust and that this will ensure success. Our VfM Statement and future communications with Stakeholders will provide the necessary assurance as to our continued progress.

Key risks

We feel that the key risks we face as a Group are as follows:

- **Government economic policy**

The Government's July Budget announced reductions in social housing rents of 1% per annum for the next 4 years and other welfare reforms.

We are currently analysing the implication of this on our business plan and identifying where annual savings in costs in the region of £18m will be made in the next 2-3 years that will take sufficient cost out of the group to offset the reduced income and to ensure that we continue to meet all external covenants.

A revised business case which demonstrates on-going financial viability, covenant compliance and protection of social housing assets is being prepared for approval by Group board and will be submitted to the HCA by way of the Financial Forecast Return (FFR) by 30 October 2015.

The revised business plan will be reviewed by our Treasury advisors TradeRisks who will also conduct stress testing of the plan against individual and cumulative worst case scenarios. It is anticipated that savings and efficiencies will be made from 2016 across a broad range of activities within the group which will inevitably result in staff redundancies.

- **Group Structure and Tax Strategy**

Failure to review the Group structure will result in further unfunded tax liabilities. Gentoo is working with its partners to agree organisation structure changes to develop and implement a long term tax efficient governance structure.

- **Government Policy - Welfare Reform**

Changes to government policy on welfare reform and the introduction of Universal Credit will continue to impact the Group. The majority of the risk is to our customers who will receive less benefit if they have a spare bedroom and they are expected to budget on a monthly basis, receiving their money directly without having the choice of paying the rental element to their landlord. The risk to Gentoo is that our rent collection rate falls, our income management costs (including transactional costs) increase, and the consequences that may have for our loan covenants and the cost of borrowing.

Operating and Financial Review 31 March 2015 (continued)

• Weak Housing Market/Residential Property Prices

Continued weakness in the North East region housing market could impact on our margins and our ability to sell. It could also have an impact upon carrying value of assets leading to future impairment. We continue to develop a number of innovative tools to mitigate the problems associated with reduced demand and mortgage lending, including working in partnership with mortgage lenders to find ways to access lending. In addition, to help alleviate the problems that first time buyers are facing, the Group's Genie Home Purchase Plan product enables first time buyers to take a step on the property ladder, and to achieve full home ownership.

• Pension Deficit

With a number of changes to the Local Government Pension Scheme (LGPS) there is potential for volatility and increased liability on the balance sheet. It is therefore important that the Group has appropriately assessed assumptions used to value the defined benefit pension obligation.

• Health and Safety and Compliance

Failure to focus and comply with all relevant legislation and regulation could result in accident, injury or death to staff or third parties leading to HSE prosecution, potential criminal action and damaged reputation.

Financial Risk Management

We have a formal treasury management policy which is approved by the Board. The treasury policy reflects guidance issued by the HCA and changes in the economic climate. The policy addresses the financial credit, liquidity and interest rate risks.

- **Credit risk.** We limit the amount invested with individual counterparties to ensure that the credit risk on investments is spread over a large proportion of institutions. All institutions must meet high credit criteria and are approved by the Chief Finance Officer. The treasury policy includes a list of approved investment instruments.
- **Liquidity risk.** We have sufficient committed loan facilities to deliver our approved plan. These facilities are held with a range of high calibre lenders. The duration of the loans are structured to minimise any re-financing risk.
- **Interest rate risk.** We borrow at both fixed and variable interest rates. In order to create certainty in our financing costs we aim to fix up to 70% of our current and expected future debt requirements. Our fixed rate debt comprises funding via a bond and fixed rate loans embedded within our loan agreements. These embedded fixed rate loans are not subject to cash calls required by stand-alone swaps. Our debt requirements are reviewed at least annually following the approval of our business plan.

Investing in the future

Housing Stock

We have invested over £591m modernising our housing stock over the past 14 years. In addition to this, we continue to look for opportunities to add to our development portfolio

Operating and Financial Review 31 March 2015 (continued)

over the coming years. This investment will help ensure the long term sustainability of housing stock which is great news for our customers.

Business Processes

We are continually looking for ways to improve our people, processes and services. We have continued to learn and develop new business improvement tools and techniques. A demonstration of this has been our investment in 'systems thinking' training, which focuses on putting the customer at the heart of our processes. Over the year we have carried out numerous reviews and the results demonstrate further progress towards achieving the 'Art of Living' for all of our customers. The feedback from the exercise continues to inform both strategic and operational plans for the coming year.

Staff

The world in which we operate is challenging but as a Group we are still aiming to be progressive, visionary and innovative. This does not happen by accident. It is only through the continued commitment of our staff that we can strive towards delivering our vision to improve the Art of Living beyond our imagination.

The Group currently has 1,663 employees across a range of professions and roles. We continue to operate with a low turnover rate and some employees have now worked with the Group for over 30 years. It's fair to say that working at Gentoo is not just a job; it's a career where individuals are supported through professional qualifications, training and development and on the job coaching and mentoring. This approach has seen the Group awarded silver status with Investors in People.

Every single member of staff has a part to play in delivering our vision. It is the sum of every action by Gentoo employees that really makes our society a better place to live and this will support our customers to turn their energy to enjoying their Art of Living.

Gentoo is a progressive employer and we operate in an environment where staff understand our Vision, Mission and Values and are loyal to working for the Group. Our employees believe that Gentoo is a great Company to work for, and their feedback helped Gentoo achieve 31st position in this year's Times Top 100 Not for profit organisations to work for in the UK.

Operational buildings

All offices are Disability Discrimination Act (DDA) compliant to provide access to our front-line staff. We continue to review the delivery of our services through our regional offices to ensure that services are being delivered efficiently and effectively to our customers.

Financial Review

Accounting policies

The principal accounting policies of the Group are set out on pages 49 to 55 of the financial statements. The policies which most impact on the financial statements are the revaluation of housing properties, the treatment of modernisation expenditure (capital and revenue split) and the treatment of capital grant.

Operating and Financial Review 31 March 2015 (continued)

Capital structure and treasury policy

The Group has loan facilities in place. The Group has a syndicated loan facility, arranged by Royal Bank of Canada, and administered by Nationwide Building Society of £215m. In addition, the Group has a £212.8m loan funded from a 40 year bond issued by a special purpose vehicle with Prudential Trustee Company Limited acting as Security Trustee (the bond). The Bond is held by a number of large investors and listed on the main market of the London Stock Exchange. The Group also has a £104.6m loan facility provided by the European

Investment Bank and a £100m loan facility provided by the Royal Bank of Scotland of which £48m is undrawn as at 31 March 2015.

All of the above facilities are provided via T.H.F.C. (Capital) plc, as lender, acting as a funding intermediary to the Group.

West of Scotland Housing Association (WSHA) has its own active treasury policy which is approved by its management committee. It manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. At 31 March 2015 WSHA had £59.1m (2014: £60.3m) in loan facilities and held deposits of £5.5m (2014: £11.6m). The high deposits in the previous year are as a result of the availability of the loan finance period ending in the previous financial year and this being drawn down in advance of future spend on current developments.

The Group has a Treasury Policy which aims to maintain our level of drawn fixed rate debt at approximately 70% of our total drawn debt. At the year end, the Company had 67% of its borrowings at fixed rates and WSHA had 51% of its borrowings at fixed rates. We have also entered into a number of 'embedded' forward fixing arrangements to protect us from the risk of adverse interest rate movements in future years.

At the year end, Group total commercial borrowings amounted to £642.9m, £573m of which falls for repayment after more than five years. Our financial plans, which are submitted to both the HCA and our funders, indicate that we will continue to comply with both the Bond and loan covenant tests.

Cash flows

Our cash flows for the year are shown on page 48 of this Annual Report and Accounts. The key points to highlight are:

- £54.7m cash generated from operating activities
- Net £35.0m capital investment in both existing and new housing stock
- Net £0.3m of loans received in the year

The Group policy is not to hold significant cash balances but to ensure that loan facilities are in place to fund future requirements. Short term cash balances are placed on short term, higher interest or overnight deposits at competitive rates.

Operating and Financial Review 31 March 2015 (continued)

Pension costs

The Group operates three pension schemes as follows:

- Local Government Pension Scheme 'LGPS' which is a final salary scheme. We have made contributions to the scheme during the year in accordance with the levels set by the scheme actuaries. Our contribution rate has been at 20.5% for the full year
- West of Scotland Housing Association participates in the Scottish Housing Associations' Pension Scheme which is funded and is contracted-out of the State pension scheme. The contribution rate for the year was 12.3% of pensionable salaries for both employer and employees

The Group has a defined contribution scheme for employees who are ineligible to join the LGPS. Our contribution rate has been at 6% for the whole year

Details of the actuarial assumptions, and the current scheme deficit, are shown in note 24 of the Financial Statements.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, its cash flows, liquidity position and borrowing facilities are described in the Operating and Financial Review on pages 16 to 27.

The Group meets its day to day working capital requirements through the current account, which is cash positive at the year end and its revolver facility. The Group meets its development programme requirements through a combination of grant and debt funding. Note 23 to the accounts highlight the current level of debt and repayment terms. The current economic conditions create uncertainty particularly over the longer term availability of grant and bank finance.

The Group's forecasts and projections show that the Group should be able to continue to operate within the level of its current facilities and no matters have been drawn to its attention to suggest that future funding may not be forthcoming on acceptable terms. In relation to the July Budget (page 23) the Group will remain a going concern for at least the next 12 months from the date of these financial statements.

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Members, senior staff, professional advisors and bankers

Board of Management

The structure of the Board of the Group is made up of twelve members, comprising one local authority Councillor, one tenant, seven independents and three executive members (one independent and one executive member position is currently vacant). The members of the Board who served during the year are as follows:

Independent Board members

Richard Beevers
Barrington Billings
Mary Coyle
Hunada Nouss
Ian Self
John Walker (Chair)

Tenant Board members

John Dannell

Local Authority Board members

Jill Fletcher (resigned 28 May 2015)
Philip Tye (appointed 18 June 2015)

Executive Board members

Julie Kelly (resigned 19 June 2015)
Andrew Taylor (resigned 14 May 2014)
Peter Walls
Jason Ridley (appointed 18 August 2014)

Senior Staff

Group Chief Executive
Peter Walls

Deputy Chief Executive

John Craggs

Executive Director of Vision and Culture

Caroline Gitsham

Assistant Chief Executive

Julie Kelly

Executive Director of Governance and Enabling Services

Steve Lanaghan

Executive Director of Property

Ian Porter

Members, senior staff, professional advisors and bankers (continued)

Chief Finance Officer

Jason Ridley

Managing Director, Gentoo Genie

Steven Hicks

Managing Director, Gentoo Homes

Barry Walker

Chief Executive, Romag

Michelle Woodward

Registered office

Emperor House
2 Emperor Way
Doxford International Business Park
Sunderland
Tyne and Wear
SR3 3XR

Committee Membership

Risk and Audit Committee

Mary Coyle (Chair)
Jill Fletcher (resigned 28 May 2015)
Les Hodgson
Frederick McQueen
Hunada Nouss

Gentoo Green Committee

John Craggs
Marion Dobbins
Sally Hancox
Ian Self
Anna Scothern
John Dannell

Appointments and Remunerations Committee

Barrington Billings
Mary Coyle
Ian Self (Chair)
John Walker

Gentoo Living Committee

Joe Cartner
Philip Curtis
Marian Dobbins
Yvonne Gray (Chair)
Anne Lawson
Patricia Stoker

The Committees are all served by relevant officers of the Group.

Members, senior staff, professional advisors and bankers (continued)

Independent Auditor

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Funders

The funders for Gentoo Group are:

Nationwide Building Society

Treasury Department
King's Park Road
Moulton Park
Northampton
NN3 6NW

Lloyds Bank plc

Public and Community Sector
3rd Floor
25 Gresham Street
London
EC2V 7HN

Royal Bank of Scotland PLC

135 Bishopsgate
London
EC2M 3UR

Funding Advisors

Trade Risks Limited
3 Devonshire Square
London
EC2M 4YA

Bankers

National Westminster Bank plc
Sunderland City Branch
52 Fawcett Street
Sunderland
SR1 1SB

European Investment Bank (EIB)

100 Boulevard Konrad Adenauer
L-2950 Luxembourg-Kirchberg
Grand Duchy of Luxembourg

Newcastle Building Society

Portland House
New Bridge Street
Newcastle upon Tyne
NE1 8AL

**The Housing Finance Corporation
Limited (THFC)**

4th Floor
107 Cannon Street
London
EC4N 5AF

Report of the Board of Management

The Board of Management presents its report and the audited financial statements for the year ended 31 March 2015.

Legal status

The Company is limited by guarantee. It was registered with the Housing Corporation on 22 March 2001 as a Registered Social Landlord under the Housing Act 1996.

Board Members

The Board members who held office during the year are stated on page 28. Where the term director is used within these financial statements this includes the Board of Members of the Company.

Principal Activities

Gentoo Group's principal activities are the provision of affordable, rented accommodation to the social housing market and the wider regeneration of its communities. During the year the Group also undertook home property development, building contract and property maintenance services, PV and glass services, façade solutions and care services to both the public and private sector.

Gentoo Group Limited

Gentoo Group Limited is the Parent of Gentoo Sunderland Limited, a Registered Provider, which serves the geographical area within Sunderland. It also controls Gentoo Homes Limited, Gentoo Construction Limited, Gentoo Ventures Limited, Gentoo Genie Limited, Genie Homeplan Limited, Gentoo Genie Admin Limited, Gentoo Care Limited, Romag Limited, Romag PPM Limited, Gentoo Art of Living, Nuru Fund Limited, Sunderland Prospect 2 Limited and the strategic partnership with WSHA and its subsidiary Willowacre Trust. Gentoo Group also has small shareholding in Efficient Warm Energy Limited (dissolved 23 June 2015). Together the Group is known as 'Gentoo Group'.

Gentoo Group Limited provides Group-wide services including treasury and financial management, information technology, technical, legal and human resources services.

Results for the year

The consolidated retained surplus for the year, as shown on page 45, was £2.3m (2014: £17.9m surplus).

The year end revaluation of housing properties showed an overall surplus of £2.3m (2014: £37.4m), which has been credited to the revaluation reserve. Movements in the market value of investments, held as a security for the THFC funding via a bond, resulted in a net realised surplus of £4.6m (2014: £1.0m loss).

Changes in fixed assets and investments

Changes in fixed assets and investments are detailed in notes 13 to 17 to the accounts.

Officers' Insurance

The Company has obtained Directors' and Officers' liability insurance for the Board of Management and staff.

Report of the Board of Management (continued)

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2014: £nil).

Efficiency

The Board is committed to delivering an effective and efficient service to customers and other stakeholders and employs a range of techniques to increase efficiency including:

- Re-evaluation of procurement strategies
- Partnering with contractors for new build, refurbishment and maintenance contracts
- Reducing staff turnover, sickness and absenteeism

Derivatives and financial instruments (note 25)

Gentoo Group is a social landlord and not-for-profit organisation. As such, its directors are keen to mitigate potential risks associated with financing, the principal one being interest rate risk. The Group therefore seeks to fix a significant proportion of its debt in order to introduce certainty into its financial position and reduce the potential impact of adverse movements in interest rates. Current facilities are predominantly long term, which represents the initial acquisition cost of the housing properties together with requirements of ongoing spending on those properties.

Reserves held as security for the fixed rate bond are invested to result in as small a carrying cost as possible, whilst maintaining a low risk profile. This has been achieved by investment in similar bonds to the bond, where a relatively illiquid investment is allowable by the rating agencies.

Any short term deposits are placed with either building societies with approved credit ratings or a UK clearing bank as a matter of policy, to ensure as far as possible that the capital is not at risk.

Corporate Governance

Leadership

The HCA's governance standard requires all registered providers to adopt and comply with an appropriate code of governance. The Group's Corporate Governance Code of Practice (the Code) was adopted during 2010, as a framework for the conduct of the Group's business, and is based on 'The UK Corporate Governance Code' produced by the Financial Reporting Council. From 1 April 2015 Gentoo has adopted the National Housing Federation Code of Governance. The Code operates on a 'comply' or 'explain' basis and the Board can confirm that it complies with its Code, taking account of the explanations provided within this statement.

Having unitary board status, the Group Board is comprised of seven independent board Members, one tenant board Member, one council board Member and three executive board Members. (One independent and one executive member position is currently vacant). Board Members are drawn from a wide background bringing together commercial, professional and local experience. The Board meets a minimum of six times

Report of the Board of Management (continued)

a year on both a formal and informal basis. Opportunities are available for the Chairman to meet privately with the Vice Chairman (Senior Independent) and other non-executives to discuss any matters on an informal basis and meet at least annually on a formal basis.

The Group Board is ultimately responsible for the overall control of the Group and its subsidiaries, including the monitoring of its performance and the deployment of its resources. The Board ensures that the Group operates effectively and within the terms of its internal governance and upholds the Group's vision, mission and values.

A number of key decisions and matters are reserved for the Board and are not delegated to management or other subsidiary boards and committees. These include but are not limited to: the development of the Group's strategy, vision, mission and values, major changes to the Group's corporate structure, changes to the Group's management and control structure, any changes to the company's status and the extension of the Group's activities into new business or geographic area. These and all other responsibilities and duties are set out in the Board's terms of reference.

Whilst the Board is responsible for the overall strategy and policy of the Group, day to day matters are delegated to the Group Chief Executive and other executive directors through the Group's Delegation Scheme.

The Group Board is comprised of the following Directors and their attendance for year ended 31 March 2015 is shown in the table below:

NAME	GROUP BOARD MEETINGS	APPOINTMENTS & REMUNERATIONS COMMITTEE MEETINGS
	11 meetings	4 meetings
Richard Beevers	7 out of 11	N/A
Barrington Billings	10 out of 11	2 out of 4
Mary Coyle	9 out of 11	4 out of 4
John Dannell	9 out of 11	N/A
Jill Fletcher ¹	4 out of 11	N/A
Julie Kelly ²	9 out of 11	N/A
Hunada Nouss	7 out of 11	N/A
Jason Ridley ³	7 out of 7	N/A
Ian Self	10 out of 11	4 out of 4
Andrew Taylor ⁴	2 out of 2	N/A
John Walker	10 out of 11	3 out of 4
Peter Walls	11 out of 11	N/A

1 Jill Fletcher resigned as Executive Member (council) on 19 June 2015

2 Julie Kelly resigned as Executive Director on 19 June 2015

3 Jason Ridley was appointed as an Executive Director on 18 August 2014 therefore maximum attendance was 7

4 Andrew Taylor resigned as an Executive Director on 14 May 2014 therefore maximum attendance was 2

Report of the Board of Management (continued)

Effectiveness

Board effectiveness is undertaken to consider a range of principles including leadership; accountability; probity and business strategy. The results of this review and measures for improvement are reported to the Board.

Overall Board effectiveness is comprised of an annual 360⁰ appraisal process and periodic observation of Board meetings by an Independent Advisor. The appraisal process is designed and facilitated by the Independent Advisor who was appointed for the purpose of providing executive advisory services and has no other connection with the Group. 360⁰ feedback from all Members of the Board in respect to the performance of the Group Chairman is reviewed by the Senior Independent Director and fed back to the Chairman supported by the Independent Advisor. A meeting with the non-executive directors, led by the Senior Independent Director, to discuss the performance of the Chairman was held in July 2015 and reported to the Board in September 2015 year as part of the current Group Board 360⁰ appraisal process. Preparations for the next tranche of annual 360⁰ are underway.

In accordance with the principles set out in the Code, Group board considers all of its non-executive directors to be independent and continue to be effective. Biographical information for Group Board Directors can be found on the Group's website. The Code principles to determine the independence of Members is described below:

- has not been an employee of the Group within the last five years
- has not had any significant material business relationships within the last three years with the Group either directly or as a partner, director or senior employee of a body that has such a relationship with the Group
- has not received additional remuneration and are not a member of the Group's pension scheme
- does not have close family ties with any of the Group's advisers, directors or senior employees
- holds no cross directorships nor significant links with other directors through involvement on other companies or bodies
- has not served on the board for more than nine years

Risk and Audit Committee

This committee acts on behalf of Group Board to ensure appropriate controls are in place to safeguard assets and manage the attendant risks. The committee is also responsible for monitoring and reviewing a number of areas including the consistency of accounting policy, the integrity of financial statements, the adequacy of internal controls as regards financial operations and compliance, the proper management of risks and the selection of the external auditors. The committee must meet at least four times a year; however, it usually meets every other month.

Report of the Board of Management (continued)

Key Risks

The Group has an effective risk management process in place to facilitate the identification, monitoring and reporting of key risks and the implementation of mitigating action. A risk appetite framework has also been developed which is reported to Risk and Audit Committee on a regular basis. The risk management framework includes the integration of risk into the business planning process, review of the external environment in which the Group operates including the risk profile published by the HCA and other industry bodies. Risk owners take responsibility for the identification and management of risk supported by the Group Risk function. The risk management process is also supported by the Business Assurance Team who provide assurance over the key control framework within the Group and have a risk based approach to its audit planning process.

The Risk and Audit Committee oversees the risk and internal control framework on behalf of the Board and makes recommendations to the Group Board where necessary. The Committee receives regular information regarding the Group's key corporate risks, key controls to mitigate these risks, movement in the risk assessment score, and further mitigating action required. The External Auditors also provide their view of the Group's risk profile. In the 2014/15 external audit plan the following key risks were highlighted:

- **Impairment**

The Group continues to undertake significant committed development work in relation to on-going schemes which could lead to the carrying value of assets held within the balance sheet being overstated, leading to impairment. To mitigate, Management's assessment of property valuations and impairment calculations is undertaken at least annually, with particular focus on land bank, outright sales and shared ownership properties.

- **Capitalisation Policy**

There is a risk of inconsistent accounting treatment of the capitalisation of costs relating to fixed assets. To mitigate, Management explained its capitalisation policy in terms of new development and major repair works, including the controls in place, and how it was compliant with the Statement of Recommended Practice 'Accounting by registered social housing providers Update 2010' ('SORP 2010').

Other areas of focus included:

- **Funding/going concern**

Future financial stability is a key area for the Group in relation to current commitments and growth plans. Management will continue to address any changes through updating its financial plans and restructuring business accordingly to ensure financial viability.

- **Pensions**

As the cost of the pension provision and scheme deficits continues to increase due to changes in mortality and return on equity assumptions, there is a risk of affordability and the Group will continue to review the financial impact of such increases on the Group's financial projections.

Report of the Board of Management (continued)

These risks identified by the External Auditor are also represented in the Group's Key Corporate risks that is monitored by the Risk and Audit Committee.

Following an OJEU tender process, KPMG LLP (KPMG) were appointed as the Group's external Auditor and corporation tax advisors in March 2013, taking effect from 31 March 2013 for a period of four years with the option to extend for a further one year period.

KPMG provide some non-audit services, however assurances were provided by KPMG in their proposal document prior to their appointment that the provision of these services does not represent a conflict of interests or a threat to their independence as external auditors. KPMG have on-going systems and processes in place to assess potential conflicts of interest as they arise and will notify management and the Risk and Audit Committee immediately should they arise. Compliance with the Policy on the provision of non-audit services by the External Auditor is monitored.

The Risk and Audit Committee also consider the performance of the External Auditor on at least an annual basis as per their Terms of Reference and Schedule of Business. The committee reviewed the mid-year and year-end financial statements together with the annual report and accounts in July 2014 and a mid-year review in Nov 2014.

Business Assurance Services operate within the Institute of Internal Auditors (IIA) Standards Framework. In order to demonstrate on-going compliance with the Standards, the IIA require internal audit functions to undertake an external verification every five years. This external validation was undertaken in March 2015 where it was found that the Group's Business Assurance Team complied with the Standards. In addition an internal best practice review was undertaken.

There are currently four members of the committee:

NAME	RISK AND AUDIT COMMITTEE MEETINGS
	6 meetings
Mary Coyle	6 out of 6
Jill Fletcher (resigned 28 May 2015)	4 out of 6
Hunada Nouss	5 out of 6
Frederick McQueen	6 out of 6
Les Hodgson	4 out of 6

Work Undertaken by Risk and Audit Committee:

A schedule of business is approved at the beginning of each year that sets out the activities of the committee with regard to those key areas, as well as its other items of business. During the year the Committee, among other things:

- Discussed with management the impact of the Group's Regulatory judgement and the measures required to improve the Group's Governance and Viability position;

Report of the Board of Management (continued)

- Considered findings of the Group's Governance review;
- Approved the Group's risk appetite framework;
- Considered reports from the External Auditor on the Group's financial statements;
- Received a report from the Chief Finance Officer on the half yearly financial position;
- Approved the internal and external audit plans for the year and received reports;
- Considered reports from the Group's internal and external auditors regarding the internal control structure of the Group;
- Reviewed management responses to recommendations within audit reports and assessed implementation through follow up status reports;
- Received presentations from management on key risk areas such as Welfare Reform and Gentoo Homes sales and business plan;
- Received updates on the Group's VfM Strategy and Action Plan;
- Considered a review of the Integrated Management System for Group ISO accreditations;
- Considered the degree to which the different components of the Group comply with legal and regulatory requirements;
- Met with both the internal and external audit providers without officers present to discuss the audit process; ensure independence and objectivity was maintained; and consider auditor performance;
- Reviewed an updated version of the Internal Audit Charter;
- Reviewed the performance of Business Assurance Services in achieving coverage of the internal audit plan and reviewed resources available to achieve the plan;
- Considered reports on fraud issues and investigation activities;
- Considered statistics on Health and Safety and Group Insurance;
- Recommended policies to Group Board on Anti-Fraud; Bribery & Corruption; Whistleblowing and the Group's position on the External Auditor Performing Non-Audit Services.

Report of the Board of Management (continued)

Effectiveness of Internal Control

A key responsibility of the Board is to review, assess and confirm the adequacy and effectiveness of the Group's risk management and internal controls systems. The Board has delegated part of this responsibility to the Risk and Audit Committee. The role and work of the Risk and Audit Committee are described in the earlier paragraphs of this statement.

The Board's annual schedule of business, reporting arrangements and the work of the Risk and Audit Committee are designed to ensure that the significant areas of risk are reported on and considered during the course of the year. In addition to determining the risk appetite the Board specifically reviews its key corporate risks.

The Board receives its assurance on an annual basis on the effectiveness of the Group's risk management and internal control systems through the on-going work of the Risk and Audit Committee and the annual report of Business Assurance Services in line with the requirements of the Group's Code of Governance.

Report on the Effectiveness of Internal Control

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Board receives, either directly or via the Risk and Audit Committee, reports from management on risk management and control arrangements on a regular basis throughout the year as outlined below:

- Internal and external audit reports;
- Assessment by external and regulatory bodies;
- Health and Safety audit assessments;
- Industry accreditations and compliance reviews;
- Stakeholder feedback;
- Risk Management reports;
- Performance management information;
- Financial performance information; and
- Self-assessment against industry standards and best practice.

The assurance activities described above have identified opportunities for improvement to the Group's internal control structure. Management have provided assurances and evidence to Risk and Audit Committee to demonstrate that the organisation is keeping the internal control structure under continuous review. As such the Board can conclude that they are satisfied that a robust system of internal control is in place; and has been in place for the year ended 31 March 2015.

Report of the Board of Management (continued)

Appointments and Remuneration

This Committee acts on behalf of Group Board to make recommendations to the relevant Board or committee regarding the appointment of Members and remuneration. The Committee is responsible for developing succession plans for the Boards and committees of the Group. The Terms of Reference of the Committee is published on the Group's website. The Committee meets at least once a year, however it has met four times during the financial year and considered the following matters:

- Overseen the appointment of the Group's Chief Finance Officer
- Overseen the appointment of John Dannell (Group Board non-executive director (Tenant) to Gentoo Green Committee
- Considered and made recommendations to the relevant Board regarding the re-appointment of:
 - Barrington Billings as a Group Board non-executive director for a further term of three years
 - John Moralee as a non-executive director of Gentoo Sunderland Board for a further year having served on the Board for nine years
 - Frederick McQueen as a non-executive director of Gentoo Sunderland Board for a limited period having served more than nine years and to continue to serve as Chair of Gentoo Sunderland for this period
- Reviewed and approved remuneration proposals for the Group Executive based on advice provided by the appointed remuneration consultant. The consultant has no other connection with the company
- Reviewed and approved the recruitment protocols for appointments to Gentoo Group Board and Gentoo Sunderland Board

A Board Diversity Policy is in place which recognises and embraces the benefits of having a diverse Board. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires to be effective.

Group Executive Team

The Group Chief Executive is assisted in his responsibilities by the Group Executive Team who are responsible for the strategic management of Gentoo Group and its business. The Group Executive Team meetings are chaired by the Group Chief Executive and meet on at least a weekly basis. The team make recommendations to the Board on strategic and operational plans and others matters reserved for the Board where appropriate. The team is currently comprised of the Group Chief Executive and the Chief Finance Officer who are also directors of the Board and the Executive Directors who report to the Group Chief Executive.

Report of the Board of Management (continued)

Disclosure of information to auditor


The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board:

Approved by the Board of Members and signed on its behalf by:



John Walker
Chairman
24 September 2015

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Group and Association financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Group and association financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Association and of the surplus or deficit of the Group for that period.

In preparing these Group and association financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Association and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Gentoo Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Gentoo Group Limited

We have audited the financial statements of Gentoo Group Limited for the year ended 31 March 2015 set out on pages 44 to 103. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 41, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of affairs of the Group and Association as at 31 March 2015 and of its surplus for the year then ended
- Have been properly prepared in accordance with UK Generally Accepted Accounting Practice
- Have been prepared in accordance with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

Independent auditor's report to the members of Gentoo Group Limited (continued)

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us
- The financial statements are not in agreement with the accounting records and returns
- Certain disclosures of directors' remuneration specified by law are not made
- We have not received all the information and explanations we require for our audit
- The directors were not entitled to take advantage of the small companies exemptions from the requirement to prepare a strategic report

M. R. Thompson

Mick Thompson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

24th September 2015

Consolidated Income and expenditure account
for the year ended 31 March 2015

	Note	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Turnover	2a				
Continuing operations		236,137		197,499	
Discontinued operations	2c	7,648		11,964	
		243,785		209,463	
Cost of sales	2a		(96,284)		(64,274)
Gross profit			147,501		145,189
Operating costs	2a		(117,778)		(117,151)
Operating profit / (loss)	2a				
Continuing operations		31,733		33,166	
Discontinued operations	2c	(2,010)		(5,128)	
			29,723		28,038
Negative Goodwill arising from the strategic partnership with WSHA – exceptional item	33		-		12,836
Surplus on disposal of fixed assets	6		544		442
Deficit on disposal of a discontinued operation	7a		(1,666)		-
Interest receivable and similar income	8		1,464		1,473
Interest payable and similar charges	9		(26,428)		(26,242)
Other finance income	10		3,060		1,380
Surplus on ordinary activities before taxation	11		6,697		17,927
Tax on surplus on ordinary activities	12		(4,391)		(59)
Surplus for the financial year			2,306		17,868

Consolidated Statement of Historical Cost Surpluses and Deficits
for the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Surplus on ordinary activities before taxation and exceptional items		6,697	5,091
Exceptional item	33	-	12,836
Realisation of property revaluation gains	26	1,315	253
Excess of actual depreciation charge over historical cost depreciation	26	1,888	1,041
Historical cost surplus on ordinary activities		9,900	19,221

Company Income and expenditure account
for the year ended 31 March 2015

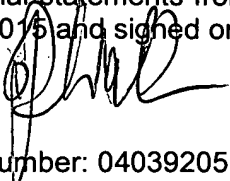
	Note	2015 £'000	2014 £'000
Turnover	2a	52,598	37,980
Cost of sales	2a	(19,958)	(8,230)
Gross profit		32,640	29,750
Operating costs	2a	(30,903)	(32,205)
Operating surplus / (deficit)	2a	1,737	(2,455)
Surplus on disposal of fixed assets	6	40	120
Deficit on disposal of investments	7b	(6,779)	-
Interest receivable and similar income	8	24,738	24,756
Interest payable and similar charges	9	(24,738)	(24,756)
Deficit on ordinary activities before taxation	11	(5,002)	(2,335)
Tax on deficit on ordinary activities	12	(266)	(76)
Deficit for the financial year	26	(5,268)	(2,411)

The results for the year relate wholly to continuing activities.

Consolidated Balance sheet
as at 31 March 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	13	326	419
Tangible fixed assets – housing properties at valuation	14	1,098,349	1,087,477
Tangible fixed assets – other	15	29,374	30,316
		1,127,723	1,117,793
Investment properties	16	17,420	14,943
Investments	17	33,518	28,958
		1,178,987	1,162,113
Long term debtors	18	1,555	1,742
Current assets			
Properties for sale	19	46,536	47,471
Work in progress		132	3,316
Cash at bank and in hand		10,527	13,544
Stocks	20	2,537	2,268
Debtors	21	28,643	25,888
		88,375	92,487
Creditors: amounts falling due within one year	22	(61,638)	(52,837)
Net current assets		26,737	39,650
Total assets less current liabilities		1,207,279	1,203,505
Creditors: amounts falling due after more than one year	23	633,103	633,134
Pension liability	24a	21,820	11,350
Capital and reserves			
Revaluation reserve	26	223,017	218,611
Revenue reserve (excluding pension reserve)	26	69,059	56,382
Pension reserve	26	(47,920)	(31,340)
Revenue reserve (including pension reserve)	26	21,139	25,042
Capital contribution reserve	26	308,200	315,368
		1,207,279	1,203,505

These financial statements from pages 44 to 103 were approved by the Board of Directors on 24 September 2015 and signed on its behalf by:

John Walker 
Chairman
Registered number: 04039205

Company Balance sheet
as at 31 March 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	13	289	380
Tangible fixed assets – housing properties at valuation	14	10,295	11,031
Tangible fixed assets – other	15	19,144	19,853
		29,439	30,884
Investment properties	16	7,374	5,853
Investments	17	33,518	28,958
Investments in subsidiaries	17	350	1,532
		70,970	67,607
Long term debtors	18	120	131
Current assets			
Properties for sale	19	16,724	22,303
Cash at bank and in hand		3,683	1,030
Stocks	20	666	679
Debtors	21	480,767	474,499
		501,840	498,511
Creditors: amounts falling due within one year	22	(18,774)	(21,466)
Net current assets		483,066	477,045
Total assets less current liabilities		554,156	544,783
Creditors: amounts falling due after more than one year	23	575,219	565,748
Capital and reserves			
Revaluation reserve	26	11,770	6,502
Revenue reserve	26	(32,833)	(27,467)
		554,156	544,783

These financial statements from pages 44 to 103 were approved by the Board of Directors on 24 September 2015 and signed on its behalf by:


John Walker
Chairman

Registered number: 04039205

Consolidated cash flow statement
for the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Net cash inflow from operating activities	29	54,687	50,623
Returns on investment and servicing of finance	27	(22,165)	(24,764)
Taxation		(2,200)	-
Capital expenditure and financial investment	27	(35,020)	(26,108)
Financing	27	310	(19,081)
Acquisitions and disposals	27	(1,037)	11,921
Decrease in cash	28	(5,425)	(7,409)

Consolidated Statement of total recognised surpluses and deficits
for the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Income and expenditure surplus for the year	26	2,306	17,868
Unrealised surplus on revaluation of housing properties	26	3,049	37,418
Unrealised surplus / (deficit) on revaluation of fixed asset investments	26	4,560	(560)
Actuarial (loss) / gain on pension fund assets / liabilities	26	(16,580)	14,960
Total recognised (deficit) / surplus since the last financial statements		(6,665)	69,686

Notes to the financial statements for the year ended 31 March 2015

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, excepted as noted below. The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Statement of Recommended Practice 'Accounting by registered social housing providers Update 2010 ('SORP 2010), and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified by the revaluation of investment properties (see investment properties, accounting policy for further detail).

Basis of consolidation

Company law requires the directors to prepare the Group and association financial statements for each financial year. For those companies in Gentoo Group which are limited by guarantee, Gentoo Group Limited is considered to be the ultimate controlling party. This is because intragroup agreements exist between the Companies, which recognise that the Board ultimately controls the overall strategy, policies and procedures of all Group Companies. All Companies in the Group are included in the consolidated financial statements.

Acquisition

During the prior year Gentoo Group Limited entered into a strategic partnership with West of Scotland Limited (WSHA), a Registered Provider. There are strict criteria under UK GAAP, FRS6, that must be satisfied in order for such a partnership to be brought into the group under merger accounting rules rather than acquisition accounting rules.

Although both Gentoo and WSHA view the partnership in substance as a merger, the merger criteria are not satisfied from an accounting perspective. This is predominantly due to the relative sizes of Gentoo and the significantly smaller WSHA, and Gentoo's ability to set group strategy and the group business plan to which WSHA must adhere. Therefore, this strategic partnership has been recognised using acquisition accounting.

Turnover

Turnover is recognised when it is receivable or when conditions associated with the income have been met. It comprises:

- Rental income from tenants and leaseholders in the year, net of rent losses from voids;
- Sale of residential property;
- Receipts from the sale of the first tranche of shared ownership properties; and
- Income from other services included at the invoiced value (excluding value added tax) of goods and services supplied in the year.

Notes to the financial statements (continued)
for the year ended 31 March 2015

1. Accounting policies (continued)

Properties for sale

Completed properties for outright sale and property under construction are valued at cost, and are included within current assets. Cost comprises materials, direct labour and direct development overheads.

Shared ownership

The costs of shared ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and on disposal the first tranche sales proceeds are shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset. Any grant attributable to shared ownership assets is wholly attributed to the fixed asset. Subsequent tranches sold ('staircasing') are accounted for as disposals of housing properties.

Housing properties held for letting

Housing properties are principally properties available for rent and are stated at professional valuation using existing use value for social housing. Additions include the cost of acquiring land and buildings, development costs and expenditure incurred in respect of enhancements to existing properties. Depreciation is provided to write down the value of housing properties on a straight line basis over the following useful economic lives. No depreciation is charged for land.

Housing property components - depreciation life

Bathrooms	25 years	New-build structure	100 years
Doors	30 years	PV invertors	8 years
Electrical installations	30 years	PV panels	25 years
Heating installations	15 years	Roof	60 years
Kitchens	20 years	Structure	80 years
Lifts	30 years	Windows	30 years

Housing properties in the course of construction

Housing properties in the course of construction are stated at cost and are not depreciated.

The Group sells its properties under the statutory regulations of 'Preserved Right to Buy' and 'Right to Acquire'. Profit or loss on sale of these properties are recognised after operating surplus or deficit.

Garages held for letting

Garages held for letting are stated at cost. Depreciation is provided to write down the value of garages on a straight line basis over their expected useful economic lives of 50 years.

Notes to the financial statements (continued)
for the year ended 31 March 2015

1. Accounting policies (continued)

Intangible assets

Intangible fixed assets are stated at cost less accumulated amortisation. Cost includes the original purchase price of the asset plus any associated costs.

Tangible fixed assets - other

Other tangible fixed assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset plus any costs incurred in bringing the asset to its working condition for its intended use.

Depreciation is calculated to write off the cost or valuation of tangible fixed assets on a straight line basis over their estimated useful lives as follows:

Furniture, fixtures and fittings	5-20 years	Office equipment	3-10 years
IT equipment	3-5 years	Plant and machinery	10 years
Land and buildings	50 years	Vehicles	3-5 years

Cyclical repairs and maintenance

A rolling programme of cyclical repairs and maintenance for housing properties is undertaken each year in accordance with operational requirements. The Group does not adopt a policy of providing for future repairs which are of a cyclical nature but incurs the expense in the period in which the liability arises.

Works to existing properties

Major repairs expenditure on housing properties is charged to the income and expenditure account as incurred. The cost of enhancements, together with associated management expenses, is capitalised directly to the housing properties held for letting. Depreciation is charged on these enhancements in line with the accounting policy on housing properties.

Disposal of housing properties

Property sales and any profits thereon are recognised when the transaction becomes legally binding on both parties. Any foreseeable loss on any proposed property sale is recognised in the income and expenditure account as soon as the decision is made to dispose of the property.

Impairment

The Group assesses at each balance sheet date whether there is any objective evidence that an asset is impaired. For assets carried at a depreciated historical cost basis the impairment loss is recognised in the income and expenditure account immediately.

For assets that are carried at revalued amounts, an impairment loss is treated as a revaluation decrease. The loss is first set off against any revaluation surplus relating to the same class of assets in reserves and the balance of the loss is then treated as an expense in the income and expenditure account.

Notes to the financial statements (continued)
for the year ended 31 March 2015

Accounting policies (continued)

Reversal of impairment

For other fixed assets where the recoverable amount increases as a result of a change in economic conditions or in expected use of the asset then the resultant reversal of the impairment loss is recognised in the year.

Investment properties

In accordance with SSAP19, investment properties are revalued at least every three years and the aggregate surplus or deficit is transferred to the investment property revaluation reserve. No depreciation is charged on the investment properties in accordance with the accounting policy. This treatment represents a departure from the requirements of the Companies Act 2006 concerning depreciation of fixed assets, however these properties are held for investment not consumption therefore the Directors consider that the systematic annual depreciation would be inappropriate. The accounting policy is adopted to give a true and fair view within the financial statements.

Investments

Investments are made up of shares in subsidiary undertakings and fixed asset investments. The fixed asset investments are reserves held for security for the bond and are revalued annually.

Social Housing Grant (SHG) and other grants

Where SHG has been received or are receivable as a contribution towards the capital cost of a scheme, such grants are shown in note (14) to the financial statements. Other grants in respect of revenue expenditure are credited to the Income and Expenditure Account in the same period as the expenditure to which they relate.

Grants receivable not yet received at the balance sheet date are included in debtors.

At the balance sheet date if SHG or other grants received or receivable on uncompleted properties are greater than the gross cost, the difference is included in creditors falling due within one year and disclosed as SHG and other grants in advance. The SHG is potentially repayable.

Disposal proceeds fund

The disposal proceeds fund is an internal fund used to recycle the proceeds of sale under 'Right to Acquire' procedures. This fund has been calculated and disclosed in accordance with determinations made under section 24(5) of the Housing Act 1996 and the Housing Corporation Capital Funding Guide.

Notes to the financial statements (continued)
for the year ended 31 March 2015

1. Accounting policies (continued)

Stock

Stock is stated at the lower of cost and net realisable value.

Work in Progress

Work in progress is stated at costs incurred less those transferred to the income and expenditure account, after deducting foreseeable losses and payments on account not matched with turnover. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Leased assets

Costs in respect of operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

Service charge sinking funds

Where properties with communal facilities are sold under lease to tenants with the statutory 'Preserved Right to Buy' or 'Right to Acquire', a monthly service charge is levied.

Part of the service charge is retained in a sinking fund for major repairs. Interest is added annually to the fund.

Taxation and deferred taxation

The charge for taxation is based on the surplus / (deficit) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Value added tax (VAT)

The Company is included in a Group VAT registration which includes all Group Companies except for Gentoo Homes Limited, Gentoo Genie Limited, Romag Limited and Romag PPM Limited which have separate VAT registrations.

A large proportion of the Group's income, including rents, is exempt from VAT. The majority of expenditure is subject to VAT which cannot be reclaimed, and expenditure is therefore shown inclusive of VAT. Partial exemption has been obtained for some business activities and the VAT recovered is credited to the income and expenditure account.

Bad and doubtful debts

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they may be irrecoverable.

Notes to the financial statements (continued)
for the year ended 31 March 2015

1. Accounting policies (continued)

Interest

Interest on borrowings in respect of completed properties is charged to the income and expenditure account. Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme. The capitalisation rate is the weighted average of the rates applicable to general borrowings that are outstanding during the year.

Finance and issue costs of capital instruments

Where the company has incurred such costs, they are offset against the carrying value of the instrument as required by FRS4, 'Capital Instruments'. They are written off to the income and expenditure account over the life of the instrument with respect to the capital value of the instrument over time.

Derivative financial instruments

Derivative instruments utilised by the Group are interest rate swaps and interest rate swaptions. A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an existing underlying risk profile of an existing exposure of the Group in line with the Group's risk management policies.

Amounts payable or receivable in respect of these derivatives are recognised as adjustments to interest expense over the period of the contracts.

Pension schemes

The Group participates in the Tyne and Wear Local Government Pension Fund (the Fund) which is a defined benefit scheme. Accounting for the Fund is in accordance with generally accepted practice, as defined by FRS17 'Retirement Benefits'. WSHA is a member of the Scottish Housing Association pension scheme and the Group also participates in a defined contribution scheme for Group employees who are not eligible to join the Fund.

The operating costs of providing retirement benefits to employees are recognised in the accounting period in which the benefits are earned. The related finance costs, expected return on assets and any other changes in the fair value of the assets and liabilities are recognised in the accounting periods in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any other changes in the fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

The financial statements disclose the cost of providing retirement benefits and related gains, losses, assets and liabilities. The attributable assets of the scheme are measured at their fair value, at the balance sheet date, and are shown net of attributable scheme liabilities.

Notes to the financial statements (continued)
for the year ended 31 March 2015

2a. Turnover, operating cost and operating surplus

Group	Note	2015			
		Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating profit / (loss) £'000
Income and expenditure from social housing lettings	2b	135,393	-	(101,315)	34,078
Other income and expenditure:					
Property sales		35,863	(28,993)	-	6,870
Grant income		1,544	-	-	1,544
Other		70,985	(67,291)	(16,463)	(12,769)
Non-social housing activities		108,392	(96,284)	(16,463)	(4,355)
Total		243,785	(96,284)	(117,778)	29,723

Group	Note	2014			
		Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating profit / (loss) £'000
Income and expenditure from social housing lettings	2b	130,584	-	(100,022)	30,562
Other income and expenditure:					
Property sales		17,372	(13,927)	(2,201)	1,244
Grant income		1,457	-	(1,457)	-
Other		60,050	(50,347)	(13,471)	(3,768)
Non-social housing activities		78,879	(64,274)	(17,129)	(2,524)
Total		209,463	(64,274)	(117,151)	28,038

Notes to the financial statements (continued)
for the year ended 31 March 2015

2a. Turnover, operating cost and operating surplus (continued)

					2015
Company					
	Note	Turnover	Cost of sales	Operating costs	Operating profit / (loss)
		£'000	£'000	£'000	£'000
Income and expenditure from social housing lettings	2b	786	-	(490)	296
Other income and expenditure:					
Property sales		22,525	(19,958)	-	2,567
Grant income		864	-	-	864
Other		28,423	-	(30,413)	(1,990)
Non-social housing activities		51,812	(19,958)	(30,413)	1,441
Total		52,598	(19,958)	(30,903)	1,737

					2014
Company					
	Note	Turnover	Cost of sales	Operating costs	Operating profit / (loss)
		£'000	£'000	£'000	£'000
Income and expenditure from social housing lettings	2b	786	-	(511)	275
Other income and expenditure:					
Property sales		9,613	(8,230)	(1,217)	166
Grant income		1,149	-	(1,149)	-
Other		26,432	-	(29,328)	(2,896)
Non-social housing activities		37,194	(8,230)	(31,694)	(2,730)
Total		37,980	(8,230)	(32,205)	(2,455)

Notes to the financial statements (continued)
for the year ended 31 March 2015

2b. Income and expenditure from social housing lettings

Group			2015	2014
	Housing accommodation £'000	Shared Ownership £'000	Total £'000	Total £'000
Income				
Rent receivable net of identifiable service charges	132,466	241	132,707	127,911
Service charge income	2,686	-	2,686	2,673
Total income from social housing lettings	135,152	241	135,393	130,584
Expenditure				
Management	(15,825)	-	(15,825)	(14,369)
Management – Central Services	(23,950)	-	(23,950)	(23,200)
Service charge costs	(1,718)	-	(1,718)	(2,500)
Asset Management	(860)	-	(860)	(1,722)
Routine maintenance	(26,240)	-	(26,240)	(26,461)
Planned maintenance	(8,002)	-	(8,002)	(8,205)
Bad debts	(598)	-	(598)	(272)
Depreciation of housing properties	(24,122)	-	(24,122)	(23,293)
Total expenditure on social housing lettings	(101,315)	-	(101,315)	(100,022)
Operating surplus on social housing lettings	33,837	241	34,078	30,562
Rent losses from voids	(1,338)	-	(1,338)	(1,201)

Notes to the financial statements (continued)
for the year ended 31 March 2015

2b. Income and expenditure from social housing lettings (continued)

Company	Housing accommodation £'000	Shared Ownership £'000	2015 Total £'000	2014 Total £'000
Income				
Rent receivable net of identifiable service charges	723	-	723	723
Service charge income	63	-	63	63
Total income from social housing lettings	786	-	786	786
Expenditure				
Management	(177)	-	(177)	(196)
Service charge costs	(1)	-	(1)	(3)
Bad Debts	(5)	-	(5)	(8)
Depreciation of housing properties	(307)	-	(307)	(304)
Total expenditure on social housing lettings	(490)	-	(490)	(511)
Operating surplus on social housing lettings	296	-	296	275
Rent losses from voids	(49)	-	(49)	(51)

Notes to the financial statements (continued)
for the year ended 31 March 2015

2c. Analysis of continuing and discontinued operations

2015	Continuing	Discontinued	Total
	£'000	£'000	£'000
Group turnover	236,137	7,648	243,785
Cost of sales	(89,349)	(6,935)	(96,284)
Gross profit	146,788	713	147,501
Operating costs	(115,055)	(2,723)	(117,778)
Operating profit / (loss)	31,733	(2,010)	29,723

2014	Continuing	Discontinued	Total
	£'000	£'000	£'000
Group turnover	197,499	11,964	209,463
Cost of sales	(53,433)	(10,841)	(64,274)
Gross profit	144,066	1,123	145,189
Operating costs	(110,900)	(6,251)	(117,151)
Operating profit / (loss)	33,166	(5,128)	28,038

Discontinued activities relate to Astley Facades Limited, Astley Facades (UK) Limited, Astley Facades (North East) Limited and Astley Facades (Midlands) Limited. These companies were sold during the year.

Notes to the financial statements (continued)
for the year ended 31 March 2015

3. Housing Stock

Group	Owned and Managed	Managed but not owned	Owned but managed by others	2015 Total
As at 31 March 2015:	No.	No.	No.	No.
Number of units of social housing accommodation:				
General needs rented	31,118	431	16	31,565
Affordable rented	674	6	-	680
Shared ownership	146	-	-	146
Houses for Older People	187	-	-	187
Supported housing	220	12	183	415
Leasehold schemes – freehold retained	-	730	-	730
	32,345	1,179	199	33,723
Number of units of non- social housing accommodation:				
Market rent	18	-	-	18
Market rent held for sale	41	-	-	41
Shared Ownership (Equity)	68	-	-	68
Leasehold schemes	-	213	-	213
Leasehold schemes – freehold retained	-	237	-	237
Non-social total	127	450	-	577
Total number of units	32,472	1,629	199	34,300

Notes to the financial statements (continued)
for the year ended 31 March 2015

3. Housing Stock (continued)

Group	Owned and Managed No.	Managed but not owned No.	Owned but managed by others No.	2014 Total No.
As at 31 March 2014:				
Number of units of social housing accommodation:				
General needs rented	31,065	394	84	31,543
Affordable rented	447	4	-	451
Shared ownership	176	-	-	176
Houses for Older People	216	-	-	216
Supported housing	229	12	138	379
Leasehold schemes – freehold retained	-	728	-	728
	<u>32,133</u>	<u>1,138</u>	<u>222</u>	<u>33,493</u>
Number of units of non-social housing accommodation:				
Market rent	20	-	-	20
Market rent held for sale	58	-	-	58
Shared Ownership (Equity)	46	-	-	46
Intermediate rent	47	-	-	47
Leasehold schemes	-	358	-	358
Leasehold schemes – freehold retained	-	170	-	170
Non-social total	<u>171</u>	<u>528</u>	<u>-</u>	<u>699</u>
Total number of units	<u>32,304</u>	<u>1,666</u>	<u>222</u>	<u>34,192</u>

Notes to the financial statements (continued)
for the year ended 31 March 2015

3. Housing Stock (continued)

Company	Owned and managed	Managed but not owned	Owned but managed by others	2015 Total
As at 31 March 2015:	No.	No.	No.	No.
Number of units of social housing accommodation:				
General needs rented	8	-	186	194
Shared ownership	2	-	-	2
Supported housing	-	12	-	12
	10	12	186	208
Number of units of non-social housing accommodation:				
Market rent	18	-	-	18
Market rent – Held for sale	40	-	-	40
Shared Ownership (Equity)	44	-	-	44
Leasehold schemes	-	237	-	237
Leasehold schemes – freehold retained	-	213	-	213
Non-social total	102	450	-	552
Total number of units	112	462	186	760

Notes to the financial statements (continued)
for the year ended 31 March 2015

3. Housing Stock (continued)

Company	Owned and managed No.	Managed but not owned No.	Owned but managed by others No.	2014 Total No.
As at 31 March 2014:				
Number of units of social housing accommodation:				
General needs rented	-	-	190	190
Shared ownership	2	-	-	2
Supported housing	-	12	-	12
	<u>2</u>	<u>12</u>	<u>190</u>	<u>204</u>
Number of units of non-social housing accommodation:				
Market rent	18	-	-	18
Market rent – Held for sale	56	-	-	56
Shared Ownership (Equity)	46	-	-	46
Leasehold schemes	-	358	-	358
Leasehold schemes – freehold retained	-	170	-	170
Non-social total	<u>120</u>	<u>528</u>	<u>-</u>	<u>648</u>
Total number of units	<u>122</u>	<u>540</u>	<u>190</u>	<u>852</u>

Notes to the financial statements (continued)
for the year ended 31 March 2015

4. Directors' and senior staff emoluments

	2015	2014
	£'000	£'000
Executive and senior staff emoluments		
Aggregate Executive emoluments	1,641	1,629
Company contributions to defined contribution schemes	232	197
Compensation for loss of office	55	30
	<u>1,928</u>	<u>1,856</u>

	2015	2014
	£'000	£'000
Non-executive emoluments		
Aggregate non-executive emoluments	120	110
Company contributions to defined contribution schemes	-	-
	<u>120</u>	<u>110</u>

Retirement benefits are accruing to nine (2014: seven) senior staff under a defined contribution scheme. The aggregate emoluments of the Chief Executive (highest paid director) were £241,356 (2014: £228,287) and company pension contributions of £nil (2014: £nil).

The emoluments paid to the directors and senior staff, excluding pension contributions and including loss of office, were in the following ranges:

	2015	2014
	No.	No.
£70,001 - £80,000	2	-
£80,001 - £90,000	1	1
£100,001 - £110,000	1	2
£110,001 - £120,000	1	-
£120,001 - £130,000	1	2
£130,001 - £140,000	-	2
£140,001 - £150,000	-	1
£150,001 - £160,000	3	-
£160,001 - £170,000	1	-
£170,001 - £180,000	-	2
£180,001 - £190,000	1	-
£220,001 - £230,000	-	1
£240,001 - £250,000	1	-

Notes to the financial statements (continued)
for the year ended 31 March 2015

5. Employees

The average number of persons (expressed as full time equivalents) employed during the year, analysed by category, were as follows:

	Group 2015 No.	Company 2015 No.	Group 2014 No.	Company 2014 No.
Executive Directors and Senior Staff	11	8	11	8
Managing Housing Services	387	117	385	105
Repairs and Maintenance	546	1	551	-
Centre Enabling Services	339	298	330	273
Development and selling homes	38	-	36	-
Other Operations	426	-	418	-
Apprentices	39	39	45	39
	1,786	463	1,776	425

The aggregate payroll costs of these persons were as follows:

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Wages and salaries	51,329	13,618	50,694	12,980
Social security costs	4,049	1,128	4,021	1,080
Pension contributions	8,695	2,320	8,557	2,319
	64,073	17,066	63,272	16,379

Notes to the financial statements (continued)
for the year ended 31 March 2015

5. Employees (continued)

Salary banding for all employees whose total remuneration exceeds £60,000 (including executive directors) per annum is as follows:

	Group 2015 No.	Company 2015 No.	Group 2014 No.	Company 2014 No.
£60,001 - £70,000	12	3	13	3
£70,001 - £80,000	12	9	13	10
£80,001 - £90,000	11	7	10	5
£90,001 - £100,000	2	1	2	1
£100,001 - £110,000	4	1	3	1
£110,001 - £120,000	1	1	-	-
£120,001 - £130,000	3	1	3	1
£130,001 - £140,000	-	-	1	1
£140,001 - £150,000	-	-	1	1
£150,001 - £160,000	3	2	-	-
£160,001 - £170,000	2	1	1	1
£170,001 - £180,000	-	-	3	2
£180,001 - £190,000	1	1	-	-
£220,001 - £230,000	-	-	1	1
£230,001 - £240,000	-	-	-	-
£240,001 - £250,000	1	1	-	-

6. Surplus on disposal of fixed assets

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Proceeds from sales	8,605	1,476	16,896	3,204
Cost of sales	(1,619)	(1,025)	(1,019)	(1,006)
Net book value of assets sold	(4,900)	(276)	(14,533)	(2,007)
Net book value of assets demolished	(185)	-	(95)	-
	1,901	175	1,249	191
Transfer to disposal proceeds fund	(1,023)	-	(579)	(71)
Transfer to recycled capital grant fund	(255)	(135)	(228)	-
Grant repaid	(79)	-	-	-
	544	40	442	120

Notes to the financial statements (continued)
for the year ended 31 March 2015

7a. Deficit on disposal of a discontinued operation

Group	2015 £'000	2014 £'000
Proceeds from sales	-	-
Net book value of assets sold	(1,666)	-
	<u>(1,666)</u>	<u>-</u>

7b. Deficit on disposal of investments

Company	2015 £'000	2014 £'000
Proceeds from sales	-	-
Investment value	(1,182)	-
Waiver of intercompany loan	(5,597)	-
	<u>(6,779)</u>	<u>-</u>

8. Interest receivable and similar income

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Bank interest receivable	17	17	31	16
Interest receivable on treasury deposits	68	-	62	-
Interest receivable on fixed rate investments	1,379	1,379	1,380	1,380
Interest receivable from group companies	-	23,342	-	23,360
	<u>1,464</u>	<u>24,738</u>	<u>1,473</u>	<u>24,756</u>

Notes to the financial statements (continued)
for the year ended 31 March 2015

9. Interest payable and similar charges

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Interest on loans repayable within five years	263	263	220	181
Interest on loans repayable in more than five years by instalments	12,809	11,176	12,600	11,150
Interest on fixed rate bond net of hedge amortisation	13,149	13,149	13,121	13,121
Bank fees and similar charges	430	373	373	373
	26,651	24,961	26,314	24,825
Interest payable capitalised on properties for sale	(223)	(223)	(72)	(69)
	26,428	24,738	26,242	24,756
Capitalisation rate used to determine the finance costs capitalised during the year	2.25%	2.25%	2.22%	2.22%

10. Other finance income

	2015 £'000	2014 £'000
Expected return on pension scheme assets	10,150	8,880
Interest on pension scheme liabilities	(7,090)	(7,500)
	3,060	1,380

Notes to the financial statements (continued)
for the year ended 31 March 2015

11. Surplus on ordinary activities before taxation

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Surplus on ordinary activities before taxation is stated after charging:				
Depreciation:				
Housing properties	24,122	307	23,293	304
Other tangible fixed assets	2,700	1,461	2,980	1,805
Amortisation of intangible assets	93	91	493	91
Impairment of intangible assets	-	-	1,208	-
Impairment of assets	64	64	108	108
Operating lease rentals:				
Property	281	90	233	96
Vehicles	1,528	84	1,488	133
Auditors' remuneration				
Statutory audit services	141	47	124	21
Non-statutory audit services	38	35	40	34
Non-audit services	121	121	132	130

The Group undertakes a detailed impairment exercise annually and the carrying value of the Company's properties have been revised accordingly.

Notes to the financial statements (continued)
for the year ended 31 March 2015

12. Taxation

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Current tax	4,101	-	-	-
Deferred tax:				
Origination and reversal of timing differences	291	267	198	183
Adjustments in respect of previous years	(1)	(1)	(12)	1
Arising on rate change	-	-	(127)	(108)
Total deferred tax charge	290	266	59	76
Tax on surplus on ordinary activities	4,391	266	59	76

Unprovided deferred taxation is as follows:

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Capital allowances	(415)	-	(476)	-
Short term timing differences	(105)	-	(112)	-
Losses	(2,808)	-	(1,937)	-
Capital gains rolled over / revaluations	35,022	-	39,055	-
Deferred tax asset on pension scheme liability	(4,364)	-	(2,270)	-
	27,330	-	34,260	-

Provided deferred taxation is as follows:

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Capital allowances	1,358	1,169	1,066	904
Losses and other deductions	(24)	-	(24)	-
	1,334	1,169	1,042	904

Notes to the financial statements (continued)
for the year ended 31 March 2015

12. Taxation (continued)

The current tax charge for the year for the Group is higher (2014: *lower*) than the UK standard corporation tax rate of 21% (2014: 23%). The current tax charge for the year for the Company is higher (2014: *higher*) than the UK standard corporation tax rate of 21% (2014: 23%).

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred liability at 31 March 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Current tax reconciliation:

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Surplus / (deficit) on ordinary activities before tax	6,697	(5,002)	17,927	(2,335)
Tax at 21% (2014: 23%)	1,406	(1,050)	4,123	(537)
<i>Effects of:</i>				
Expenses not deductible for tax purposes	2,734	1,458	1,768	804
Fixed asset differences	4,195	346	4,591	383
Income not taxable for tax purposes	(1,824)	-	(4,962)	-
Other timing differences	(1,286)	-	660	-
Capital allowances in excess of depreciation	(316)	(280)	(288)	(186)
Tax losses unutilised in the year	1,102	-	532	-
Utilisation of tax losses	(24)	-	(219)	(24)
Contaminated land relief tax credits	(18)	-	(18)	-
Charitable tax exemptions	(1,868)	-	(6,187)	-
Group relief claimed	-	(474)	-	(440)
Current tax charge for the year	4,101	-	-	-

Notes to the financial statements (continued)
for the year ended 31 March 2015

13. Intangible fixed assets

Group	Goodwill £'000	Licences £'000	Total £'000
Cost			
At 1 April 2014 and 31 March 2015	3,382	24	3,406
Amortisation			
At 1 April 2014	2,985	2	2,987
Charged in the year	92	1	93
At 31 March 2015	3,077	3	3,080
Net book value			
At 31 March 2014	397	22	419
At 31 March 2015	305	21	326
Company	Goodwill £'000	Licences £'000	Total £'000
Cost			
At 1 April 2014 and 31 March 2015	448	24	472
Amortisation			
At 1 April 2014	90	2	92
Charged in the year	89	2	91
At 31 March 2015	179	4	183
Net book value			
At 31 March 2014	358	22	380
At 31 March 2015	269	20	289

Notes to the financial statements (continued)
for the year ended 31 March 2015

14. Tangible fixed assets – housing properties

Group	Housing properties held for letting £'000	Shared ownership £'000	Housing properties under construction £'000	Garages held for letting £'000	Total £'000
Cost or valuation					
At 1 April 2014	1,140,920	6,986	21,948	1,615	1,171,469
Additions	21,795	-	13,392	-	35,187
Enhancements	20,427	-	-	-	20,427
Schemes completed	30,271	46	(30,317)	-	-
Disposals	(4,897)	(89)	-	-	(4,986)
Demolitions	(2)	-	-	(202)	(204)
Category transfer	105	(105)	-	-	-
Transferred to other fixed assets (OFA) / investment properties (IP) / properties for sale (PFS)	(1,325)	-	-	-	(1,325)
Revaluation adjustment	(27,910)	-	-	-	(27,910)
At 31 March 2015	1,179,384	6,838	5,023	1,413	1,192,658
Depreciation					
At 1 April 2014	79,502	208	-	320	80,030
Charged in the year	24,058	40	-	24	24,122
Impairment	64	-	-	-	64
Disposals	(390)	(7)	-	-	(397)
Transfers to IP	(64)	-	-	-	(64)
Demolitions	(2)	-	-	(17)	(19)
Revaluation adjustment	(11,986)	-	-	-	(11,986)
At 31 March 2015	91,182	241	-	327	91,750
Grant					
At 1 April 2014	2,256	-	1,706	-	3,962
Additions	13,857	-	3,412	-	17,269
Transferred from DPF & RCGF	-	-	366	-	366
Schemes completed	4,863	-	(4,863)	-	-
Revaluation adjustment	(19,038)	-	-	-	(19,038)
At 31 March 2015	1,938	-	621	-	2,559
Net book value					
At 31 March 2014	1,059,162	6,778	20,242	1,295	1,087,477
At 31 March 2015	1,086,264	6,597	4,402	1,086	1,098,349

Notes to the financial statements (continued)
for the year ended 31 March 2015

14. Tangible fixed assets – housing properties (continued)

	Housing Properties held for Letting £'000	Shared ownership £'000	Housing properties under construction £'000	Garages held for letting £'000	Total £'000
At 31 March 2015 the historical cost of the assets were					
Cost	1,250,442	9,892	8,461	1,262	1,270,057
Accumulated depreciation	(167,655)	(468)	-	(177)	(168,300)
Grant	(232,641)	(2,827)	(528)	-	(235,996)
Net book value	850,146	6,597	7,933	1,085	865,761

The housing properties were valued on 31 March 2015 by FPD Savills, International Property Consultants, who are qualified to do this work, on the basis of Existing Use Value for Social Housing (EUV-SH), in the sum of £990,479,812 (2014: £998,138,148). The full desktop valuation was undertaken in accordance with the RICS Appraisal and Valuation Manual.

Existing Use Value for Social Housing (EUV-SH) means the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

The Group undertakes a full valuation exercise every five years. Currently a desktop valuation is required each year under the Group's financial covenants. The Group includes the results of the valuation each year where there is a material movement on the prior year.

Full valuations are undertaken every five years, the next one being due in March 2020.

For the valuation as at 31 March 2015, the following assumptions were used in the discounted cash flow calculations:

Discount rate: 5.8%
Rent increases: CPI + 1%

Notes to the financial statements (continued)
for the year ended 31 March 2015

14. Tangible fixed assets – housing properties (continued)

WSHA valuation

The housing properties for WSHA were revalued for the purpose of a Group consolidation adjustment by JLL, who are qualified to do this work, on the basis of Existing Use Value for Social Housing (EUV-SH), in the sum of £85,426,000. The full desktop valuation was undertaken in accordance with the appropriate sections of the professional standards ("PS"), valuation practice statements ("VPS"), and United Kingdom Valuation Standards ("UKVS") contained within the RICS Valuation - Professional Standards January 2014 (the "Red Book").

For the valuation as at 31 March 2015, the following assumptions were used in the discounted cash flow calculations:

Discount rate: 6.0% real
Rent increases: CPI + 1%

Depreciation has been charged on housing properties, on the basis of useful economic lives of the constituent components as set out in the Company's accounting policy.

Expenditure to works on existing properties:

	2015	2014
	£'000	£'000
Amounts capitalised – improvements	20,427	16,383
Amounts charged to income and expenditure account	8,002	8,205
	<u>28,429</u>	<u>24,588</u>

Notes to the financial statements (continued)
for the year ended 31 March 2015

14. Tangible fixed assets – housing properties (continued)

Company	Housing properties held for letting £'000	Shared Ownership £'000	Total £'000
Cost or valuation			
At 1 April 2014	10,421	2,768	13,189
Additions	290	-	290
Transfer to IP / PFS	(611)	-	(611)
Disposals	-	(107)	(107)
Transferred to group subsidiaries	(470)	-	(470)
Revaluation adjustment	589	-	589
At 31 March 2015	10,219	2,661	12,880
Depreciation			
At 1 April 2014	966	104	1,070
Charged in the year	307	-	307
Impairment	64	-	64
Disposals	-	(7)	(7)
Transferred to group subsidiaries	(64)	-	(64)
Revaluation adjustment	(21)	-	(21)
At 31 March 2015	1,252	97	1,349
Grant			
At 1 April 2014	1,088	-	1,088
Additions	148	-	148
At 31 March 2015	1,236	-	1,236
Net book value			
At 31 March 2014	8,367	2,664	11,031
At 31 March 2015	7,731	2,564	10,295

Notes to the financial statements (continued)
for the year ended 31 March 2015

14. Tangible fixed assets – housing properties (continued)

At 31 March 2015 the historical cost of the assets were:

Company	Housing Properties held for Letting £'000	Shared ownership £'000	Total £'000
At 31 March 2015 the historical cost of the assets were			
Cost	20,087	2,673	22,760
Accumulated depreciation	(2,110)	(110)	(2,220)
Grant	(6,662)	-	(6,662)
Net book value	11,315	2,563	13,878

15. Tangible fixed assets – other

Group	Land and buildings £'000	Furniture, fixtures and fittings £'000	Vehicles and Equipment £'000	Total £'000
Cost				
At 1 April 2014	27,341	2,574	18,670	48,585
Additions	-	1	1,813	1,814
Disposals	(148)	-	(135)	(283)
Transfer between categories, housing properties (HP) and IP	121	4	(288)	(163)
Disposal of companies	(11)	(11)	(181)	(203)
At 31 March 2015	27,303	2,568	19,879	49,750
Depreciation				
At 1 April 2014	4,457	2,258	11,347	18,062
Charged in the year	587	76	2,037	2,700
Disposals	(35)	-	(124)	(159)
Transfer between HP and IP	(23)	-	(236)	(259)
Disposal of companies	(6)	(7)	(162)	(175)
At 31 March 2015	4,980	2,327	12,862	20,169
Social Housing Grant				
At 1 April 2014	207	-	-	207
At 31 March 2015	207	-	-	207
Net book value				
At 31 March 2014	22,677	316	7,323	30,316
At 31 March 2015	22,116	241	7,017	29,374

Notes to the financial statements (continued)
for the year ended 31 March 2015

15. Tangible fixed assets – other (continued)

Assets held under finance leases, capitalised and included in tangible fixed assets:

	2015	2014
	£'000	£'000
Cost	1,373	1,373
Accumulated depreciation	(450)	(313)
Net book value	<u>923</u>	<u>1,060</u>

The net book value of land and buildings comprises:

	2015	2014
	£'000	£'000
Freehold	19,331	19,789
Short leasehold	-	8
Long leasehold	2,785	2,880
	<u>22,116</u>	<u>22,677</u>

Company	Land and buildings £'000	Furniture, fixtures and fittings £'000	Vehicles and equipment £'000	Total £'000
Cost				
At 1 April 2014	22,577	2,038	9,107	33,722
Additions	-	219	793	1,012
Disposals	(148)	-	-	(148)
Transfer to IP	(170)	1	(1)	(170)
At 31 March 2015	<u>22,259</u>	<u>2,258</u>	<u>9,899</u>	<u>34,416</u>
Depreciation				
At 1 April 2014	4,199	1,796	7,667	13,662
Charged in the year	451	55	955	1,461
Disposals	(35)	-	-	(35)
Transfer to IP	(23)	-	-	(23)
At 31 March 2015	<u>4,592</u>	<u>1,851</u>	<u>8,622</u>	<u>15,065</u>
Social Housing Grant				
At 1 April 2014	207	-	-	207
At 31 March 2015	<u>207</u>	<u>-</u>	<u>-</u>	<u>207</u>
Net book value				
At 31 March 2014	<u>18,171</u>	<u>242</u>	<u>1,440</u>	<u>19,853</u>
At 31 March 2015	<u>17,460</u>	<u>407</u>	<u>1,277</u>	<u>19,144</u>

Notes to the financial statements (continued)
for the year ended 31 March 2015

15. Tangible fixed assets – other (continued)

The net book value of land and buildings comprises:	2015	2014
	£'000	£'000
Freehold	15,758	16,424
Long leasehold	1,702	1,747
	<u>17,460</u>	<u>18,171</u>

16. Investment properties

	Group freehold £'000	Company freehold £'000
Valuation		
At 1 April 2014	14,943	5,853
Transfer from HP, PFS and OFA	2,734	1,584
Disposals	(192)	(63)
Revaluation of properties	(65)	-
At 31 March 2015	<u>17,420</u>	<u>7,374</u>

No depreciation is charged on the investment properties in accordance with the accounting policy. This treatment represents a departure from the requirements of the Companies Act 2006 concerning depreciation of fixed assets; however these properties are held for investment not consumption therefore the Directors consider that the systematic annual depreciation would be inappropriate. The accounting policy is adopted to give a true and fair view within the financial statements.

The Directors have reviewed the market value of the investment properties as at 31 March 2015. Based on current and future rental cash inflows, the condition of the properties and the current housing market, the Directors consider the carrying value of investment properties to be an appropriate market value.

17. Fixed Asset Investments: Group and Company

	Historical Cost £'000	Market Value £'000
At 1 April 2014	25,218	28,958
Revaluation as at 31 March 2015	-	4,560
At 31 March 2015	<u>25,218</u>	<u>33,518</u>

At 31 March 2015, the investment assets are reserves held as security for the bond (see note 25).

Notes to the financial statements (continued)
for the year ended 31 March 2015

17. Fixed Asset Investments: Group and Company (continued)

Company	Investment in subsidiaries £'000
Cost and net book value	
At 1 April 2014	1,532
Disposals	(1,182)
At 31 March 2015	350

The principal companies in which the Group's interest at the year end is more than 20% are as follows:

Subsidiary undertakings	Country of incorporation	Registered number	Principal activity	Class and percentage of shares held
Registered provider (RP)				
Gentoo Sunderland Limited	England	04039199	RP	Limited by guarantee
West of Scotland Housing Association	Scotland	1828R(S) SC018486	RP	CBS
Non-registered providers				
Efficient Warm Energy Limited (dissolved 23 June 2015)	England	08351439	Dormant	Ordinary – 37%
Gentoo Art of Living	England	IP31960R	CBS	CBS
Gentoo Care Limited	England	07728134	Care Services	Ordinary – 100%
Gentoo Construction Limited	England	06163808	Contractor	Ordinary – 100%
Gentoo Genie Limited	England	07083129	Home Purchase Plans Provider	Ordinary – 100%
Gentoo Genie Admin Limited	England	08201449	Dormant	Ordinary – 100%
Gentoo Homes Limited	England	04739226	Residential property development	Ordinary – 100%
Genie Homeplan Limited	England	07103094	Dormant	Ordinary – 100%
Gentoo Ventures Limited	England	04565964	Dormant	Ordinary – 100%
Nuru Fund Limited	England	IP32102R	CBS	CBS
Romag Limited	England	07139567	Manufacturing	Ordinary – 100%
Romag PPM Limited	England	07141263	Leasing co to Romag Limited	Ordinary – 100%
Sunderland Prospect 2 Limited	England	05929692	Dormant	Ordinary – 100%
Willowacre Trust *	Scotland	SC073356 SC015567	Charity	Limited by guarantee

* Willowacre Trust immediate holding held by West of Scotland Housing Association

Notes to the financial statements (continued)
for the year ended 31 March 2015

18. Long term debtors

The long term Group debtor of £1,555k (2014: £1,742k) and the Company debtor of £120k (2014: £131k) relates to the amount owed to the Group as part of the HomeBuy Direct and Homebuyer Schemes.

19. Properties for sale

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Properties under construction	36,365	9,742	38,338	14,991
Completed properties	10,171	6,982	9,133	7,312
	<u>46,536</u>	<u>16,724</u>	<u>47,471</u>	<u>22,303</u>

20. Stocks

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Raw materials and consumables	2,073	666	2,114	679
Finished goods and goods for resale	464	-	154	-
	<u>2,537</u>	<u>666</u>	<u>2,268</u>	<u>679</u>

21. Debtors

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Arrears of rent	7,469	105	6,683	120
Less: provision for bad and doubtful debts – rent	(3,176)	-	(2,895)	-
Trade debtors	9,527	807	12,473	158
Less: provision for bad debts	(113)	(15)	(1,917)	(36)
Amounts owed by subsidiary undertakings	-	477,041	-	471,235
Amounts receivable on contracts	5,003	-	3,133	-
Other debtors	2,927	1,473	3,939	1,594
Prepayments and accrued income	7,006	1,356	4,472	1,428
	<u>28,643</u>	<u>480,767</u>	<u>25,888</u>	<u>474,499</u>

Notes to the financial statements (continued)
for the year ended 31 March 2015

22. Creditors: amounts falling due within one year

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Bank overdraft	2,686	-	278	-
Commercial loans	11,378	9,815	11,880	10,643
Other loans – Get Britain Building	8,182	-	7,705	-
Obligations under finance leases	261	-	237	-
Trade creditors	6,860	1,681	8,015	4,258
Rent received in advance	2,046	20	2,075	44
Other tax and social security	3,056	1,014	1,162	1,015
Other creditors	15,454	3,729	12,818	2,666
Accruals and deferred income	8,778	2,100	6,791	2,642
SHG and other grants in advance	151	151	12	12
Disposal proceeds fund	2,132	-	1,368	-
Recycled capital grant fund	654	264	496	186
	61,638	18,774	52,837	21,466

Reconciliation of disposal proceeds fund and recycled capital grants fund – Group

	Group DPF £'000	Company DPF £'000	Group RCGF £'000	Company RCGF £'000
At 1 April 2014	1,368	-	496	186
Additions to fund	1,023	-	-	-
Recycled grant on property sales	-	-	255	135
Interest accrued in fund	9	-	1	-
Transfer to subsidiary	-	-	-	(57)
Recycling of grant	(268)	-	(98)	-
At 31 March 2015	2,132	-	654	264

Notes to the financial statements (continued)
for the year ended 31 March 2015

23. Creditors: amounts falling due after more than one year

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Commercial loans	631,580	574,050	623,938	564,844
Other Loans – Get Britain Building	-	-	7,705	-
Obligations under finance leases	189	-	449	-
Deferred taxation (note 12)	1,334	1,169	1,042	904
	<u>633,103</u>	<u>575,219</u>	<u>633,134</u>	<u>565,748</u>

All companies in Gentoo Group, with the exception of WSHA, are financed by way of Group facilities. Gentoo Group is the principal borrower and as such the principal financing transactions are shown in these financial statements. Interest is charged to the subsidiary companies. The financing is currently all secured by way of a fixed charge on the housing properties of the Group.

During 2014/15 £16.2m of Get Britain Funding was secured by the Group to deliver five schemes totalling 191 units by March 2016. Up to March 2015 £8.6m of capital repayment has been made with the balance due for repayment in March 2016. The funding attracts an interest rate of 0.6% above the European Commission rate for Great Britain.

WSHA has its own active treasury policy which is approved by its own management committee and manages its own borrowing arrangements.

The commercial loans and bond can be analysed as follows:

	2015 £'000 Group	2015 £'000 Company	2014 £'000 Group	2014 £'000 Company
Due between one and two years:				
Repayable by instalments	11,880	10,201	12,635	11,070
Due between two and five years:				
Repayable by instalments	43,200	37,961	42,135	37,050
Due after more than five years:				
Repayable by instalments	572,634	522,022	564,912	512,468
Hedge proceeds	3,840	3,840	4,228	4,228
Issue Costs	26	26	28	28
	<u>631,580</u>	<u>574,050</u>	<u>623,938</u>	<u>564,844</u>

Notes to the financial statements (continued)
for the year ended 31 March 2015

23. Creditors: amounts falling due after more than one year (continued)

The maturity of obligations under finance leases is as follows:

	2015 £'000	2014 £'000
Within one year	275	259
In the second to fifth years	192	467
	<u>467</u>	<u>726</u>
Less: future finance charges	(17)	(40)
	<u>450</u>	<u>686</u>

24a. Pension liabilities

The disclosures below relate to the Tyne and Wear Pension Fund (the 'Fund') which is part of the Local Government Pension Scheme. Gentoo Group participates in the fund which provides defined benefits, based on members' final pensionable salary. In accordance with FRS17 – 'Retirement Benefits' disclosures of certain information concerning assets, liabilities, income and expenditure related to pension schemes is required.

Gentoo Group's contribution rate over the accounting period was 20.5% of members' pensionable salary plus capital contributions of £2,800k to cover the deficit in the Fund.

In addition, the admission agreement for Gentoo Group requires an interim valuation to be undertaken every year and the contribution rate adjusted if necessary.

The latest full actuarial valuation of the Fund took place on 31 March 2013. The principal assumptions used by the independent qualified actuaries in updating the latest valuation of the Fund for FRS17 purposes were:

Main financial assumptions	2015 % p.a.	2014 % p.a.
RPI	3.0	3.4
CPI	1.9	2.4
Rate of general long term increase in salaries	3.4	3.9
Rate of increase to pensions in payment	1.9	2.4
Rate of increase to deferred pensions	1.9	2.4
Discount rate for pension cost over following year	3.3	4.4

Notes to the financial statements (continued)
for the year ended 31 March 2015

24a. Pension liabilities (continued)

Principal demographic assumptions

Post retirement mortality

	2015	2014
Males		
Base table	Standard SAPS Normal Health All Amounts	Standard SAPS Normal Health All Amounts
Scaling to above base table rates	120%	120%
Cohort improvement factors	CMI_2012 with a long Term rate of improvement of 1.5% p.a.	CMI_2012 with a long Term rate of improvement of 1.5% p.a.
Minimum underpin to improvement factors	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	23.1	23.0
Future lifetime from age 65 (currently aged 45)	25.1	25.0
	2015	2014
Females		
Base table	Standard SAPS Normal Health All Amounts	Standard SAPS Normal Health All Amounts
Scaling to above base table rates	115%	115%
Cohort improvement factors	CMI_2012 with a long Term rate of improvement of 1.5% p.a.	CMI_2012 with a long Term rate of improvement of 1.5% p.a.
Minimum underpin to improvement factors	1.25%	1.25%
Future lifetime from age 65 (currently aged 65)	24.7	24.6
Future lifetime from age 65 (currently aged 45)	27.0	26.9

Notes to the financial statements (continued)
for the year ended 31 March 2015

24a. Pension liabilities (continued)

Expected return on assets	2015	2014
Asset Class	% p.a.	% p.a.
Equities	7.6	7.6
Property	6.9	6.9
Government bonds	3.4	3.4
Corporate bonds	4.0	4.0
Cash	0.9	0.9
Other	7.6	7.6
Average return	6.8	6.8

Gentoo Group Limited employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2015.

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund administering Authority) is shown in the table below:

Asset Class	2015	2014
	% p.a.	% p.a.
Equities	66.4	66.8
Property	9.5	8.5
Government bonds	3.7	3.5
Corporate bonds	11.7	11.5
Cash	2.4	2.9
Other	6.3	6.8
Average return	100.0	100.0

Reconciliation of funded status to balance sheet	2015	2014
	£'000	£'000
Share of assets	174,550	146,830
Estimated funded liabilities	(196,370)	(158,180)
Deficit	(21,820)	(11,350)

Notes to the financial statements (continued)
for the year ended 31 March 2015

24a. Pension liabilities (continued)

Analysis of income and expenditure charge	2015	2014
	£'000	£'000
Current service cost	(7,620)	(8,660)
Past service cost	(100)	(200)
Interest cost	(7,090)	(7,500)
Expected return on assets	10,150	8,880
	<u>(4,660)</u>	<u>(7,480)</u>
 Changes to the present value of liabilities during the year	 2015	 2014
	£'000	£'000
Opening present value of liabilities	158,180	156,160
Current service cost	7,620	8,660
Interest cost	7,090	7,500
Contributions by participants	2,690	2,360
Actuarial losses/(gains) on liabilities	24,820	(12,600)
Net benefits paid out	(4,130)	(4,100)
Past service cost	100	200
Closing present value of liabilities	<u>196,370</u>	<u>158,180</u>
 Changes to the fair value of assets during the year	 2015	 2014
	£'000	£'000
Opening fair value of assets	146,830	126,960
Expected return on assets	10,150	8,880
Actuarial gain on assets	8,240	2,360
Contributions by the employer	10,770	10,370
Contributions by participants	2,690	2,360
Net benefits paid out	(4,130)	(4,100)
Closing fair value of assets	<u>174,550</u>	<u>146,830</u>
 Actual return on assets	 2015	 2014
	£'000	£'000
Expected return on assets	10,150	8,880
Actual gain on assets	8,240	2,360
Actual return on assets	<u>18,390</u>	<u>11,240</u>

Notes to the financial statements (continued)
for the year ended 31 March 2015

24a. Pension liabilities (continued)

History of asset values, present value of liabilities and deficits

	2015	2014	2013	2012	2011
	£m	£m	£m	£m	£m
Fair value of assets	174.55	146.83	126.96	105.66	96.83
Present value of liabilities	(196.37)	(158.18)	(156.16)	(140.39)	(119.48)
Deficit	(21.82)	(11.35)	(29.20)	(34.73)	(22.65)

In accordance with Paragraph 77(o) of FRS17 (as revised), the assets for the current period are measured at current bid price. Asset and liability values previously measured at mid-market value for previous periods have not been restated as the difference in value is immaterial.

History of experience gains and losses

	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
Experience gains / (losses) on assets	8,240	2,360	5,430	(5,900)	10,220
Experience gains / (losses) on liabilities	530	(1,100)	80	(180)	(12,550)

The cumulative actuarial gains and losses recognised in the statement of total recognised gains and losses is (£47,920). With effect from 1 April 2011, increases to local government pensions in payment and deferred pensions will be linked to annual increases in the Consumer Price Index (CPI) rather than the Retail price index (RPI).

Since over the long term CPI increases are expected to be lower than RPI increases, this gives rise to a reduction in the value of the liabilities on the Balance Sheet. The change also reduces this (and future) periods' current service cost and interest cost.

Notes to the financial statements (continued)
for the year ended 31 March 2015

24b. Pension liabilities - West of Scotland Housing Association

West of Scotland Housing Association participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2014. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £539 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £281 million, equivalent to a past service funding level of 66%.

Potential debt on withdrawal

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

Notes to the financial statements (continued)
for the year ended 31 March 2015

24b. Pension liabilities - West of Scotland Housing Association (continued)

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis, i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

West of Scotland Housing Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme based on the financial position of the Scheme as at 30 September 2014. As of this date the estimated employer debt for West of Scotland Housing Association was £15.388m (2014: £11.439m).

Information about the scheme valuation

West of Scotland Housing Association participates in the Scottish Housing Associations' Pension Scheme.

The Scheme offers five benefit structures to employers, namely:

- Final Salary with 1/60th accrual rate
- Career average revalued earnings with a 1/60th accrual rate
- Career average revalued earnings with a 1/70th accrual rate
- Career average revalued earnings with a 1/80th accrual rate
- Career average revalued earnings with a 1/120th accrual rate, contracted in
- Defined Contribution (DC) option

An employer can elect to operate different defined benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of three months' prior notice.

Notes to the financial statements (continued)
for the year ended 31 March 2015

24b. Pension liabilities - West of Scotland Housing Association (continued)

West of Scotland Housing Association has elected to operate the

- final salary with a 1/60th accrual rate benefit option for active members as at 31 March 2015 and the
 - final salary with a 1/60th accrual rate; and
 - DC option
- benefit options for new entrants from 1 April 2014

During the accounting period West of Scotland Housing Association paid contributions at the rate of 12.3 % (2014: 9.6%) of pensionable salaries. Member contributions were 12.3% (2014: 9.6%).

As at the balance sheet date there were 44 active members of the Scheme employed by West of Scotland Housing Association. The annual pensionable payroll in respect of these members was £1.55m.

West of Scotland Housing Association continues to offer membership of the final salary Scheme to its employees and it remains open to new entrants. From 1 April 2014 a second option, the DC scheme, was made available to existing and new members.

The key valuation assumptions used to determine the assets and liabilities of the Scottish Housing Associations' Pension Scheme are:

	2015
2012 Valuation Assumptions	% p.a.
Investment return pre-retirement	5.3
Investment return post retirement – Non pensioners	3.4
Investment return post retirement - Pensioners	3.4
Rate of salary increases	4.1
<u>Rate of pension increases</u>	
• Pension accrued pre 6 April 2005 in excess of GMP	2.0
• Pension accrued post 6 April 2005 (for leavers before 1 October 1993 pension increases are 5.0%)	1.7
Rate of price inflation	2.6

Mortality tables

Non-pensioners - 44% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term improvement of 1.50% p.a. for males and 1.25% p.a. for females

Pensioners - 90% of S1PMA (males) and S1PFA (females) projected using CMI_2011 with a long term rate of improvement of 1.50% p.a. for males and 1.25% p.a. for females

Notes to the financial statements (continued)
for the year ended 31 March 2015

24b. Pension liabilities - West of Scotland Housing Association (continued)

Contribution rates for future service (payable from 1 April 2014)	% p.a.
Final salary 1/60ths	24.6
Career average revalued earnings 1/60ths	22.4
Career average revalued earnings 1/70ths	19.2
Career average revalued earnings 1/80ths	16.9
Career average revalued earnings 1/120ths	11.4

Additional deficit contributions are payable from 1 April 2014 and will increase by 3% per annum each 1 April thereafter. Technical Provisions liabilities as at 30 September 2012 will be used as the reference point for calculating the additional contributions. The calculated net present value of this contribution at 31 March 2014 using a 4% discount rate is £5.3m.

25. Derivatives and financial instruments

Financial instruments are defined in FRS25, Financial Instruments: Disclosure and presentation, as a 'contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity'. Financial instruments should be identified as financial assets, financial liabilities or equity instruments and accounted for on the appropriate line of the balance sheet.

There are three types of risk associated with financial instruments:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. For Gentoo, credit risk arises mainly from tenant and other debtor balances. Gentoo manages this risk by regular review of aged debtor balances and provides for any deemed to be impaired. Once the balance is determined to be irrecoverable the amount is written off.

£33.5m of Gentoo's current asset investments are held within a Debt Service Reserve. These assets are required to be held in a charged account as a condition of the £239.5m 6.38% Secured Bonds issued in 2001. Between September 2009 and March 2010 £26.7m of the Bond was repurchased by the Group leaving £212.8m outstanding. To minimise the carrying cost of the reserve the assets are held in the form of corporate bonds with a similar maturity date to the bond.

Notes to the financial statements (continued)
for the year ended 31 March 2015

25. Derivatives and financial instruments (continued)

The credit risk associated with all other financial instruments is considered to be low.

Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. Gentoo largely finances its capital from internally generated resources and funds available from financing agreements. At 31 March 2015 Gentoo had long term, committed debt facilities in place totalling £691.4m, £51.8m of these facilities were undrawn.

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

It is the policy of Gentoo to maintain approximately 70% of debt on fixed rate terms with the remaining 30% being based on variable rates. This has been achieved through a combination of a fixed rate bond issue and fixed rate loans embedded with Gentoo's loan agreements. At 31 March 2015, 67% of the Company's commercial loans were based on fixed interest rates and 51% of West of Scotland's loans were based on fixed interest rates. Gentoo has taken out forward interest rate fixes to maintain this ratio of fixed to variable debt over the next 20 years.

Other than as described above, none of the remaining financial assets or liabilities carries interest rates which vary with market rates and therefore interest rate risk is not deemed material.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in exchange rates. Gentoo has negligible foreign currency income or expenditure and therefore is not exposed to significant foreign currency risk.

The following disclosures of financial liabilities and assets exclude short term debtors and creditors, as permitted by FRS13, 'Derivatives and Other Financial Instruments'.

Notes to the financial statements (continued)
for the year ended 31 March 2015

25. Derivatives and financial instruments (continued)

Company

Financial Liability	Maturity profile	Capital £'000	Interest rate
Fixed rate			
Bond	Repayment beginning 31 March 2011 and ending 31 March 2042	212,802	Coupon rate 6.38% *see below
Term loan	Repayment beginning 31 March 2014 and ending 30 September 2033	144,883	Fixed at 5.074%
Term loan	Repayment beginning 1 December 2021 and ending 30 November 2040	30,000	Fixed at 4.7375%

25. Derivatives and financial instruments (continued)

Financial Liability	Maturity profile	Capital £'000	Interest rate
Floating rate			
Revolving credit facility	Matures September 2033	44,000	Based on LIBOR
Term loan	Repayment beginning 31 March 2014 and ending 30 September 2033	22,330	Based on LIBOR
Term loan (EIB1)	Repayment beginning 30 September 2006 and ending 30 March 2021	30,000	Based on EIB 'pool rate'
Term loan (EIB2)	Repayment beginning 31 March 2015 and ending 30 March 2031	74,550	Based on EIB 'pool rate'
Term loan (RBS)	Repayment beginning 1 December 2021 and ending 30 November 2040	22,000	Based on LIBOR
Overdraft	Renewable annually	5,000	

Notes to the financial statements (continued)
for the year ended 31 March 2015

25. Derivatives and financial instruments (continued)

*The original funding structure included a hedge which reduces the effective rate of the bond to 6.1%.

West of Scotland Housing Association

Financial liability	Maturity profile	Capital £'000	Interest Rate
<i>Fixed rate</i>			
Term Loan (Barclays)	Repayment beginning 31 March 2016 and ending 24 January 2043	4,000	4.10% fixed
Term Loan (Barclays)	Repayment beginning 31 March 2013 and ending 24 January 2043	8,300	4.82% fixed
Term Loan (Nationwide)	Repayment beginning 30 April 2020 and ending 31 March 2043	9,999	4.22% fixed
Term Loan (RBS)	Repayment beginning 28 May 2013 and ending 20 September 2041	6,165	3.92% fixed
Term Loan (RBS)	Repayment beginning 26 June 2013 and ending 20 September 2041	715	1.62% fixed
Term Loan (RBS)	Repayment beginning 27 December 2006 and ending 26 February 2018	955	7.16% fixed

Notes to the financial statements (continued)
for the year ended 31 March 2015

25. Derivatives and financial instruments (continued)

West of Scotland Housing Association (continued)

Financial liability	Maturity profile	Capital £'000	Interest Rate
<i>Floating rate</i>			
Term Loan (Barclays)	Repayment beginning 31 March 2013 and ending 24 January 2043	7,000	Based on LIBOR
Term Loan (BOI)	Repayment beginning 31 July 2009 and ending 31 October 2025	2,372	Based on LIBOR
Term Loan (Nationwide)	Repayment beginning 30 April 2015 and ending 31 March 2043	8,000	Based on LIBOR
Term Loan (Nationwide)	Repayment beginning 28 February 2012 and ending 24 January 2043	721	Based on LIBOR
Term Loan (Nationwide)	Repayment beginning 28 February 2013 and ending 24 January 2043	4,114	Based on LIBOR
Term Loan (Nationwide)	Repayment beginning 28 February 2012 and ending 24 January 2043	5,484	Based on LIBOR
Term Loan (RBS)	Repayment beginning 26 June 2013 and ending 20 September 2041	269	Based on LIBOR
Term Loan (RBS)	Repayment beginning 28 May 2013 and ending 20 September 2041	997	Based on LIBOR

Notes to the financial statements (continued)
for the year ended 31 March 2015

25. Derivatives and financial instruments (continued)

The Group also had a £48m Term loan (RBS), repayable by 30 November 2040 and a £3.8m revolver credit facility unutilised at the year end 31 March 2015.

The directors of the Group are of the opinion that the fair values of the Group's financial liabilities are not materially different to their carrying value.

Financial Asset	Maturity profile	Capital £'000	Interest rate
Fixed rate			
Bonds	Managed on behalf of the Group, with a final maturity coinciding with the maturity of the THFC bond	33,518	Coupon rates range Between 4.556% And 5.9%

The historic cost of the THFC bonds is given in note 16.

26. Reserves

Group	Arising on fixed asset investments £'000	Arising on housing properties £'000	Revaluation reserve £'000
At 1 April 2014	5,345	213,266	218,611
Transfer in respect of depreciation on revalued properties	-	(1,888)	(1,888)
Transfer in respect of realised gains on disposal on revalued properties	-	(1,315)	(1,315)
Revaluation of assets	4,560	3,049	7,609
At 31 March 2015	9,905	213,112	223,017

Notes to the financial statements (continued)
for the year ended 31 March 2015

26. Reserves (continued)

Group	Revenue reserve excl pension £'000	Pension reserve £'000	Revenue reserve incl pension £'000
At 1 April 2014	56,382	(31,340)	25,042
Surplus for the year	2,306	-	2,306
Transfer in respect of depreciation on revalued properties	1,888	-	1,888
Transfer in respect of realised gains on disposal of revalued properties	1,315	-	1,315
Actuarial loss on pension scheme	-	(16,580)	(16,580)
Transfer from capital contribution reserve	7,168	-	7,168
At 31 March 2015	69,059	(47,920)	21,139

Group	Capital Contribution reserve £'000
At 1 April 2014	315,368
Realisation of capital contribution	(7,168)
At 31 March 2015	308,200

Company	Revaluation Reserve £'000	Revenue Reserve £'000
At 1 April 2014	6,502	(27,467)
Deficit for the year	-	(5,268)
Revaluation of assets	5,170	-
Transfer in respect of depreciation of revalued properties	98	(98)
At 31 March 2015	11,770	(32,833)

Notes to the financial statements (continued)
for the year ended 31 March 2015

27. Gross Cash flows

Group	2015 £'000	2014 £'000
Returns on investment and servicing of finance		
Interest received	1,466	1,477
Interest paid	(23,631)	(26,241)
	<u>(22,165)</u>	<u>(24,764)</u>
Capital expenditure and financial investment		
Purchase of housing properties	(21,793)	(2,562)
Payments to acquire other tangible fixed assets	(1,815)	(3,186)
Sale of housing properties	4,773	14,399
Sale of other fixed assets	860	565
Enhancements to housing properties	(20,427)	(16,383)
Construction of new properties	(12,991)	(21,050)
Grant received	16,373	2,109
	<u>(35,020)</u>	<u>(26,108)</u>
Financing		
Loans received	66,285	105,554
Loans repaid	(65,975)	(124,635)
	<u>310</u>	<u>(19,081)</u>
Acquisitions and disposals		
Purchase of subsidiary undertaking	-	11,921
Sale of business	(1,037)	-
	<u>(1,037)</u>	<u>11,921</u>

28. Changes in net debt

	1 April 2014 £'000	Cash flows £'000	Other non Cash changes £'000	31 March 2015 £'000
Cash at bank and in hand	13,266	(5,425)	-	7,841
Debt	(651,228)	310	(223)	(651,141)
	<u>(637,962)</u>	<u>(5,115)</u>	<u>(223)</u>	<u>(643,300)</u>

Notes to the financial statements (continued)
for the year ended 31 March 2015

29. Reconciliation of operating surplus / (deficit) to net cash inflow from operating activities

	2015	2014
	£'000	£'000
Operating surplus	29,723	28,038
Depreciation / impairment of tangible fixed assets	26,979	28,082
Decrease / (increase) in stocks	2,862	(1,641)
Increase in debtors	(5,133)	(3,458)
Increase in creditors	3,306	2,492
Difference between pension charge and cash contributions	(3,050)	(2,890)
Net cash flow from operating activities	54,687	50,623

30. Reconciliation of net cash flow to movement in net debt

	2015	2014
	£'000	£'000
Decrease in cash in year	(5,425)	(7,409)
Cash inflow from loan advances	(66,278)	(105,547)
Cash outflow from loan repayments	65,975	124,635
Acquisition of West of Scotland commercial loans	-	(61,769)
Amortisation of hedge and premium	390	419
Increase in debt in the year	(5,338)	(49,671)
Opening net debt	(637,962)	(588,291)
Closing net debt	(643,300)	(637,962)

31. Capital commitments

	2015	2014
	£'000	£'000
Expenditure contracted for but not provided for in the financial statements	2,123	7,215
Expenditure authorised by Board but not contracted	61,590	18,578
	63,713	25,793

The commitments will be funded through existing facilities.

A three year investment plan budget was approved by Board and will be funded by way of Group facilities.

Notes to the financial statements (continued)
for the year ended 31 March 2015

32. Other financial commitments

Annual amounts payable under non-cancellable operating leases were as follows:

Group	2015 Land and buildings £'000	2015 Other £'000	2014 Land and buildings £'000	2014 Other £'000
Operating leases which expire:				
Within one year	149	107	34	632
In the second to fifth years inclusive	50	1,316	181	1,292
Over five years	1	312	75	-
	<u>200</u>	<u>1,735</u>	<u>290</u>	<u>1,924</u>

Company	2015 Land and buildings £'000	2015 Other £'000	2014 Land and buildings £'000	2014 Other £'000
Operating leases which expire:				
Within one year	-	37	-	68
In the second to fifth years inclusive	10	130	24	148
Over five years	1	-	3	-
	<u>11</u>	<u>167</u>	<u>27</u>	<u>216</u>

33. Strategic Partnership

On 1 April 2013 we formed a strategic partnership with West of Scotland Housing Association who became a subsidiary of Gentoo Group. Under accounting rules we have had to use acquisition accounting within the Group accounts. This transaction gave rise to negative goodwill of £12,836,000 which was recognised in full in the Income and Expenditure Account in the year ended 31 March 2014.

Notes to the financial statements (continued)
for the year ended 31 March 2015

34. Related party transactions

The Board of Management includes one member, as shown on page 28, who is a tenant of a subsidiary Company. The terms of the tenancy arrangements are consistent with those offered to other tenants of those companies and at the end of the year no amount was due to the Company in respect of this member.

The Board of Management also includes one member, as shown on page 28, who is an elected member of the City of Sunderland Council (Council). The Company and Group undertake transactions with the Council at arm's length in the normal course of business.

The Company has taken the exemption available under FRS8 'Related Party Transactions' for subsidiary undertakings where 90% or more of the voting rights are controlled within the Group, not to disclose transactions with other Group organisations.

2015
£'000

Balances with the Council as at 31 March 2015 were:

Accruals and deferred income	(7)
Other creditors	(104)
Prepayments and accrued income	40

Transactions with the Council during the year ended 31 March 2015 were:

Sales to the Council	2,336
Purchases from the Council	2,104

Notes to the financial statements (continued)
for the year ended 31 March 2015

35. Analysis of Intra group transactions

Intra group trading is undertaken at arm's length and is predominantly tender / market driven. During the year intra-group transactions with non-regulated group subsidiaries were:

	Sales to 2015 £'000	Purchases from 2015 £'000	Sales to 2014 £'000	Purchases From 2014 £'000
Gentoo Homes Limited				
Group Management Charges	861	-	619	-
Gentoo Sunderland renewal plan	-	16,314	-	14,055
Gentoo Homes – growth	-	19,611	-	14,850
	<u>861</u>	<u>35,925</u>	<u>619</u>	<u>28,905</u>
Gentoo Construction Limited				
Group Management Charges	777	-	1,656	-
Sunderland planned maintenance expenditure	-	3,802	-	20,009
Parent – New build	-	49	-	10,025
Sunderland – New build	-	7,540	-	15,066
	<u>777</u>	<u>11,391</u>	<u>1,656</u>	<u>45,100</u>
Romag Limited				
Group management charges	69	-	68	-
PV on dwellings	-	2,954	-	2,078
	<u>69</u>	<u>2,954</u>	<u>68</u>	<u>2,078</u>
Astley Group Management charges	136	-	246	-
Art of Living – interest payment	-	521	-	312
Art of Living – Donation to group company	-	7,200	-	25,500
	<u>1,843</u>	<u>57,991</u>	<u>2,589</u>	<u>101,895</u>