

Gentoo Homes Limited

Financial statements for the year ended 31 March 2017

Registered number: 04739226

<b>Contents</b>	<b>Page</b>
STRATEGIC REPORT .....	3
DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2017 .....	5
STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS .....	6
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENTOO HOMES LIMITED .....	7
STATEMENT OF COMPREHENSIVE INCOME .....	9
STATEMENT OF FINANCIAL POSITION.....	10
STATEMENT OF CHANGES IN EQUITY.....	11
NOTES TO THE FINANCIAL STATEMENTS.....	12

## Strategic report

### Principal activities

The Company's principal activities during the year were the development of residential property for both affordable rent and private sale, as well as the provision of construction services to other Group companies.

### Business review and results

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

#### *The Group Renewal Plan*

The Company are responsible for assisting the Group in delivering the Renewal Plan in Sunderland, which forms part of the Homes and Communities Agency's (HCA's) 2015/18 Affordable Homes programme. In the year, the Company delivered 69 affordable rental units within this programme. A further 130 are programmed to complete in 2017/18. Gentoo Group have successfully been awarded grant to deliver 15 properties under the Government's Shared Ownership and Affordable Homes Programme 2016/21.

#### *Regional Development Programme*

The main focus of Gentoo Homes' forward development programme is the provision of high quality market sale homes across the North East region. The product offer ranges from starter homes allowing opportunities for a route into affordable home ownership, through to executive level homes.

As one of the region's leading developers, we have enjoyed another good year, delivering 164 homes. Consumer demand is strong benefiting from good mortgage availability and ongoing government support. A healthy forward order book and continued strong demand provides confidence that future trading remains on track to deliver both increased volume and profit levels. This is further supported by a strong pipeline of 452 plots successfully delivered through the planning system during 2016/17 with a further 418 plots contracted.

In common with the house building industry we were apprehensive of any economic downturn which may have arisen following the vote to leave the European Union (EU). To date we have not seen a notable impact on sales activity and reservation rates remain strong with 38% of the sales target for 2017/18 already secured.

We have benefitted from externally secured development funding and remain in discussion with external funders to continue this relationship.

During the year the Company secured one National House Builder Council (NHBC) regional 'Pride in the Job' award, a Silver Considerate Contractors award and a Local Authority Building Control (LABC) Social Housing Development of the Year National award.

### Results for the year

The profit before taxation for the year is £795k (2016: £30k profit). In accordance with the Group's strategy, the net profits will be gift aided to the parent company within nine months of the year end.

## Strategic Report (continued)

### Key Performance Indicators (KPIs)

There are some inherent high level risks within house building which the Company 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 Company KPI's categorised into the key components of our business are as follows:

#### *Financials*

Schemes are assessed to ensure that targets for internal rate of return and gross profit margin are achieved.

#### *Sales*

The Company has weekly targets for reservations, exchanges and completions.

#### *Customer satisfaction*

Customer satisfaction during the year has averaged 73% which represents a Home Builders Federation 3 star builder rating. Improvement in our customer journey has been identified as a priority.

#### *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.

### Principal risks and uncertainties

The major risk to the performance of the Company is property sales. The Company has looked to mitigate this position by acquiring land across the region in areas that are in demand, and where the housing market is strong. We also control the build out of new housing schemes to reflect market demand and manage the number of stock units held.

Delivering schemes on budget, on programme and to the right quality is critical to the Company's success. Continued pressure on industry resources has seen an upward movement in labour and material costs resulting in an increase in build costs. To mitigate this the Company is continuing to adopt a partnering approach which has helped manage both the labour supply and rates with key partners. Programme management continues to be key.

The Group continues to work with the Government in offering 'Help to Buy' funding and the confirmation of the scheme's extension into 2021 brings a welcome degree of certainty to the availability of funding for house buyers.

### Future developments

The Company has developed its outlook for 2017/18 and has a forward development pipeline of 1,108 plots in contract, under conditional contract or partnership arrangements and it is a priority to develop this to the point where a rolling 3 year secure land supply exists with funding arrangements that facilitate the opportunity to deliver and grow to a minimum 220 house sales per year.

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

By order of the board



Colin Blakey  
Director  
19 July 2017

## **Directors' report for the year ended 31 March 2017**

The directors present their report and the audited financial statements of Gentoo Homes Limited for the year ended 31 March 2017.

### **Directors**

The directors who held office during the year were as follows:

Colin Blakey	(appointed 27 April 2016)
John Harrison	
Stephen Lanaghan	(resigned 25 May 2016)
Phillip Marsh	(appointed 25 May 2016)
Ian Parkin	(appointed 27 July 2016)
Jeffrey Platt	
Ian Porter	(resigned 16 November 2016)
David Townsley	(resigned 3 June 2016)
Claire Warren	(appointed 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 no political donations and incurred no 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 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, a resolution for the appointment of an auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board:



**Colin Blakey**  
Director  
19 July 2017

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 2017 set out on pages 9 to 22. 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 6, 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](http://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 2017 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 is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

**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.



**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

**24 July 2017**



**Statement of comprehensive income**  
for the year ended 31 March 2017

	Note	2017 £'000	Restated 2016 £'000	£'000
<b>Turnover</b>	2	<b>40,078</b>		36,311
Cost of sales		<b>(35,075)</b>		(32,094)
<b>Gross profit</b>		<b>5,003</b>		4,217
Administrative expenses		<b>(3,414)</b>		(3,908)
<b>Operating profit</b>		<b>1,589</b>		309

*Analysed as:*

Operating profit before exceptional termination costs		1,619	675
Exceptional termination costs	3, 4	(30)	(366)
<b>Operating profit after exceptional termination costs</b>		<b>1,589</b>	309

Interest payable and similar charges	6	<b>(794)</b>	(279)
<b>Profit before taxation</b>		<b>795</b>	30
Taxation	7	<b>(159)</b>	-
<b>Profit for the financial year</b>		<b>636</b>	30
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>636</b>	30

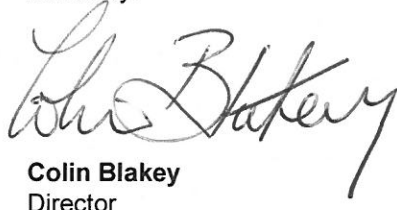
The notes on pages 12 to 22 form part of the financial statements.

**Statement of financial position**  
at 31 March 2017

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Tangible fixed assets	8	30	-
<b>Current assets</b>			
Stock	9	26,259	16,896
Debtors	10	6,555	2,560
Cash at bank and in hand		1	-
		<u>32,815</u>	<u>19,456</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(13,327)</u>	<u>(5,864)</u>
<b>Net current assets</b>		<u>19,488</u>	<u>13,592</u>
<b>Creditors: amounts falling due after more than one year</b>	12	<u>(18,541)</u>	<u>(12,615)</u>
<b>Net assets</b>		<u>977</u>	<u>977</u>
<b>Capital and reserves</b>			
Called up share capital	14	-	-
Profit and loss account		<u>977</u>	<u>977</u>
<b>Shareholder's funds</b>		<u>977</u>	<u>977</u>

The notes on pages 12 to 22 form part of the financial statements.

These financial statements were approved by the board of directors on 19 July 2017 and were signed on its behalf by:

  
**Colin Blakey**  
Director

Registered number: 04739226

**Statement of changes in equity**

	<b>Called up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total equity £'000</b>
Balance at 1 April 2015	-	947	947
Total comprehensive income for the year	-	30	30
<b>Balance at 31 March 2016</b>	<b>-</b>	<b>977</b>	<b>977</b>
Balance at 1 April 2016	-	977	977
Total comprehensive income for the year	-	636	636
Gift aid payment	-	(795)	(795)
Current tax credit	-	159	159
<b>Balance at 31 March 2017</b>	<b>-</b>	<b>977</b>	<b>977</b>

**Notes to the financial statements**  
for the year ended 31 March 2017

**1. Accounting policies**

**Legal status**

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

**Basis of accounting**

These financial statements have been 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.

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, 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;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

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. Change in accounting policy / prior period adjustment**

In these financial statements the Company has changed its accounting policy in relation to the recognition of interest expense.

Interest has been capitalised in prior periods within stock and then released through cost of sales on the sale of properties and the directors believe that recognising the interest in profit and loss in the current period is more appropriate as it provides more transparency in relation to the amount of interest borne by the Company.

A prior period adjustment of £279k has been made to the interest payable and similar charges line item with a corresponding entry in cost of sales therefore having no impact on the Statement of Changes in Equity.

In the aggregate for the periods before those presented, the amount of interest capitalised within stock and subsequently released through cost of sales on the sale of properties was £2,626k.

**1.2. Measurement convention**

The financial statements are prepared on the historical cost basis.

**Notes to the financial statements (continued)**  
for the year ended 31 March 2017

**1. Accounting policies (continued)**

**1.3. 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 4.

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 its liabilities as they fall due, for the 12 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.

**1.4. 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.

**1.5. 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 2017

**1. Accounting policies (continued)**

**1.6. Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The Company assesses at each reporting date whether tangible fixed assets are impaired. Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives. The estimated useful lives are as follows:

Office equipment	3 - 10 years
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Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

**1.7. 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.

**1.8. Impairment excluding stock 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, 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.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**1.9. 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 2017

**1. Accounting policies (continued)**

**1.9. 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.

**1.10. 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.

**1.11. Expenses**

*Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the statement of comprehensive income 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 are recognised in profit or loss as they accrue, using the effective interest method.

**1.12. Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income 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 statement of financial position date, and any adjustment to tax payable in respect of previous years.

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 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.

**Notes to the financial statements (continued)**  
for the year ended 31 March 2017

**1. Accounting policies (continued)**

**1.12. Taxation (continued)**

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 or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for 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 statement of financial position date. Deferred tax balances are not discounted.

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

**1.13. Gift aid payment**

Gift aid payments are only recognised as a liability at the year end to the extent that they have been paid prior to the year end, there is a deed of covenant prior to the end or a Companies Act s288 written resolution has been approved by the shareholder in the year to pay the taxable profit for the year to its parent by a certain payment date. These are presented in the Statement of Changes in Equity.

**2. Turnover**

The turnover, all of which arises in the UK, is attributable to the sale of open market properties and the provision of construction services to other Gentoo Group companies.

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Property sales	<b>19,319</b>	19,412
Provision of construction services	<b>20,685</b>	16,899
Receipt of grant	<b>74</b>	-
	<b>40,078</b>	36,311

**3. Expenses and auditor's remuneration**

	<b>2017</b>	2016
	<b>£'000</b>	£'000
<i>Included in profit are the following:</i>		
Exceptional termination costs (Note 4)	<b>30</b>	366
Depreciation:		
Tangible fixed assets	<b>4</b>	-
<i>Auditor's remuneration:</i>		
Audit of these financial statements	<b>7</b>	6



**Notes to the financial statements (continued)**  
for the year ended 31 March 2017

**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:

	<b>2017</b>	2016
	<b>No.</b>	No.
Director	-	1
Development and selling homes	<b>80</b>	78
	<b>80</b>	79

The aggregate payroll costs of these persons were as follows:

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Wages and salaries	<b>2,913</b>	3,009
Social security costs	<b>311</b>	272
Contributions to group wide defined benefit plan	<b>500</b>	535
Redundancy costs	<b>30</b>	366
	<b>3,754</b>	4,182

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

**5. Director's remuneration**

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Director's remuneration	-	107
Company contributions to group wide defined benefit plan	-	12
	-	119

Retirement benefits are accruing to no director (2016: one) under a group wide defined benefit plan. During the current year, all directors were remunerated via Gentoo Group Limited, the parent company.

**6. Interest payable and similar charges**

		Restated
	<b>2017</b>	2016
	<b>£'000</b>	£'000
Interest payable on intercompany loan	<b>614</b>	138
Interest payable on other loans	<b>180</b>	141
	<b>794</b>	279

**Notes to the financial statements (continued)**  
for the year ended 31 March 2017

**7. Taxation**

**Total tax expense recognised in the statement of comprehensive income, other comprehensive income and equity**

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Total current tax	-	-
Total deferred tax	-	-
<b>Total tax</b>	<b>-</b>	<b>-</b>

	<b>2017</b>	<b>2017</b>	2016	2016
	<b>Current tax</b>	<b>Total tax</b>	Current	Total
	<b>£'000</b>	<b>£'000</b>	tax	tax
			£'000	£'000
Recognised in Profit and loss account	159	159	-	-
Recognised directly in equity	(159)	(159)	-	-
<b>Total tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Reconciliation of effective tax rate**

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Profit for the year	<b>636</b>	30
Total tax expense	<b>159</b>	-
Profit excluding taxation	<b>795</b>	30
Tax using the UK corporation tax rate of 20% (2016: 20%)	<b>159</b>	6
Non-deductible expenses	<b>1</b>	1
Deferred tax not recognised	<b>(1)</b>	(1)
Group relief claimed	-	(5)
Rate difference		(1)
Total tax expense included in profit or loss	<b>159</b>	-

In total, the Company has an unrecognised deferred tax asset of £2.1k (2016: £2.6k).

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The unrecognised deferred tax asset at 31 March 2017 has been calculated based on these rates.

**Notes to the financial statements (continued)**  
for the year ended 31 March 2017

**8. Fixed assets**

	<b>Equipment</b>
	<b>£'000</b>
<b>Cost</b>	
Balance at 1 April 2016	22
Additions	34
<b>Balance at 31 March 2017</b>	<b>56</b>
<b>Depreciation</b>	
Balance at 1 April 2016	22
Depreciation charge for the year	4
<b>Balance at 31 March 2017</b>	<b>26</b>
<b>Net book value</b>	
At 31 March 2016	-
<b>At 31 March 2017</b>	<b>30</b>

**9. Stock**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Properties under construction	<b>22,713</b>	13,409
Completed properties	<b>2,741</b>	3,487
Properties held for resale	<b>805</b>	-
	<b>26,259</b>	16,896

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:

Orwell Grange, Carlton	Hart Village, Hartlepool	St Bartholomews, Benton
Lansdowne, Gosforth	Hedley Meadows, Wylam	
Calderstone Phase 2, Fenham	Foxdale, Guisborough	

**10. Debtors**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	<b>2</b>	7
Amounts owed by group undertakings	<b>1,618</b>	1,821
Other debtors	<b>690</b>	509
Prepayments and accrued income	<b>4,245</b>	223
	<b>6,555</b>	2,560

**Notes to the financial statements (continued)**  
for the year ended 31 March 2017

**11. Creditors: amounts falling due within one year**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Bank overdraft	<b>47</b>	171
Other loans (see note 13)	<b>7,374</b>	1,796
Trade creditors	<b>618</b>	589
Other creditors	<b>221</b>	193
Amounts owed to group undertakings (see note 13)	<b>562</b>	-
Accruals and deferred income	<b>4,505</b>	3,115
	<b>13,327</b>	5,864

**12. Creditors: amounts falling due after more than one year**

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Other loans (see note 13)	-	414
Amounts owed to group undertakings (see note 13)	<b>18,541</b>	12,201
	<b>18,541</b>	12,615

**13. 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.

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Creditors falling due after more than one year</b>		
Other loans	-	414
Amounts owed to group undertakings	<b>18,541</b>	12,201
	<b>18,541</b>	12,615

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Creditors falling due within one year</b>		
Other loans	<b>7,374</b>	1,796
Amounts owed to group undertakings	<b>562</b>	-
	<b>7,936</b>	1,796

**Notes to the financial statements (continued)**  
for the year ended 31 March 2017

**13. Interest-bearing loans and borrowings (continued)**

In March 2016 the Company secured £13.1m of Builders Finance Funding to deliver 167 units across seven schemes by April 2018. As at March 2017, £12.0m of the facility had been drawn down and £4.6m had been repaid (2016: £2.2m of the facility had been drawn down with no repayments).

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. Based on forecast cash flows we anticipate that the loan will be repaid within the year, however the ultimate repayment date per the loan agreement 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.

**14. Called up share capital**

	2017	2016
	£	£
<b>Allotted, called up and fully paid</b>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

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.

**15. Capital commitments**

The Company contractual commitments to purchase tangible fixed assets at the year end were £76k (2016: £nil).

**16. Operating leases**

Non-cancellable operating lease rentals are payable as follows:

	2017	2016
	£'000	£'000
Less than one year	78	55
Between one and five years	<u>60</u>	<u>45</u>
	<u>138</u>	<u>100</u>

During the year £68k was recognised as an expense in the profit and loss account in respect of operating leases (2016: £40k).

**Notes to the financial statements (continued)**  
for the year ended 31 March 2017

**17. Related parties**

*Identity of related parties with which the Company has transacted*

The Company is a wholly owned subsidiary of Gentoo Group Limited (see note 18).

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

	<b>Receivables / (creditors) outstanding</b>	Receivables / (creditors) outstanding
	<b>2017</b>	2016
	<b>£'000</b>	£'000
Gentoo Developments Limited	<b>1,618</b>	-
Gentoo Group Limited	<b>(19,103)</b>	(12,201)
Gentoo Sunderland Limited	-	1,600
Romag Limited *	-	221
	<b><u>(17,485)</u></b>	<b><u>(10,380)</u></b>

*\* Romag Limited was sold by Gentoo Group Limited in July 2016 and any outstanding balances are now included within other debtors*

**18. 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 may be obtained from the Company Secretary, Gentoo Group Limited, Emperor House, 2 Emperor Way, Doxford International Business Park, Sunderland, SR3 3XR.