

Gentoo Developments Limited

Financial statements for the year ended 31 March 2017

Registered number: 06192887

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Directors' report for the year ended 31 March 2017

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

Directors

The directors who held office during the year are stated as follows:

Louise Bassett	(appointed 28 September 2016)
Colin Blakey	(appointed 27 July 2016)
Stephen Lanaghan	(resigned 28 September 2016)
Ian Porter	(resigned 28 February 2017)
Ian Self	(resigned 31 January 2017)
Brian Spears	
Paul Stewart	(appointed 1 February 2017)

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

Principal activities

The Company's principal activities during the year were the delivery of private property development schemes for sale on the open market on behalf of Gentoo using Gentoo Homes as the constructing contractor. Both companies are subsidiary companies of Gentoo Group.

Proposed dividend

The directors do not recommend the payment of a dividend.

Results for the year

The profit before taxation for the year is £1,435k (2016: £48k), which is in line with directors' expectations. 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.

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.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

By order of the board:



Paul Stewart
Director
19 July 2017

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

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

The directors are responsible for preparing 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 Developments Limited

We have audited the financial statements of Gentoo Developments Limited for the year ended 31 March 2017 set out on pages 7 to 17. 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 4, 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 (APB'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

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 Developments Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in 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 Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



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	2016
		£'000	£'000
Turnover	2	16,064	221
Cost of sales		(12,680)	(171)
Gross profit		3,384	50
Administrative expenses		(1,393)	(2)
Operating profit		1,991	48
Interest payable and similar charges	5	(556)	-
Profit before taxation		1,435	48
Taxation on profit	6	(287)	(9)
Profit for the financial year		1,148	39
Other comprehensive income		-	-
Total comprehensive income for the year		1,148	39

The notes on pages 10 to 17 form part of the financial statements.

Statement of financial position
 at 31 March 2017

	Note	2017 £'000	2016 £'000
Current assets			
Stock	7	9,987	11,762
Debtors	8	6,447	1,703
Cash at bank and in hand		10	-
		<u>16,444</u>	<u>13,465</u>
Creditors: amounts falling due within one year	9	<u>(7,747)</u>	<u>(8,675)</u>
Total assets less current liabilities		<u>8,697</u>	<u>4,790</u>
Creditors: amounts falling after more than one year	10	<u>(8,658)</u>	<u>(4,751)</u>
Net assets		<u>39</u>	<u>39</u>
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account		<u>39</u>	<u>39</u>
Shareholder's funds		<u>39</u>	<u>39</u>

The notes on pages 10 to 17 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:



Paul Stewart
 Director
 Registered number: 06192887

Statement of changes in equity

	Called up share capital	Profit and loss account	Total equity
	£'000	£'000	£'000
Balance at 1 April 2015	-	-	-
Total comprehensive income for the year	-	39	39
Balance at 31 March 2016	-	39	39
Balance at 1 April 2016	-	39	39
Total comprehensive income for the year	-	1,148	1,148
Gift aid payment		(1,435)	(1,435)
Current tax credit		287	287
Balance at 31 March 2017	-	39	39

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

1. Accounting policies

Legal status

Gentoo Developments 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; and
- Cash Flow Statement and related notes.

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 are set out in the Directors' Report on page 3.

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. 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.

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

1. Accounting policies (continued)

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

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 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.

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

1. Accounting policies (continued)

1.6 Impairment excluding stock and deferred tax assets (continued)

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.

1.7. 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 principal activities after deduction of discounts and value added tax.

1.8. Expenses

Interest payable

Interest payable is recognised in profit or loss as it accrues, using the effective interest method.

1.9. 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.

1.10. 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.

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

2. Turnover

The turnover, all of which arises in the UK, is attributable to the sale of open market properties.

3. Expenses and auditor's remuneration

	2017	2016
	£'000	£'000
<i>Included in profit is the following:</i>		
<i>Auditor's remuneration:</i>		
Audit of these financial statements	<u>7</u>	<u>2</u>

4. Staff numbers and costs

The Company has no employees other than the directors, who did not receive any remuneration. They are remunerated via Gentoo Group Limited, the parent company.

5. Interest payable and similar charges

	2017	2016
	£'000	£'000
Interest payable on intercompany loan	403	-
Interest payable on other loans	153	-
	<u>556</u>	<u>-</u>

6. Taxation

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

	2017	2016
	£'000	£'000
Total current tax	-	9
Total deferred tax	-	-
Total tax	<u>-</u>	<u>9</u>

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

6. Taxation (continued)

	2017	Total tax	2016	Total tax
	Current tax		Current tax	
	£'000	£'000	£'000	£'000
Recognised in Profit and loss account	287	287	9	9
Recognised directly in equity	(287)	(287)	-	-
Total tax	<u>-</u>	<u>-</u>	<u>9</u>	<u>9</u>

Reconciliation of effective tax rate

	2017	2016
	£'000	£'000
Profit for the financial year	1,148	39
Total tax expense	287	9
Profit excluding taxation	<u>1,435</u>	<u>48</u>
Tax using the UK corporation tax rate of 20% (2016: 20%)	<u>287</u>	<u>9</u>
Total tax expense included in profit or loss	<u>287</u>	<u>9</u>

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.

7. Stock

	2017	2016
	£'000	£'000
Properties under construction	9,338	11,218
Completed properties	649	544
	<u>9,987</u>	<u>11,762</u>

There are two 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:

Thurcroft, Doxford Park

Meadow View Phase 2, Houghton-le-Spring

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

8. Debtors

	2017	2016
	£'000	£'000
Trade debtors	4	-
Prepayments and accrued income	6,443	1,703
	6,447	1,703

9. Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Other loans (see note 11)	4,595	-
Amounts owed to group undertakings (see note 11)	3,053	8,620
Taxation and social security	-	9
Other creditors	93	44
Accruals and deferred income	6	2
	7,747	8,675

10. Creditors: amounts falling after more than one year

	2017	2016
	£'000	£'000
Other loans (see note 11)	-	4,751
Amounts owed to group undertakings (see note 11)	8,658	-
	8,658	4,751

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

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.

	2017	2016
	£'000	£'000
Creditors falling due after more than one year		
Other loans	-	4,751
Amounts owed to group undertakings	8,658	-
	8,658	4,751

	2017	2016
	£'000	£'000
Creditors falling due within one year		
Other loans	4,595	-
Amounts owed to group undertakings	3,053	8,620
	7,648	8,620

During 2015/16, £8.7m of Builders Finance Funding was secured by the Company to deliver two schemes totalling 229 units. As at March 2017, all of the facility has been drawn down and £4.2m had been repaid, with £0.1m of interest accrued (2016: £4.8m of the facility had been drawn down, with no repayments or interest accrued).

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 it is anticipated 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.

12. Called up share capital

	2017	2016
	£	£
Allotted, and called up		
1 ordinary share of £1	1	1

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.

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

13. 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 14).

	Creditors outstanding	Creditors outstanding
	2017	2016
	£'000	£'000
Gentoo Group Limited	10,093	-
Gentoo Homes Limited	1,618	-
Gentoo Sunderland Limited	-	8,620
	11,711	8,620

14. Ultimate parent company

During the year, the Company was a subsidiary undertaking of Gentoo Sunderland Limited with the ultimate controlling party being Gentoo Sunderland's parent company, Gentoo Group Limited. On 31 March 2017, Gentoo Sunderland Limited was consolidated with Gentoo Group Limited by means of a transfer of engagement. All assets and liabilities of Gentoo Sunderland Limited transferred to Gentoo Group Limited on this date.

Therefore, as at year end, the Company is a direct subsidiary undertaking of Gentoo Group Limited. 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.