

Gentoo Sunderland Limited

Financial statements for the year ended 31 March 2015

Registered number: 04039199

Homes & Communities Agency (HCA) Registration Number: L4318

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STRATEGIC REPORT

Principal Activities

Details of the principal activities can be found on page 4 and 21.

Business Model

Details of the key work streams undertaken to deliver our services can be found on pages 4 to 12.

Business Review and Results

Performance for the year can be found on page 14 to 15.

Key Performance Indicators (KPIs)

Details of the KPIs used and measured can be found on page 12,13 and 15.

Future Development

Details of the future development can be found within the Operating and Financial Review on page 13.

Principal Risks and Uncertainties

Details of the principal risks and uncertainties can be found on page 16.

By order of the Board:

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



Frederick McQueen
Chairman
24 September 2015

Operating and Financial Review

31 March 2015

Activities

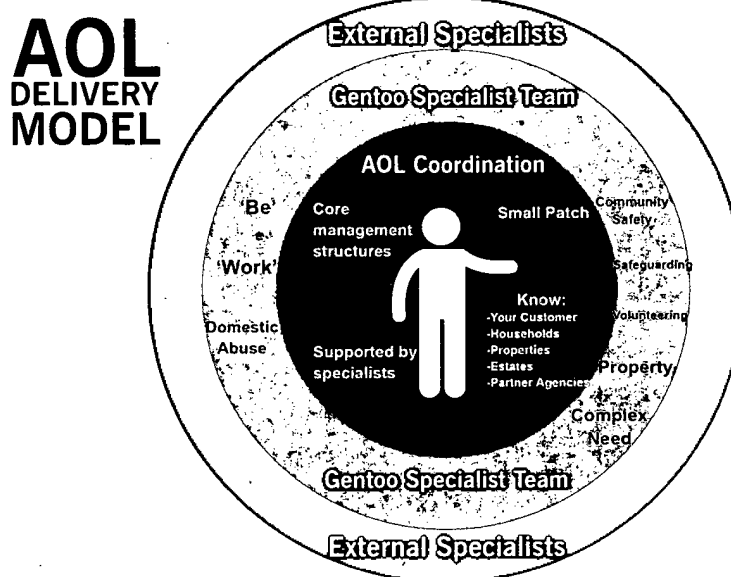
Gentoo Sunderland is the primary asset-owning wholly owned subsidiary company of Gentoo Group ("the Group") and is responsible for conducting the Group's core business as a Registered Housing Provider. Information relating to the Group also refers to Gentoo Sunderland. At 31 March 2015 the Company owned 29,030 homes across Sunderland, South Tyneside, Alnwick and Middlesbrough and also had responsibility for the management of the Group's remaining market rented and commercial property portfolio throughout the region in addition to managing 914 homes on behalf of others.

With access to over 70,000 customers throughout the region, Gentoo Sunderland is a key part of the Group in delivering its vision of Improving the Art of Living. The variety of services we provide help to fulfil the wishes of our customers and the aims of the organisation in this regard.

As part of an internal restructure within Gentoo, 2014/2015 saw the bringing together of Gentoo Sunderland's neighbourhood services and Gentoo Living to create Gentoo Operations. This related to operational delivery only and did not involve a legal entity change.

The bringing together of the two teams and the development of a new 'Art of Living' delivery model enables us to support our customers more effectively. This puts our Art of Living Co-ordinators at the heart of our approach, building their relationship with our customers. Our Art of Living Co-ordinators are supported by our own team of specialists delivering a wide range of services which are designed to support our customers to improve their Art of Living, but also are fundamental in promoting greater tenancy and neighbourhood sustainability.

Operating and Financial Review 31 March 2015 (continued)



The key work streams undertaken to deliver our services are structured around the following main service areas:

- Allocations
- Tenancy and Neighbourhood Management
- Financial Wellbeing
- Property
- Work & Learning
- Health & Wellbeing
- Safety Support & Crisis
- Community Empowerment and Customer Involvement
- Be Programme
- Volunteering
- Customer Service

Allocations

Our customer purpose is "Help me find a good quality home in an area that I want to be in, which meets my family's needs and which I can afford"

Our service offer includes:

- Help finding a home
- Providing advice and guidance in relation to rehousing options
- Checking affordability
- Supporting customers to sustain their tenancy
- Having a policy that promotes flexibility and transparency

Operating and Financial Review 31 March 2015 (continued)

Our priorities for 2015/16 are:

- Continue to ensure we meet the Homes and Communities Agency (HCA) Tenancy Consumer Standard
- Carry out a full review of allocations using lean principles
- Introduce and improve IT systems to enable enhanced analysis
- Investigate re-introduction of Property Shops
- Work with Money Matters Team to design a budget planner/affordability checker for customers which can be promoted in offices and on line via a Self Service Portal

Tenancy and Neighbourhood Management

Our customer purpose is “ensure I live in a neighbourhood which is safe, attractive and well maintained”.

Our service offer:

- Tenancy management including support for customers and regular neighbourhood inspections
- Art of Living surveys to engage with customers and understand their needs and aspirations

Our priorities for 2015/16 are:

- Continue to ensure we meet the HCA Neighbourhood and Community Standard in relation to neighbourhood management and local co-operation
- Work effectively with external partners such as the City of Sunderland Council and the Police in developing and improving the service offer for Tenancy and Neighbourhood Management and Community Safety
- Track the impact of Art of Living surveys and the issues identified along with any specific trends, outcomes etc, and investigate services that will ensure greater tenancy sustainability
- Develop a Tenancy Management toolkit that compliments the Neighbourhood Management and Community Safety toolkits
- Ensure the effective use of the new tools and powers recently introduced in conjunction with existing partnerships

Financial Wellbeing

Our customer purpose is “provide me with easy ways to pay my bills and give me the support I need to manage my finances”.

Our service offer includes:

- A range of activities through one to one support, including budgeting, benefit advice; debt advice; administering grants and Art of Living fund; supporting applications for Discretionary Housing Payment; promoting banking and the Credit Union; facilitating food parcels, and reporting of loan shark activity
- Customers are also sign-posted to specialist services Step Change and FISCUS (a local financial inclusion organisation)
- The Group also offers home contents insurance and crisis protection insurance
- Energy advice and fuel poverty support is undertaken by Gentoo Green

Operating and Financial Review 31 March 2015 (continued)

Our priorities for 2015/16 are:

- Continue to ensure rents charged in accordance with HCA requirements
- Respond to feedback within the Art of Living Surveys and develop new services in response to customer need and Universal Credit roll out
- Facilitate a Community Development Finance Institution (CDFI) affordable credit provider in Sunderland offering alternative affordable credit to our customers
- Sign up to Rental Exchange to enable customers rent payments to contribute to a digital footprint, credit scoring and improved access to financial services

Property - Repairs and Maintenance

The repairs and maintenance department is a core function of Gentoo Group and ensures that our properties are sufficiently repaired and maintained as required at a time convenient to customers. The services provided by the repairs and maintenance team are as follows:

- Emergency and mutually convenient repairs across all major trades
- Emergency out-of-hours service
- Void service
- Annual gas servicing and gas repairs
- Annual electrical servicing and electrical repairs
- Drainage, preservation and glazing
- Graffiti removal
- Small plant and tools
- Transport/fleet management

Our priorities for 2015/16 are:

- Continue to ensure we meet the HCA Home Consumer Standard and ensuring compliance across all service areas
- Up-skilling of the trade workforce to increase efficiency and effectiveness of our service to customers
- Strategic improvements to the Group's void processes
- Introduction of a new independent system to gather customer feedback data which will give us specific information on a number of categories

Property - Investment Plan

The delivery of the investment plan is a core function of Gentoo and ensures that the external structure and internal areas of our properties and buildings are updated, refurbished and improved with appliances and equipment as indicated by the Asset Strategy. The service encompasses the following installation team disciplines:

- Contract management
- Project management
- Plumbing, gas and heating
- Electrical
- Joinery
- Roofing
- Bricklaying

Operating and Financial Review 31 March 2015 (continued)

- Plastering
- Painting
- Wall tiling

Our priority for 2015/16 is:

- To deliver the Planned Maintenance Programme

Property - Renewal

Gentoo Homes are responsible for delivering the Renewal Plan in Sunderland, the affordable element of which is partially funded by the HCA through their investment programmes. We retain design principles which deliver developments of highly energy efficient, highly specified homes with generous space standards and plot sizes. All of our developments deliver a commitment to improve the Art of Living of our customers and the local community. The service offer comprises:

- Design
- Project management
- Construction
- Management of funding process

Priorities for 2015/16 are:

- Commence developments at High Ford and Downhill
- Progress the pre-construction phase on sites at Glebe and Chester Road

Property - Estate Services

Estate Services cover all aspects of the maintenance and appearance of all Gentoo estates and associated land. Activities include but are not limited to: grass cutting, shrub and flower bed maintenance, arboriculture services, landscaping to new build properties and sites, void gardening and fly tipping. All activities are undertaken with the aspiration of enhancing the physical appearance of estates for our customers.

Our priorities for 2015/16 are:

- To retain existing levels of external business
- Undertake in-house work on behalf of the Group and review internal recharging mechanisms
- Review our service standards with customers and operational staff

Property - Concierge

The concierge service is based at Leechmere depot and provides 24/7, 365 days CCTV monitoring and door entry controls to all of the Group's multi storey blocks, sheltered schemes, maintenance depots, and some of the Group's offices. The service covers additional areas including handling out of hours emergency repairs calls and anti-social behaviour hot line.

Operating and Financial Review 31 March 2015 (continued)

Our priorities for 2015/16 are:

- Implementation of a new monitoring system (PNC7) to enable the Group to undertake monitoring of the lone worker system and other potential uses including the care agenda
- Conclusion of review in regard to working practices

Work & Learning

Our customer purpose is "help and support me to improve my employment prospects so that I can aim for my dream job".

Our service offer includes:

- Employability support including: help and assistance with CV writing, interview skills, job searching and job matching, work experience
- Access to 'myworksearch' - brings together thousands of jobs from all major job sites and sorts them in an easy to view format
- Employability programmes
- Access to apprenticeships and employment through Sunderland College, Shaw Trust, Remploy and the supply chain
- School Programmes including internship programme, school practical interviews and school Mentoring Programme
- Careers days
- Duke of Edinburgh Award
- Be Your Own Boss business start up
- Supporting other parts of the Group to achieve HCA employment and skills targets

Our priorities for 2015/16 are:

- Extend current pilot citywide with a work advisor in each area, prioritising the service to customers impacted by Universal Credit
- Develop a social enterprise as a vehicle to improve employability skills
- Develop greater links with employers and training providers, including a Strategic Partnership with Sunderland College

Health & Wellbeing

Our customer purpose is "help me to maintain my independence and feeling of wellbeing".

Our service offer includes:

- Our Wellbeing Service, a tailored support service for older people that will help them to live well and independently
- Sheltered schemes which provide secure accommodation and our Extra Care Schemes which provide 24-hour care and support for those with a care need
- The Needs Assessment service provides access to minor and major adaptations for those under the age of 65 years old. The service also looks to determine the requirement for a priority move for those of all ages based upon their mobility or disability

Operating and Financial Review 31 March 2015 (continued)

- Facilitating a wide range of activities and events for older people

Our priorities for 2015/16 are:

- Define the Group's Health Offer and continue to work with the Clinical Commissioning Group
- Review the Wellbeing Service with Sunderland City Council as part of the re-tendering of the service by the Council
- Continue to develop the service for older people including integration of life story work throughout the service, particularly for those with dementia and at end of life and ensuring that schemes are Lesbian, Gay, Bisexual, and Transgender (LGBT) friendly and LGBT older people feel safe in their home and able to be themselves

Safety Support & Crisis

Our customer purpose is "I want to feel safe in my home and community and help me deal with crisis in my life".

Our service offer includes:

- Victim Support and Positive Engagement Services to both victims and perpetrators providing a range of support, enforcement, prevention, early intervention and diversionary services
- The Young Persons team provide a wide range of vocational, educational, and housing related support that equips young adults with skills, experience and confidence
- A range of other services to support vulnerable customers to manage their tenancies, including gardening services and mediation

Our priorities for 2015/16 are:

- Continue to ensure we meet the HCA Neighbourhood and Community Standard in relation to anti-social behaviour
- Implement a new Safety and Support Assessment Service including a standardised referral, risk assessment and support planning documents
- Review the young person's staffing structure to deliver a more flexible service, achieve VfM and meet the increase level of demand and complexity of cases that have been presented in 2014/15
- Refresh and update safeguarding training to all Group staff
- Expand the Domestic Abuse Housing Alliance (DAHA) customer base and enable DAHA to further influence the housing sector to prioritise and tackle domestic abuse

Operating and Financial Review 31 March 2015 (continued)

Community Empowerment and Customer Involvement

Our customer purpose is “let me get involved with you on things that matter to me in a way and time that suits me”.

Our service offer includes:

- Providing a wide range of information and opportunities to get involved in
- Producing a Local Living newsletter and Customer Annual Report
- Expand our involvement opportunities to make it easier and more accessible for customers to engage with us
- Provide a structured involvement framework that supports resident led self-regulation and customer scrutiny

Our priorities for 2015/16 are:

- Continue to ensure we meet the HCA Tenant Involvement and Empowerment Consumer Standards
- Amalgamate the Living Community Empowerment Team and Sunderland Customer Involvement Team into one team delivering the whole service
- Deliver a customer conference to re-launch involvement mechanisms
- Develop a Community Empowerment and Engagement Strategy
- Review the levels of community grants and establish robust procedures for delivering all community grants

Be Programme

Our customer purpose is “provide me with the opportunity, support and skills to improve my own quality of life and wellbeing”.

Our service offer includes:

- A seven week Be Programme incorporating a range of modules that are bespoke and suited to the programme cohort
- A Be Programme for schools

Our priorities for 2015/16 are:

- Continue to develop and evolve programme options to ensure a comprehensive and fit for purpose menu is available
- Integrate the Be Programme into the broader Community Empowerment and Engagement Strategy
- Develop our schools offer and increase our market coverage
- Commission an independent academic evaluation of the programme

Operating and Financial Review 31 March 2015 (continued)

Volunteering

Our customer purpose is "provide me with opportunities to volunteer my time and skills on things I am interested in".

Our service offer includes:

- Staff volunteering opportunities
- Community volunteering opportunities
- Corporate volunteering opportunities

Our priorities for 2015/16 are:

- Attract new Corporate Partners to work with Gentoo on volunteering within Sunderland and increase current Corporate Partners Volunteering hours
- Increase community volunteering hours
- Integrate the Volunteering and Work and Learning services to maximise volunteering options and improve people's employability skills

Customer Service

Gentoo Operations aims to ensure the Group's brand is strengthened by delivering excellent customer service and products, and that the services and homes we provide respond better to the needs of people, communities and the Planet.

Our priorities for 2015/16 are:

- Implementing the Art of Living surveys - establishing customer satisfaction levels and establishing customer demand for services and products
- Continue customer consultation regarding the Gentoo Operations customer offer and customer purpose

Key Performance Indicators (KPIs)

KPIs are set in relation to the core activities. These targets and measurements enable benchmarking across the sector.

Income KPIs

The KPI targets for 2015/16 are both realistic and challenging. We anticipate that income collection will continue to be difficult over the coming year as the continuing impact of Welfare Reform and austerity affects our customers.

The target for current tenant arrears as a percentage of the rent due for 2015/16 is 3.15%. This represents a 0.25% increase on the target for 2014/15 and compares favourably with the year end performance of 3.16%.

The target for rent collection as a percentage of rent due for 2015/16 is to achieve 99.95%, which is an improvement on the previous year target of 99.69% and compares to the year end performance of 99.68%.

The target for 2015/16 for former tenant arrears (FTAs) collection rates as a percentage of rent due is 0.35%, this percentage is the same as the year end position 2014/15.

Operating and Financial Review 31 March 2015 (continued)

Void Management and Allocations KPI

The year presented us with significant challenges relating to turnover and related costs. It is anticipated that we will continue to face those challenges in the coming year as our customers feel the financial squeeze as a result of Welfare Reform and the wider austerity measures.

The target for the total number of voids at the year end is the same as at the end of this financial year, 389 voids. This represents 1.24% of the total stock.

The target for total re-let days (standard and major voids combined) is 32 days. This represents an improvement on the year end position of 34.71 days. We are proposing to measure this target throughout the year through a more structured framework analysing the length of time each void takes to be reallocated and the associated costs.

The anticipated total rent loss for 2015/16 is £1,316,380 which represents a 0.17% increase on void rent loss as a percentage of the rent due as at year end.

Future development

Gentoo Sunderland continues to occupy a dominant position within the Sunderland affordable housing market, with 90% of the total affordable housing units in Sunderland.

The Group operates to the highest standards of conduct and probity as set out in the Group's code of governance and maintains a robust approach to risk assessment and risk management to meet the requirements of regulatory frameworks and to make sure that the Group's assets are protected.

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.

Operating and Financial Review 31 March 2015 (continued)

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

Turnover of £138.0m has been achieved (2014: £130.0m) and operating surplus (before donation to group company) for the year is £30.9m (2014: £31.0m). The average rent has increased from £76.57 per week to £79.39 per week and our rent convergence has been achieved in line with expectations to deliver the Government's rent restructuring targets. We continue to perform strongly in respect of rent arrears and void management. Total current tenant arrears stood at 3.16% (of which standard arrears was 2.26%) and void properties at 1.2% of stock. Management and maintenance costs per unit compare favourably to other large housing associations, as evidenced through recognised benchmarking which can be found in the Group financial statements, referred to in note 22.

Financial performance

Headlines

The Company's income and expenditure account and balance sheet are shown on pages 34 to 35 of these accounts. Operating surplus before donations to group company of £30.9m (2014: £31.0m). We are reporting a surplus for the year, before taxation, of £0.6m (2014: £17.8m). This surplus includes a profit of £299k (2014: £39k loss) on land sales and the disposal of properties through 'Right to Buy' and 'Right to Acquire' and also a donation to Group company of £7.2m (2014: £25.5m) to Art of Living, a member of the Group. This deficit was in line with the Company's business plan.

The valuation of our housing stock, which is independently assessed on an annual basis by FPD Savills, has decreased by £18.2m. Stock loss through 'Right to Buy' and 'Right to Acquire' has risen with 106 properties sold during the year. As at 31 March 2015, the Company owned 29,030 properties (of which 28,873 are revalued) with an average 'existing use value' of £34,089 per unit and managed a further 914 properties.

Operating and Financial Review 31 March 2015 (continued)

The table below summarises the overall results:

	2014/15	2013/14	2012/13	2011/12	2010/11
	£m	£m	£m	£m	£m
Financial performance					
Turnover	138.0	130.0	125.2	128.5	110.9
Cost of sales	(12.4)	(8.3)	(5.9)	(21.2)	(7.7)
Operating costs	(94.7)	(90.7)	(85.3)	(103.8)	(82.9)
Donation to group company	(7.2)	(25.5)	(18.0)	-	-
Operating surplus	23.7	5.5	16.0	3.5	20.3
Interest charges	(23.4)	(23.3)	(22.7)	(22.0)	(22.6)
Profit / (loss) on sale of fixed assets	0.3	-	(0.3)	0.5	0.3
Taxation	(4.1)	-	(1.6)	1.6	-
Deficit for the year	(3.5)	(17.8)	(8.6)	(16.4)	(2.0)
Financial position	£m	£m	£m	£m	£m
Stock valuation	984.3	987.6	958.3	939.5	905.8
Revaluation and capital contribution reserves	477.2	505.9	479.0	467.7	435.3
	%	%	%	%	%
Current tenant rent arrears as a % of rent due*	3.2	2.8	2.8	1.9	2.0
Void loss	0.9	0.8	0.9	0.9	1.3
*including voids					
Non-Financial performance					
	No.	No.	No.	No.	No.
Stock numbers	29,030	28,980	28,975	29,160	29,392
Demolitions	25	68	215	271	278
New build	224	156	152	292	25
RTB/RTAs	106	94	106	20	20

Source: Internal systems

Value for Money (VfM)

The Association is an active contributor to the Value for Money objectives of its parent company (Gentoo Group Limited). Details of the Group's VfM objectives are described in detail in the Group financial statements, referred to in note 22 and a full copy of the Group's VfM statement is available on the website (www.gentoo-group.com).

Operating and Financial Review 31 March 2015 (continued)

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 31 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.

- **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.

- **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.

- **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.

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.

Operating and Financial Review 31 March 2015 (continued)

- **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 £573m 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 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

Gentoo Sunderland applies the Group employee policy therefore the following information also applies to Gentoo Sunderland.

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. Gentoo Sunderland has 984 employees. We continue to operate with a low turnover rate and some employees have now worked with the Company for over thirty years.

Operating and Financial Review 31 March 2015 (continued)

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 customers across Sunderland.

Financial Review

Accounting policies

Gentoo Sunderland applies the Group accounting policies. The principal accounting policies of the Group are set out on pages 37 to 42 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.

Capital structure and treasury policy

The Group has loan facilities in place which are accessible to Gentoo Sunderland. 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.

Operating and Financial Review 31 March 2015 (continued)

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 West of Scotland 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 our Bond and loan covenant tests.

Pension costs

We operate a single pension scheme for all of our people which is a final salary, Local Government Pension Scheme. We have made contributions to the scheme during the year in accordance with the levels set by the scheme actuaries. Our contribution rate was 20.5% for the full year. Details of the actuarial assumptions, and the current scheme deficit, are shown in the consolidated Group accounts.

Going concern

The Company meets its day to day working capital requirements through Group funding. The Company has received assurances from Group that this funding will continue to be made available so as to allow the company to meet their liabilities as they fall due, for the twelve month period following approval of these financial statements, and thereafter for the foreseeable future. Therefore, the directors believe that the company is well placed to manage its business risks successfully despite the economic uncertainty. In relation to the July budget, please refer to Gentoo Group Limited's Financial Statements page 27.

After making enquiries, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare the financial statements on a going concern basis.

Members, professional advisors and bankers

Independent board members

William Fullen (resigned 20 May 2015)
Leslie Hodgson
Frederick McQueen
John Moralee
Patricia Stoker

Tenant board members

Daniel Bulmer (deceased 20 September 2014)
Kathleen Dagg
Leslie Herbert
Juliana Heron (resigned 20 May 2015)
Rose Otterson (resigned 1 May 2014)
James Fałade (appointed 25 November 2014)
Raymond Grainger (appointed 25 November 2014)

Local authority board members

John Cummings (appointed 10 June 2014)
Alan Emerson
Louise Farthing
Doris MacKnight
David Tate (resigned 10 June 2014)
Thomas Wright

Registered office

Emperor House
2 Emperor Way
Sunderland
Tyne and Wear
SR3 3XR

Bankers

National Westminster Bank PLC
52 Fawcett Street
Sunderland
SR1 1SB

Independent auditor

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

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 17 July 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 20. Where the term director is used within these financial statements this includes the Board of Members of the Company.

Principal activities

Gentoo Sunderland is a Registered Provider within Gentoo Group (Gentoo, the Group). It principally covers the geographical area of the City of Sunderland.

Gentoo's principal activities are the provision of rented accommodation to the social housing market and the regeneration of its communities. Gentoo also aims to construct or acquire properties and provide services of maintenance and repair to its houses which are held on leases or other lettings.

Results for the year

Gentoo Group is working with its partners to agree organisation structure changes to develop and implement a long term tax efficient governance structure. Gentoo Sunderland's deficit for the year of £3.5m (2014: £17.8m deficit) was fully expected and gives no cause for concern. The deficit includes a donation to a group company, Art of Living, which is a Co-operative and Community Benefit Society (CBS), of £7.2m (2014: £25.5m).

Changes in fixed assets

Changes in fixed assets are detailed in notes 10 and 11 of the accounts.

Officers' Insurance

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

Political contributions

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

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

Report of the Board of Management (continued)

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.

The constitution of the Board is comprised of fifteen non-executive board members including five independent members, five tenant members and five council members. The board members are drawn from a wide background bringing together commercial, financial, professional and local experience.

The Board is compliant with its chosen code of Governance taking into account the explanations provided within this statement, specifically in respect of the nine year maximum term of office for board members, where the Chairman of Gentoo Sunderland, Frederick McQueen has exceeded this term of office. In 2014, the Board agreed that Frederick stand for re-election for a limited period of time until the review of Governance was completed and following rigorous scrutiny to ensure continued effectiveness. In addition, John Moralee was appointed for a further year beyond nine years.

The Board is ultimately responsible for the overall control of the company, including the monitoring of its performance and the deployment of its resources. The Board ensures that the company operates effectively and within the terms of its internal governance and upholds the Group's vision, mission and values. The Board meets at least six times per year and also holds a number of informal development days during the year.

Day to day operating policy is dealt with by the Board and Managing Director from offices located within its geographical boundaries and in accordance with the Board's Terms of Reference and the Group's Delegation Scheme.

Report of the Board of Management (continued)

Board and attendance during the year

Board Members attendance for the year ended 31 March 2015 is set out in the table below:-

NAME	SUNDERLAND BOARD MEETINGS
	9 meetings
Danny Bulmer ¹	3 out of 3
John Cummings ²	4 out of 6
Kash Dagg	8 out of 9
Alan Emerson	4 out of 9
James Falade ³	4 out of 4
Louise Farthing	8 out of 9
William Fullen	3 out of 9
Raymond Grainger ⁴	4 out of 4
Les Herbert	8 out of 9
Juliana Heron	4 out of 9
Les Hodgson	5 out of 9
Doris Macknight	6 out of 9
Frederick McQueen (Chairman)	9 out of 9
John Moralee	5 out of 9
Rose Otterson ⁵	0 out of 2
Trish Stoker	7 out of 9
David Tate ⁶	2 out of 2
Thomas Wright (Vice-chairman)	6 out of 9

1. Danny Bulmer who was a valued Tenant Member of Gentoo Sunderland Board unexpectedly passed away during this financial year. Danny had passionately served and supported Gentoo in various roles since 2000.
2. John Cummings was appointed as a Council nominated Director on 10 June 2014 therefore the maximum attendance was 6
3. James Falade was appointed as a Tenant Director on 25 November 2014 therefore maximum attendance was 4
4. Raymond Grainger was appointed as a Tenant Director on 25 November 2014 therefore maximum attendance was 4
5. Rose Otterson resigned as a Tenant Director on 1 May 2014 therefore maximum attendance was 2
6. David Tate resigned as a Council Director on 10 June 2014 therefore maximum attendance was 2

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 360° 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

Report of the Board of Management (continued)

Group. 360⁰ feedback from all Members of the Board in respect to the performance of the Chairman is reviewed by the Group Chairman and fed back supported by the Independent Advisor. A comprehensive Board programme has been developed. Preparations for the next tranche of annual 360⁰ are underway.

In accordance with the principles set out in the Code, the Board considers all of its non-executive directors to be independent and continue to be effective. Due to a review of governance being undertaken it was proposed that Frederick McQueen (Chairman) be re-appointed for a limited period beyond the 2014 AGM in order to facilitate the review. Having served 12 years on the Board, a 360⁰ appraisal of the performance of Frederick McQueen, Chairman was undertaken prior to his re-appointment at the AGM in 2014 to ensure he remained independent and effective. The Board agreed to the re-appointment Frederick on this basis. The Board has also agreed that John Moralee, having served for nine years, be re-appointed for a further year at the AGM in 2014. Both Frederick and John have undergone a rigorous appraisal process and their positions considered by the Appointments and Remuneration Committee and it is concluded that they continue to be effective being independent in both character and judgement.

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 is 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. This 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 are 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 provides 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 mid year review in November 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 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

Report of the Board of Management (continued)

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;
- 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;

Report of the Board of Management (continued)

- 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.

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.

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 has considered the following matters:

Report of the Board of Management (continued)

- 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.

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.

Report of the Board of Management (continued)

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:

A handwritten signature in black ink, appearing to be 'F. McQueen', written over a horizontal line.

Frederick McQueen
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 financial statements in accordance with applicable law and regulations.

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

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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting 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 Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Directive for private Registered Providers of Social Housing 2012. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on 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 Sunderland Limited

We have audited the financial statements of Gentoo Sunderland Limited ("the association") for the year ended 31 March 2015 set out on pages 34 to 57. 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 31, 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 association as at 31 March 2015 and of its deficit 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.

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

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:

- 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

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

Income and expenditure account
for the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Turnover	2a	138,033	130,053
Cost of sales	2a	(12,444)	(8,272)
Gross profit		125,589	121,781
Operating costs	2a	(94,644)	(90,779)
Donation to group company	2a	(7,200)	(25,500)
Operating surplus	2a	23,745	5,502
Profit / (loss) on disposal of fixed assets	6	299	(39)
Interest payable and similar charges	7	(23,468)	(23,256)
Surplus / (deficit) on ordinary activities before taxation	8	576	(17,793)
Tax on surplus / (deficit) on ordinary activities	9	(4,101)	-
Deficit for the financial year	17	(3,525)	(17,793)

The results for the year relate wholly to continuing activities.

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

	2015 £'000	2014 £'000
Deficit on ordinary activities after taxation	(3,525)	(17,793)
Realisation of property revaluation gains	1,286	253
Excess of actual depreciation charge over historical cost depreciation	1,987	1,156
Historical cost deficit on ordinary activities	(252)	(16,384)

Balance sheet
as at 31 March 2015

	Note	2015 £'000	2014 £'000
Tangible fixed assets			
Housing properties at valuation	10	1,005,265	1,018,738
Tangible fixed assets – other	11	2,120	1,966
		<u>1,007,385</u>	<u>1,020,704</u>
Long term debtors	12	1,435	1,611
		<u>1,008,820</u>	<u>1,022,315</u>
Current assets			
Properties for sale	13	19,134	19,625
Debtors	14	10,945	7,344
		<u>30,079</u>	<u>26,969</u>
Creditors: amounts falling due within one year	15	(11,612)	(7,138)
Net current assets		<u>18,467</u>	<u>19,831</u>
Total assets less current liabilities		<u>1,027,287</u>	<u>1,042,146</u>
Creditors: amounts falling due after more than one year	16	507,261	500,346
Capital and reserves			
Revaluation reserve	17	169,028	190,550
Revenue reserve	17	42,798	35,882
Capital contribution reserve	17	308,200	315,368
		<u>520,026</u>	<u>541,800</u>
		<u>1,027,287</u>	<u>1,042,146</u>

These financial statements from pages 34 to 57 were approved by the Board of Directors on 24 September 2015 and signed on its behalf by:



Frederick McQueen
Chairman

Registered Number: 04039199

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

	2015	2014
	£'000	£'000
Income and expenditure deficit for the year	(3,525)	(17,793)
Unrealised (deficit) / surplus on revaluation of housing properties	(18,249)	35,436
Total recognised (deficit) / surplus since the last financial statements	<u>(21,774)</u>	<u>17,643</u>

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).

The Company has taken the exemption under s56 of the SORP for Registered Social Landlords not to prepare a cash flow statement. The cash flows of the Company are included in the consolidated financial statements of Gentoo Group Limited, the Company's ultimate controlling party.

As the Company is a wholly owned subsidiary of Gentoo Group Limited, the Company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the Group. Transactions with non-regulated related parties have been included in note 22.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Report of the Board of Management on pages 21 to 30.

The Company meets its day to day working capital requirements through Group funding. The Company has received assurances from Group that this funding will continue to be made available so as to allow the company to meet their liabilities as they fall due, for the twelve month period following approval of these financial statements, and thereafter for the foreseeable future. Therefore, the directors believe that the company is well placed to manage its business risks successfully despite the economic uncertainty.

After making enquiries, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare the financial statements on a going concern basis.

Turnover

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

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

1. Accounting policies (continued)

Turnover (continued)

- 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.

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
Boilers	10 years	PV invertors	8 years
Doors	30 years	PV panels	25 years
Electrical installations	30 years	Roof	60 years
Heating installations	15 years	Structure	80 years
Kitchens	20 years	Windows	30 years
Lifts	30 years		

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

1. Accounting policies (continued)

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.

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.

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

1. Accounting policies (continued)

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.

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.

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 (10) 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.

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

1. Accounting policies (continued)

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.

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 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 FRS19.

Value added tax (VAT)

Although the Company is registered for VAT, a large proportion of its 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.

Pension scheme

The Company participates in the Gentoo Group Limited Local Government Pension Scheme which is operated by Gentoo Group Limited as part of the Tyne and Wear Local Government Pension Fund (the Fund).

As the Company is unable to identify its share of the assets and liabilities of the Fund, it accounts for contributions as if they were to a defined contribution scheme. Contributions are charged to the profit and loss account in the year to which they relate.

2a. Turnover, cost of sales, operating cost and operating surplus

All sales are made within the North East.

	Note	Turnover £'000	Cost of sales £'000	Operating costs £'000	2015 Operating surplus £'000
Income and expenditure from social housing lettings	2b	122,050	-	(94,644)	27,406
Other social housing activities:					
Properties developed for outright sale		6,202	(5,179)	-	1,023
		128,252	(5,179)	(94,644)	28,429
Non-social housing activities		9,781	(7,265)	-	2,516
Donation to group company		-	-	(7,200)	(7,200)
Total		138,033	(12,444)	(101,844)	23,745

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

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

	Note	Turnover £'000	Cost of sales £'000	Operating costs £'000	2014 Operating surplus £'000
Income and expenditure from social housing lettings	2b	117,762	-	(90,779)	26,983
Other social housing activities:					
Properties developed for outright sale		3,282	(2,844)	-	438
		121,044	(2,844)	(90,779)	27,421
Non-social housing activities		9,009	(5,428)	-	3,581
Donation to group company		-	-	(25,500)	(25,500)
Total		130,053	(8,272)	(116,279)	5,502

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

2b. Income and expenditure from social housing lettings

			2015	2014
	Housing Accommodation £'000	Shared Ownership £'000	Total £'000	Total £'000
Income				
Rent receivable net of identifiable service charges	119,810	123	119,933	115,634
Service charge income	2,117	-	2,117	2,128
Total income from social housing lettings	121,927	123	122,050	117,762
Expenditure				
Housing management	(13,125)	-	(13,125)	(12,739)
Central services costs	(23,950)	-	(23,950)	(23,200)
Service charge costs	(1,184)	-	(1,184)	(1,988)
Routine maintenance	(26,178)	-	(26,178)	(23,569)
Asset management	(1,148)	-	(1,148)	(1,658)
Planned maintenance	(6,537)	-	(6,537)	(6,879)
Bad debts	(478)	-	(478)	(166)
Depreciation of housing properties	(22,044)	-	(22,044)	(20,580)
Total expenditure on social housing lettings	(94,644)	-	(94,644)	(90,779)
Operating surplus on social housing lettings	27,283	123	27,406	26,983
Rent losses from voids	(1,183)	-	(1,183)	(1,048)

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

3. Housing stock

	Owned and managed	Managed but not owned	Owned but managed by others	2015 Total No.
As at 31 March 2015:	No.	No.	No.	No.
Number of units of social housing accommodation:				
General needs rented	27,910	178	-	28,088
Affordable rented	674	6	-	680
Shared ownership	110	-	-	110
Housing for older people	187	-	-	187
Supported housing	14	-	134	148
Leasehold schemes – freehold retained	-	730	-	730
Social total	28,895	914	134	29,943
Number of units of non-social housing accommodation:				
Market rent – held for sale	1	-	-	1
Non-social total	1	-	-	1
Total number of units	28,896	914	134	29,944

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

3. Housing stock (Continued)

	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	27,990	149	-	28,139
Affordable rented	447	4	-	451
Shared ownership	110	-	-	110
Housing for older people	216	-	-	216
Supported housing	28	-	138	166
Leasehold schemes – freehold retained	-	728	-	728
Social total	28,791	881	138	29,810
Number of units of non-social housing accommodation:				
Market rent	2	-	-	2
Market rent – held for sale	2	-	-	2
Intermediate rent	47	28	-	75
Non-social total	51	28	-	79
Total number of units	28,842	909	138	29,889

4. Directors' and senior staff emoluments

The emoluments were as follows:

	2015 £'000	2014 £'000
Non-executive directors	10	10
Executive directors and senior staff	159	127
Pension contributions	33	29
	202	166
	2015 £'000	2014 £'000
Highest paid director	159	127
Pension contributions of the highest paid director	33	29
	192	156

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

4. Directors' and senior staff emoluments (continued)

Salary banding for all directors and senior staff whose total remuneration exceeds £60,000 (excluding pension contributions) per annum is as follows:

	2015	2014
	No.	No.
£120,001 - £130,000	-	1
£150,001 - £160,000	1	-

5. Employees

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

	2015	2014
	No.	No.
Directors and senior staff	1	2
Housing Management	265	239
Repairs and Maintenance	510	504
Asset Management	39	40
Operations	119	-
External Contracts	50	49
	984	834

The aggregate payroll costs of these persons were as follows:

	2015	2014
	£'000	£'000
Wages and salaries	24,497	21,122
Social security costs	1,726	1,472
Pension contributions	4,493	4,040
	30,716	26,634

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:

	2015	2014
	No.	No.
£60,000 - £70,000	4	2
£70,001 - £80,000	1	-
£80,001 - £90,000	1	2
£100,001 - £110,000	1	-
£120,001 - £130,000	-	1
£150,001 - £160,000	1	-

6. Surplus / (deficit) it on disposal of fixed assets

	2015	2014
	£'000	£'000
Proceeds from sales	6,674	13,220
Cost of sales	(631)	(51)
Net book value of assets sold	(4,415)	(12,377)
Net book value of assets demolished	(186)	(95)
	1,442	697
Transfer to disposal proceeds fund (DPF)	(1,023)	(579)
Transfer to recycled capital grant fund (RCGF)	(120)	(157)
	299	(39)

7. Interest payable and similar charges

	2015	2014
	£'000	£'000
Interest payable on intercompany loan	23,468	23,256

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

8. Surplus / (deficit) on ordinary activities before taxation

	2015	2014
Surplus / (deficit) on ordinary activities before taxation is stated after charging:	£'000	£'000
Depreciation:		
Social housing properties	22,044	20,580
Tangible fixed assets – other	342	330
Operating lease rentals:		
Property	150	137
Vehicles	1,153	1,128
Auditor's remuneration		
Statutory audit services excluding VAT	39	38

Amounts receivable by the Company's auditors and their associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Gentoo Group Limited.

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

9. Taxation

	2015	2014
	£'000	£'000
Current tax:		
UK corporation tax at 21% (2014: 23%)	4,101	-
Deferred tax:		
Losses and other deductions	-	-
Total deferred tax charge	-	-
Tax on surplus / (deficit) on ordinary activities	4,101	-

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

9. Taxation (continued)

Unprovided deferred taxation is as follows:

	2015	2014
	£'000	£'000
Capital allowances	(407)	(454)
Short term timing differences	(105)	(108)
Capital gains rolled over / revaluations	35,022	39,055
	34,510	38,493

Provided deferred taxation is as follows:

	2015	2014
	£'000	£'000
Losses and other deductions	-	-
	-	-

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

Current tax reconciliation:

	2015	2014
	£'000	£'000
Surplus / (deficit) on ordinary activities before tax	576	(17,793)
Tax at 21% (2014: 23%)	121	(4,092)

Effects of:

Fixed Asset differences	3,833	4,190
Expenses not deductible for tax purposes	207	(3)
Additional deduction for land remediation expenditure	(19)	(18)
Accelerated capital allowances / other timing differences	(41)	(77)
Current tax charge for the year	4,101	-

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 unprovided deferred tax liability at 31 March 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

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

10. Tangible fixed assets – housing properties at valuation

	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	1,068,405	3,432	24,068	1,465	1,097,370
Additions	3,288	-	14,436	-	17,724
Enhancements	19,224	-	-	-	19,224
Schemes completed	30,271	46	(30,317)	-	-
Disposals	(4,744)	(59)	-	-	(4,803)
Demolitions	(2)	-	-	(202)	(204)
Category transfer	105	(105)	-	-	-
Transfer to other fixed assets	(243)	-	-	-	(243)
Revaluation adjustment	(32,565)	-	-	-	(32,565)
At 31 March 2015	1,083,739	3,314	8,187	1,263	1,096,503
Depreciation					
At 1 April 2014	76,171	61	-	170	76,402
Charged in the year	22,020	-	-	24	22,044
Disposals	(390)	-	-	-	(390)
Demolitions	(2)	-	-	(16)	(18)
Revaluation adjustment	(7,868)	-	-	-	(7,868)
At 31 March 2015	89,931	61	-	178	90,170
Grant					
At 1 April 2014	702	-	1,528	-	2,230
Additions	1,585	-	3,335	-	4,920
Transferred from DPF & RCGF	-	-	366	-	366
Schemes completed	4,863	-	(4,863)	-	-
Revaluation adjustment	(6,448)	-	-	-	(6,448)
At 31 March 2015	702	-	366	-	1,068
Net book value					
At 31 March 2014	991,532	3,371	22,540	1,295	1,018,738
At 31 March 2015	993,106	3,253	7,821	1,085	1,005,265

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

10. Tangible fixed assets – housing properties at valuation (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	978,620	3,310	8,187	1,262	991,379
Accumulated depreciation	(151,587)	(58)	-	(177)	(151,822)
Grant	(53,789)	-	(366)	-	(54,155)
Net book value	773,244	3,252	7,821	1,085	785,402

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 £984,252,411. 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.

The last full valuation exercise was undertaken in March 2015, to the sum of £984,252,411.

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

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

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

10. Tangible fixed assets – housing properties at valuation (continued)

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	19,224	16,383
Amounts charged to income and expenditure account	6,537	6,879
	<u>25,761</u>	<u>23,262</u>

11. Tangible fixed assets – other

	Land and Buildings £'000	Furniture, fixtures and fittings £'000	Equipment £'000	Vehicles £'000	Total £'000
Cost					
At 1 April 2014	624	524	3,441	4	4,593
Additions	-	-	255	-	255
Transfer from housing properties	243	-	-	-	243
Disposals	-	-	(108)	-	(108)
At 31 March 2015	<u>867</u>	<u>524</u>	<u>3,588</u>	<u>4</u>	<u>4,983</u>
Depreciation					
At 1 April 2014	43	458	2,122	4	2,627
Charged in the year	12	18	312	-	342
Disposals	-	-	(106)	-	(106)
At 31 March 2015	<u>55</u>	<u>476</u>	<u>2,328</u>	<u>4</u>	<u>2,863</u>
Net book value					
At 31 March 2014	581	66	1,319	-	1,966
At 31 March 2015	<u>812</u>	<u>48</u>	<u>1,260</u>	<u>-</u>	<u>2,120</u>

All land and buildings are freehold.

12. Long term debtors

The long term debtor of £1,435k (2014: £1,611k) relates to the amount owed to Gentoo Sunderland as part of the HomeBuy Direct and Homebuyer Schemes.

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

13. Properties for sale

	2015	2014
	£'000	£'000
Properties under construction	18,222	19,256
Completed properties	912	369
	<u>19,134</u>	<u>19,625</u>

14. Debtors

	2015	2014
	£'000	£'000
Arrears of rent	6,642	5,991
Less: provision for bad and doubtful debts – rent	(2,917)	(2,686)
Trade debtors	1,920	1,403
Less: provision for bad debts	(77)	(62)
Other debtors	206	189
Prepayments and accrued income	5,171	2,509
	<u>10,945</u>	<u>7,344</u>

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

15. Creditors: amounts falling due within one year

	2015	2014
	£'000	£'000
Rent received in advance	1,734	1,630
Other creditors	1,686	1,635
Accruals and deferred income	3,769	2,195
Other tax and social security	1,901	-
Disposal proceeds fund	2,132	1,368
Recycled capital grant fund	390	310
	11,612	7,138

Reconciliation of disposal proceeds fund and recycled capital grants fund

	DPF	RCGF
	£'000	£'000
At 1 April 2014	1,368	310
Additions to fund	1,023	-
Recycled grant on property sales	-	120
Interest accrued in fund	9	1
Transfer from parent company	-	57
Recycling of grant	(268)	(98)
At 31 March 2015	2,132	390

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

	2015	2014
	£'000	£'000
Amounts owed to group undertakings	507,261	500,346

Gentoo Sunderland is financed by way of Group facilities. Gentoo Group Limited, the Company's parent company, is the Principal Borrower and as such the principal financing transactions are shown in the financial statements of that company. Interest is charged on to the subsidiaries. The financing is currently all secured by way of a fixed charge on the housing properties. Full details of the Group's facilities are given in the financial statements of Gentoo Group Limited.

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

17. Reserves

	Capital contribution reserve £'000	Revaluation reserve £'000	Revenue reserve £'000
At 1 April 2014	315,368	190,550	35,882
Deficit for the year	-	-	(3,525)
Transfer in respect of depreciation on revalued properties	-	(1,987)	1,987
Transfer in respect of realised losses on disposal of revalued properties	-	(1,286)	1,286
Realisation of capital contribution	(7,168)	-	7,168
Revaluation of housing properties	-	(18,249)	-
At 31 March 2015	308,200	169,028	42,798

18. Capital commitments

	2015 £'000	2014 £'000
Expenditure contracted for but not provided for in the financial statements	1,123	590
Expenditure authorised by the Board but not contracted	58,258	15,834
	59,381	16,424

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.

19. Other financial commitments

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

	2015		2014	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	149	39	-	388
In the second to fifth years inclusive	-	1,299	149	1,002
	149	1,338	149	1,390

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

20. Related party transactions

The Board of Management includes up to five members concurrently, as shown on page 20, who are tenants of the Company. The terms of the tenancy arrangements are consistent with those offered to other tenants and at the end of the year no amount was due to the Company in respect of these members.

The Board of Management also includes up to five members concurrently, as shown on page 20, who are elected members of the City of Sunderland Council. The Company undertakes 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.

21. Analysis of Intra group transactions

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

	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Gentoo Construction Limited				
Planned maintenance expenditure	3,802		20,009	
New Build	7,540		15,066	
		11,342		35,075
Gentoo Homes Limited – renewal plan		16,314		14,054
Romag Limited – PV on homes		2,954		2,078
Art Of Living – donation		7,200		25,500
		37,810		76,707

22. Ultimate parent undertaking

The immediate and ultimate controlling party and parent undertaking is Gentoo Group Limited, a Registered Housing Provider. Copies of the Annual Report and Accounts can be obtained from the Company Secretary, Gentoo Group Limited, Emperor House, 2 Emperor Way, Doxford International Business Park, Sunderland, SR3 3XR.