Gentoo Homes Limited

Financial statements for the year ended 31 March 2018

Registered number: 04739226

Contents

Strategic report

Principal activities

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

Business review and results

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

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 higher middle market level homes.

The Group Affordable Homes Plan

The Company are responsible for assisting the Group in delivering the Affordable Homes Plan, which forms part of the Homes England 2016/21 Affordable Homes programme. In the year, the Company delivered 114 affordable rental units within this programme. A further 41 affordable units are programmed to complete in 2018/19.

We have enjoyed another successful year as one of the region's largest developers, delivering 170 homes. Demand for new homes in the region remains strong and good mortgage availability continues as well as ongoing government support by way of the Help to Buy scheme and cuts to stamp duty for first time buyers.

Despite the Bank of England's decision to raise the base rate by 0.25% in November 2017, we have not seen a noticeable effect on sales or reservations. Reservation rates remain strong with 31% of the sales target for 2018/19 already secured. We continue to closely monitor economic indicators and consumer demand.

The expectation for 2018/19 is to increase both turnover and profit levels and this is supported by strong reservations for future sales and continued consumer interest. We have 7 established sites and there are 4 new sites scheduled for launch during 2018/19. We have a forward land pipeline which delivers 644 plots over the next 3 years.

During the year we were able to make an early repayment on external development funding to Homes England from the Builders Finance Fund, saving £80k in interest payments. We have now secured £7.5m of additional funding from Homes England by way of the Home Building Fund.

The Company also secured a National House Building Council (NHBC) regional 'Pride in the Job' award, and for the second year running, the Local Authority Building Control (LABC) Social Housing Development of the Year National award for our Hill Crag development.

Results for the year

The profit before taxation for the year is £509k (2017: £795k 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.

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.

Strategic Report (continued)

Customer satisfaction
Customer satisfaction during the year has averaged 75% which represents a Home Builders Federation 3 star builder rating. Improvement in our customer journey has been identified as a priority, and we aspire to become a 5 star developer with a minimum 4 star rating.

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. Competition for resources across the sector has continued to place pressure on both 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. We have made changes at our senior management level to reflect the increased priority in controlling the costs and quality of our build programme.

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 2018/19 and has a forward development pipeline of 882 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 an average of 215 house sales per year.

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

By order of the board

Colin Blakey

Colin Blakey
Director
18 July 2018

Directors' report for the year ended 31 March 2018

The directors present their report and the audited financial statements of Gentoo Homes Limited for the year ended 31 March 2018.

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

Colin Blakey
John Harrison
Phillip Marsh
Ian Parkin
Jeffrey Platt
Claire Warren

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, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board:

Colin Blakey

Colin Blakey
Director
18 July 2018

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 the Gentoo Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG

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

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

Opinion

We have audited the financial statements of Gentoo Homes Limited ("the company") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; 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

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Nick Plumb

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

23 July 2018

Statement of comprehensive income
for the year ended 31 March 2018

	Note	2018	2017
		£'000	£'000
Turnover	2	**39,999**	40,078
Cost of sales		**(34,266)**	(35,075)
Gross profit		**5,733**	5,003
Administrative expenses		**(4,068)**	(3,414)
Operating profit		**1,665**	1,589
Interest payable and similar charges	6	**(1,156)**	(794)
Profit before taxation		**509**	795
Taxation	7	**(97)**	(159)
Profit for the financial year		**412**	636
Other comprehensive income		**-**	-
Total comprehensive income for the year		**412**	636

Statement of financial position
at 31 March 2018

	Note	2018	2017
		£'000	£'000
Fixed assets			
Tangible fixed assets	8	**56**	30
Current assets			
Stock	9	**36,266**	26,259
Debtors	10	**1,960**	6,555
Cash at bank and in hand		**2**	1
		38,228	32,815
Creditors: amounts falling due within one year	11	**(7,151)**	(13,327)
Net current assets		**31,077**	19,488
Creditors: amounts falling due after more than one year	12	**(30,156)**	(18,541)
Net assets		**977**	977
Capital and reserves			
Called up share capital	14	**-**	-
Profit and loss account		**977**	977
Shareholder's funds		**977**	977

These financial statements were approved by the board of directors on 18 July 2018 and were signed on its behalf by:

Colin Blakey

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 2016	-	977	977
Total comprehensive income for the year	-	636	636
Gift aid payment	-	(795)	(795)
Current tax credit	-	159	159
Balance at 31 March 2017	**-**	**977**	**977**
Balance at 1 April 2017	-	977	977
Total comprehensive income for the year	-	412	412
Gift aid payment	-	(509)	(509)
Current tax credit	-	97	97
Balance at 31 March 2018	**-**	**977**	**977**

Notes to the financial statements
for the year ended 31 March 2018

1. Accounting policies

Legal status
Gentoo Homes Limited (the "Company") is a company incorporated, domiciled and registered in England in the UK. The registered number is 04739226 and the registered address is Emperor House, 2 Emperor Way, Doxford International Business Park, Sunderland, SR3 3XR.

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"). 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 the Company Secretary, 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 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.

Notes to the financial statements (continued)
for the year ended 31 March 2018

1. Accounting policies (continued)

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 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.

1.3. 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 2018

1. Accounting policies (continued)

1.5. 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

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.

1.6. 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.

1.7. 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.

1.8. 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 2018

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 payable
Interest payable is recognised in profit or loss as it accrues, 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 2018

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 is it 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.

	2018	2017
	£'000	£'000
Property sales	**23,433**	19,319
Provision of construction services	**16,547**	20,685
Receipt of grant	**19**	74
	39,999	40,078

3. Expenses and auditor's remuneration

	2018	2017
	£'000	£'000
Included in profit are the following:		
Depreciation:		
Tangible fixed assets	**10**	4
Auditor's remuneration:		
Audit of these financial statements	**7**	7

Notes to the financial statements (continued)
for the year ended 31 March 2018

4. Staff numbers and costs

The average number of persons employed by the Group and working for and remunerated via a recharge to the Company (including directors) during the year, analysed by category, were as follows:

	2018	2017
	No.	No.
Development and selling homes	**84**	80

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£'000	£'000
Wages and salaries	**3,091**	2,913
Social security costs	**328**	311
Contributions to group wide defined benefit plan	**684**	500
Redundancy costs	**14**	30
	4,117	3,754

5. Director's remuneration

During the current and prior year, all directors were remunerated via Gentoo Group Limited, the parent company. No remuneration was received in respect of services to the company (*2017: £nil).* They have not accrued any retirement benefits under the group wide defined benefit plan in either the current or prior year.

6. Interest payable and similar charges

	2018	2017
	£'000	£'000
Interest payable on intercompany loan	**1,081**	614
Interest payable on other loans	**75**	180
	1,156	794

Notes to the financial statements (continued)
for the year ended 31 March 2018

7. Taxation

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

	2018 Current tax £'000	**2018 Total tax £'000**	2017 Current tax £'000	2017 Total tax £'000
Recognised in Profit and loss account	97	97	159	159
Recognised directly in equity	(97)	(97)	(159)	(159)
Total tax	-	-	-	-

Reconciliation of effective tax rate

	2018 £'000	2017 £'000
Profit for the year	**412**	636
Total tax expense	**97**	159
Profit excluding taxation	**509**	795
Tax using the UK corporation tax rate of 19% (2017: 20%)	**97**	159
Non-deductible expenses	-	1
Deferred tax not recognised	-	(1)
Total tax expense included in profit or loss	**97**	159

In total, the Company has an unrecognised deferred tax asset of £8k (2017: £2.1k).

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) was 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.

Notes to the financial statements (continued)
for the year ended 31 March 2018

8. Fixed assets

	Equipment
	£'000
Cost	
Balance at 1 April 2017	56
Additions	36
Balance at 31 March 2018	**92**
Depreciation	
Balance at 1 April 2017	26
Depreciation charge for the year	10
Balance at 31 March 2018	**36**
Net book value	
At 31 March 2017	30
At 31 March 2018	**56**

9. Stock

	2018	2017
	£'000	£'000
Properties under construction	**30,069**	22,713
Completed properties	**6,040**	2,741
Properties held for resale	**157**	805
	36,266	26,259

There are a number of developments that are funded by the Homes England's Home Building Fund. 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
Orchard Quarter, Glebe
Lanchester Rise, Lanchester
Bramblewood, Hetton-le-Hole

10. Debtors

	2018	2017
	£'000	£'000
Trade debtors	**41**	2
Amounts owed by group undertakings	**809**	1,618
Other debtors	**896**	690
Prepayments and accrued income	**214**	4,245
	1,960	6,555

Notes to the financial statements (continued)
for the year ended 31 March 2018

11. Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Bank overdraft	53	47
Other loans (see note 13)	-	7,374
Trade creditors	808	618
Other creditors	226	221
Amounts owed to group undertakings (see note 13)	1,656	562
Accruals and deferred income	4,408	4,505
	7,151	13,327

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

	2018	2017
	£'000	£'000
Amounts owed to group undertakings (see note 13)	30,156	18,541

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.

	2018	2017
	£'000	£'000
Creditors falling due after more than one year		
Amounts owed to group undertakings	30,156	18,541

	2018	2017
	£'000	£'000
Creditors falling due within one year		
Other loans	-	7,374
Amounts owed to group undertakings	1,656	562
	1,656	7,936

Notes to the financial statements (continued)
for the year ended 31 March 2018

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. This facility was fully repaid during the year (2017: £12.0m of the facility had been drawn down and £4.6m had been repaid). In March 2018 £7.5m funding was secured but not drawndown from Homes England via the Home Building Fund.

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 September 2020.

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 and includes the interest charge which may fluctuate in accordance with changes in LIBOR.

14. Called up share capital

	2018	2017
	£	£
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.

15. Capital commitments

The Company had no contractual commitments to purchase tangible fixed assets at the year end. (2017: £36k).

16. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018	2017
	£'000	£'000
Less than one year	**59**	78
Between one and five years	**49**	60
	108	138

During the year £86k was recognised as an expense in the profit and loss account in respect of operating leases (2017: £68k).

Notes to the financial statements (continued)
for the year ended 31 March 2018

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).

	Receivables / (creditors) outstanding	Receivables / (creditors) outstanding
	2018	2017
	£'000	£'000
Gentoo Developments Limited	**809**	1,618
Gentoo Group Limited	**(31,812)**	(19,103)
	(31,003)	(17,485)

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.