Gentoo Homes Limited

Financial statements for the year ended 31 March 2016

Registered number: 04739226

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Strategic Report

Principal activities
The Company's principal activities during the year were the development of homes for private sale as well as the provision of construction services to its parent Gentoo Group Limited and fellow subsidiaries.

Business Model
The Company is currently focused on the following two business streams:

The Group Renewal Plan
Gentoo Homes are responsible for assisting the Gentoo Group and Gentoo Sunderland in delivering the Renewal Plan in Sunderland. The funded element of this forms part of the Business Plan and also part of the Homes and Communities Agency's (HCA's) regional development programme. Developments have also progressed within the Group's 2015-18 Affordable Homes grant allocation which will supply 261 homes, including 199 affordable rental properties within the Group's citywide renewal project. The Company is working closely with the Group to consider our response to the Government's Shared Ownership and Affordable Homes Programme 2016-21 prospectus. During the year the company also achieved the delivery of its 1,800th new home built within Sunderland as part of the celebrated £1 billion investment in Sunderland by Gentoo Group since 2001.

Regional Development Programme
The main focus of Gentoo Homes' forward development programme and the Business Plan is on providing high quality outright market sale developments across the North East region. The product offer ranges from starter homes, providing opportunities for a route into affordable home ownership, right up to executive level homes.

The business secured planning approval on 657 plots within the year and contracted upon 537 plots to strengthen the forward development pipeline. Eleven new schemes commenced on site within the year, further expanding the brand across the North East region. This expansion has been aided by the securing of an external development finance facility of £13.1 million to supplement the Company's existing facilities (see note 11).

The land market remains extremely competitive throughout the region, however, the Company remains committed to sourcing land opportunities which are predominantly located in popular suburban residential areas.

Demonstrating the Company's commitment to quality, earlier this year Gentoo Homes was recognised for its outstanding new housing development in Durham city centre, 'The Bowers', by the County Durham Environment Partnership and by the City of Durham Trust. The Company received awards for its architecture and exemplary place-making in the city centre setting. The Company secured two National House Building Council (NHBC) regional 'Pride in the Job' awards and a Silver Considerate Constructors award within the year demonstrating the high quality build standards across the portfolio.

Results for the year
The net profit before taxation for the year is £30k (2015: £479k profit).

Strategic Report (continued)

Business review and results

Through a dedicated and customer focussed team, Gentoo Homes have delivered another exceptional year of achievement including:

- Securing Builders Finance Fund loans totalling £21.8m across nine sites throughout the North East Region to deliver 396 new homes. (£13.1m on behalf of Gentoo Homes and £8.7m on behalf of Gentoo Developments Limited, another subsidiary company of Gentoo Group).

- Completing the deal with the HCA to secure the former Prudhoe Hospital site which has a Gross Development Value of £93m and will deliver 403 high quality homes in a prime location.

- Customer satisfaction levels during the year of 85% which represents a Home Builders Federation four star builder rating. Improving this score is a key focus for the Company in 2016-17 with the objective remaining of becoming a five star builder.

Gentoo Homes works to the Group Value for Money Strategy and ensures that Value for Money is a key component of its decision making process. A strategic review of the business led to a comprehensive re-structure during the year which resulted in a number of redundancies, and will see the company reduce overheads by 16% in 2016-17 (notes 3 and4).

Key Performance Indicators (KPIs)

There are some inherent high level risks within house building which Gentoo Homes has to manage on an ongoing basis. The Company continues to review its range of KPI's and Business Metrics which are used to manage the overall risk profile and to benchmark the Company's performance. The Homes' KPI's categorised into the key components of our business are as follows:

Financials

Every scheme considered is subject to a vigorous appraisal process and is only undertaken after review and approval at Board level. Monthly monitoring of individual scheme performance is carried out with particular emphasis on accountability of the team responsible for delivering a scheme. Working capital is monitored and reported on a monthly basis to Board thus ensuring the Company remains within its approved funding levels and meets all the covenants which apply to the external funding. The Company will continue to explore the market place to source attractive funding opportunities. Particular emphasis is placed on minimising the amount of capital tied up in completed stock and part-exchange units. Gross and net profit, average property sales value, profit per unit, number of sales and turnover are monitored at a business and individual scheme level. Any variances from the budget are documented and actions taken when required to correct negative performance. Similarly, positive performance is built upon with the ideal of replicating good practice throughout the business. Monitoring of emerging Government policy remains a key focus of the business to ensure that the probability of any financial impact can be mitigated.

Sales

The Company has weekly targets for reservations, exchanges and completions with KPI's used to drive sales performance. We monitor footfall, media enquiries and conversion rate, mapped against marketing investment to drive value into our expenditure. Detailed marketing plans are used to target potential customer bases with performance monitored at an individual scheme and overall business level. Launches of new schemes are carefully managed whilst sales releases are targeted with the aim of achieving maximum sales value uplift on the scheme. We continue to keep abreast of the funding products available to our customers whilst considering any future uncertainties which may bring variations to the current economic state.

Strategic Report (continued)

Key Performance Indicators (KPIs) (continued)

Customer satisfaction

Customer satisfaction has levelled out during the year at 85% which represents a Home Builders Federation four star builder rating. This is below our target of 90% and improvement will be a key focus for the Company in 2016-17. Improvement in our customer journey has been identified as a key strategic aim for the Company with a detailed delivery plan in place to achieve this. The main driver will be to develop and empower staff to set new standards of quality throughout the Company. We monitor quality throughout the build stage of individual projects to allow us to deliver a consistent approach to quality across the business. Trend analysis of feedback received is used to evaluate all aspects of our performance, with particular emphasis on the sales experience, sub-contractor performance and customer care post occupation.

Construction stage programme

Programme performance is considered in four main areas, namely, start on site, live scheme updates, Health and Safety review and NHBC stage inspections. All aspects of performance are considered via a monthly site meeting at an individual scheme level, with any resulting variance from the forecast plan reviewed at a senior management level. In addition, the Board receive quarterly construction KPI update reports.

Principal risks and uncertainties

The major risks to Gentoo Group and Gentoo Homes' Business Plan are property sales rates and property values. The Company has looked to mitigate this position by endeavouring to acquire land across the region in areas that are in demand, and where the housing market is strong. We are also controlling the build out of new housing schemes reflecting the market demand and managing how many stock units we hold with a view to carefully controlling the Company's Work in Progress.

Delivering schemes on budget, on programme and to the right quality is critical to the Company's success. The industry has gone through a sustained period of upward movement in labour and material costs resulting in an increase in build costs. However, increases have now reached more modest levels and the Company has built relationships to secure labour and rates with key partners. Programme management will be a critical aspect of 2016-17 as the majority of property completions are scheduled for Q3 and Q4 placing pressure on the business to achieve all build and sales targets. The confirmation of the extension into 2020 of the Government 'Help to Buy' mortgage funding brings a welcome degree of certainty to the availability of funding for house buyers.

The implications of 'Brexit' remain unclear, but a period of economic weakness and uncertainty is expected. This could lead to further government imposed economic austerity, a loss of confidence in the housing market and increased pressure on our development/sales programme. The Company has confirmed the security of its funding with its lenders and will continue to monitor economic indicators and assess the impact of government policy changes on the business plan. Our development programme is highly managed and our strategy is to phase the release and construction of properties in accordance with demand.

Strategic Report (continued)

Future developments

The Company has developed its outlook for 2016-17 and has a forward development pipeline of 1,412 plots in contract, under conditional contract or partnership arrangements. It is a priority to develop this pipeline to the point where a rolling three year secure land supply exists with funding arrangements that facilitate the opportunity to deliver and grow to a minimum 200 house sales per year.

The Company will also work with the Group to consider the Government's Shared Ownership and Affordable Homes Programme 2016-21 prospectus in line with the Group's aspirations for expanding its affordable stock.

Further information is contained in the Gentoo Group Limited Strategic Report.

Signed on behalf of the Board

Colin Blakey

Colin Blakey
Director
10 August 2016

Directors' report for the year ended 31 March 2016

The directors present their report and the audited financial statements of Gentoo Homes Limited for the year ended 31 March 2016.

Directors and their interests
The directors who held office during the year were as follows:

Non-executive directors

Claire Warren	(appointed 25 May 2016)
Colin Blakey	(appointed 27 April 2016)
David Townsley	(resigned 3 June 2016)
Ian Parkin	(appointed 27 July 2016)
Ian Self	(resigned 17 February 2016)
Jeffrey Platt	(appointed 21 March 2016)
John Harrison	
Lynn Jordison	(resigned 14 December 2015)
Paula Rae	(resigned 4 February 2016)
Phillip Marsh	(appointed 25 May 2016)

Executive director

Ian Porter	
Stephen Lanaghan	(appointed 21 March 2016, resigned 25 May 2016)

None of the directors held shares in the Company during the year.

Proposed dividend
The directors do not recommend the payment of a dividend.

Political contributions
The Company made £nil (2015: £nil) political donations and incurred £nil (2015: £nil) political expenditure during the year.

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 of the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

By order of the Board:

Colin Blakey
Director
10 August 2016

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

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

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

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

We have audited the financial statements of Gentoo Homes Limited for the year ended 31 March 2016 set out on pages 11 to 24. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company'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 8, 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 web-site 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 the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- 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

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Profit and loss account and other comprehensive income
for the year ended 31 March 2016

	Note	2016 £'000	£'000	2015 £'000	£'000
Turnover	2		**36,311**		43,130
Cost of sales			**(32,373)**		(39,239)
Gross profit			**3,938**		3,891
Administrative expenses			**(3,908)**		(3,412)
Profit on ordinary activities before taxation	3 – 5		**30**		479
Analysed as:					
Profit on ordinary activities before taxation and exceptional termination costs		396		479	
Exceptional termination costs	3, 4	(366)		-	
Profit on ordinary activities before taxation		**30**		479	
Tax on profit on ordinary activities	6		**-**		-
Profit for the financial year			**30**		479
Other comprehensive income			**-**		-
Total comprehensive income for the financial year			**30**		479

Statement of financial position
at 31 March 2016

	Note	2016	2015
		£'000	£'000
Current assets			
Stock	7	**16,896**	12,119
Debtors	8	**2,560**	5,502
		19,456	17,621
Creditors: amounts falling due within one year	9	**(5,864)**	(11,380)
Net current assets		**13,592**	6,241
Creditors: amounts falling due after more than one year	10	**(12,615)**	(5,294)
Net assets		**977**	947
Capital and reserves			
Called up share capital	12	**-**	-
Profit and loss account		**977**	947
Shareholder's funds		**977**	947

These financial statements from pages 11 to 24 were approved by the Directors on 10 August 2016 and signed by:

Colin Blakey
Director

Registered number: 04739226

Statement of changes in equity

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 April 2014	-	468	468
Total comprehensive income for the period			
Profit	-	479	479
Balance at 31 March 2015	**-**	**947**	**947**
Balance at 1 April 2015	-	947	947
Total comprehensive income for the period			
Profit	-	30	30
Balance at 31 March 2016	**-**	**977**	**977**

Notes to the financial statements
for the year ended 31 March 2016

1. Accounting policies

Gentoo Homes Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 16.

The Company's parent undertaking, Gentoo Group Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Gentoo Group Limited are available to the public and may be obtained from Emperor House, 2 Emperor Way, Doxford International Business Park, Sunderland, Tyne and Wear, SR3 3XR. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period; and

- Cash Flow Statement and related notes

As the consolidated financial statements of Gentoo Group Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

1.2. 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 Strategic Report on pages 3 to 6.

Notes to the financial statements
for the year ended 31 March 2016

1. Accounting policies (continued)

1.2. Going concern (continued)

The Company meets its day to day working capital requirements through a combination of external and 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. The Company is profitable and has positive net current assets and net assets. 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.

1.3. Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.4. Basic financial instruments

Trade and other debtors / creditors
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments
Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes to the financial statements (continued)
for the year ended 31 March 2016

1. Accounting policies (continued)

1.4. Basic financial instruments (continued)

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits.

1.5. Stock

Completed properties for outright sale and property under construction are stated at the lower of cost and estimated selling price less costs to complete and sell, and are included within stock. Cost comprises materials, direct labour and direct development overheads.

1.6. Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.7. Employee benefits

Defined benefit plans

Group Plans
The Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated Group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan and the net defined benefit liability are recognised fully by the company which is legally responsible for the plan, which is Gentoo Group Limited. The Company then recognises a cost equal to its contribution payable for the period.

Notes to the financial statements (continued)
for the year ended 31 March 2016

1. Accounting policies (continued)

1.7 Employee Benefits (continued)

Termination benefits
Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

1.8. Turnover

Revenue on property sales is recognised upon legal completion of title to the customer.

Turnover represents amounts derived from the provision of goods and services which fall within the Company's principle activities after deduction of discounts and value added tax.

1.9. Expenses

Operating Leases
Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable
Interest payable and similar charges include interest payable, and finance leases recognised in profit or loss using the effective interest method.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.10. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes to the financial statements (continued)
for the year ended 31 March 2016

1. Accounting policies (continued)

1.10. Taxation (continued)

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference.

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2. Turnover

The turnover, all of which arises in the UK, is attributable to property sales and the provision of construction services to other Gentoo Group companies.

	2016	2015
	£'000	£'000
Property sales	**19,412**	7,137
Provision of construction services	**16,899**	35,993
	36,311	43,130

Notes to the financial statements (continued)
for the year ended 31 March 2016

3. Expenses and auditor's remuneration

	2016	2015
	£'000	£'000
Included in the profit / loss are the following:		
Exceptional termination costs (Note 4)	**366**	-
Auditor's remuneration:		
Audit of these financial statements	**6**	6

4. Staff numbers and costs

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

	2016	2015
	No.	No.
Director	**1**	1
Development and Selling Homes	**78**	79
	79	80

The aggregate payroll costs of these persons were as follows:	**2016**	2015
	£'000	£'000
Wages and salaries	**3,009**	2,905
Social security costs	**272**	255
Contributions to group wide benefit plan	**535**	512
Redundancy costs	**366**	-
	4,182	3,672

A strategic review of the business led to a comprehensive re-structure during the year which resulted in a number of redundancies.

5. Director's remuneration

	2016	2015
	£'000	£'000
Director's remuneration	**107**	102
Company contributions to group wide benefit plan	**12**	21
	119	123

Retirement benefits are accruing to one (2015: one) director under a group wide defined benefit scheme. The other Directors are remunerated via Gentoo Sunderland and Gentoo Group which are companies within the group.

Notes to the financial statements (continued)
for the year ended 31 March 2016

6. Taxation

Recognised in the profit and loss account

	2016	2015
	£'000	£'000
Current tax		
Current tax on income for the period	**-**	-
Total current tax	**-**	-

Reconciliation of effective tax rate

	2016	2015
	£'000	£'000
Profit for the year	**30**	479
Total tax expense	**-**	-
Profit excluding taxation	**30**	479
Tax using the UK corporation tax rate of 20% (2015: 21%)	**6**	101
Non-deductible expenses	**1**	1
Deferred tax not recognised	**(1)**	(1)
Group relief claimed	**(5)**	(101)
Rate difference	**(1)**	-
Total tax expense included in profit or loss	**-**	-

In total, the company has an unrecognised deferred tax asset of £2.6k (2015: £3.3k).

The main rate of UK corporation tax changed from 21% to 20% on 1 April 2015. A further reduction in the main rate of UK corporation tax, to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020, became substantively enacted on 26 October 2015 and therefore the effect of these further rate reductions on the deferred tax balance as at 31 December 2015 has been included in the figures above. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future current tax charge accordingly.

Notes to the financial statements (continued)
for the year ended 31 March 2016

7. Stock

	2016	2015
	£'000	£'000
Properties under construction	**13,409**	10,593
Completed properties	**3,487**	1,526
	16,896	12,119

There are a number of developments that are funded by the Homes and Communities Agency's Builders Finance Funding. This funding is secured by way of a first charge against the land to be developed, and is applicable to the following sites:

Kirk Hill, Carlton
Landsdowne Terrace, Gosforth
Cypress Avenue, Fenham
Front Street, Hart
Holeyn Hall Road, Wylam
Middlesbrough Road, Guisborough
Front Street, Benton

8. Debtors

	2016	2015
	£'000	£'000
Trade debtors	**7**	22
Amounts owed by group undertakings	**1,821**	4,850
Other debtors	**509**	563
Prepayments and accrued income	**223**	67
	2,560	5,502

9. Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Bank overdraft	**171**	797
Other loans (see note 11)	**1,796**	8,182
Trade creditors	**589**	329
Other creditors	**193**	8
Accruals and deferred income	**3,115**	2,064
	5,864	11,380

Notes to the financial statements (continued)
for the year ended 31 March 2016

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

	2016	2015
	£'000	£'000
Other loans (see note 11)	**414**	-
Amounts owed to group undertakings	**12,201**	5,294
	12,615	5,294

11. Interest –bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, including amounts owed to group undertakings which are measured at fair value.

	2016	2015
	£'000	£'000
Creditors falling due after more than one year		
Other loans	**414**	-
Amounts owed to group undertakings	**12,201**	5,294
	12,615	5,294

	2016	2015
	£'000	£'000
Creditors falling due within one year		
Other loans	**1,796**	8,182
	1,796	8,182

During 2015-16 the Company repaid the final instalment (£8.2m) of the £16.2m of Get Britain Building Funding, which was secured by the Company to deliver five schemes totalling 191 units by March 2016. In March 2016 the Company secured £13.1m of Builders Finance Funding, which will deliver 261 units across 7 schemes by April 2018. As at March 2016 £2.2m of the facility had been drawn, of which £1.8m is repayable within the year and £0.4m is repayable after more than one year. The funding attracts an interest rate of 1.2% above the European Commission rate for Great Britain.

The imputed interest on the loan reflects the market interest rates available to the Group. The loans have no fixed repayment dates and variable repayment amounts, however the ultimate repayment date is March 2019.

The loan with the parent company carries the same terms and conditions as the loan agreement between the parent company and the Group's funders. Interest is charged at the same rate as is paid by the Parent Company to the respective funders and may fluctuate in accordance with changes in LIBOR.

Notes to the financial statements (continued)
for the year ended 31 March 2016

12. Called up share capital

	2016	2015
	£	£
Allotted, called up and fully paid		
100 ordinary shares of £1 each	**100**	100

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

13. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016	2015
	Other	Other
	£'000	£'000
Less than one year	**55**	37
Between one and five years	**45**	32
	100	69

During the year £40k (2015: £44k) was recognised as an expense in the profit and loss account in respect of operating leases.

14. Related parties

The Company is a wholly owned subsidiary of Gentoo Group Limited.

Amounts owed from /(to) related parties (all subsidiaries or former subsidiaries of Gentoo Group Limited).

	2016	2015
	£'000	£'000
Gentoo Group Limited	**(12,201)**	(5,294)
Gentoo Sunderland Limited	**1,600**	4,351
Romag Limited	**221**	-
Gentoo Construction Limited	**-**	499
	(10,380)	(444)

Notes to the financial statements (continued)
for the year ended 31 March 2016

15. Ultimate parent company

The Company is a subsidiary undertaking of Gentoo Group Limited which is the ultimate controlling party. This is the only group in which the results of the company are consolidated. The consolidated financial statements of Gentoo Group Limited are available to the public and can be obtained from the Company Secretary, Gentoo Group Limited, Emperor House, 2 Emperor Way, Doxford International Business Park, Sunderland, SR3 3XR.

16. Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016 and the comparative information presented in these financial statements for the year ended 31 March 2015 and in preparation of an opening FRS 102 balance sheet at 1 April 2014 (the Company's date of transition).

There were no recognition or measurement adjustments as a result of transition to FRS 102.