Annual Report and Accounts 2018/19

gentoo

Contents

Executive and advisers	4-7
Strategic report	
Chairman's introduction	8-9
Our vision and strategy	10-13
Financial and operational highlights	14
Financial review and results	16-20
Operating review and results	21-22
Delivering an outstanding service to customers so that people and communities thrive	23-29
Actively managing our assets and developing new homes to meet local needs	30-35
Supporting our people to deliver our vision and live our values	36-38
Working with others to build effective partnerships	39-41
Being well governed and financially strong	42-46
Risk management	48-51
Corporate governance	52-60
Statement of Board's responsibilities in respect of the Strategic Report and the Financial Statements	61
Effectiveness of internal controls	62-63
Independent auditor's report to Gentoo Group Limited	64-66
Consolidated statement of comprehensive income	67
Association statement of comprehensive income	68
Consolidated statement of financial position	69
Association statement of financial position	70
Consolidated statement of changes in reserves	71
Association statement of changes in reserves	72
Consolidated statement of cash flows	73-74
Notes to the financial statements	75-116

Executive and advisers

The structure of the Board of Gentoo Group was made up of 12 members, comprising two local authority councillors, nine independents and one tenant. This followed the amendment of the Society's Rules on 30 January 2019. The rule change removed the category of executive members and increased the maximum number of independent members to nine. The change also updated the rules to reduce the number of local authority members to two, following the actual reduction in May 2018, as per the Regulation of Social Housing (Influence of Local Authorities) (England) Regulations 2017.

The members of the Board are as follows:

Independent Board Members

Brian Spears

Colin Blakey

David Murtagh

Frank Nicholson

Keith Loraine, OBE

Mary Coyle, MBE, DL
(resigned 26 September 2018)

Chris Watson

Carol Long
(appointed 26 September 2018)

Emily Cox, MBE
(appointed 27 February 2019)

Alison Fellows
(appointed 27 February 2019)

Council Board Members

Barry Curran
(resigned 16 May 2018)

Paul Stewart
(resigned 14 May 2018)

Philip Tye

Colin English
(appointed 16 May 2018, resigned 15 May 2019)

Michael Essl
(appointed 15 May 2019)

Executive Board Member

Nigel Wilson (appointed 2 January 2019, resigned 27 February 2019)

Resident Board Member

Leslie Herbert

Committee Membership

Risk and Audit Committee

Barry Curran
(resigned 16 May 2018)

David Murtagh

Frank Nicholson

Mary Coyle, MBE, DL
(resigned 26 September 2018)

Susan Johnson

Carol Long
(appointed 26 September 2018)

Colin English
(appointed 28 November 2018, resigned 15 May 2019)

Appointments and Remuneration Committee

Brian Spears

Chris Watson

Keith Loraine, OBE

Leslie Herbert

Phillip Tye

Operations Committee

Leslie Herbert

Kathleen Dagg

John Dannell

Margaret Robson
(resigned 12 March 2019)

Karen McDonald

Thomas Wright
(resigned 16 May 2018)

John Cummings
(resigned 16 May 2018)

Emma Teare

John Urwin

Henry Trueman
(appointed 16 May 2018)

Paul Middleton
(appointed 16 May 2018, resigned 20 June 2018)

Alex Samuels
(appointed 20 June 2018)

Brian Spears
(appointed 30 January 2019)

Key management personnel

Chief Executive Officer

David Jepson (Interim) (resigned 31 December 2018)

Nigel Wilson (appointed 2 January 2019)

Executive Director (Operations)

Michelle Meldrum

Executive Director (Corporate Services)

Louise Bassett

Executive Director (Finance)

Nigel Tooby (resigned 2 December 2018)

Caroline Wallace (Interim) (1 November 2018 – 18 February 2019)

Peter Lenehan (appointed 18 February 2019)

Executive Director (Property)

Graham Gowland

Executive and advisers (continued)

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

Bankers
National Westminster Bank plc
Sunderland City Branch
52 Fawcett Street
Sunderland
SR1 1SB

Funders
Nationwide Building Society
Treasury Department
King's Park Road
Moulton Park
Northampton
NN3 6NW

European Investment Bank (EIB)
98-100 Boulevard Konrad Adenauer
L-2950 Luxembourg-Kirchberg
Grand Duchy of Luxembourg

Lloyds Bank plc
Public and Community Sector
3rd Floor
25 Gresham Street
London
EC2V 7HN

Newcastle Building Society
Portland House
New Bridge Street
Newcastle upon Tyne
NE1 8AL

Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3UR

The Housing Finance Corporation Limited (THFC)
4th Floor
107 Cannon Street
London
EC4N 5AF

Funding Advisor
J.C. Rathbone Associates Ltd
12 St James's Square
London
SW1Y 4LB

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

Group Chair's Introduction

I am very pleased to be introducing Gentoo Group's Annual Report and Accounts for 2018/19 following a year of positive change across the entire organisation.

In October, we were delighted to appoint Nigel Wilson as Gentoo's Chief Executive Officer. Nigel joined Gentoo in January from Wythenshawe Community Housing Group with a very credible reputation, bringing a wealth of experience in the housing sector, a strong commitment to good governance and high standards of customer service with him (to Gentoo).

On behalf of the Board, I would also like to thank David Jepson, Nigel's interim predecessor, for his valuable contribution in helping steer the organisation out of such a difficult period.

Nigel has certainly hit the ground running in his new role and I am happy with the progress he has made in such a short space of time. His desire to meet every single employee within his first two months, getting back to the floor with colleagues on the frontline and building relations with key stakeholders, have given a clear indication of his positive and open leadership. Such relationships are key in helping us to achieve our vision.

Sunderland is our home and we are fully supportive of the City's new transformational plan to create a vibrant, dynamic and healthy Sunderland by 2030. Gentoo is a place based organisation firmly rooted in Sunderland and it is hugely important that we continue to work closely and in harmony with Sunderland City Council. In that way, we will fulfil our role as one of the leading organisations in the city and deliver on our responsibilities to support its growth and evolution.

We have been working closely with the Regulator of Social Housing (RSH) as part of our Voluntary Undertaking and specifically on our Regulatory Recovery Plan throughout the course of the year. I was therefore delighted to receive the news in September that the Group's governance rating had moved from non-compliant G3, to a compliant G2 position.

We have worked hard to address all of the issues identified by the RSH, with the Group now in a compliant position and fit for the future. The ultimate aim remains for Gentoo to become a G1 rated organisation and I look forward to us building on the momentum we have created and continuing our upward trajectory.

Throughout 2018/19, the Group has continued to focus on its core housing functions in Sunderland and new build housing sales programme across the wider North East region. The business now has a turnover of £177.1 million and has generated a surplus of £13 million.

Our landlord performance remains in the upper quartile of housing associations across the country, with 96% of customers satisfied with the service they receive from Gentoo. Despite the continued implementation of changes resulting from Welfare Reform and further rollout of Universal Credit, we once again exceeded our rent collection target with 99.6% of rent collected. As part of our proactive approach to supporting tenants, our specialist Money Matters Team worked with 1,225 financially vulnerable households during the year. The team provided advice and support to tenants in financial difficulty, helping them get back on the right track, and where possible, assisted with additional benefit claims which successfully resulted in £1,003,956 in financial gains for tenants. It is fitting that the team were recognised for their efforts at the UK Housing Awards, being highly commended for their achievements.

Like many business sectors, our risk environment has continued to be dominated by Brexit, in addition to a number of other key risks. Significantly, the third year of the Government imposed 1% rent decrease and continued impact of the Right to Buy and Right to Acquire, which again eroded our asset base and reduced the number of homes we have available to rent.

Following a comprehensive treasury review, we are now aiming to counteract the impact of stock reductions, through the delivery of a new ambitious affordable homes plan. This will involve a concentrated effort to significantly increase the number of affordable rented properties available in Sunderland, with £117 million set to be invested in the creation of 900 new homes by 2024. To kick start and deliver this strategy, we have appointed a Development Director who will be responsible for the delivery of the plan.

The affordable homes plan forms part of our newly launched Group-wide business plan, which will see £417 million invested in new and existing homes, including more than £22 million to install replacement double glazing to 9,000 rental properties.

We have also continued our important work to raise awareness of the sector's response to domestic abuse, setting up the North East Domestic Abuse Housing forum. This is in addition to working closely with legislators at the Home Office to tackle the problem of economic control in relation to domestic abuse as part of the Government's landmark Domestic Abuse Bill. This is a fantastic achievement and a testament to the continued level of commitment and investment Gentoo makes in supporting such a vital agenda.

I was also delighted to see the recognition given to our 'Something's Not Quite Right' initiative. This is a programme which involves training all members of our direct labour force in spotting the signs of child, adult and domestic abuse in our properties. The National Housing Maintenance Forum awarded Gentoo the 'Customer Impact' award at a ceremony in January.

As a Group we are committed to developing talent and supporting our people to be the best they can be. This year we launched our Aspiring Leaders Programme in partnership with Durham-based Believe Housing, which aims to identify and develop our housing leaders of the future. We also look forward to welcoming our new cohort of apprentices who will be joining the Group later this year. The Group has agreed to recruit 16 apprentices to a wide range of roles across the organisation and this is a further step in ensuring that we have the right people with the right skills to take us forward into the future.

As well as nurturing the talent of our employees, the artistic talent of young people in Sunderland is also something that's important to us and is recognised through our renowned 'Genfactor' competition. In April 2019 we celebrated the 10th anniversary of the talent competition, with 13 year old Sunderland schoolgirl Rionna Sorianosos crowned our winner. It is a truly incredible event that inspires so many local people and I would like to thank the Gentoo team responsible for delivering the Genfactor, for their hard work.

Finally, I would like to say how very proud I am of how colleagues across the Group who have worked so hard this year to help turn the business around and get us back on track. It is clear there is real deep seated passion and determination amongst the workforce to continue to deliver the best service we possibly can.

The Gentoo Group Board has set clear priorities for the future and I look forward to seeing progress in areas such as improving our digital offer and strengthening the voice of our tenants in everything we do.

Gentoo is a great organisation, performing amongst the best housing associations in the UK and still improving. It is crucial that we continue to work hard to achieve our vision of great homes, strong communities and inspired people.

Keith Loraine OBE

Group Chair

13 September 2019

Our vision and strategy

Principal activities
Gentoo Group is a registered provider of social housing and our principal activities are the provision of social and affordable homes to those on low incomes who have a housing need and the wider regeneration of our communities. During the year, the Group also undertook new build housing development for both sale and rent, property repair and maintenance services, as well as commissioning care services.

'Gentoo Group' structure
Under Gentoo Group's legal structure, Gentoo Group Limited is the parent company and is a Charitable Community Benefit Society registered with the Financial Conduct Authority (FCA) and is a not-for-profit Private Registered Provider (PRP) regulated by the Regulator of Social Housing (RSH). The Society also has exempt charitable status (meaning that the Society is not regulated by the Charity Commission), and is treated as charitable by HM Revenue and Customs, reference number EW41411 and is also a Public Benefit Entity.

Gentoo Group Limited
The parent body and Registered Provider of Social Housing. It also provides group-wide services including treasury and financial management, information technology (IT), technical, legal and human resources.

Registered Societies under Co-operative and Community Benefit Societies Act 2014	Private, non-charitable subsidiaries
Gentoo Art of Living provides a range of support services and housing options to help vulnerable people live well in Gentoo communities	**Gentoo Homes Limited** a residential property development company
	Gentoo Developments Limited a residential property development company
	Gentoo Genie Limited a provider of a FCA authorised Home Purchase Plan (HPP)
	Genie Homeplan Limited a trust company that holds the legal title for assets subject to Home Purchase Plans (HPP) administered and provided by Gentoo Genie Limited
	Gentoo Care Limited a provider of care services

The Group also has a number of dormant companies as detailed in note 14.

The consolidated Group Business Plan includes the Business Plans relating to the social landlord function and developments for sale. Where relevant, each subsidiary sets out their own operational targets which are approved by Board.

Our vision and strategy (continued)

Vision

Great Homes › Strong Communities › Inspired People

Values

Do the right thing › Make a difference › Work together › Give all you've got › Keep learning

Our vision and values, along with the Group Business Strategy, set the direction and culture of the Group. They ensure that the business is aligned around the desire to create sustainable homes and communities and to improve the lives of our customers.

Group strategic aims

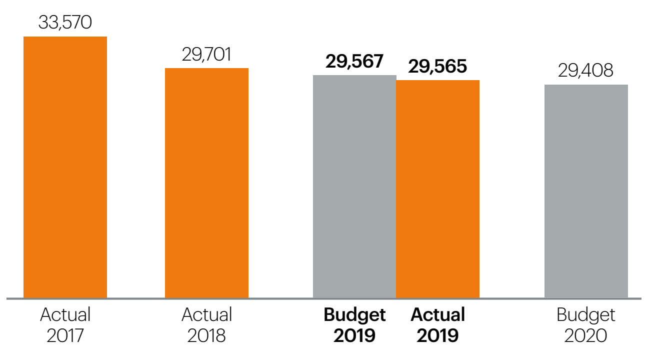
The Group's Business Strategy has five strategic aims:

- **Deliver outstanding service to customers so that people and communities thrive**
- **Actively manage our assets and develop new homes to meet local needs**
- **Support our people to deliver our vision and live our values**
- **Work with others to build effective partnerships**
- **Be well governed and financially strong**

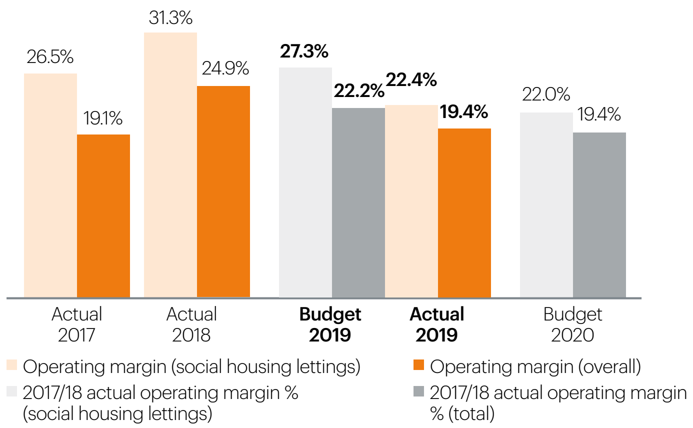
Progress against the Group's strategic aims is discussed quarterly by Board. Progress made during the year and key priorities moving forward are discussed in more detail on pages 21 to 46.

Financial and operational highlights

Number of social housing units managed

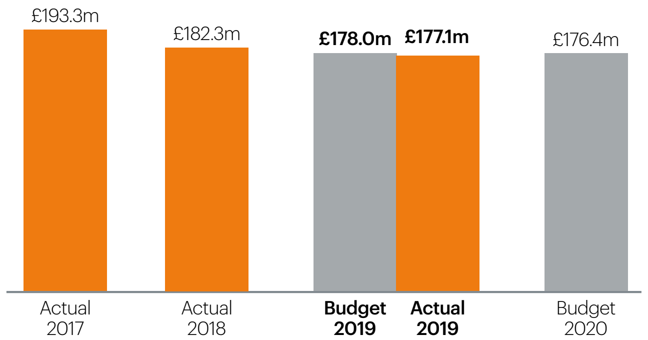


Operating margin (%)*

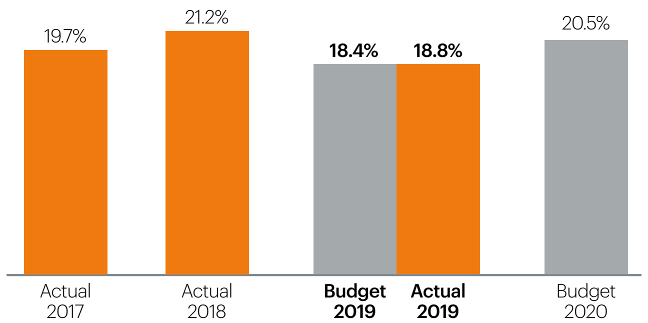


*Defined as operating surplus less gain/(loss) on disposal of housing properties / turnover.

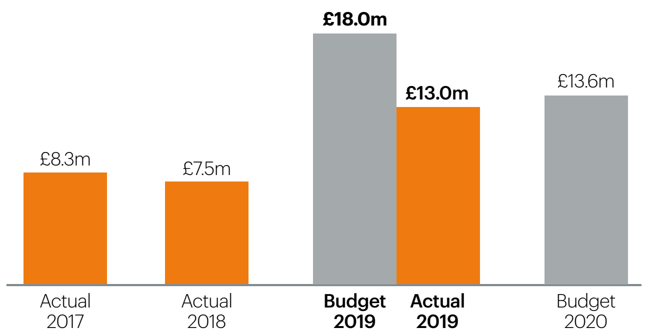
Turnover (£m)



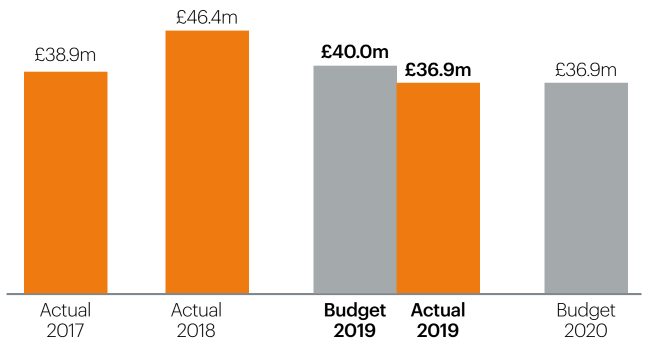
Property sales gross margin (%)



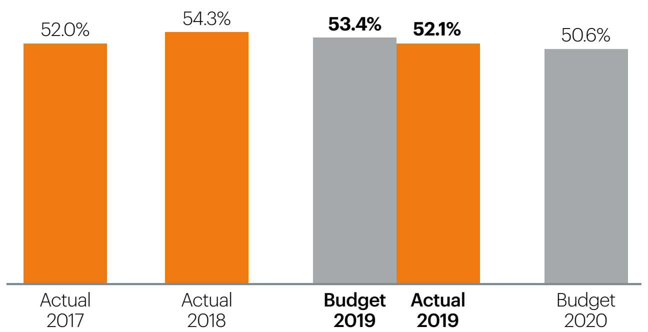
Surplus/deficit (£m)



Operating surplus (£m)

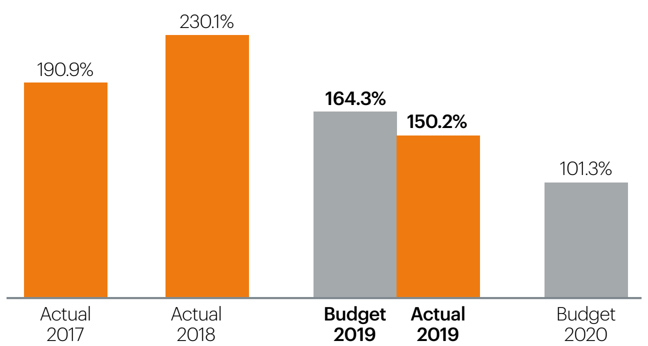


Gearing (%)*



* Defined as short-term loans, long-term loans and cash/housing properties at cost.

EBITDA MRI Interest cover (%)*



* Earnings before interest, tax, depreciation and amortisation with major repairs included as a percentage of interest.

Note: West of Scotland Housing Association was part of the Group until October 2017, therefore actual 2018 metrics are impacted by the termination of the constitutional partnership.

Financial review and results

Consolidated statement of comprehensive income

	2018/19 £m	2017/18 £m	2016/17 £m
Turnover	177.1	182.3	193.3
Cost of sales and operating expenditure*	(142.7)	(137.0)	(153.0)
Other operating income	0.4	0.2	0.2
Surplus / (deficit) on disposal of tangible assets	2.1	0.9	(1.6)
Operating surplus*	**36.9**	**46.4**	**38.9**
Deficit on disposal of discontinued operations	-	(14.0)	(4.5)
Net interest charges	(23.2)	(24.2)	(25.2)
Change in value of investment property	(0.5)	(0.5)	(0.7)
Surplus on disposal of investment properties	0.1	-	-
Fair value adjustment	(0.1)	-	-
Taxation	(0.2)	(0.2)	(0.2)
Surplus for the year*	**13.0**	**7.5**	**8.3**

*Includes exceptional pension past service costs in 2018/19 at £5.8m. See note 3 for further details.

Consolidated statement of financial position

	2018/19 £m	2017/18 £m	2016/17 £m
Net book value of tangible assets – housing properties	1,009.7	1,009.9	1,227.1
Other tangible fixed assets and investments	62.5	64.2	69.2
Net current assets	67.0	63.3	37.3
Debtors due after one year	5.0	6.4	6.8
Total assets less current liabilities	**1,144.2**	**1,143.8**	**1,340.4**
Creditors due after one year	(553.8)	(573.1)	(777.8)
Pension liability	(11.5)	(17.8)	(18.6)
Net assets	**578.9**	**552.9**	**544.0**
Revaluation reserve	158.1	161.6	165.7
Revenue reserve	141.3	104.5	84.4
Other reserve	279.5	286.8	293.9
	578.9	**552.9**	**544.0**

Housing stock units (managed)

	2018/19 No.	2017/18 No.	2016/17 No.
Social housing	29,565	29,701	33,570
Non-social housing	315	316	316

Source: Financial statements / internal systems

Financial performance

Turnover has reduced by 2.9% to £177.1m (2018: £182.3m). Of this, £123.8m is turnover from social housing lettings which has decreased by 6.0% from £131.7m. This includes social housing lettings, amortised government grants and in 2018, other Scottish Housing grants. The decrease is due to the termination of the constitutional partnership with West of Scotland in the prior year and the penultimate year of the 2016 – 2020 social housing rent reductions. The remaining turnover from non-social housing activities is dominated by open market property sales of £44.8 m (2018: £39.0m).

Operating expenditure, excluding cost of sales, has reduced by 0.5% to £105.1m (2018: £105.6m), of which £21.6m (2018: £22.1m) relates to management costs, £25.0m (2018: £24.9m) to the provision of routine maintenance, £10.6m (2018: £8.3m) to the provision of planned maintenance, £4.5m (2018: £3.5m) to the provision of major works, £25.0m (2018: £28.2m) is depreciation of housing properties and £5.8m (2018: nil) relates to exceptional pension past service costs (see note 3).

Operating surplus has reduced by 20.5% to £36.9m (2018: £46.4m) predominantly as a result of the exceptional pension past service costs, rent reductions and inflationary cost increases. Operating surplus margins have decreased from 25.5% to 20.8%. (24.1% excluding the exceptional past pension service costs).

Social housing lettings margins have decreased from 31.3% to 22.4%. The reduction excluding the exceptional pension past service costs is 27.1% in line with the budget of 27.3%.

Disposal of assets and investments

Stock loss through 'Right to Buy' and 'Right to Acquire' has increased with 188 properties (2018: 162) sold during the year.

Movements in the market value of investments, held as a security for one of our loans, resulted in a net realised surplus of £0.2m (2018: £0.8m deficit).

The Group's statement of comprehensive income, statement of financial position, statement of changes in reserves and statement of cash flows are shown on pages 67 to 74 of these accounts.

Effects of material estimates and judgements

Details of material estimates and judgements can be found in note 31.

Financial position at year end

The Group's statement of financial position comprises primarily of £1,009.7m (2018: £1,009.9m) social housing assets at cost, and £12.6m (2018: £13.8m) of investment properties, which consist of both commercially rented and market rented properties.

Other tangible assets of £16.6m (2018: £17.1m) are valued at cost, and are dominated by the land and buildings from which we run our business.

The value at the year-end of investments, held at market value, representing reserves held as security for one of our loans was £32.7m, an increase of £0.2m on the prior year (2018: £32.5m).

Financial review and results (continued)

Capital structure and Treasury Management Policy
The Group was established as a result of a Large Scale Voluntary Transfer (LSVT) of homes from Sunderland City Council in March 2001. The transfer was funded by a loan from T.H.F.C (Capital) Plc which was on lent from Sunderland (SHG) Finance Plc who raised the proceeds from a 40 year bond listed on the London Bond Market. Additional facilities have been secured to meet our ongoing regulatory commitment to maintaining our properties to the Government's Decent Homes Standard. These facilities are secured by specific charges on the social housing assets of the Group and the Group's debt levels are 48% (2018: 50%) of total assets less current liabilities which is comfortably within our agreed banking covenants.

Currently the Group has the following loan facilities (excluding transaction fees):

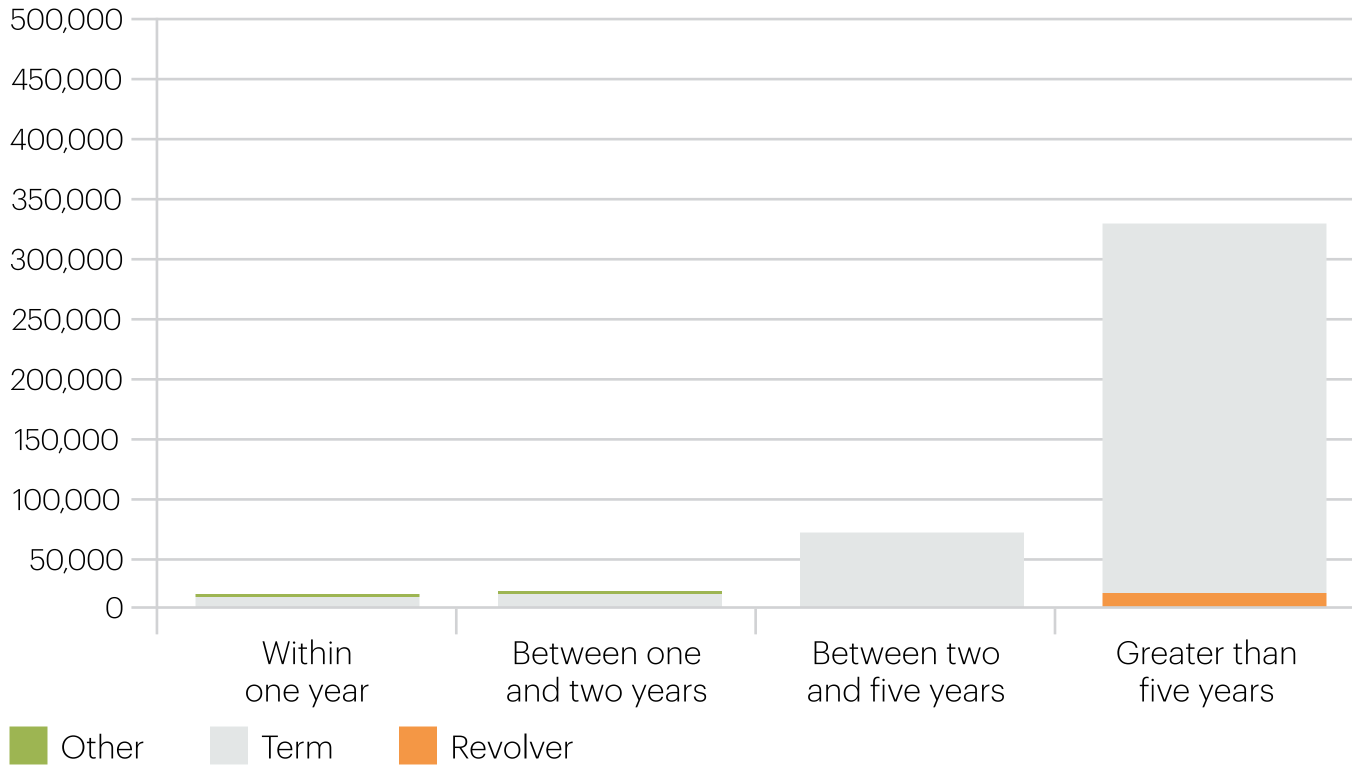
- £189.3m (2018: £196.5m) syndicated loan facility, with Nationwide Building Society, acting as facility agent; of which £29.1m (2018: £19.7m) is undrawn as at 31 March 2019;
- £212.8m (2018: £212.8m) loan from T.H.F.C (Capital) Plc which has been on lent from Sunderland (SHG) Finance Plc;
- £82.0m (2018: £87.8m) loan facility provided by the European Investment Bank; and
- £100.0m loan facility provided by the Royal Bank of Scotland of which £20.0m (2018: £20.0m) is undrawn as at 31 March 2019.
- £4.9m secured from Homes England and is outstanding as at 31 March 2019.

All of the above facilities (excluding Homes England) are provided via T.H.F.C. (Capital) Plc, as lender, acting as a funding intermediary to the Association.

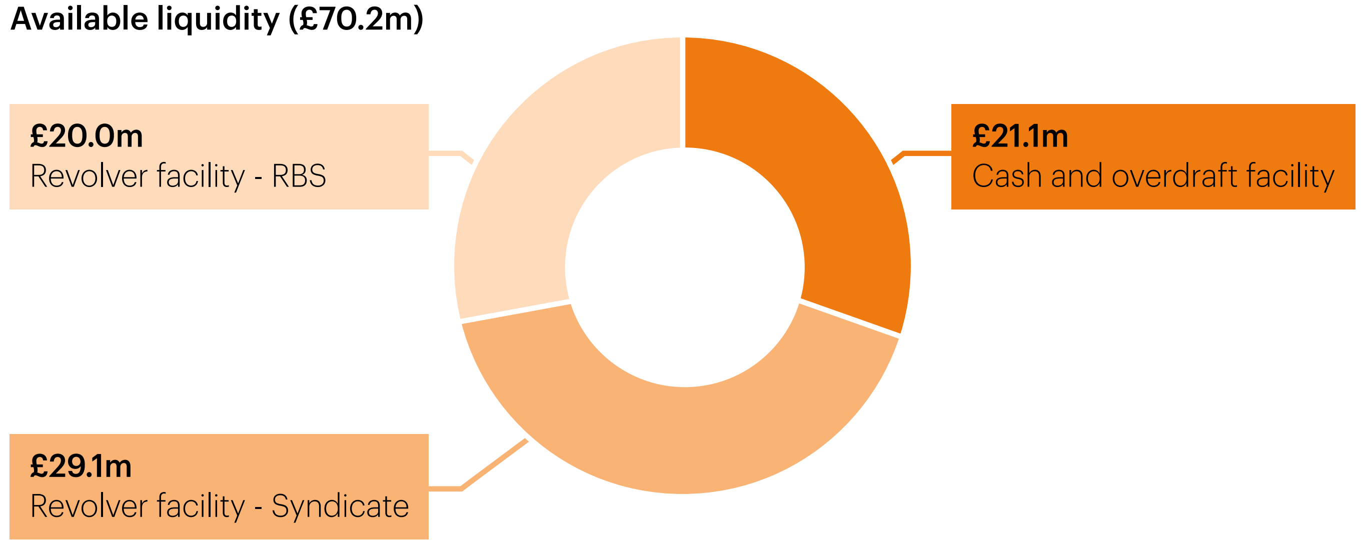
The Group has a Treasury Management Policy which adopts a prudent approach to our level of drawn fixed rate debt as a percentage of our total drawn debt. At the year end, the Group had 67% (2018: 71%) of its borrowings at fixed rates. We have entered into a number of basic 'embedded' fixing arrangements to protect us from the risk of adverse interest rate movements in future years.

At the year end, Group total commercial borrowings amounted to £542.1m (2018: £559.8m), £430.5m (2018: £483.8m) of which falls for repayment after more than five years. The policy ensures that the Group does not have to refinance material amounts of debt in any one year. The table on page 19 sets out our debt repayment profile. Our capital repayments over the next five years do not exceed 8.4% in any one year. Our financial plans, which are submitted to both the RSH and our funders, indicate that we will continue to comply with all our loan covenant tests. The Group has available cash balances of £21.1m (2018: £16.7m) comprising cash and cash equivalents of £16.1m (2018: £11.7m) and an unutilised overdraft of £5m (2018: £5m) at March 2019.

Debt repayment profile (£'000)



Available liquidity (£70.2m)



Financial review and results (continued)

Financial risk management

We have a formal Treasury Management Policy which is approved by Board. The Treasury Management Policy reflects guidance issued by the RSH and changes in the economic climate. The policy addresses the key risks, including credit, liquidity and interest rate risks.

Credit risk

We limit the amount invested with individual counterparties to ensure that the credit risk on investments is spread over a large number of institutions. All institutions must meet high credit criteria and are approved by the Executive Director (Finance). The treasury policy includes a list of approved investment instruments.

Liquidity risk

We have sufficient committed loan facilities in place to deliver the first four years of our approved business plan. These facilities are held with a range of high-calibre lenders with the duration of loans structured to minimise any re-financing risk. We have sufficient capacity to access additional borrowing to fulfil the Business Plan requirements.

Interest rate risk

We borrow at both fixed and variable interest rates. Prudent assumptions are used when considering our mix of fixed and variable debt. Our fixed rate debt includes fixed rate loans embedded within our loan agreements. These basic embedded fixed rate loans are not subject to cash calls required by stand-alone swaps. Our debt requirements are reviewed at least annually, following the approval of our business plan.

Cash flows

Our cash flows for the year are shown on pages 73 and 74. The key points to highlight are:

£67.8m

(2018: £75.4m) cash generated from operating activities

Net

£21.4m

(2018: £9.7m) cash invested in both existing and new housing stock

Net

£17.5m

loans repaid in the year (2018: £40.1m of loans repaid)

The Group policy is not to hold significant cash balances but to ensure that loan facilities are in place to fund future requirements. Short term cash balances are placed on short term, higher interest or overnight deposits at competitive rates.

Operating review and results

Gentoo is operating in a policy environment that has been increasingly dominated by Brexit. There are a range of high level risks associated with Brexit and the Group's approach to the management of risk is consistent with guidance on the preparation for a no deal Brexit issued by the RSH. The Group will see a return to CPI+1% rent increases from 2020 which will give future income stability into the medium term.

Welfare Reform and the continued roll out of Universal Credit is being effectively managed and performance on income management and tenant support remains strong. The impact of Universal Credit on the Business Plan is a key stress test and mitigations are in place to prevent any threat to the Group's rental income.

At a domestic policy level, the Government published the Social Housing Green Paper in August 2018. This covered the following five principles:

- Ensuring homes are safe and decent
- Effective resolution of complaints
- Tackling stigma and celebrating thriving communities
- Empowering residents and strengthening the Regulator
- Expanding supply and supporting home ownership

It is likely that tenant voice and consultation will become much more prominent in the activity of housing associations. The Group already actively engages with customers and is participating in the Together with Tenants initiative.

Operating review and results (continued)

The Government spring statement has confirmed a number of housing announcements including:

- Affordable Homes Guarantee Scheme to guarantee up to £3 billion borrowing
- Release of £717 million from the Housing Infrastructure Fund to unlock up to 37,000 homes
- Transforming Cities Fund of £60 million in ten cities as part of the Industrial Strategy

The Group will continue to actively pursue its affordable homes programme and access available funding to provide an additional 900 homes for affordable rent over five years.

The Group has maintained its approach to partnerships at a national, regional and local level. This has included consulting and lobbying through representative bodies such as the National Housing Federation, Northern Housing Consortium and Homes for the North. At a local level, the Group will continue its strategic partnership with Sunderland City Council in key thematic areas. These include the three themes of the City Plan: a Dynamic City, a Healthy City and a Vibrant City. As well as contributing to these themes, the Group continues to operate as an anchor organisation within Sunderland focusing on sustainable neighbourhoods and place making.

The Group has set out its Value for Money (VfM) framework and is reporting on the VfM metrics as part of quarterly reporting. These continue to show a positive direction of travel and further VfM targets have been established within the business plan.

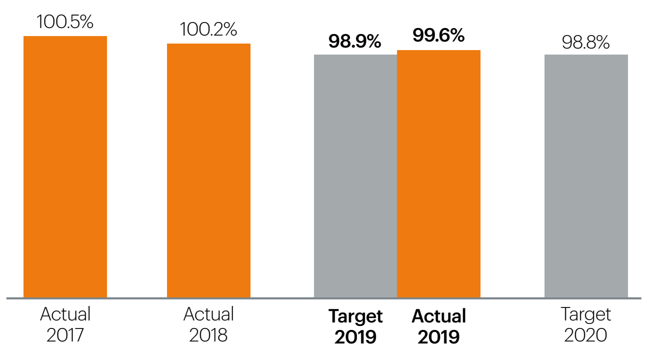
The Group has continued to deliver against its strategic aims as set out within the corporate strategies:

- Deliver outstanding service to customers so that people and communities thrive
- Actively manage our assets and develop new homes to meet local needs
- Support our people to deliver our vision and live our values
- Work with others to build effective partnerships
- Be well governed and financially strong

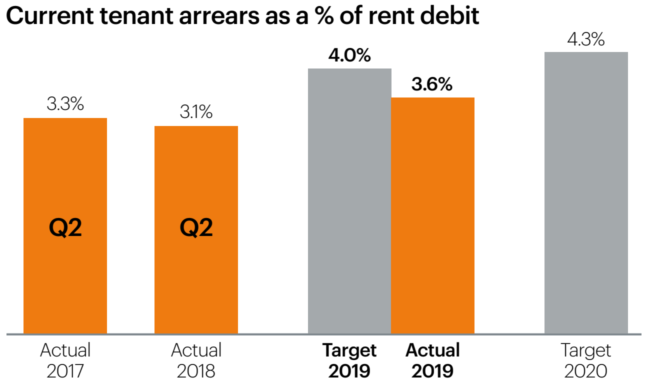
Updates against each of the aims along with key performance indicators, including the seven VfM metrics set by RSH and key priorities moving forward, are set out on the following pages.

Delivering an outstanding service to customers so that people and communities thrive

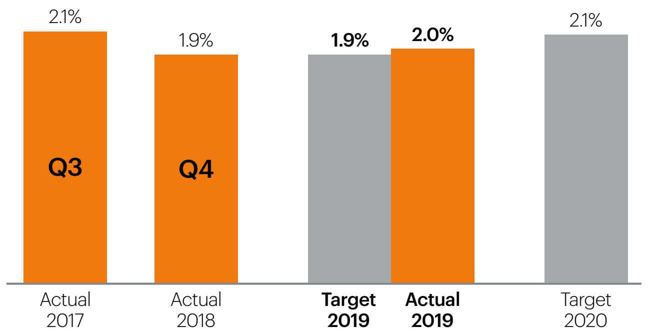
Rent collected as a % of rent due



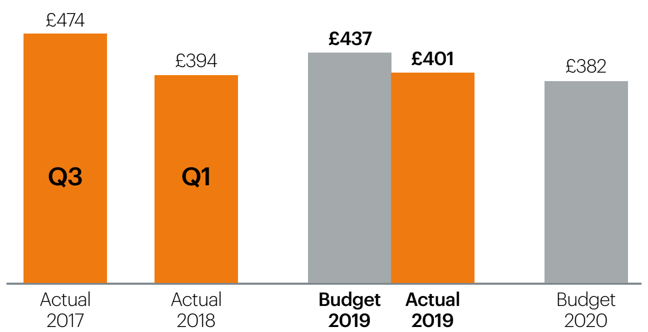
Current tenant arrears as a % of rent debit



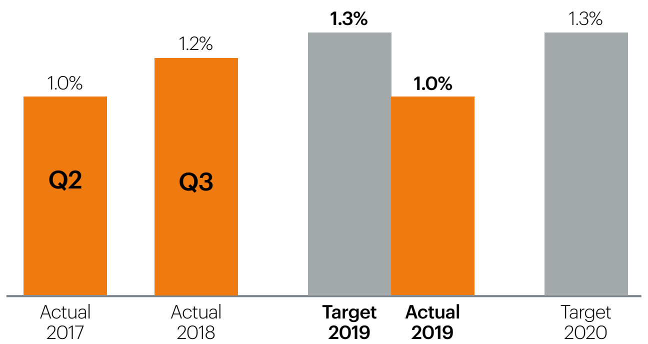
Former tenant arrears as a % of rent debit



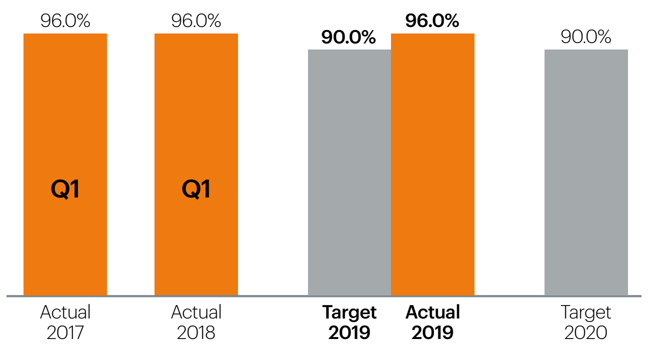
Housing management direct cost per property (£)



Rent void loss as a % of rent due



Resident satisfaction overall (%)



Key

Source: 2016/17 and 2017/18 Housemark quartile position based on housing associations (both LSVT and traditional) based in Northern England with more than 15,000 units.

Q1 top quartile performance **Q2 upper quartile performance**

Q3 lower quartile performance **Q4 bottom quartile performance**

Note: West of Scotland Housing Association was part of the Group until October 2017, therefore actual 2018 metrics are impacted by the termination of the constitutional partnership.

Operating review and results (continued)

Delivering an outstanding service to customers so that people and communities thrive (continued)

The operating environment continues to be a challenge for the business and the implementation of Welfare Reform is affecting our customers' ability to make rent payments. The full roll out for Universal Credit commenced in July 2018 and despite this, 2018/19 performance on income collection and rent arrears has been strong, reflecting the focus in this area and the extension of a specialist Money Matters team. Targets for 2019/20 have been set based on an assumption that there will continue to be an increased impact in this area and numbers of customers on Universal Credit continue to increase.

At Gentoo, we are committed to delivering an outstanding level of customer service and we continuously monitor and measure our services to make sure the highest standards are maintained. We are really proud that data gathered through the Survey of Tenants and Residents (STAR) survey, a sector-wide methodology, shows that 96% of our customers are satisfied with the overall service they receive from us. During 2018/19 we engaged an independent research company to carry out a validation exercise of our STAR survey results. The STAR survey is a standardised set of questions that measure customer satisfaction and so enables housing providers to benchmark their scores. This validation exercise gave us an improved set of scores from the previous validation exercise carried out in 2017 as well as confirming the validity of the feedback collected from our other survey methodology.

Our house building arm measures feedback through the National House Building Council (NHBC) annual customer satisfaction STAR Rating Scheme. Following a fundamental review of the customer journey within the house-building process, an action plan was put in place. That has resulted in an improvement from a 3-star NHBC builders rating (70%-79%) in 2017/18 to a 4-star rating (80%-89%) in 2018/19, which is based on the percentage of customers who would recommend Gentoo Homes to family or friends.

Operating review and results (continued)

Delivering an outstanding service to customers so that people and communities thrive (continued)

Highlights 2018/19

Customer service
Delivering outstanding customer service is at the heart of what we do. To ensure our high standards are maintained, during 2018/19 we designed a customer service training refresher course called The Customer Promise. The course that reminds staff why excellent customer service is so important and discusses the cost and impact of poor customer service. The session supports and promotes the service standards and offers, which were agreed in consultation with tenants. So far this training has been delivered to over 300 members of staff and will continue throughout 2019/20.

We carry out surveys with all of our tenants on a cyclical basis. These provide us with the opportunity to ensure that the data we hold is accurate and, to collect information that enables us to tailor our services to meet the needs of our tenants and inform service provision.

Tenancy support
The role of the Universal Credit team is to ensure a seamless transition for customers ensuring a regular payment pattern is established as quickly as possible. In May 2018, five members of staff were added to the team, which ensured that arrears attributable to Universal Credit have remained very low. At the end of March 2019, the average arrears for the 3,251 customers on Universal Credit was £24.60, significantly lower than our peers. This has been achieved through existing resources following the introduction of RentSense in 2017/18. RentSense is a product that uses predictive analytics to monitor rent accounts. This development has enabled the Group to save staff time which was then redeployed for the full rollout of Universal Credit in July 2018. Five full time Neighbourhood Coordinator posts have been realised, equating to £160,000, with staff redeployed across to the Universal Credit team which is part of the Money Matters team.

Our Money Matters Team continue to support some of our most financially vulnerable customers, offering help with claiming benefits, budgeting and consolidating debt.

No. of customers referred to our team for money advice
1,225

Financial gains for customers
£1,003,956

Since the team was introduced in 2014, it has awarded nearly £40,000 of funding to those at crisis point and has supported more than 8,200 customers to claim more than £3.1m worth of unclaimed benefits.

Highlights 2018/19 (continued)

Tenancy support (continued)
In addition to maximising customer income through the Money Matters Team, we have worked jointly with Northumbrian Water since the introduction of their hardship fund in April 2018. To date the team has made 397 referrals and has accessed in excess of £13,500 from the fund to support tenants.

Gentoo offers a range of tenancy support services to customers in addition to the Money Matters Team. These services provide independent living support to vulnerable people across the area. A cost value exercise has recently been completed, the findings of which support Gentoo's investment in these services as they contributed to improved outcomes for both customers and the business, helping customers sustain their tenancies.

Winner of 'Best Customer Impact'
Organised by the National Housing Maintenance Federation (NHMF), these awards recognise the achievements of housing organisations within the social housing sector. We were delighted to win the 'Best Customer Impact' category for our Something Not Quite Right initiative.

Cash Collection
Following consultation and consideration of the footfall at the local area housing offices a decision was made to close the Southwick and Houghton cash office facilities from April 2019. This has released resource capacity which has been redeployed into other priority business areas.

Delivering an outstanding service to customers so that people and communities thrive (continued)

Involving customers
We work with our customers to help us improve our services. In 2018, we completed a review of how we engage and involve our tenants and following this we introduced five local Community Engagement Forums across the city. The forums are used to share information on future plans, performance and gain valuable feedback from our tenants. Across the city, there are 93 involved tenants registered to take the part in the forums.

Throughout 2018/19 we held 116 engagement events for our tenants to be involved in, these included Management Committees, rate your estates, Task and Finish Groups, capacity events and consultation events to name a few. These engagement events covered a range of topics from customer service, home safety, safeguarding and our garage policy. To celebrate the successes of our involved customers, we held a 'city-wide get together' where customers had the opportunity to mix with our Chief Executive and other colleagues from across the Group.

Inspiring people and improving local communities
We have a number of opportunities for voluntary organisations/groups to apply for funding to improve their community or reduce their impact on the environment. We also encourage staff, corporate partners and the local community to donate items to support those less fortunate via our helping hands campaign. For example, at Christmas volunteers delivered more than 1,500 Christmas gifts to 325 children and more than 1,300 Easter eggs to tenants and charities.

Aspire Grants awarded

81 grants - £34,536

Empower Community Funding

4 grants - £16,219

Gentoo Homes Community Fund

12 grants - £7,350

Future plans

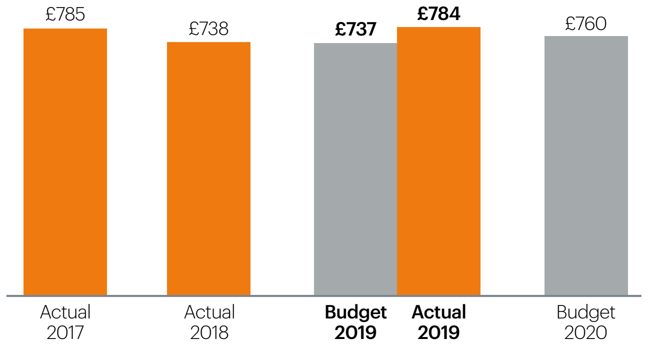
- Within 2019/20, a full review is planned to consider the overall Operational Delivery model. Whilst the current model works well, the makeup of customers is changing and, as such, the delivery of some services may change or be strengthened. The review will identify where resources should be deployed to the frontline service delivery, ensuring any additional costs are kept to a minimum.
- Alongside the review of the delivery model, an accommodation review is also taking place. The two will dovetail to ensure there are operational bases where required.
- Following the cost value review of tenancy support services, the Group is looking to formalise this work with the introduction of a social value statement. This will provide quantitative data on how these services are improving outcomes and creating social impact.
- Continue to identify and implement opportunities for customers to self-serve online, improving both the accessibility and efficiency of the services.
- Further strengthen the customer voice and ensure it is embedded at every level of the organisation.

UKHA Inside Housing 2018 HIGHLY COMMENDED

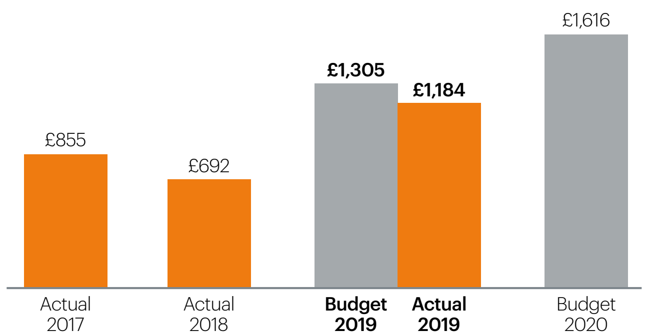
The Institute of Customer Service UK Customer Satisfaction Awards 2018 FINALIST

Actively managing our assets and developing new homes to meet local needs

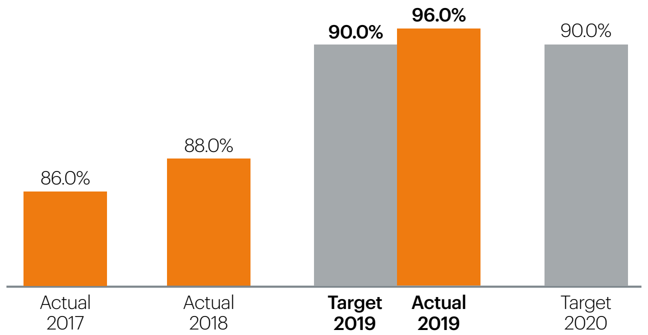
Responsive repairs direct cost per property (£)



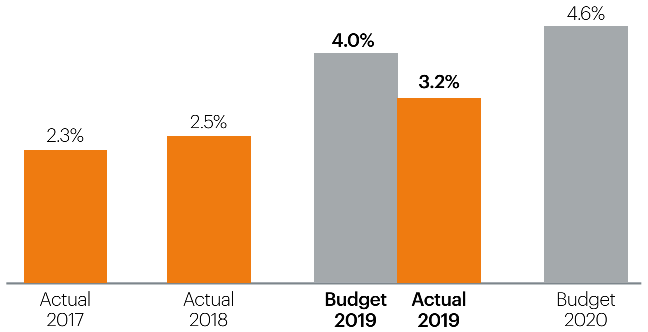
Major works direct cost per property (£)



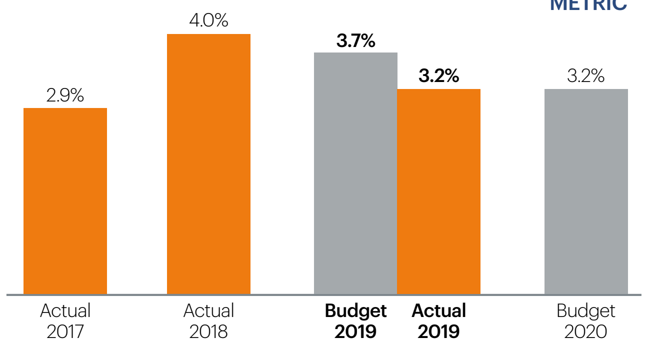
Resident satisfaction with our repairs service (%)



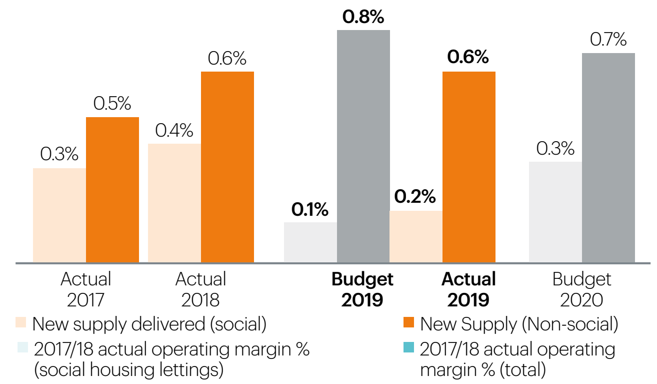
Re-investment as a % of existing properties VFM METRIC



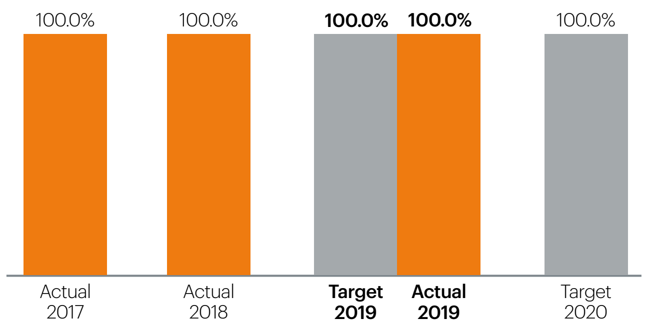
Return on capital employed (%) VFM METRIC



New supply delivered as a % of existing housing units VFM METRIC



% of homes with a gas safety certificate



Key

Source: 2016/17 and 2017/18 Housemark quartile position based on housing associations (both LSVT and traditional) based in Northern England with more than 15,000 units.

Q1 top quartile performance
Q2 upper quartile performance
Q3 lower quartile performance
Q4 bottom quartile performance

Note: West of Scotland Housing Association was part of the Group until October 2017, therefore actual 2018 metrics are impacted by the termination of the constitutional partnership.

The Group continues to help meet the housing needs of local people by building a range of new homes across the North East, through our house building subsidiaries, Gentoo Homes and Gentoo Developments. Both subsidiaries operate on a commercial basis. The profit generated through these subsidiaries is reinvested back into the Group's core services in Sunderland, creating a direct benefit for Gentoo customers and enabling affordable homes to be built across the city.

Since April 2016, 93% of our housing stock has had a stock condition survey and the data compiled has been used to formulate a detailed rolling five year investment plan. We continue to work to our Asset Strategy and Asset Management Delivery Plan (AMDP). We have addressed all areas of non-compliance with the Decent Homes Standard identified within our stock condition surveys.

Performance against our landlord gas compliance obligations has been strong with 100% compliance seen throughout quarter four. This however, has contributed to an overspend within maintenance as it has been facilitated by an increased spend on gas sub-contractors. The Group has reviewed this area and has started the formulation of a summer servicing and 'MOT style' programme. Summer servicing will ensure resources can be concentrated on repair work during colder months and therefore save on future sub-contractor costs. The 'MOT style' programme will enable us to move away from a 10 month gas safety check programme to a 12-month programme. As this will significantly reduce the number of annual gas safety checks needing to be carried out, it is anticipated that this will bring future savings to the Group of approximately £300,000 per year.

The expansion of compliance works in our properties undertaken at the void stage (including water hygiene works), along with managing absence throughout the year, also contributed to an overspend against maintenance budgets. The planned introduction of a new IT system that will assist in planning void repair works will bring future efficiencies in this area including improved productivity of the in-house teams and a reduction of sub-contractor costs.

The Group continues to invest in its tower blocks following the Grenfell Tower tragedy, to ensure our customers feel safe in their homes. We completed the removal of all Aluminium Cladding Materials on five multi storey blocks. Furthermore we have invested significant funds into additional safety work, replacing fire doors and expanding the compartmentation work.

Following further consultation and discussion with the Board, we have accelerated our window replacement programmes to have all single glazed units replaced by 2024. We were also delighted to meet the ISO 55001 Asset Management National Standard in 2017 and continue to attain the accreditation following an inspection in March 2019.

Actively managing our assets and developing new homes to meet local needs (continued)

Highlights 2018/19

Repairs and Maintenance
Outsourcing our in-house stores function at the end of 2018 has facilitated a fundamental change in how we deliver our Repairs and Maintenance service. It is anticipated this change will not only improve customer service but also contribute to cashable savings of £1.1m over the next five years, alongside further efficiency savings.

Positive outputs from the review of our Repairs and Maintenance service are becoming evident throughout the service. Improvements in customer delivery include a 0.5% increase in the number of jobs we carried out Right First Time and an increase of 10% throughout the financial year of repairs completed within their target timescale. Customer satisfaction rose to 95% (an improvement of 5%) and the number of formal complaints received regarding our service reduced to 33, which is a reduction of 10.5% on the previous year.

The productivity of the in-house repairs team increased throughout the year by an average of 0.37 jobs per day, which is a result of reducing sub-contractor support for non-specialised repair works and reviewing our recruitment to posts as they become vacant.

The rationalisation of depot accommodation throughout the year has not only improved working environments for colleagues but also created capital income of £0.5m and saved ongoing accommodation costs of £0.06m.

Managing our assets
During the year, we have evaluated a number of our poor performing assets using our Asset Performance Evaluation (APE) Tool. This has enabled us to assess all of our property and investment requirements to deliver the most cost effective and targeted investment solutions across our assets.

Turnover and performance on our commercial asset portfolio, which comprises retail and leisure units, has again reduced due to trading difficulties for some of our tenants leading to a re-negotiation of rents and some loss of income. The gross income is £346k compared to last year's figure of £446k. The Group has a strategy for disposal of the majority of our commercial portfolio, and we have to date sold the land that the Group formerly owned at Bishop Auckland, and sold the Irvin Building in North Shields in August 2019. Longer term, we are seeking to enhance the value of the asset at Alnwick by letting the vacant commercial units before progressing the sale. These sales are part of our Business Strategy which set out our desire to return to core business, and sale proceeds from commercial properties will be used to reinvest into core products and services provided by the Group.

In addition to our social housing and commercial properties, our portfolio includes a mix of other tenure type, including leasehold, shared ownership, market rent and rent to buy. In relation to market rented properties, which are managed with a view to maximising income and return, we had 68 properties at the year-end that generated rental income of £412k, up from £390k last year, which represents a gross yield of 6.23% (5.9% last year).

The Group's Genie Home Purchase Plan (HPP) continues to trade in run down. Genie has generated a profit of £29k in the year and comprises a portfolio of 47 properties (2018: 59).

Sales and development performance
This year the Group successfully built 229 new homes, 34 for affordable rent in Sunderland and 195 available for sale including 13 properties delivered under the Government's Shared Ownership and Affordable Homes Programme 2016/21. This generated a profit of £3.9m to be reinvested in new homes for rent and service delivery.

In addition to the affordable rental units built during the year, the Group also identified 25 units off the open market funded through capital receipts and additional funding from Homes England. Improvement works will be undertaken to the properties and letting will commence during 2019/20. This approach provides an alternative, cost effective approach to increase the Group's supply of affordable housing with efficiency benefits where properties are located in our existing estates.

The turnover from outright market property sales increased from £39m to £48.8m, with the total number of homes sold at 199 (including 13 shared ownership sales) compared to 170 in 2018. Gross margins were 18.8%, compared to 21.2% in 2018, which is largely reduced due to spend associated with prior year completions. Our forward development programme is focused on the provision of high quality homes for sale and rent across the North East region. Our product offer ranges from starter homes, allowing opportunities for a route into affordable home ownership, through to executive level homes.

Operating review and results (continued)

Actively managing our assets and developing new homes to meet local needs (continued)

Sales and development performance (continued)

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. 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 for future years. There is a secured future pipeline of 20% of the sales target for 2019/20, which provides a strong platform towards the 2019/20 target. During the year, three exciting schemes were launched across the region, which will deliver 233 much needed new homes. Sales are progressing well on all three sites, whilst footfall and reservation rates across all developments remains strong.

All of the sales target for 2019/20 will be delivered from schemes that are already on-site whilst we have a forward secured land pipeline that will deliver 906 plots over the next five years.

2018/19 has seen the introduction of several new processes which will contribute towards the improvement of build quality and our customers' overall journey.

These improvements include:

- The introduction of a site level plot book ensuring all stages of build are properly checked throughout the build process.
- Site and sales customer visits at 7, 14 and 28 days following move-in.
- The introduction of our own internal customer survey at reservation and move-in stage.

These new processes will help drive cost savings through a reduction in remedial works and help us achieve a 5-star NHBC rating through improved customer satisfaction.

Reductions in remedial works will help us improve our gross profit margins and improved customer satisfaction will contribute towards strengthening our brand reputation.

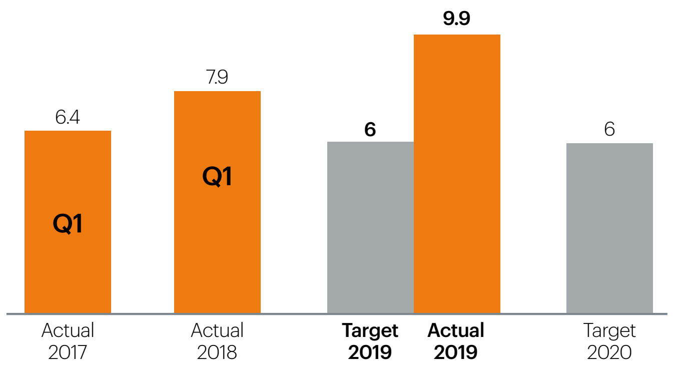
Future plans

- As the compliance landscape continues to change, we are considering the operational and financial impact of moving towards a five year Domestic Electrical Inspection Condition Report (DEICR) programme. Whilst an increased spend in this area is anticipated, it is essential to ensure the Group remains compliant with its governance requirements and landlord obligations.
- 2019/20 will see the revision of the void repairs service, which will be facilitated by a new IT system. The main aims of the project are to realise time efficiencies and increases in productivity, both of which will support an increase in rental income.
- We are replacing the existing gas heating at the North Towers. This consists of seven towers with a ground source heat pump solution, which will provide reduced energy bills for our customers and a major contribution towards meeting our carbon reduction targets.
- The Group has extended its commitment to its affordable homes programme to replace stock lost through Right to Buy and Right to Acquire, drawing on the cross subsidy available through the surplus generated by Gentoo Homes' and Gentoo Developments. The plan provides for over 900 new homes to be built or acquired for rent within the Group over the next five years.
- Two further sale schemes will be launched to the market in 2019/20, whilst construction will start on the much anticipated Chester Gate and Churchfields during 2019/20. Chester Gate is being delivered in partnership with Sunderland City Council and represents the first phase of a 500 unit scheme.
- The Group is currently undertaking a review of its operational property portfolio, including both office and depot accommodation, with a view to consolidating the existing arrangements to maximise their effectiveness and efficiency.

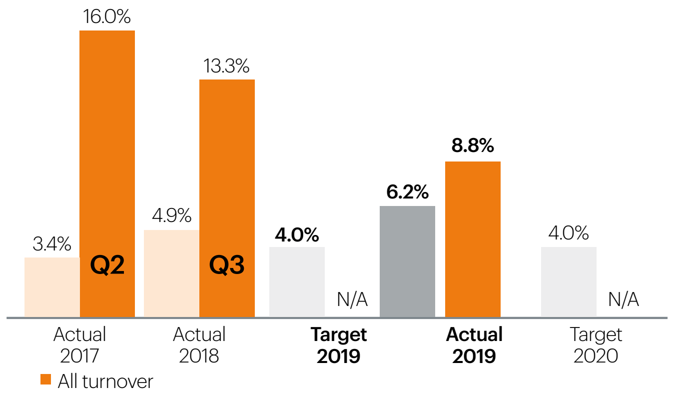
Operating review and results (continued)

Supporting our people to deliver our vision and live our values

Average working days lost



Staff turnover (%)



Key

Source: 2016/17 and 2017/18 Housemark quartile position based on housing associations (both LSVT and traditional) based in Northern England with more than 15,000 units.

Q1 top quartile performance **Q2 upper quartile performance**

Q3 lower quartile performance **Q4 bottom quartile performance**

Note: West of Scotland Housing Association was part of the Group until October 2017, therefore actual 2018 metrics are impacted by the termination of the constitutional partnership.

Mandatory training compliance rate:100%.

Staff satisfied with Gentoo as an employer: A culture survey was conducted in February 2019 by external consultants, Altair. This demonstrated 85% of staff would positively recommend Gentoo as an employer.

As an Investor in People, we recognise that our staff are our greatest asset. Since the launch of our People Strategy in April 2016, our focus has been around organisational design, learning and development, performance and reward, resourcing and talent planning, employee relations and organisational development.

Voluntary staff turnover in 2018/19 was 6.2% although an increase from previous year is not a cause for concern. Overall staff turnover of 8.8%, remaining lower than the average of our benchmarked group.

Average working days lost through sickness has increased from 7.9 days to 9.9 days per employee in 2018/19. This figure is higher than the market average days lost for not for profit sector of 6.2 days. Long term sickness in 2018/19 contributed to 72% of the overall sickness absence. This has increased from 69% in 2017/18. Long term health issues are associated with both mental and physical health conditions typical within the sector. Our absence rate for the same period increased from 3.1% in 2017/18 to 3.9% in 2018/19. In response the group are relaunching a wellbeing plan with a number of supportive interventions, ensuring a thorough and consistent approach to our absence management policy and sharing monthly to all colleagues our absence rates and the cost of absence to the group.

Improving workplace culture has been a key priority and the Altair Survey conducted in February 2019 demonstrated we have made significant improvement. They commended us on both our participation rate and recommendation score. Critically there was also direct correlation between our areas of focus and demonstrated improvement – management capability, communication, teamwork, risk awareness, safe to say and recognition.

All our staff have played a part in helping us to create a customer focused culture and we are so proud of the positive difference they make each and every day.

Highlights 2018/19

Talent Management

We continue to embed talent management practices within the Group to establish a strong pipeline of future leaders. Having established a consistent approach to assessing future potential, development and succession planning, we are investing in both formal development and experiential opportunities to nurture our talent.

We launched our Aspiring Leaders Programme in December 2018. We identified 21 candidates who are completing an 8 month programme of workshops, coaching and experiential activities alongside peers from Believe Housing. We also continue to support development through professional qualifications that we are further aligning to our talent strategy.

Health and safety

The Group is committed to health and safety and ensures the Board and Risk and Audit Committee receive timely and accurate information to demonstrate the Group's health and safety performance. The Board is responsible for reviewing and approving our health and safety policy each year. We achieved certification to ISO 45001, an internationally recognised standard for health and safety management, in January 2019. More than 70% of colleagues participated in our health and safety culture survey in February 2019, helping us to understand how colleagues feel about how we manage health and safety.

We continue to prioritise health and safety training within our learning and development programme and over the year we have invested more than 7,300 hours in safety training. The Health and Safety Team has trained to become accredited ISO 45001 internal auditors and is completing the Institute of Environmental Management and Assesment environmental management qualification.

Learning and development

We continue to monitor our legal competence requirements and have maintained 100% compliance over the course of the year. In addition to this, over 140 managers and supervisors have completed a formal management development course.

Delivering a high proportion of the training internally has created savings over £37,000 against the cost of procuring those services externally.

Employees studying towards/ completed accredited formal training
257

Current apprentices
28

No. of training days
3,668

Work experience placements
54

Operating review and results (continued)

Supporting our people to deliver our vision and live our values (continued)

Equality and diversity
Our vision at Gentoo is about strong communities and inspired people, and we truly believe that inclusive communities are stronger and staff can be more inspired in a workplace that enables them to be themselves.

We are a Stonewall Diversity Champion and have been recognised as a top trans-inclusive employer by going above and beyond to ensure trans and non-binary colleagues feel included in the workplace. We have been presented with two awards for our continued commitment to the Black, Asian and Minority Ethnic (BAME) community in Sunderland, particularly for our active contribution to promoting new employment opportunities. In June 2018 Gentoo was shortlisted in the Housing Heroes Awards for the 'Inclusive Team of the Year'.

We have completed our gender pay gap (GPG) analysis for 2018/19 and can report a mean of 10%. This is an improvement from last year's figure of 11.1%.

We have implemented a number of initiatives to mitigate our GPG which includes; talent management, salary benchmarking, a review of our recruitment methods, in particular for trade and senior positions as well as gender monitoring of key people data such as internal promotion rates.

Future plans

- Our culture improvement is a journey and our focus for 2019/20 is:
  - **One Gentoo** - Reduce silo working, learn more about what other teams do and encourage more collaboration.
  - **Communication** - Make communication more consistent and easier for colleagues to access important updates.
  - **Change management** - Continue to consult, listen and engage to ensure understanding about the changing needs of our business.
- We are currently doing a review of our policies and, once complete, we will relaunch, communicate any changes and use them to guide decisions that support a consistent colleague experience.
- We have a number of initiatives planned for 2019/20, including; compensation statements, Employee Forum, reward and recognition, health and wellbeing; and reviews of our grading system and total compensation.

Working with others to build effective partnerships

During the year we have worked with a range of partners at local, regional and national level to help us build stronger and inspired communities.

The Group is a member of the Sunderland Partnership, a body that brings the key business, education and public sector bodies together across the city. The Group is actively involved in the development of the new themes of the partnerships that cover dynamic city, healthy city and vibrant city. The Group also actively participates in specific sub groups of the partnership including the Safer Sunderland Partnership and Safeguarding and Domestic Abuse. The Group also sits on the Economic Leadership Board and the City's Vibrancy Group contributing to the Vibe magazine which reaches all of the city's residents four times a year.

The Group participates in a number of business partnerships, including the North East England Chamber of Commerce where we participate at a city wide and regional level. This covers issues such as the Sunderland Business Improvement District, devolution, development of the International Advance Manufacturing Park (IAMP), impact of Brexit on the region and development of economic and local industrial strategy.

We have also actively participated in a range of housing partnerships, which include the National Housing Federation, PlaceShapers and Northern Housing Consortium. This has enabled the Group to influence policy in key areas such as welfare reform, Right to Buy, the social housing green paper and the Great Places Commission.

Highlights 2018-19

Gentoo Homes
Gentoo Homes has successfully secured a place on Newcastle City Council's (NCC) Housing Delivery Partnership Framework. This will allow Gentoo Homes to continue to bid for and develop sites in NCC's ownership. It is envisaged in excess of 500 units will be delivered through the framework, which will run for four years. This success reinforces our commitment to delivering much needed, high quality and sustainable homes to the North East.

Domestic Abuse Housing Alliance
Gentoo is a founding member of the Domestic Abuse Housing Alliance (DAHA), whose mission is to improve the housing sector's response to domestic abuse through the introduction and adoption of an established set of standards and an accreditation process. DAHA has been highlighted as good practice in the cross-Government Violence Against Women and Girls Action Plan and the Ministries of Housing, Communities and Local Government (MHCLG) Supplementary Guidance on Homelessness and Domestic Abuse.

Operating review and results (continued)

Working with others to build effective partnerships (continued)

Sunderland College
Our strategic partnership with Sunderland College continues to provide mutual benefit. Earlier in the year, we concluded our multi-skilling training programme where 140 colleagues from our repairs and maintenance team received a Level 2 NVQ in Multi Trade Repair and Refurbishment. This training was fully funded and delivered by the college. Sunderland College is delivering the qualifications for 60% of our current apprentices. We also provide a significant number of work experience placements to students from the college to support their transition from education to work.

Believe Housing
In December 2018 we commenced our Aspiring Leaders programme. We have 21 colleagues joining 20 of their peers from Believe Housing to complete an eight-month development programme to equip them with the skills and knowledge to progress their careers into supervisors or management positions. Delivering the programme in partnership provides opportunities for the candidates to network outside their own organisations, to share best practice and create efficiencies for both organisations in the delivery of the programme.

Wise Steps
Wise Steps helps people in Tyne and Wear to transform their lives, with £215k of funding received from the Big Lottery Fund and the European Social Fund. The project provides one-to-one specialist support to help people take positive steps towards work. Gentoo is part of a partnership of local organisations led by the Wise Group and we have worked with more than 100 unemployed people to help them improve their life chances. The partnership has supported over 300 people into employment and its success has led the funders to support a second programme which will run from July 2019 until 2022.

Community Led Local Development
Sunderland's Community Led Local Development (CLLD) programme provides sustainable economic benefits in areas of Sunderland that face significant challenges because of, for example, social exclusion, limited job opportunities or low levels of employment. Funded with the help of £3.05m of European Funding and a further £2.75m match funding, the programme aims to deliver wide-ranging social and economic benefits by supporting activities designed to:

- Enhance employment and skills provision
- Boost enterprise and entrepreneurship
- Improve community capacity, partnership working and social innovation

Gentoo is a founder member of the Local Action Group which was formed in August 2016 to agree the Local Development Strategy and delivery arrangements. The LAG published its first programme call for projects in November 2017, which resulted in 15 projects being approved that have the potential to support over 2,000 individuals and 180 businesses within the target CLLD areas. The programme will run until 2022.

Empower Community Fund
In partnership with Empower Community Foundation a fund has been established that supports community groups/organisations to "green up" centres and facilities to reduce costs and their carbon footprint. It is funded from the feed in tariff of Gentoo's PV programme. An Empower Community Fund Panel has been established to oversee the management of this fund and to determine applications made for funding support. To date the panel has supported 12 applications, totalling over £80,000, to carry out various improvements to community facilities including central heating boiler replacement, new windows and LED lighting to improve energy efficiency and reduce ongoing energy costs.

Sunderland Armed Forces Partnership
Gentoo is a member of this strategic partnership group that meets to discuss the city's approach to support and work with veterans and armed forces personnel. As part of our commitment Gentoo has achieved the silver award in the Armed Forces Covenant Employer Recognition Scheme.

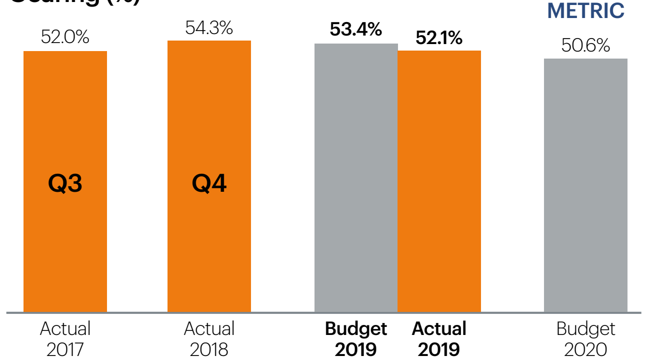
Homes for the North
The Group continues to participate in the Homes for the North (H4N) alliance, which brings together 18 of the largest developing housing associations in the North. H4N has completed research influence projects on Objectively Assessed Housing Need and is working on three further projects covering the linkage between housing, transport and economy, Modern Methods of Construction and the regional and local distribution of housing funding. H4N has also launched its charter covering four key areas of:

- Ambition: a housing target that reflects northern need
- Alignment: putting homes at the heart of northern growth
- Connectivity: an integrated approach to housing and infrastructure
- Delivery: local powers, local deals, local opportunities

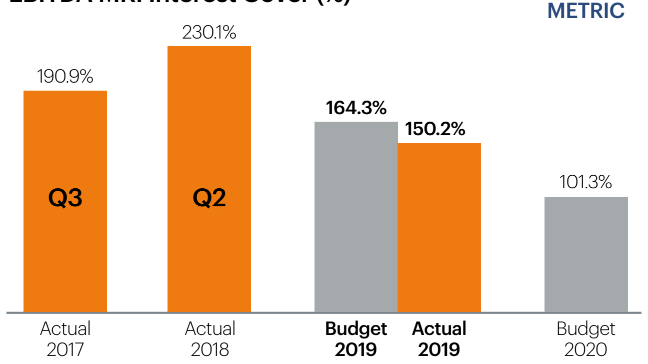
Operating review and results (continued)

Being well governed and financially strong

Gearing (%)

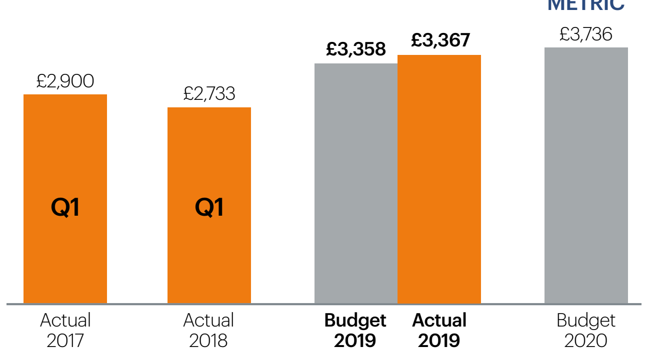


EBITDA MRI Interest Cover (%)*

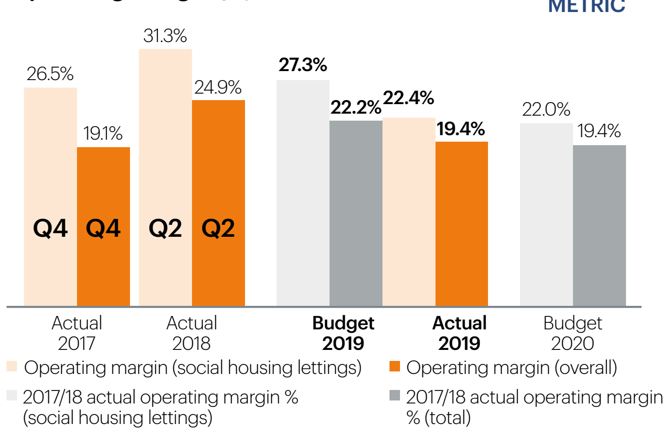


*Earnings before interest, tax, depreciation and amortisation with major repairs included.

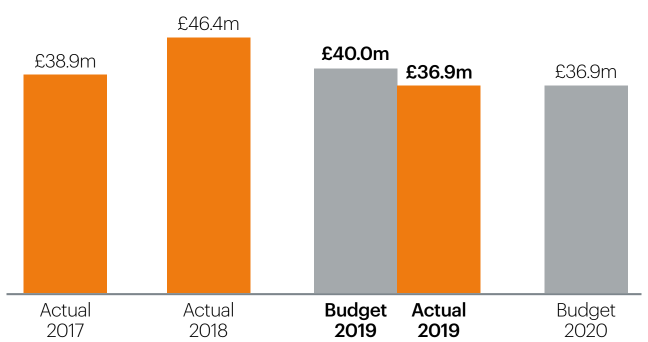
Headline social housing cost per unit (£)



Operating margin (%)



Operating surplus (£m)



Key

Source: 2016/17 and 2017/18 Housemark quartile position based on housing associations (both LSVT and traditional) based in Northern England with more than 15,000 units.

Q1 top quartile performance

Q2 upper quartile performance

Q3 lower quartile performance

Q4 bottom quartile performance

Note: West of Scotland Housing Association was part of the Group until October 2017, therefore actual 2018 metrics are impacted by the termination of the constitutional partnership.

Operating surplus is not a sector benchmark, therefore, quartile data is not provided.

The Group remains financially strong and our financial viability grading remains unchanged. Performance in 2018/19 (excluding the exceptional past services costs) has outperformed a number of key financial metrics and the ongoing Business Plan demonstrates a strong, viable business. 2019/20 budgets provide for a significant spend within the investment programme increasing from actual of £34m in 2018/19 to £46m. The reason for this increase is a combination of work carried forward from 2018/19 and the acceleration of some programmes such as the replacement of windows. This is the primary reason for the increase in the headline social cost per unit. This alongside the final year of the rent reduction also has a negative impact on metrics such as EBITDA and operating margin.

The Group has continued to address the serious governance issue identified in 2017/18 which resulted in a downgrade to a non-compliant G3 position by the RSH. Altair completed both the Governance and Culture update reports which identified and evidenced significant embedding of culture change, policies, procedures and the Executive Team. A letter highlighting progress against the RSH's requirements together with the Altair reports and Annual Statement of Compliance was sent to RSH and, in September 2019, RSH confirmed that the Group's governance rating had moved from a non-compliant G3, to a compliant G2 position.

Operating review and results (continued)

Being well governed and financially strong (continued)

Highlights 2018/19

Efficiency savings of £2.9 million delivered
Following the delivery of £13m of ongoing efficiencies within the Group, the Group had targets to achieve a further £2.5m of efficiency savings by 2020. £2.9m of savings have been recognised, through initiatives such as the out-sourcing of the stores provision and reduced back office costs, including consultancy. An additional target of £1m has now been put in place for 2019/20.

Procurement
A new Procurement Policy was approved in January 2019 that sets out our policy for purchasing work, goods and services on behalf of Gentoo and our subsidiaries. The policy ensures an effective methodology to assist the Group to maximise VFM social value and statutory compliance.

Our aim is to realise 5% savings in procurement on a year-on-year basis delivering value through both tender processes and, in the future, contract management. Engaging with long-term Service Providers to deliver improved VFM has been the focus of our activity in 2018/19. Total savings achieved in 2018/19 stand at £2.8m or 15% of our tendered works and services. These saving, when extrapolated across the life of the contracts, will offer total savings in future years of £11.2m.

Highlights of these improvements include:

	Annual saving (£000s)
External Asset Improvement and Decoration Programmes	£1,800
Internal Asset Improvement Programmes	£240
Corporate services	£210
IT and telecoms	£107

Treasury
A review of the Group's borrowing capacity was undertaken during the year. This review identified the additional capacity to support an increase in the Group's affordable homes development programme over the next five years.

The Group has secured over £0.9m of grant funding through the Shared Ownership and Affordable Homes Programme and is in the process of submitting further bids via the Programme's continuous market engagement process.

Pensions
The Group operates two pension schemes as follows:

- Local Government Pension Scheme (LGPS) which is a career average salary scheme. We have made contributions to the scheme during the year in accordance with the levels set by the scheme actuary. Our contribution rate has been at 26.3% for the full year.

- A defined contribution scheme with a contribution rate of 6%.

Details of the actuarial assumptions, and the current scheme deficit, are shown in note 3 of the Financial Statements. During 2018/19, the Group engaged with independent pensions advisors who carried out a fundamental review of the Group's pension provisions. The aim of this was to ensure that these continue to be fit for purpose and do not present a major risk to financial viability, while demonstrating value for money for both our employees and the Group. The outcome of this report was presented to Board in July 2019.

Governance structure
A number of changes have taken place in relation to the Governance arrangements within the Group. These changes have included the ongoing rationalisation of the Group's structure with the application to dissolve Gentoo Ventures completing in May 2019. In addition, Gentoo Care ceased trading during 2018/19 with an application to dissolve this entity to progress in 2019/20.

Being well governed and financially strong (continued)

Future plans

- The Group's treasury strategy will be reviewed to ensure its alignment with the Group's strategic objectives.
- The extension of the Group's affordable homes programme has necessitated a review of the governance arrangements in relation to this. During 2019/20, a development committee will be formed, to ensure sufficient oversight over the programme as it is developed. Work is also underway in relation to the most efficient way to utilise existing resources to meet this additional requirement.
- During 2018/19, the Board agreed to review the Core Parameters that were in place to assist with decision making. A revised set of Golden Rules will be presented to Board in 2019/20.

Risk management

Risk and Audit Committee

The Risk and Audit Committee acts on behalf of Board to ensure appropriate controls are in place to safeguard assets and manage the attendant risks. The Committee is also responsible for monitoring and reviewing a number of area, including, the consistency of accounting policies, the integrity of financial statements, the adequacy of internal controls as regards financial operations and compliance, the proper management of risks and the selection of the external auditors. The Committee must meet at least four times a year; however, it has met seven times during the year.

Risk management

The Group is committed to ensuring that the management of risk underpins all business activities and that robust risk management procedures are in place throughout the Group.

The approach used to define the Group's risk appetite, safeguard the interests of our stakeholders, employees and general environment is laid down in the Group's enterprise Risk Management Framework, which has been subject to external review and validation during the financial year. The framework has the full support of the Executive Team and is approved annually by Board. Work has been undertaken during the financial year to further embed the Risk Management Framework and risk appetite. This has resulted in an increased understanding of risk across the organisation.

The Risk Management Framework includes the integration of risk into the business planning, stress testing processes and a review of the external environment in which the Group operates, including the sector risk profile published by the RSH.

The Group's established risk management processes facilitate the identification, monitoring and reporting of key risks and the implementation of mitigating actions.

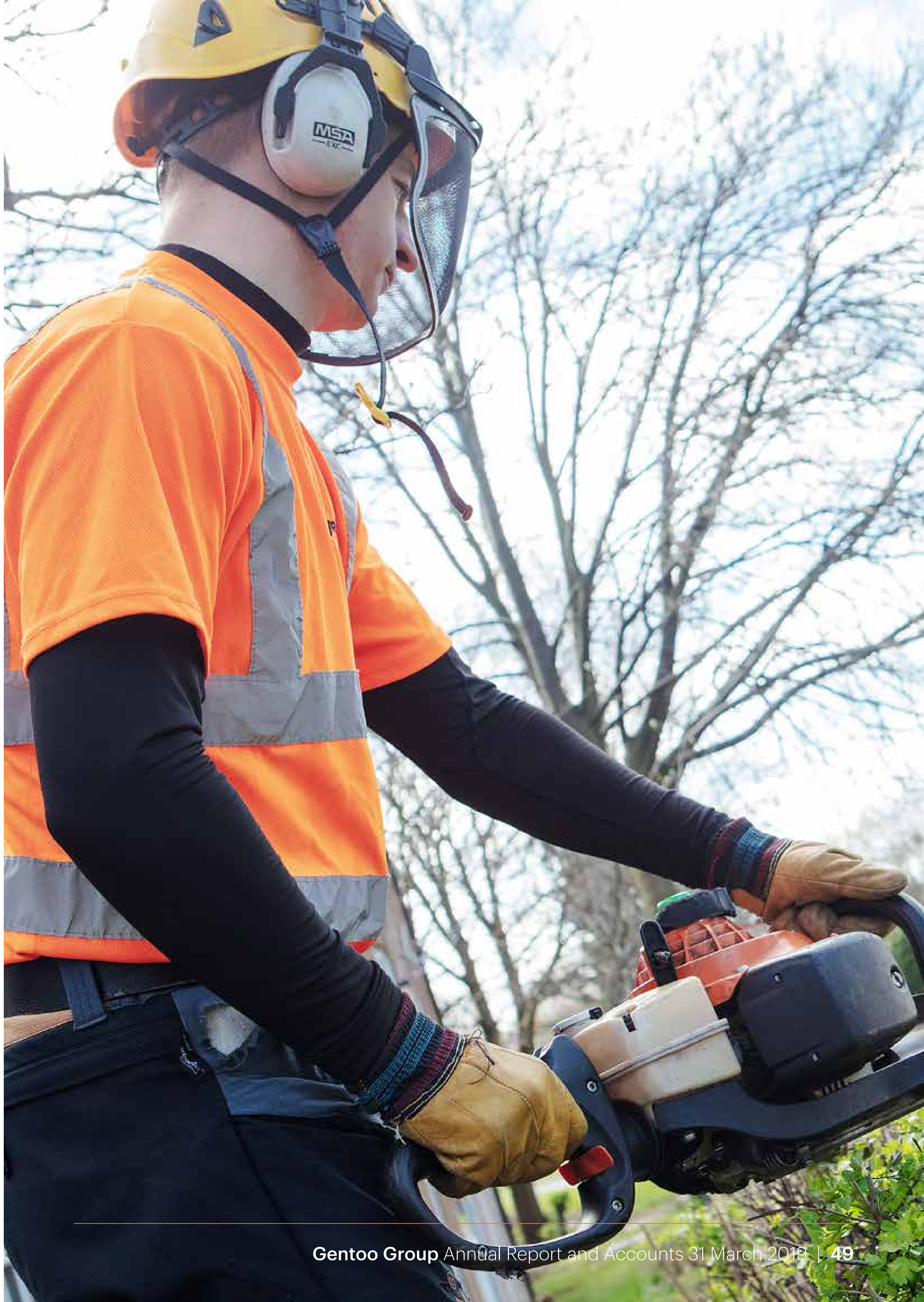
Risk governance

The Risk and Audit Committee oversee the risk and internal control framework on behalf of Board and makes recommendations to Board where necessary. The Committee receives regular information regarding the Group's risk profile, key corporate risks, controls and improvement plans.

Risk owners take responsibility for the identification and management of risk, supported by the Group's risk function and the Business Assurance Team who provide assurance over the internal control framework within the Group, using a risk based approach to its audit planning process.

Group risk management processes include, but are not limited to:

- A Risk and Audit Committee with delegated authority from Board for oversight of risk and internal control processes
- An established 'Three lines of defence' risk governance model
- A risk appetite statement
- Risk data specifically linked to strategic aims
- Transparent risk data flows - up, down and across the Group
- Established stress testing and regular valuation of cumulative risk exposures including the Bank of England stress testing
- Risk updates to Board and Risk and Audit Committee



Risk management (continued)

The Board, Risk and Audit Committee and senior management have agreed and continually review and monitor a set of strategic/key risks which may prevent us from meeting our objectives. The Board and Executive Team has carried out a fundamental review of its appetite for risk, which is reviewed on an annual basis. Risks are identified, evaluated, monitored and reported in line with our Risk Management Framework. Risk reporting include scoring, controls, future mitigation requirements and cumulative risk.

In the year, the Group has continued to focus on the following key risks, which are mapped to our strategic aims.

Risk Rating	Relevance to our Strategic Aims
Very High	Deliver outstanding service to customers so that people and communities thrive
High	Actively manage our assets and develop new homes to meet local needs
Medium	Support our people to deliver our vision and live our values
Low	Work with others to build effective partnerships
Very Low	Be well governed and financially strong

Risk	Mitigation
Short notice changes to government policy or direction: This uncertainty affects financial and housing market confidence and long term stability within the sector.	Horizon scanning to identify any potential changes in policy and the operating environment and stress testing to understand the impact of change and mitigations required. Focused assessment on Brexit and mitigations has also been undertaken.
Cyber-crime: A successful attack could have a significant impact resulting in loss of corporate data, intellectual property or customer details.	Staff awareness and education programmes. Network and data security controls framework.
Health and Safety: Failure to focus and comply with all relevant legislation could result in accident, injury or death to staff or third parties leading to regulatory intervention.	Health and Safety Policy, procedures, training and audits. Regular reporting of statistics to Board and Risk and Audit Committee. A Health and Safety Culture survey has also been conducted.

Risk	Mitigation
Reputation and brand damage: The Group recognises that any incident that reduces trust amongst stakeholder groups has the potential to create reputational or brand damage.	Reputation metrics, social media and media coverage monitoring. Crisis Communications Protocol.
Fail to provide the RSH with assurance on progress against the Regulatory Judgement and Voluntary Undertaking (removed in 2019/20): Insufficient progress made against the Regulatory Judgement and Voluntary Undertaking could lead to further regulatory intervention, as well as impacting on the Group's future strategy and reputation.	A Board led Voluntary Undertaking and action plan is monitored by the Recovery Committee. Reviews of Governance and Culture and Action Plan.
Housing market sales exposure: Profit margins, sales demand, property supply and finance arrangements could all be impacted upon by any housing market volatility or downturn.	Horizon scanning to identify potential changes in policy and the operating environment. Stress testing to understand the impact of change and mitigations required. Each new housing development is appraised and developments are phased wherever possible. Site specific mitigation plans.
Welfare reform: The roll out of Universal Credit will create increased uncertainty around cash collection, debt and void levels.	Close monitoring of income collection and support arrangements for customers. Stress testing to understand the impact of the roll out and mitigations required.

Corporate governance

Board
Under the Society's rules which were amended in January 2019, the Board is comprised of one Resident Board Member, two Council Board Members, up to nine Independent Board Members (maximum of 12 Board Members in total). Board and members of the Executive are shown on pages 4 and 5 and details of their remuneration are provided on pages 93 and 94 in the Financial Statements. Board Members are drawn from a wide range of backgrounds bringing together commercial, professional and local experience, and the Board meets a minimum of six times a year. Two new Board appointments have been made to improve the skills and diversity on the Board.

During the year the Board has focussed on delivering the requirements of the Voluntary Undertaking and in September 2019 the Regulator of Social Housing awarded Gentoo a compliant governance rating of G2.

Board is ultimately responsible for the overall control and direction of the Group and its subsidiaries, including the monitoring of its performance and the deployment of resources. The Board ensures that the Group operates effectively and within the terms of our internal governance and upholds the Group's vision and values.

The Group's suite of Governance documents were reviewed as part of the Recovery Action Plan and Voluntary Undertaking. Standing Orders, Scheme of Delegation and Financial Regulations were adopted using best practice templates and have been externally reviewed and validated. The essential functions of and significant matters reserved for the Board are formally recorded in these documents and reflect the requirements of the National Housing Federation's Code of Governance.

These essential functions include, but are not limited to, the development of the Group's strategy, vision and values, changes to the Group's corporate structure, changes to the Group's management and control structure and any changes to the Society's status. Board delegates other matters to its subsidiary boards, committees and executive which are recorded in the respective terms of reference and the Group's Scheme of Delegation.

A system of Non-Executive Board Member appraisal is in place, led by the Group Chair and facilitated by an external adviser. Processes are in place to review the performance of the Chair.

Board is supported by the Risk and Audit Committee, the Appointments and Remuneration Committee, Operations Committee and the Group Executive Team.

The Appointments and Remuneration Committee is chaired by a member of Board, who is not the Group Chair, with four other Board Members. The Committee is required to meet at least once a year, however it met seven times during this financial year. Minutes of each meeting and a verbal update from the Chair of the Committee is provided at each Board meeting.

The Committee oversees Board and Committee appointments, re-appointments, remuneration, Board succession planning, Board appraisals, executive appointments, terms of employment and remuneration, making recommendations to Board where appropriate.

During the year, the Committee has, amongst other things, reviewed succession planning arrangements and the skills requirements of the Boards and Committees, overseen the appointment of the new Group Chief Executive Officer, appointment and the re-appointment of Board Members, review of Board and Committee remuneration in consideration of the independent external benchmarking report, approval of Executive remuneration and appointments.

A Board Diversity Policy is in place that recognises and embraces the benefits of having a diverse Board. A truly diverse Board will include, and make good use of, differences in the skills, regional and industry experience, background, race, gender and other qualities of Board Members. These differences will be considered in determining the optimum composition of Board and when possible, should be balanced appropriately. All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires to be effective. The Board recognises that diversity in respect to skills, knowledge and experience is represented on the Board, however other diverse characteristics should be better represented. Two female appointments to the Board have been made in line with the Board's commitment to increase female representation to 33% by 2020. Current female representation on Board is 25%.

The Risk and Audit Committee is chaired by a member of Board, who is not the Chair or Vice Chair of the Board. The Committee is required to meet at least four times a year. However, it met seven times during the year.

Board (continued)

The Committee oversees financial reporting and provides independent scrutiny, challenge and assurance over the risk and internal control framework on behalf of Board. The Committee has provided oversight and scrutiny over the development of key actions set out in the Recovery Plan. This included the review and update of the Group's Risk Management Framework, risk appetite statement and monitoring compliance with changes to the Group's 'probity' and whistleblowing arrangements.

KPMG was appointed as the Group's external auditors at the Annual General Meeting 2017 and the performance and independence of the external auditor is monitored by Risk and Audit Committee.

The Committee has been integral in overseeing the findings and recommendations arising from the internal investigations carried out into the governance weaknesses, relating to executive severance payments. During the year, the Committee met with both the head of the internal audit function and external auditors, without the executive present.

Business Assurance Services (internal audit function) operate within the Institute of Internal Auditors Standards Framework.

In addition to its role in relation to the internal investigation, the Committee has reviewed and monitored the Group's key risks, cumulative risk, mitigation plans and risk appetite, approved the strategic and operational audit plan, monitored the outcome of individual audits and the implementation of audit recommendations. The Committee has reviewed the Group's arrangements and monitoring reports in relation to the detection and prevention of fraud, bribery, anti-money laundering and whistleblowing. Financial statements and the Group's Annual Report and Accounts have been reviewed by the Committee.

The Board has appointed an additional Board Member to the Operations Committee in order to support the increased role and responsibilities of the Committee. The Committee is made up of five residents, one of which is the Resident Member of Board (one vacancy exists), two Council and three Independent Members, one of which is an Independent Member of Board. The Committee is chaired by the Resident Board Member. The Committee is required to meet at least six times a year and has met six times during this financial year.

The Committee approves key landlord policies, reviews and monitors policy, performance and operational service delivery of the Group's housing management activities, customer service and property services, in addition to other operational matters. The Committee has provided oversight and scrutiny over the review of customer involvement on the governance structure, which was a key action in the Recovery Plan. The review resulted in the dissolution of the Management Committees and establishment of the Customer Engagement Forums.

During the year, the Committee has, amongst other things, reviewed and advised Board on local service offers, allocations policy, rent and service level charges, various landlord compliance policies, operational target setting and monitoring the performance of the investment plan, Welfare Reform impact, repairs and maintenance service, housing management service, customer satisfaction and key operational risks.

Corporate governance (continued)

Group Board

Keith Loraine, OBE
Chair

Keith has over 40 years' experience in the housing sector. He retired after 24 years as Chief Executive Officer of Isos Housing Group in December 2016 and was awarded the OBE in recognition of his services to housing and the North East Community.

Keith joined the Board of Gentoo Group in February 2017 to continue his career in the sector, in a Non-Executive capacity. Through his role at Isos Housing Group, he brings a wealth of knowledge of the local area and the North East business environment. He also has a strong understanding of the requirements of the Regulator of Social Housing and will assist Gentoo through his knowledge of governance, finance and best practice.

Keith is also an Appointments and Remuneration Committee Member.

Alison Fellows

Alison Fellows joined the Gentoo Board in February 2019. She has experience working at a senior level in the public sector, as Executive Director of Commercial Development for Sunderland City Council and as Assistant Director of Capital Investment for Newcastle City Council.

She currently works as Investment Director at Tees Valley Combined Authority where she manages extensive funds to deliver transformational change for people in that region. Alison has also worked as a partner in a large law firm.

Alison spent eight years as a Non-Executive Director with the North East Ambulance NHS Foundation Trust where she was part of a Board that set the strategic leadership and direction of the Trust. She was also on the Board of Governors of Sunderland College for three years.

Brian Spears

Brian Spears joined the Gentoo Sunderland Board (a former Group subsidiary which transferred engagements to Group on 31 March 2017) as Chair in 2015 and Board in 2016. He brings considerable experience of housing and regeneration with a career spanning 40 years in local government, housing and regeneration including a previous role of Chair of the Northern Housing Consortium and a Member of the North East Housing Board.

Brian has managed departments and organisations across a full range of Local Government services and has vast experience in business planning, risk assessment and financial planning. He has a background in leading change, including the successful restructure of Durham City Council, bringing efficiencies and improving customer access to services.

Brian is also a member of Gentoo Developments Board and a Board Member of the Operations Committee.

Carol Long

Carol joined the Gentoo Board in July 2018. She has considerable experience of working in the social care sector with a career spanning 35 years in local government, the private sector and for nearly a decade with national charities providing support and accommodation to children and adults with special needs. She is currently a researcher at Durham University.

Carol has considerable experience as a Chief Executive and has well developed skills in business planning, risk assessment and management, and safeguarding of vulnerable children and adults. She has a background in service development. She has experience of serving on a number of boards and committees including for the YMCA, as an executive for the NSPCC and also as Vice Chair of Governors of a large secondary school in South Tyneside.

Carol is also a Risk and Audit Committee Member.

Chris Watson

Chris Watson was appointed onto Board in September 2017. He is a retired civil engineer and previously was Head of Strategic Asset Planning and Economic Regulation at Northumbrian Water Ltd. He has extensive experience of complex asset management and working with the industry regulator, OFWAT.

From 2007 to 2015 he was a Non-Executive Director of Northumberland Tyne and Wear NHS Foundation Trust, which was rated outstanding by the Care Quality Commission. Chris also brings strong health and safety understanding through his management of Northumbrian Water's capital plan and as a previous Director of Constructing Excellence in the North East.

Chris is also an Appointments and Remuneration Committee Member and a Board Member on Gentoo Homes Board.

Colin Blakey

Colin has had a distinguished career at board level within the public, private and voluntary sectors and has held Executive and Non-Executive roles. He has an in-depth knowledge of social and affordable housing, regeneration, planning and development activity in the North East, and was directly responsible for a number of new build and major regeneration schemes including Downhill, Sunderland.

Colin is knowledgeable and experienced in board corporate governance requirements. While Chief Executive of Asset Trust Housing Association Colin worked closely with the regulatory team in the HCA (now RSH) to define and introduce a new regulatory regime for private registered providers.

Colin is the Chair of Gentoo Homes Board and also a member of Gentoo Developments Board.

Corporate governance (continued)

Group Board

David Murtagh

David Murtagh joined the Board as Chair of Risk and Audit Committee. A Chartered Accountant since 1989, he has held senior finance roles within the engineering and manufacturing sectors.

David is currently a Finance Director within a major multi national company but in addition he has nine years' experience on the Board of Teesside-based Thirteen Group. His technical expertise and commercial experience is a welcome contribution to the skills on the Board. David has a strong understanding of risk, particularly in the context of social housing.

Emily Cox, MBE

Emily Cox joined the Gentoo Board in February 2019. Emily is the Group Head of Colleague Relations at Lloyds Banking Group. She was previously the Director of Public Affairs at Virgin Money. She is a qualified employment lawyer and has spent many years working in highly regulated and complex environments. She is a national expert on gender balance and led the team responsible for the Gadhia Review into the representation of women in senior managerial roles in the financial services sector.

Emily is the Chair of the CBI North East Regional Council. She is also a Board Member at the Sage Gateshead, an international music venue.

She was awarded an MBE in the 2018 Queen's Birthday Honours for services to gender diversity in the financial services sector.

Frank Nicholson

Frank Nicholson is an experienced Non-Executive Director and former Managing Director of Vaux Breweries Ltd in Sunderland. Frank has a broad range of skills, and, since 1999, has been employed in a wide variety of businesses and charities including Northern Rock Foundation, Matfen Hall Hotel, the Port of Sunderland Board, Port of Tyne Authority, University of Sunderland, Lycetts and International Centre for Life.

Frank has a strong understanding of the North East from his extensive portfolio of past and current non-executive appointments and has a well-developed network within the North East business community.

Frank is also a Risk and Audit Committee Member and a Board Member on Gentoo Developments Board.

Leslie Herbert

Former Police Officer Leslie Herbert is now the Resident Member of Board and Chair of the Operations Committee. He was a member of Gentoo Sunderland's Board (a former Group subsidiary which transferred engagements to Group on 31 March 2017) since 2012 and brings extensive experience to the Group role. He is also familiar with the Group's housing management and operational issues.

In addition to his service on the Board of Gentoo Sunderland and the Management Committees, he has served as a mentor and governor at various local schools and was formerly the secretary of the Sunderland Police Welfare Club for 15 years. Leslie has experience of chairing his local residents' association and the staffing committee of a local school of which he was a governor.

Leslie is also an Appointments and Remuneration Committee Member.

Michael Essl

Councillor Michael Essl is one of Sunderland City Council's nominees appointed to Group Board in May 2019.

Michael has been a Sunderland City Councillor since May 2010 and is currently a Member for the Ryhope Ward. Michael graduated with a Law Degree at Northumbria University. In his professional career, Michael works in the transport industry and owns and operates a number of Hackney carriage licences in Sunderland.

Michael is a Governor at Plains Farm Academy and Green Terrace Primary School Trust, whilst also holding positions on Sunderland City Council's Health and Wellbeing Scrutiny Committee, East Sunderland Area Committee, the Adults Services Complaints Panel and the Tyne and Wear Anti-Fascist Association.

Philip Tye

Councillor Philip Tye is one of Sunderland City Council's nominees appointed to Board in 2015. Previous to this, he sat on the Gentoo Sunderland Board (a former Group subsidiary which transferred engagements to Group on 31 March 2017) between 2007 and 2008.

Philip was elected as a Ward Councillor for Silksworth in May 2006. He is currently an Operations Manager for a large North East manufacturing and construction company covering all operational matters for the business. He has been a school governor for over 20 years as well as being Chair of a local charity Youth Almighty Project (YAP).

Philip is also an Appointments and Remuneration Committee Member.

Board and Committee membership details and meeting attendance

	Number of meetings attended out of (total number possible for an individual)			
Name	**Board**	**Risk and Audit Committee**	**Appointments and Remuneration Committee**	**Operations Committee**
	7 meetings	**7 meetings**	**7 meetings**	**6 meetings**
Alison Fellows	2 (2)			
Brian Spears	6 (7)		7 (7)	1 (1)
Carol Long (co-optee until 26 September 2018)	4 (5)	3 (3)		
Chris Watson	7 (7)		7 (7)	
Colin Blakey	6 (7)			
Colin English	6 (7)	2 (2)		
David Murtagh	5 (7)	7 (7)		
Emily Cox, MBE	2 (2)			
Frank Nicholson	6 (7)	4 (7)		
Keith Loraine, OBE (Chair)	7 (7)		6 (7)	
Leslie Herbert	7 (7)		7 (7)	6 (6)
Philip Tye	6 (7)		7 (7)	
Nigel Wilson	1 (1)			
Susan Johnson*		7 (7)		
Alex Samuels				3 (4)
Emma Teare				5 (6)
Henry Trueman				3 (5)
John Dannell				5 (6)
John Urwin				6 (6)
Karen McDonald				3 (6)
Kathleen Dagg				5 (6)

*Being an independent Risk and Audit Committee Member.

The following Board Members resigned during the year:

Barry Curran	(0)	2 (2)		
Mary Coyle, MBE, DL	1 (2)	4 (4)		
Paul Stewart	(0)			
John Cummings				0 (1)
Paul Middleton				0 (1)
Thomas Wright				0 (1)
Margaret Robson				1 (6)

Statement of Board's responsibilities in respect of the Strategic Report and the Financial Statements

The Board is responsible for preparing the Strategic Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations, the Board has elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and the association for that period.

In preparing these financial statements, the Board is 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 and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the group and the association'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 it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and comply with the early adoption of Accounting Direction for Private Registered Providers of Social Housing 2019. This supersedes the requirements of the 2015 Accounting Direction. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

Effectiveness of internal controls

A key responsibility of Board is to review, assess and confirm the adequacy and effectiveness of the Group's risk management and internal controls systems. Board has delegated part of this responsibility to the Risk and Audit Committee. The role and work of the Risk and Audit Committee is described in the earlier paragraphs of this statement.

Board's annual Schedule of Business, reporting arrangements and the work of the Risk and Audit Committee are designed to ensure that the significant areas of risk are reported on and considered during the course of the year. In addition to determining the risk appetite, Board specifically reviews its key corporate risks.

Board receives its assurance on an annual basis on the effectiveness of the Group's risk management and internal control systems through the ongoing work of the Risk and Audit Committee and the annual report of business assurance services in line with the requirements of the Group's Code of Governance.

Review of the Group's external auditor
Following an Official Journal of the European Union (OJEU) tender process during 2017, KPMG LLP was re-appointed as the Group's External Auditor for the March 2018 year-end for a period of three years with the option to extend for two further one-year periods.

KPMG LLP have provided some non-audit services during the year. Assurances were provided by KPMG LLP in their proposal document prior to their appointment that the provision of these services does not represent a conflict of interests or a threat to their independence as external auditors. KPMG LLP has systems and processes in place to assess potential conflicts of interest as they arise and will notify management and the Risk and Audit Committee immediately should there be a risk of potential conflict of interest. KPMG LLP also confirm its independence to the Risk and Audit Committee at least annually. The Policy on the provision of non-audit services by the external auditor was reviewed by the Committee in January 2018 and compliance is monitored by the Committee.

The Risk and Audit Committee also considers the performance of the external auditor on at least an annual basis as per their Terms of Reference and Schedule of Business.

Going concern
After making enquiries, Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group's financial statements. Board approves annually the Group Business Plan and its output which are submitted annually to the Regulator in the form of a Financial Forecast Return (FFR). Board is satisfied that covenant compliance is maintained throughout the life of the plan on the basis that the financial plan has been stress tested to withstand significant composite risks materialising without breaching lender covenants confirming the future viability of the Group.

Political contributions
The Association made £nil (2018: £nil) political donations and incurred £nil (2018: £nil) political expenditure during the year.

Statement of compliance
The RSH's Governance and Financial Viability Standard requires all registered providers to adopt and comply with an appropriate Code of Governance ('Code') and certify compliance with its chosen Code together with certification of compliance with the RSH's Governance and Financial Viability Standard. The Group adopted the National Housing Federation's Code of Governance 2015.

Compliance with the RSH's Governance and Viability Standard
The Board has assessed its compliance with the Governance and Viability Standard and certifies that it has complied with the requirements of the Standard for the year from 1 April 2018.

Compliance with the National Housing Federation's Code of Governance
The Board complies with the principles set out in the National Housing Federation's Code of Governance published in 2015.

Disclosure of information to auditor
The Board Members who held office at the date of approval of this Strategic Report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditor is unaware; and each Board Member has taken all of the steps that they ought to have taken as a Board Member to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Auditor
In accordance with section 83 of the Co-operative and Community Benefit Societies Act 2014, the appointment of an auditor of the Association will be announced at the forthcoming AGM.

By order of the Board:

Keith Loraine, OBE
Board Member
13 September 2019

David Murtagh
Board Member
13 September 2019

Simon Walker
Secretary
13 September 2019

Independent auditor's report to Gentoo Group Limited

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

Opinion

We have audited the financial statements of Gentoo Group Limited ("the association") for the year ended 31 March 2019 which comprise the consolidated and association statements of comprehensive income, the consolidated and association statements of financial position, the consolidated and association statements of changes in reserves and the consolidated statement of cash flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the group and the association as at 31 March 2019 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

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 group and the association 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

The impact of uncertainties due to the UK exiting the European Union on our audit (continued)

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the association or to cease their operations, and as they have concluded that the group and the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the association will continue in operation.

Other information

The association's Board is responsible for the other information, which comprises the Strategic Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information 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 other information.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the association has not kept proper books of account; or
- the association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

Independent auditor's report to Gentoo Group Limited (continued)

Board's responsibilities
As more fully explained in their statement set out on page 61, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the association'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 it either intends to liquidate the group or the association or to cease operations, or has 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 association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

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
September 2019

Consolidated statement of comprehensive income

for the year ended 31 March 2019

	Note	2019 Total £'000	2018 Continuing operations £'000	2018 Discontinued operations £'000	2018 Total £'000
Turnover	2a	**177,145**	172,759	9,571	182,330
Cost of sales	2a	**(37,666)**	(31,446)	-	(31,446)
Gross profit		**139,479**	141,313	9,571	150,884
Operating expenditure	2a	**(105,067)**	(97,909)	(7,655)	(105,564)
Other operating income	2a	**370**	240	-	240
Surplus / (deficit) on disposal of tangible fixed assets	5	**2,146**	1,007	(122)	885
Operating surplus		**36,928**	44,651	1,794	46,445
Analysed as:					
Operating surplus before exceptional pension past service costs		**42,728**	44,651	1,794	46,445
Exceptional pension past service costs	3	**(5,800)**	-	-	-
Operating surplus after exceptional items		**36,928**	44,651	1,794	46,445
Deficit on disposal of discontinued operations	6	**-**	-	(14,043)	(14,043)
Interest receivable and similar income	7	**1,445**	1,387	2	1,389
Interest payable and similar charges	8	**(24,643)**	(24,878)	(671)	(25,549)
Change in value of investment property	13	**(557)**	(562)	-	(562)
Surplus on disposal of investment properties	13	**116**	-	-	-
Fair value adjustment	22	**(82)**	-	-	-
Surplus / (deficit) before taxation		**13,207**	20,598	(12,918)	7,680
Tax on surplus / (deficit)	10	**(237)**	(212)	-	(212)
Surplus / (deficit) for the financial year		**12,970**	20,386	(12,918)	7,468
Other comprehensive income					
Actuarial gain in respect of pension scheme	3	**12,910**	2,240	-	2,240
Revaluation of fixed asset investments	14	**220**	(832)	-	(832)
Total comprehensive income for the year		**26,100**	21,794	(12,918)	8,876

These financial statements were approved by the board on 13 September 2019 and were signed on its behalf by:

Keith Loraine, OBE
Board Member

David Murtagh
Board Member

Simon Walker
Secretary

Association statement of comprehensive income

for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover	2a	**132,958**	133,353
Cost of sales	2a	**(904)**	(22)
Gross profit		**132,054**	133,331
Operating expenditure	2a	**(102,191)**	(94,207)
Other operating income	2a	**25**	-
Surplus / (deficit) on disposal of tangible fixed assets	5	**2,146**	(28)
Operating surplus		**32,034**	39,096
Analysed as:			
Operating surplus before exceptional pension past service costs		**37,834**	39,096
Exceptional pension past service costs	3	**(5,800)**	-
Operating surplus after exceptional items		**32,034**	39,096
Interest receivable and similar income	7	**3,316**	2,707
Interest payable and similar charges	8	**(24,861)**	(25,167)
Gift aid receivable		**3,949**	3,682
Change in value of investment property	13	**(557)**	(562)
Surplus on the disposal of investment properties	13	**116**	-
Surplus before taxation		**13,997**	19,756
Taxation on surplus	10	**(237)**	(212)
Surplus for the financial year		**13,760**	19,544
Other comprehensive income			
Actuarial gain in respect of pension scheme	3	**12,910**	2,240
Revaluation of fixed asset investments	14	**220**	(832)
Total comprehensive income for the year		**26,890**	20,952

These financial statements were approved by the board on 13 September 2019 and were signed on its behalf by:

Keith Loraine, OBE
Board Member

David Murtagh
Board Member

Simon Walker
Secretary

Consolidated statement of financial position

at 31 March 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible fixed assets – housing properties	11	**1,009,734**	1,009,938
Tangible fixed assets – other	12	**16,559**	17,135
		1,026,293	1,027,073
Investments			
Investment properties	13	**12,593**	13,755
Other investments	14	**32,750**	32,500
HomeBuy loans receivable	15	**580**	731
		45,923	46,986
		1,072,216	1,074,059
Current assets			
Stock	16	**64,490**	67,893
Debtors	17	**19,959**	13,839
Cash and cash equivalents	18	**16,135**	11,790
		100,584	93,522
Creditors: amounts falling due within one year	19	**(33,547)**	(30,182)
Net current assets		**67,037**	63,340
Debtors: amounts falling due after more than one year	22	**4,979**	6,383
Total assets less current liabilities		**1,144,232**	1,143,782
Creditors: amounts falling due after more than one year	23	**(553,763)**	(573,093)
Pension liability	3	**(11,500)**	(17,820)
Net assets		**578,969**	552,869
Capital and reserves			
Revaluation reserve		**158,091**	161,636
Revenue reserve		**141,346**	104,534
Other reserve		**279,532**	286,699
		578,969	552,869

These financial statements were approved by the board on 13 September 2019 and were signed on its behalf by:

Keith Loraine, OBE
Board Member

David Murtagh
Board Member

Simon Walker
Secretary

Registered number: 7302

Association statement of financial position

at 31 March 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible fixed assets – housing properties	11	**1,015,272**	1,015,283
Tangible fixed assets – other	12	**16,640**	17,179
		1,031,912	1,032,462
Investments			
Investment properties	13	**12,593**	13,755
Other investments	14	**32,750**	32,500
HomeBuy loans receivable	15	**580**	731
Investments in subsidiaries	14	**350**	350
		46,273	47,336
		1,078,185	1,079,798
Current assets			
Stock	16	**19,959**	23,319
Debtors	17	**20,703**	19,946
Cash at bank and in hand		**12,814**	8,964
		53,476	52,229
Creditors: amounts falling due within one year	19	**(27,533)**	(25,240)
Net current assets		**25,943**	26,989
Debtors: amounts falling due after more than one year	22	**38,377**	41,228
Total assets less current liabilities		**1,142,505**	1,148,015
Creditors: amounts falling due after more than one year	23	**(602,970)**	(629,050)
Pension liability	3	**(11,500)**	(17,820)
Net assets		**528,035**	501,145
Capital and reserves			
Revaluation reserve		**141,784**	144,555
Revenue reserve		**106,720**	69,892
Other reserve		**279,531**	286,698
		528,035	501,145

These financial statements were approved by the board on 13 September 2019 and were signed on its behalf by:

Keith Loraine, OBE
Board Member

David Murtagh
Board Member

Simon Walker
Secretary

Registered number: 7302

Consolidated statement of changes in reserves

	Revaluation reserve £'000	Revenue reserve £'000	Other reserve £'000	Total reserves £'000
Balance at 31 March 2017	165,690	84,437	293,866	543,993
Total comprehensive income for the year				
Surplus	-	7,468	-	7,468
Other comprehensive income				
Transfer in respect of depreciation on revalued properties	(1,694)	1,694	-	-
Transfer in respect of realised losses on disposal of revalued properties	(1,528)	1,528	-	-
Realisation of other reserve	-	7,167	(7,167)	-
Actuarial loss in respect of pension scheme	-	2,240	-	2,240
Revaluation of fixed asset investments	(832)	-	-	(832)
Balance at 31 March 2018	161,636	104,534	286,699	552,869
Balance at 1 April 2018	161,636	104,534	286,699	552,869
Total comprehensive income for the year				
Surplus	-	12,970	-	12,970
Other comprehensive income				
Transfer in respect of depreciation on revalued properties	(2,203)	2,203	-	-
Transfer in respect of realised losses on disposal of revalued properties	(1,562)	1,562	-	-
Realisation of other reserve	-	7,167	(7,167)	-
Actuarial gain in respect of pension scheme		12,910	-	12,910
Revaluation of fixed asset investments	220	-	-	220
Balance at 31 March 2019	**158,091**	**141,346**	**279,532**	**578,969**

Association statement of changes in reserves

	Revaluation reserve £'000	Revenue reserve £'000	Other reserve £'000	Total reserves £'000
Balance at 31 March 2017	148,609	37,719	293,865	480,193
Total comprehensive income for the year				
Surplus	-	19,544	-	19,544
Other comprehensive income				
Transfer in respect of depreciation on revalued properties	(1,694)	1,694	-	-
Transfer in respect of realised losses on disposal of revalued properties	(1,528)	1,528	-	-
Realisation of other reserve	-	7,167	(7,167)	-
Actuarial gain in respect of pension scheme	-	2,240	-	2,240
Revaluation of fixed asset investments	(832)	-	-	(832)
Balance at 31 March 2018	144,555	69,892	286,698	501,145
Balance at 1 April 2018	144,555	69,892	286,698	501,145
Total comprehensive income for the year				
Surplus	-	13,760	-	13,760
Other comprehensive income				
Transfer in respect of depreciation on revalued properties	(1,429)	1,429	-	-
Transfer in respect of realised losses on disposal of revalued properties	(1,562)	1,562	-	-
Realisation of other reserve	-	7,167	(7,167)	-
Actuarial gain in respect of pension scheme	-	12,910	-	12,910
Revaluation of fixed asset investments	220	-	-	220
Balance at 31 March 2019	**141,784**	**106,720**	**279,531**	**528,035**

Consolidated statement of cash flows

for the year ended 31 March 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Surplus for the year	**12,970**	7,468
Adjustments for non cash items:		
Depreciation	**26,994**	29,370
Amortisation of deferred government grant	**(116)**	(1,858)
Change in value of investment property	**557**	562
Fair value adjustment	**82**	-
Interest receivable and similar income	**(1,445)**	(1,389)
Interest payable and similar charges	**24,643**	25,549
Surplus on disposal of tangible fixed assets	**(2,146)**	(885)
Surplus on disposal of investment properties	**(116)**	-
Deficit on disposal of discontinued operations	**-**	14,043
Government grants utilised in the year	**(647)**	(409)
Taxation	**237**	212
	48,043	65,195
Decrease in trade and other debtors	**2,200**	12,071
Increase in stock	**(3,562)**	(4,838)
Increase / (decrease) in trade and other creditors	**2,097**	(5,253)
Increase in provisions and employee benefits	**6,230**	1,090
	6,965	3,070
Tax paid	**(200)**	(300)
Net cash flows from operating activities	**67,778**	75,433
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets - housing properties	**9,125**	7,228
Proceeds from sale of tangible fixed assets – other	**579**	6,744
Proceeds from sale of investment properties	**721**	-
Acquisition of tangible fixed assets - housing properties	**(2,942)**	(44)
Acquisition of tangible fixed assets – other	**(1,734)**	(1,564)
Capital expenditure on existing properties	**(25,727)**	(16,498)
Development of social housing properties	**(3,852)**	(9,368)
Interest received	**1,445**	1,449
Proceeds from receipt of Government grants	**978**	2,384
Net cash from investing activities	**(21,407)**	(9,669)

Consolidated statement of cash flows (continued)

for the year ended 31 March 2019

	2019 £'000	2018 £'000
Cash flows from financing activities		
Proceeds from loans	**6,734**	7,388
Interest paid	**(24,474)**	(25,514)
Repayment of borrowings	**(24,239)**	(47,515)
Net cash from financing activities	**(41,979)**	(65,641)
Net increase in cash and cash equivalents	**4,392**	123
Cash and cash equivalents at 1 April	**11,737**	11,614
Cash and cash equivalents at 31 March (note 18)	**16,129**	11,737

Notes to the financial statements

for the year ended 31 March 2019

1. Accounting policies

Legal status

Gentoo Group Limited (the "Association") is a Community Benefit Society registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the RSH as a private registered provider of social housing. The Association has charitable status with HM Revenue & Customs, reference number EW41411. The Association is also a Public Benefit Entity.

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 Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Housing SORP 2014: Statement of Recommended Practice for registered social housing providers ('SORP 2014'), and comply with the early adoption of the Accounting Direction for Private Registered Providers of Social Housing 2019. This supersedes the requirements of the 2015 Accounting Direction. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In these financial statements, the Association 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 disclosure:

- Cash Flow Statement and related notes.

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 except that the following assets and liabilities are stated at their fair value:

- Home Purchase Plans (note 22)
- Investment properties (note 13)
- Other investments (note 14)

1.2. Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, its cash flows, liquidity position and borrowing facilities are described in the Strategic Report on pages 8 to 63.

The Group meets its day to day working capital requirements through the current account and its revolver facility. The Group meets its development programme requirements through a combination of grant and debt funding. Note 24 to the financial statements highlights the current level of debt and repayment terms. The current economic conditions create uncertainty particularly over the longer term availability of grant and bank finance.

The Group's forecasts and projections show that the Group should be able to continue to operate within the level of its current facilities and no matters have been drawn to its attention to suggest that future funding may not be forthcoming on acceptable terms.

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

1. Accounting policies (continued)

1.3. Basis of consolidation

The consolidated statement of comprehensive income and statement of financial position consolidate the results and financial position of the Association and its subsidiary undertaking. Details of the subsidiary undertakings are included in Note 14 to the financial statements. Intra-group turnover, surpluses and balances are eliminated fully on consolidation. Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

1.4. Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgments and estimates. The judgments and estimates which have the most significant impact on amounts recognised in the financial statements are set out in note 31.

1.5. Classification of financial instruments issued by the Association

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

(a) they include no contractual obligations upon the Association 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 Association; and

(b) where the instrument will or may be settled in the Association's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Association's own equity instruments or is a derivative that will be settled by the Association'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 Association'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.

1.6. 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.

Bad and doubtful debts

Provision is made against rent arrears of current and former tenants as well as other miscellaneous debts to the extent that they may be irrecoverable.

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. Where a public benefit entity concessionary loan has been granted, the Group has opted to apply the accounting treatment set out in paragraphs PBE34.90 to PBE34.97 of FRS 102.

1. Accounting policies (continued)

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Other investments

Other fixed asset investments are stated at fair value. Movements in fair value are recorded in the revaluation reserve.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Association's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.7. Other financial instruments

Financial instruments not considered to be basic financial instruments (other financial instruments)

The Genie Home Purchase Plan (HPP) is a 'complex financial instrument' under FRS 102 due to the potential link to upward House Price Index (HPI). The Genie HPP is initially recognised on the statement of financial position at the value the customer has committed to purchase the property. Subsequent to initial recognition, Genie HPP's are measured at fair value with changes recognised in profit or loss. The fair value is equal to the share retained by the Company in the property which is subject to a HPP valued at the original sales price. This equates to the minimum cashflows to be received under the HPP contractual arrangement discounted over the estimated term. The fair value is stated net of deferred revenue as this is not considered realised until the related loan is repaid.

1.8. Tangible fixed assets

Housing properties held for letting

Housing properties are principally properties available for rent and are stated at historical cost less accumulated depreciation and accumulated impairment losses. Additions include the cost of acquiring land and buildings, development costs and expenditure incurred in respect of enhancements to existing properties. Depreciation is charged to the statement of comprehensive income to write down the value of housing properties on a straight line basis over the following useful economic lives:

Housing property components: depreciation life

	Years		Years		Years
Bathrooms	25	Kitchens	20	Roof	60
Boilers	10	Lifts	30	Structure	80
Doors	30	New build structure	100	Windows	30
Electrical installations	30	PV invertors	8		
Heating installations	15	PV panels	25		

No depreciation is charged for land. Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Association expects to consume an asset's future economic benefits.

Shared ownership

The costs of shared ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and on disposal the first tranche sales proceeds are shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset. Subsequent tranches sold ('staircasing') are accounted for as disposals of housing properties.

1. Accounting policies (continued)

Shared ownership (continued)
No depreciation is charged for shared ownership properties where the occupier is responsible for the maintenance of the property.

Garages held for letting
Garages held for letting are stated at historical cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write down the value of garages on a straight line basis over their expected useful economic life of 50 years.

Works to existing properties
Expenditure on housing properties that refurbishes or replaces an identified housing property component is capitalised. Major works to housing properties are capitalised where they increase the net rental stream or the life of the property. All other maintenance costs are charged to the statement of comprehensive income in the year they are incurred.

Disposal of housing properties
Property sales and any surplus thereon are recognised when the transaction becomes legally binding on both parties. Any foreseeable deficit on any proposed property sale is recognised in the statement of comprehensive income as soon as the decision is made to dispose of the property.

The Group sells its properties under the statutory regulations of 'Preserved Right to Buy' and 'Right to Acquire'. Surplus or deficit on sale of these properties are recognised before operating surplus or deficit.

Housing properties under construction
Housing properties under construction are stated at cost and are not depreciated.

Other tangible fixed assets
Other tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price of the asset plus any costs incurred in bringing the asset to its working condition for its intended use.

Depreciation is calculated to write down the cost of tangible fixed assets on a straight line basis over their estimated useful economic lives as follows:

	Years		**Years**
Furniture, fixtures and fittings	5 - 20	Office equipment	3 - 10
IT equipment	3 - 7	Plant and machinery	3 - 15
Land and buildings	50	Vehicles	3 - 5

No depreciation is charged for land. Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Association expects to consume an asset's future economic benefits.

1.9 Intangible assets

Goodwill
Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units (CGU) or a group of CGU's that are expected to benefit from the synergies of the business combination from which it arose.

1. Accounting policies (continued)

1.9 Intangible assets (continued)

Other intangible assets
Other intangible assets that are acquired by the Association are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible assets acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

Amortisation
Amortisation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use.

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be five years.

The Association reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with FRS 102 Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.10 Government grants

Government grants are included within accruals and deferred income in the statement of financial position and credited to the statement of comprehensive income over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

Social Housing Grant

Social Housing Grant (SHG) is initially recognised at fair value as a liability, specifically as deferred government grant income and released through the statement of comprehensive income as turnover over the life of the structure of housing properties in accordance with the accruals method applicable to registered providers of social housing accounting for housing properties at cost.

For items where on transition to FRS 102, an election has been taken to treat fair value as deemed cost, the performance method for accounting for grant has been applied as the fair value application as deemed cost is treated as a revaluation at the transition date and SHG in respect of those items has been taken to revenue reserves. An amount equivalent to SHG taken to revenue reserves is disclosed as a contingent liability reflecting the potential future obligation to repay SHG where properties are disposed.

On disposal, SHG associated with those properties is transferred to either the Recycled Capital Grant Fund (RCGF) or the Disposal Proceeds Fund (DPF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

For assets carried at a depreciated historical cost basis the impairment loss is recognised in the statement of comprehensive income immediately.

For assets that are carried at cost less accumulated depreciation, an impairment loss is first set off against any revaluation surplus relating to the same assets in reserves and the balance of the loss is then treated as an expense in the statement of comprehensive income.

1. Accounting policies (continued)

1.11 Disposal proceeds fund (DPF)

The disposal proceeds fund is an internal fund used to recycle the proceeds of sale under 'Right to Acquire' procedures. This fund has been calculated and disclosed in accordance with determinations made under 'Disposal Proceeds Fund: Requirements of the Social Housing Regulator 2015'.

1.12 Recycling of capital grant fund (RCGF)

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the provision of new properties. Where recycled grant is known to be repayable it is shown as a creditor within one year.

1.13 Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

1.14 Discontinued operations

Discontinued operations are components of the Group that have been disposed of at the reporting date and previously represented a separate major line of business or geographical area of operation.

They are included in the statement of comprehensive income in a separate column for the comparative period, including the gain or loss on sale or impairment loss on disposal.

1.15 Investment properties

Investment properties are properties which are held either to earn commercial rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition,

(a) investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in surplus or deficit in the period that they arise; and

(b) no depreciation is provided in respect of investment properties applying the fair value model.

Fair value of investment properties is determined annually by management using market data or where this is not available by using discounted cash flow analysis.

1.16 Stock

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

Raw materials and consumables
Stock is stated at the lower of cost and estimated selling price less costs to complete and sell.

1. Accounting policies (continued)

1.17 Impairment excluding stock, investment properties and deferred tax assets

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Association 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 the statement of comprehensive income. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through statement of comprehensive income.

Non-financial assets
The carrying amounts of the Association's non-financial assets, other than investment property, stock and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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. Accounting policies (continued)

1.18 Employee benefits

Defined benefit plans

The Group participates in the Tyne and Wear Local Government Pension Fund (the 'Fund') which is a defined benefit scheme.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Association's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Association determines the net interest expense / (income) on the net defined benefit liability / (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability / (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the statement of financial position date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Association's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Association recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in the statement of comprehensive income.

Re-measurement of the net defined benefit liability / (asset) is recognised in other comprehensive income in the period in which it occurs.

Termination benefits

Termination benefits are recognised as an expense when the Association 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 Association 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.

Defined contribution plans and other long term employee benefits

The Group participates in a defined contribution scheme.

A defined contribution plan is a post-employment benefit plan under which the Association pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

1. Accounting policies (continued)

1.19 Turnover

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

- Rental income from tenants and leaseholders in the year, net of rent losses from voids;
- Sale of residential property;
- Receipts from the sale of the first tranche of shared ownership properties; and
- Income from other services included at the invoiced value (excluding value added tax) of goods and services supplied in the year.

1.20 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 surplus or deficit over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and finance charges on finance leases.

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

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

1.21 Taxation

Tax on the surplus or deficit 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; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

1. Accounting policies (continued)

1.21 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 (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the 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 surpluses.

1.22 Service charge sinking funds

Service charge sinking funds are recognised as creditors. Part of the service charge is retained in a sinking fund for major repairs. Interest is added annually to the fund.

1.23 Value added tax (VAT)

The Association is included in a Group VAT registration which also includes Gentoo Care Limited and Gentoo Art of Living. Gentoo Homes Limited and Gentoo Developments Limited both have separate VAT registrations. Gentoo Genie Limited is not VAT registered.

A large proportion of the Group's income, including rents, is exempt from VAT. The majority of expenditure is subject to VAT which cannot be reclaimed, and expenditure is therefore shown inclusive of VAT. Partial exemption has been obtained for some business activities and the VAT recovered is credited to the statement of comprehensive income.

1.24 HomeBuy and other equity loans

The Group operated two loan schemes by lending a percentage of the cost to home purchasers. The schemes are now closed to new participants.

HomeBuy Direct Scheme

This is a low cost home ownership Government initiative. The Group and the Government provided assistance through an equal equity loan contribution to the purchaser, secured against the property. The loan is repaid as a result of a relevant event or on the 25th anniversary of the date of the loan agreement. The loan is interest free for the first five years. At the beginning of year six, interest becomes payable on the outstanding balance. The loans are reviewed annually for impairment. Redemption proceeds are allocated equally between the Group and the Government with any surplus or loss being recognised through the statement of comprehensive income.

Gentoo Homebuyer Loan Scheme

This is a low cost home ownership Group initiative. The Group provided assistance through a fixed loan contribution to the purchaser, secured against the property. The loan is repaid as a result of a relevant event or at the end of the 10th year of the date of the loan agreement. The loan is interest free for the first five years. At the beginning of year six, interest becomes payable on the outstanding balance. The loans are reviewed annually for impairment. Any loss on redemption is recognised through the statement of comprehensive income.

2a. Particulars of turnover, cost of sales, operating expenditure and operating surplus / (deficit)

Group	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Other operating income £'000	Surplus on disposal £'000	2019 Operating surplus / (deficit) £'000
Social housing lettings (note 2b)	123,843	-	(96,103)	-	-	27,740
Other social housing activities:						
Charge for support services	169	-	(753)	-	-	(584)
Other	14	-	(519)	-	-	(505)
First tranche low cost home ownership sales	743	(743)	-	-	-	-
Other social housing activities	926	(743)	(1,272)	-	-	(1,089)
Activities other than social housing activities:						
Properties developed for outright sale	44,836	(36,418)	(2,085)	-	-	6,333
Other	7,540	(505)	(5,607)	370	-	1,798
Non-social housing activities	52,376	(36,923)	(7,692)	370	-	8,131
Surplus on disposal of tangible assets	-	-	-	-	2,146	2,146
Total	177,145	(37,666)	(105,067)	370	2,146	36,928

2a. Particulars of turnover, cost of sales, operating expenditure and operating surplus / (deficit) (continued)

Group	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Other operating income £'000	Surplus on disposal £'000	2018 Operating surplus / (deficit) £'000
Social housing lettings (note 2b)	131,695	-	(90,534)	-	-	41,161
Other social housing activities:						
Charge for support services	254	-	(974)	-	-	(720)
Other	573	-	(1,071)	-	-	(498)
Other social housing activities	827	-	(2,045)	-	-	(1,218)
Activities other than social housing activities:						
Properties developed for outright sale	38,961	(30,704)	(2,679)	-	-	5,578
Grant income	118	-	-	-	-	118
Other	10,729	(742)	(10,306)	240	-	(79)
Non-social housing activities	49,808	(31,446)	(12,985)	240	-	5,617
Surplus on disposal of tangible assets	-	-	-	-	885	885
Total	182,330	(31,446)	(105,564)	240	885	46,445

Notes to the financial statements (continued)

for the year ended 31 March 2019

2a. Particulars of turnover, cost of sales, operating expenditure and operating surplus / (deficit)

Association	**Turnover £'000**	**Cost of sales £'000**	**Operating expenditure £'000**	**Other operating income £'000**	**Surplus on disposal £'000**	**2019 Operating surplus / (deficit) £'000**
Social housing lettings (note 2b)	**123,725**	**-**	**(96,134)**	**-**	**-**	**27,591**
Other social housing activities:						
Other	**1**	**-**	**-**	**-**	**-**	**1**
First tranche low cost home ownership sales	**743**	**(743)**	**-**	**-**	**-**	**-**
Other social housing activities	**744**	**(743)**	**-**	**-**	**-**	**1**
Activities other than social housing activities:						
Properties developed for outright sale	**265**	**(160)**	**(46)**	**-**	**-**	**59**
Other	**8,224**	**(1)**	**(6,011)**	**25**	**-**	**2,237**
Non-social housing activities	**8,489**	**(161)**	**(6,057)**	**25**	**-**	**2,296**
Surplus on disposal of tangible assets	**-**	**-**	**-**	**-**	**2,146**	**2,146**
Total	**132,958**	**(904)**	**(102,191)**	**25**	**2,146**	**32,034**

Association	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Other operating income £'000	Deficit on disposal £'000	2018 Operating surplus / (deficit) £'000
Social housing lettings (note 2b)	122,662	-	(85,419)	-	-	37,243
Other social housing activities:						
Other	1	-	(30)	-	-	(29)
Activities other than social housing activities:						
Other	10,690	(22)	(8,758)	-	-	1,910
Non-social housing activities	10,690	(22)	(8,758)	-	-	1,910
Deficit on disposal of tangible assets	-	-	-	-	(28)	(28)
Total	133,353	(22)	(94,207)	-	(28)	39,096

2b. Particulars of turnover and expenditure from social housing lettings

Group	General needs housing £'000	Supported Housing and housing for older people £'000	Shared ownership £'000	2019 Total £'000	2018 Total £'000
Income					
Rent receivable net of identifiable service charges	**120,357**	**1,049**	**133**	**121,539**	127,462
Service charge income	**1,967**	**221**	**-**	**2,188**	2,375
Net rents receivable	**122,324**	**1,270**	**133**	**123,727**	129,837
Amortised Government grants	**116**	**-**	**-**	**116**	1,858
Turnover from social housing lettings	**122,440**	**1,270**	**133**	**123,843**	131,695
Operating expenditure					
Management	**(21,435)**	**(130)**	**-**	**(21,565)**	(22,111)
Service charge costs	**(2,492)**	**(143)**	**-**	**(2,635)**	(2,900)
Routine maintenance	**(25,035)**	**-**	**-**	**(25,035)**	(24,917)
Planned Maintenance	**(10,563)**	**-**	**-**	**(10,563)**	(8,267)
Major repairs expenditure	**(4,533)**	**-**	**-**	**(4,533)**	(3,536)
Bad debts	**(817)**	**-**	**-**	**(817)**	(432)
Depreciation of housing properties	**(24,987)**	**-**	**-**	**(24,987)**	(28,152)
Pension past service costs	**(5,800)**	**-**	**-**	**(5,800)**	-
Other costs (redundancy)	**(168)**	**-**	**-**	**(168)**	(219)
Operating expenditure on social housing lettings	**(95,830)**	**(273)**	**-**	**(96,103)**	(90,534)
Operating surplus on social housing lettings	**26,610**	**997**	**133**	**27,740**	41,161
Rent losses from voids*	**(1,342)**	**(10)**	**-**	**(1,352)**	(1,569)

* being rental income lost as a result of property not being let

Notes to the financial statements (continued)

for the year ended 31 March 2019

2b. Particulars of turnover and expenditure from social housing lettings (continued)

Association	General needs housing £'000	Supported Housing and housing for older people £'000	Shared ownership £'000	2019 Total £'000	2018 Total £'000
Income					
Rent receivable net of identifiable service charges	**120,311**	**1,049**	**133**	**121,493**	120,565
Service charge income	**1,895**	**221**	**-**	**2,116**	2,010
Net rents receivable	**122,206**	**1,270**	**133**	**123,609**	122,575
Amortised Government grants	**116**	**-**	**-**	**116**	87
Turnover from social housing lettings	**122,322**	**1,270**	**133**	**123,725**	122,662
Operating expenditure					
Management	**(21,360)**	**(130)**	**-**	**(21,490)**	(21,644)
Service charge costs	**(2,492)**	**(143)**	**-**	**(2,635)**	(2,611)
Routine maintenance	**(25,035)**	**-**	**-**	**(25,035)**	(23,869)
Planned Maintenance	**(10,563)**	**-**	**-**	**(10,563)**	(8,267)
Major repairs expenditure	**(4,533)**	**-**	**-**	**(4,533)**	(3,011)
Bad debts	**(815)**	**-**	**-**	**(815)**	(362)
Depreciation of housing properties	**(25,095)**	**-**	**-**	**(25,095)**	(25,436)
Pension past service costs	**(5,800)**	**-**	**-**	**(5,800)**	-
Other costs (redundancy)	**(168)**	**-**	**-**	**(168)**	(219)
Operating expenditure on social housing lettings	**(95,861)**	**(273)**	**-**	**(96,134)**	(85,419)
Operating surplus on social housing lettings	**26,461**	**997**	**133**	**27,591**	37,243
Rent losses from voids*	**(1,332)**	**(10)**	**-**	**(1,342)**	(1,496)

* being rental income lost as a result of property not being let

3. Employees

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

	Group 2019 No.	Association 2019 No.	Group 2018 No.	Association 2018 No.
Executive directors and key management personnel	5	5	5	5
Managing housing services	351	351	436	353
Repairs and maintenance	441	441	466	457
Central enabling services	151	150	188	173
Development and selling homes	82	-	72	-
Other operations	38	-	77	53
Apprentices	27	24	20	19
	1,095	971	1,264	1,060

The aggregate payroll costs of these persons were as follows:

	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Wages and salaries	32,279	27,964	34,536	29,117
Social security costs	3,090	2,648	3,335	2,781
Costs related to:				
Group wide defined benefit plan	10,240	10,240	11,130	11,130
Exceptional past service cost*	5,800	5,800		
Recharges to other group companies	-	(944)	-	(955)
	16,040	15,096	11,130	10,175
Defined contribution plan	66	40	40	27
SHAPS	-	-	115	-
	51,475	45,748	49,156	42,100
Redundancy costs	237	184	264	219
	51,712	45,932	49,420	42,319

*Relates to "The McCloud Judgement", see page 92

3. Employees (continued)

Pension Schemes – Group and Association

The disclosures below relate to the Tyne and Wear Pension Fund (the 'Fund') which is part of the Local Government Pension Scheme. The Group participates in the fund which provides defined benefits, based on members' career average pensionable salary.

Net pension liability	2019 £'000	2018 £'000
Defined benefit obligation	(298,600)	(279,180)
Plan assets	287,100	261,360
Net pension liability	(11,500)	(17,820)

Movements in present value of defined benefit obligation	2019 £'000	2018 £'000
At 1 April	279,180	267,840
Current service cost	10,240	10,480
Past service cost	-	650
Exceptional past service cost *(see page 92 "The McCloud Judgement")*	5,800	-
Interest expense	7,190	6,880
Contributions by members	2,010	2,050
Actuarial losses / (gains) on scheme liabilities	1,710	(370)
Net benefits paid out	(7,530)	(8,350)
At 31 March	298,600	279,180

Movements in fair value of plan assets	2019 £'000	2018 £'000
At 1 April	261,360	249,220
Interest income	6,830	6,530
Remeasurement: return on plan assets less interest income	14,620	1,870
Contributions by employer	9,810	10,040
Contributions by members	2,010	2,050
Benefits paid	(7,530)	(8,350)
At 31 March	287,100	261,360

Expense recognised in the Statement of Comprehensive Income	2019 £'000	2018 £'000
Current service cost	(10,240)	(10,480)
Past service cost	-	(650)
Exceptional past service cost *(see page 92 "The McCloud Judgement")*	(5,800)	-
Net interest on net defined benefit liability	(360)	(350)
Total expense recognised in the Statement of Comprehensive Income	(16,400)	(11,480)
Recognised in other comprehensive income	12,910	2,240

3. Employees (continued)

The fair value of the plan assets and the return on those assets were as follows:

	2019 Fair value £' 000	2019 Fair value %	2018 Fair value £' 000	2018 Fair value %
Equities	**186,615**	**65.0**	175,112	67.0
Government bonds	**11,771**	**4.1**	10,454	4.0
Corporate bonds	**33,591**	**11.7**	30,579	11.7
Property	**25,265**	**8.8**	22,216	8.5
Cash	**7,752**	**2.7**	9,670	3.7
Other	**22,106**	**7.7**	13,329	5.1
	287,100	**100.0**	261,360	100.0

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2019 %	2018 %
Discount rate	**2.5**	2.6
Future salary increases	**3.6**	3.5
RPI inflation	**3.2**	3.1
CPI inflation	**2.1**	2.0
Pension increases	**2.1**	2.0
Pension accounts revaluation rate	**2.1**	2.0

	£'000	£'000
Actual return on plan assets	**21,450**	8,400

The last full actuarial valuation was performed on 31 March 2016.

In valuing the liabilities of the pension fund at 31 March 2019, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the statement of financial position date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.2 years (male), 25.3 years (female).
- Future retiree upon reaching 65: 23.9 years (male), 27.2 years (female).

The McCloud Judgement

In December 2018 the Court of Appeal ruled against the Government in the 'McCloud/Sargeant' judgement which found that the transitional protection arrangements put in place when the firefighters' and judges' pension schemes were reformed were age discriminatory. Permission to appeal was denied by the Supreme Court in June 2019. The ruling potentially has implications for all public sector schemes which were reformed around the same time and could lead to members who were discriminated against being compensated. It was deemed appropriate for all entities with a LGPS pension scheme to include an estimated liability in their 31 March 2019 accounts where this was material. The Group's actuaries were commissioned to quantify the impact of the judgement, the outcome being an increase in Gentoo's pension liability of £5.8m. This adjustment represented the cumulative backdating of the impact of The McCloud Judgement up to 31 March 2019 and has been treated as an exceptional past service cost.

Notes to the financial statements (continued)

for the year ended 31 March 2019

4. Directors' and key management personnel remuneration

	2019 £'000	2018 £'000
Non-Executive Directors' remuneration	**136**	153
Executive Directors' and key management personnel remuneration	**609**	603
Association contributions to group wide defined benefit plan	**103**	97
Association contributions to defined contribution plan	**8**	8
Compensation for loss of office *	**35**	51
Amounts paid to third parties in respect of directors' services	**115**	89
	1,006	1,001

*Being payment in lieu of notice.

Retirement benefits are accruing to three (2018: three) of the above senior staff under a defined benefit scheme and one (2018: one) of the above senior staff under a defined contribution scheme. The aggregate remuneration (excluding pension contributions) of the highest paid director was £138,815 (2018: £140,000).

The Group made £nil (2018: £nil) pension contributions for both the outgoing Interim Chief Executive, David Jepson, and the incoming Chief Executive, Nigel Wilson.

Board Member	Board role	2019 Remuneration £'000	2018 Remuneration £'000
Alison Fellows	Non-Executive Director	**1**	-
Barry Curran	Non-Executive Director	**2**	10
Brian Spears	Non-Executive Director	**12**	12
Carol Long	Non-Executive Director	**7**	-
Christopher Watson	Non-Executive Director	**10**	10
Colin Blakey	Non-Executive Director	**15**	15
Colin English	Non-Executive Director	**9**	-
David Murtagh	Non-Executive Director	**14**	15
Emily Cox, MBE	Non-Executive Director	**1**	-
Frank Nicholson	Non-Executive Director	**10**	10
Keith Loraine, OBE	Chairman (Appointed 28/09/2017)	**24**	17
Ian Self	Chairman (Resigned 27/09/2017)	**-**	18
Leslie Herbert	Non-Executive Director	**12**	12
Mary Coyle	Non-Executive Director	**7**	14
Paul Stewart	Non-Executive Director	**2**	10
Philip Tye	Non-Executive Director	**10**	10
Total		**136**	153

4. Directors' and key management personnel remuneration (continued)

Salary banding for directors and key management personnel whose total remuneration, including pensions, exceeds £60,000 per annum is as follows:

		2019 No.			2018 No.
£70,001 - £80,000	**Nigel Wilson**	**1**	£70,001 - £80,000		-
£80,001 - £90,000		**-**	£80,001 - £90,000	David Jepson*	1
£110,001 - £120,000	**David Jepson ***	**1**	£120,001 - £130,000		-
£140,001 - £150,000	**Graham Gowland**	**1**	£140,001 - £150,000	Louise Bassett	3
				Graham Gowland	
				John Craggs	
£150,001 - £160,000	**Michelle Meldrum**	**3**	£150,001 - £160,000	Michelle Meldrum	1
	Louise Bassett				
	Nigel Tooby				
			£170,001 - £180,000	Nigel Tooby	1

*Interim Chief Executive remunerated via a third party

5. Surplus / (deficit) on disposal of tangible fixed assets

	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Proceeds from sales	**9,704**	**9,704**	13,972	13,946
Cost of sales	**-**	**-**	(85)	(85)
Net book value of assets sold	**(7,530)**	**(7,530)**	(12,802)	(13,689)
Net book value of assets demolished	**-**	**-**	(70)	(70)
	2,174	**2,174**	1,015	102
Transfer to disposal proceeds fund	**-**	**-**	(18)	(18)
Transfer to recycled capital grant fund	**(28)**	**(28)**	(112)	(112)
Grant repaid	**-**	**-**	-	-
	2,146	**2,146**	885	(28)

6. Deficit on disposal of a discontinued operation

	2019 £'000	2018 £'000
Proceeds from sale	**-**	-
Net book value of assets sold	**-**	(14,043)
	-	(14,043)

The constitutional partnership with West of Scotland Housing Association and Willowacre Trust concluded during the prior year. This was classified as a discontinued operation.

7. Interest receivable and similar income

	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Bank interest receivable	**11**	**11**	5	5
Interest receivable on treasury deposits	**48**	**48**	20	18
Interest receivable on fixed rate investments	**1,386**	**1,386**	1,364	1,364
Interest receivable from Group undertakings	**-**	**1,871**	-	1,320
	1,445	**3,316**	1,389	2,707

8. Interest payable and similar charges

	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Interest on loans repayable within five years	**422**	**233**	1,128	346
Interest on loans repayable in more than five years by instalments	**23,631**	**23,631**	23,877	23,877
Interest payable to group undertakings	**-**	**407**	-	400
Bank fees and similar charges	**230**	**230**	194	194
	24,283	**24,501**	25,199	24,817
Interest on pension liability	**360**	**360**	350	350
Interest payable and similar charges	**24,643**	**24,861**	25,549	25,167

9. Expenses and auditor's remuneration

	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Included in surplus / (deficit) are the following:				
Depreciation:				
Housing properties	**24,987**	**25,095**	28,152	25,436
Other tangible fixed assets	**2,007**	**1,988**	1,128	1,064
Change in value of investment property	**557**	**557**	562	562
Fair value adjustment	**82**	**-**	-	-
Redundancy costs	**237**	**184**	264	219
Auditor's remuneration:				
Audit of these financial statements	**47**	**47**	40	40
Amounts receivable by the Association's auditor and its associates in the respect of:				
Audit of financial statements of subsidiaries of the Association	**25**	**-**	24	-
Audit-related assurance services	**33**	**33**	36	34
Other tax advisory services	**42**	**42**	23	23
All other services	**5**	**5**	29	27

10. Taxation

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

	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Current tax				
Current tax on income for the period	**243**	**243**	222	222
Adjustments in respect to prior periods	**(6)**	**(6)**	(10)	(10)
Total current tax	**237**	**237**	212	212

Reconciliation of effective tax rate

	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Surplus for the year	**13,207**	**13,977**	7,680	19,756
Tax at standard rate of 19% (2018: 19%)	**2,509**	**2,659**	1,459	3,754
Prior period adjustments	**(6)**	**(6)**	(10)	(10)
Expenses not deductible	**171**	**-**	-	-
Charitable tax exemptions	**(2,443)**	**(2,441)**	(1,157)	(3,512)
Deferred tax not recognised	**6**	**25**	(80)	(20)
Total tax charge included in profit or loss	**237**	**237**	212	212

In total, the Group and Association has an unrecognised deferred tax asset of £0.8m (2018: Group £0.9m and Association £0.8m).

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.

11. Tangible fixed assets – housing properties

Group	Housing properties held for letting £'000	Shared ownership £'000	Housing properties under construction £'000	Garages held for letting £'000	Total £'000
Cost					
Balance at 31 March 2018	1,178,038	6,390	250	1,379	**1,186,057**
Additions	-	1,130	5,675	-	**6,805**
Enhancements	25,727	-	-	-	**25,727**
Schemes completed	2,728	-	(2,728)	-	**-**
Disposals	(9,133)	(228)	-	(3)	**(9,364)**
Category transfer	63	(63)	-	-	**-**
Transferred from DPF	-	(74)	(448)	-	**(522)**
Balance at 31 March 2019	**1,197,423**	**7,155**	**2,749**	**1,376**	**1,208,703**
Depreciation					
Balance at 31 March 2018	175,577	154	-	388	**176,119**
Depreciation charge for the year	24,967	-	-	20	**24,987**
Disposal	(2,130)	(7)	-	-	**(2,137)**
Balance at 31 March 2019	**198,414**	**147**	**-**	**408**	**198,969**
Net book value					
At 31 March 2018	1,002,461	6,236	250	991	1,009,938
At 31 March 2019	**999,009**	**7,008**	**2,749**	**968**	**1,009,734**

Security
£880.1m (27,178 units) of completed properties net book value is held as security against debt (note 24).

Impairment loss
There was no impairment charge during the current or prior year.

Notes to the financial statements (continued)

for the year ended 31 March 2019

11. Tangible fixed assets – housing properties (continued)

Expenditure to works on existing properties:

	2019 £'000	2018 £'000
Amounts capitalised – enhancements	**25,727**	15,355
Amounts charged to statement of comprehensive income (note 2b)	**4,533**	3,536
	30,260	18,891

Association	Housing properties held for letting £'000	Shared ownership £'000	Housing properties under construction £'000	Garages held for letting £'000	Total £'000
Cost					
Balance at 31 March 2018	1,182,555	6,451	1,183	1,229	**1,191,418**
Additions	-	1,431	5,675	-	**7,106**
Enhancements	25,727	-	-	-	**25,727**
Schemes Completed	3,660	-	(3,660)	-	**-**
Disposals	(9,133)	(228)	-	(3)	**(9,364)**
Category transfer	63	(63)	-	-	**-**
Transferred from DPF	-	(74)	(448)	-	**(522)**
Balance at 31 March 2019	**1,202,872**	**7,517**	**2,750**	**1,226**	**1,214,365**
Depreciation					
Balance at 31 March 2018	175,742	156	-	237	**176,135**
Depreciation charge for the year	25,075	-	-	20	**25,095**
Disposals	(2,130)	(7)	-	-	**(2,137)**
Balance at 31 March 2019	**198,687**	**149**	**-**	**257**	**199,093**
Net book value					
At 31 March 2018	1,006,813	6,295	1,183	992	1,015,283
At 31 March 2019	**1,004,185**	**7,368**	**2,750**	**969**	**1,015,272**

12. Tangible fixed assets – other

Group	Land and buildings £'000	Furniture, fixtures and fittings £'000	Vehicles and equipment £'000	Total £'000
Cost				
Balance at 31 March 2018	19,430	1,158	9,955	**30,543**
Additions	-	514	1,220	**1,734**
Disposals	(554)	(11)	-	**(565)**
Balance at 31 March 2019	**18,876**	**1,661**	**11,175**	**31,712**
Depreciation				
Balance at 31 March 2018	5,527	724	7,157	**13,408**
Depreciation charge for the year	484	66	1,457	**2,007**
Disposals	(260)	(2)	-	**(262)**
Balance at 31 March 2019	**5,751**	**788**	**8,614**	**15,153**
Net book value				
At 31 March 2018	13,903	434	2,798	17,135
At 31 March 2019	**13,125**	**873**	**2,561**	**16,559**

The net book value of land and buildings comprises:

	2019 £'000	2018 £'000
Freehold	**10,735**	11,445
Long leasehold	**2,390**	2,458
	13,125	13,903

Notes to the financial statements (continued)

for the year ended 31 March 2019

12. Tangible fixed assets – other (continued)

Association	Land and buildings £'000	Furniture, fixtures and fittings £'000	Vehicles and equipment £'000	Total £'000
Cost				
Balance at 31 March 2018	19,581	1,160	9,648	**30,389**
Additions	-	544	1,208	**1,752**
Disposals	(554)	(11)	-	**(565)**
Balance at 31 March 2019	**19,027**	**1,693**	**10,856**	**31,576**
Depreciation				
Balance at 31 March 2018	5,584	725	6,901	**13,210**
Depreciation charged for the year	490	66	1,432	**1,988**
Disposals	(260)	(2)	-	**(262)**
Balance at 31 March 2019	**5,814**	**789**	**8,333**	**14,936**
Net book value				
At 31 March 2018	13,997	435	2,747	17,179
At 31 March 2019	**13,213**	**904**	**2,523**	**16,640**

The net book value of land and buildings comprises:

	2019 £'000	2018 £'000
Freehold	**10,823**	11,539
Long leasehold	**2,390**	2,458
	13,213	13,997

13. Investment properties - Group and Association

	Freehold £'000
At 31 March 2018	13,755
Disposals	(605)
Fair value adjustment	(557)
At 31 March 2019	**12,593**

In accordance with FRS 102, investment properties are held at fair value and are not depreciated. During the year investment properties with a fair value of £605k were disposed of for £721k, generating a surplus of £116k.

£5.2m (2018: £nil) of investment property fair value is based on a valuation by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued. Management have also reviewed the fair value of all investment properties as at 31 March 2019 and as a result of both valuations, a fair value decrease of £557k was required. The directors value the remainder of the portfolio every year. The valuations, which are supported by market evidence, are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. Any gain or loss arising from a change in fair value is recognised in the statement of comprehensive income. Rental income from investment property is accounted for when it is receivable or when conditions associated with the income have been met. The Directors consider the remaining carrying value of investment properties to be an appropriate fair value.

14. Other investments - Group and Association

	2019 £'000	2018 £'000
Debt Service Reserve	**32,720**	32,500
Other investments	**30**	-
	32,750	32,500

Debt Service Reserve

	Historical Cost £'000	Market Value £'000
At 31 March 2018	25,218	32,500
Revaluation as at 31 March 2019	-	220
At 31 March 2019	**25,218**	**32,720**

At 31 March 2019, the investment assets (debt service reserve) are additional security for the £212.8m loan from T.H.F.C (see notes 19 and 23).

Association	Investment in subsidiaries 2019 £'000	Investment in subsidiaries 2018 £'000
Cost and net book value		
At 31 March	**350**	350

14. Other investments (continued)

The Association has the following investments in subsidiaries:

Subsidiary undertakings	Aggregate of capital and reserves £'000	Profit or (loss) for year £'000	Country of incorporation	Registered number	Class and percentage of shares held 2019
Non-registered providers					
Gentoo Art of Living	56,297	(643)	England	IP31960R	n/a Community Benefit Society
Gentoo Care Limited^	-	-	England	07728134	Ordinary – 100%
Gentoo Developments Limited	39	2,125	England	06192887	Ordinary – 100%
Gentoo Genie Limited	(275)	29	England	07083129	Ordinary – 100%
Gentoo Genie Admin Limited*	100	-	England	08201449	Ordinary – 100%
Gentoo Homes Limited	977	1,071	England	04739226	Ordinary – 100%
Genie Homeplan Limited*	-	-	England	07103094	Ordinary – 100%
Gentoo Ventures Limited*>	-	-	England	04565964	Ordinary – 100%

*Dormant subsidiaries

^Ceased trading November 2018

>Dissolved 7 May 2019

The subsidiaries' registered office is Emperor House, 2 Emperor Way, Doxford International Business Park, Sunderland, SR3 3XR.

15. HomeBuy loans receivable - Group and Association

	Total £'000
Loans advanced to borrowers at 31 March 2018	731
Repaid during the year	(136)
Written off during the year	(15)
Loan advanced to borrowers at 31 March 2019	**580**

16. Stock

	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Properties under construction	**38,191**	**-**	36,709	-
Completed properties	**6,010**	**164**	7,813	320
Properties held for resale	**494**	**-**	276	-
Land held for development	**19,314**	**19,314**	22,523	22,427
	64,009	**19,478**	67,321	22,747
Raw materials and consumables	**481**	**481**	572	572
	64,490	**19,959**	67,893	23,319

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

17. Debtors

	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Arrears of rent	**8,315**	**8,292**	7,609	7,609
Less: provision for bad and doubtful debts – rent	**(3,464)**	**(3,464)**	(3,240)	(3,240)
Net rental debtors	**4,851**	**4,828**	4,369	4,369
Trade debtors	**376**	**351**	1,553	1,463
Less: provision for bad debts	**(49)**	**(49)**	(135)	(127)
Amounts owed by group undertakings	**-**	**8,578**	-	6,815
Other debtors	**3,187**	**3,019**	3,174	3,037
Cash held in secured accounts	**6,116**	**-**	-	-
Prepayments and accrued income	**5,478**	**3,976**	4,878	4,389
	19,959	**20,703**	13,839	19,946

18. Cash and cash equivalents

	Group 2019 £'000	Group 2018 £'000
Cash at bank and in hand	**16,135**	11,790
Bank overdraft (note 19)	**(6)**	(53)
Cash and cash equivalents per cash flow statement	**16,129**	11,737

19. Creditors: amounts falling due within one year

	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Bank overdraft	**6**	**-**	53	-
Commercial loans (note 24)	**11,888**	**11,888**	11,415	11,415
Other loans (note 24)	**998**	**-**	-	-
Trade creditors	**2,584**	**1,725**	2,740	1,932
Rent received in advance	**2,246**	**2,246**	2,087	2,087
Taxation and social security	**787**	**781**	784	781
Other creditors	**3,479**	**3,663**	3,751	4,152
Amounts owed to group undertakings	**-**	**-**	-	7
Accruals and deferred income	**10,764**	**6,435**	9,015	4,529
Disposal proceeds fund (note 21)	**779**	**779**	337	337
Recycled capital grant fund (note 20)	**16**	**16**	-	-
	33,547	**27,533**	30,182	25,240

19. Creditors: amounts falling due within one year (continued)

Leaseholders' funds

As at 31 March 2019 the Group and Association held funds on behalf of leaseholders in respect of schemes under management of £1.8m (2018: £1.6m). These are included in other creditors within Creditors: amounts falling due within one year.

20. Reconciliation of Recycled Capital Grant Fund - Group and Association

	£'000
Balance at 31 March 2018	113
Grants Recycled	28
Recycling of grant: New build	(125)
Balance at 31 March 2019	**16**

There are no amounts (2018: £nil) three years old or older where repayment may be required

21. Reconciliation of Disposal Proceeds Fund - Group and Association

		£'000
Balance at 31 March 2018		1,292
Inputs to DPF:	Interest accrued	9
Use / allocation of funds:	New build	(522)
Balance at 31 March 2019		**779**

There are no amounts (2018: £nil) three years old or older where repayment may be required.

22. Debtors: amounts falling due after more than one year

	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Other debtors	700	700	700	700
Amounts owed by group undertakings	-	37,449	-	40,289
Genie Home Purchase Plans (HPP)	5,273	344	6,987	356
Deferred income	(994)	(116)	(1,304)	(117)
	4,979	38,377	6,383	41,228

The HPP arrangements are valued at fair value. Management have reviewed the fair value of the HPP arrangements as at 31st March 2019 and, as a result of this, a Group fair value decrease of £82k was required. Deferred income relates to the difference between the cost of the property to the Group and the value it has been purchased by the customer. Deferred income will be released to the statement of comprehensive income upon the Group no longer having a share in the property.

Whilst some of the above balance may crystallise in under one year, it is not possible to reliably quantify, therefore, these amounts have been included in debtors due after more than one year.

Notes to the financial statements (continued)

for the year ended 31 March 2019

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

	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Commercial loans (note 24)	525,226	525,226	548,414	548,414
Other loans (note 24)	3,939	-	-	-
Amounts owed to group undertakings	-	53,146	-	55,957
Deferred capital grant (note 25)	12,488	12,488	11,501	11,501
Other creditors	12,110	12,110	12,110	12,110
Disposal proceeds fund (note 21)	-	-	955	955
Recycled capital grant fund (note 20)	-	-	113	113
	553,763	602,970	573,093	629,050

Gentoo Group is the principal borrower and as such the principal financing transactions are shown in these financial statements. Interest is charged to the subsidiary companies based on the amounts that are on-lent during the year. The commercial loans are secured by way of a fixed charge on the housing properties of the Group.

In addition in March 2018 £7.5m funding was secured from Homes England via the Home Building Fund. During 2018/19 £6.7m of funding has been drawn down and £1.8m has been subsequently repaid leaving an outstanding loan balance of £4.9m. 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.

Further analysis of the commercial loans is set out in note 24.

23. Creditors: amounts falling due after more than one year (continued)

The commercial loans can be analysed as follows:

	Group 2019 £'000	Association 2019 £'000	Group 2018 £'000	Association 2018 £'000
Due between one and two years:				
Repayable by instalments	**16,561**	**12,622**	11,889	11,889
Due between two and five years:				
Repayable by instalments	**82,110**	**82,110**	52,749	52,749
Due after more than five years:				
Repayable by instalments	**427,949**	**427,949**	480,933	480,933
Transaction fees	**2,545**	**2,545**	2,843	2,843
	529,165	**525,226**	548,414	548,414

24. Debt analysis

Maturity of debt

Group	Less than 1 year £'000	Due in 1-2 years £'000	Due in 2-5 years £'000	Due in over 5 years £'000	Total £'000
Revolver	-	-	-	13,000	13,000
Term	11,888	12,622	82,110	417,494	524,114
Other	998	3,939	-	-	4,937
At 31 March 2019	**12,886**	**16,561**	**82,110**	**430,494**	**542,051**
At 31 March 2018	11,415	11,889	52,749	483,776	559,829

Maturity of debt

Association	Less than 1 year £'000	Due in 1-2 years £'000	Due in 2-5 years £'000	Due in over 5 years £'000	Total £'000
Revolver	-	-	-	13,000	13,000
Term	11,888	12,622	82,110	417,494	524,114
At 31 March 2019	**11,888**	**12,622**	**82,110**	**430,494**	**537,114**
At 31 March 2018	11,415	11,889	52,749	483,776	559,829

24. Debt analysis (continued)

Maturity of Facilities

Group	Less than 1 year £'000	Due in 1-2 years £'000	Due in 2-5 years £'000	Due in over 5 years £'000	Total £'000
Revolver	1,740	1,885	26,690	31,755	**62,070**
Term	11,888	12,622	82,110	417,494	**524,114**
Other	998	3,939	-	-	**4,937**
At 31 March 2019	**14,626**	**18,446**	**108,800**	**449,249**	**591,121**
At 31 March 2018	14,175	19,047	79,786	493,945	606,953

Maturity of Facilities

Association	Less than 1 year £'000	Due in 1-2 years £'000	Due in 2-5 years £'000	Due in over 5 years £'000	Total £'000
Revolver	1,740	1,885	26,690	31,755	62,070
Term	11,888	12,622	82,110	417,494	524,114
At 31 March 2019	**13,628**	**14,507**	**108,800**	**449,249**	**586,184**
At 31 March 2018	13,020	13,629	78,909	493,946	599,504

Interest Rate Analysis

Group and Association	Total £'000	Floating rate £'000	Fixed rate £'000	Fixed interest rate %	Time fixed rate debt in years
Revolver	13,000	13,000	-	-	-
Term	529,051	167,444	361,607	5.8	23
At 31 March 2019	**542,051**	**180,444**	**361,607**	**5.8**	**23**
At 31 March 2018	559,829	159,684	400,145	5.7	24

25. Social Housing Grant – Group and Association

	Housing properties held for letting £'000	Housing properties under construction £'000	Shared ownership properties £'000	Total £'000
Cost				
Balance at 31 March 2018	10,974	713	61	**11,748**
Received during the year	-	978	-	**978**
Transferred from RCGF	-	125	-	**125**
Schemes completed	416	(995)	579	**-**
Balance at 31 March 2019	**11,390**	**821**	**640**	**12,851**
Amortisation				
Balance at 31 March 2018	247	-	-	247
Released in the year	116	-	-	116
Balance at 31 March 2019	**363**	**-**	**-**	**363**
At 31 March 2018	10,727	713	61	11,501
At 31 March 2019	**11,027**	**821**	**640**	**12,488**

26. Capital commitments – Group and Association

	2019 £'000	2018 £'000
Expenditure contracted for but not provided for in the financial statements	**80,964**	11,933
Expenditure authorised by Board but not contracted	**188,999**	114,822
	269,963	126,755

The commitments will be funded through Grant (£25m), social housing property right to buy and acquire sales (£42.8m), existing facilities (£70.2m) and cash generated from operations and new facilities (£132m).

27. Contingent Liabilities

Grant

The Group receives grant from Homes England which is used to fund the acquisition and development of housing properties and their components. In line with FRS 102, Section 24, £49.1 m (2018: £49.0m) of such grant has been credited to reserves. The Group has a future obligation to recycle or repay such grant once these properties are disposed of. As at 31 March 2019 the timing of any future disposal is uncertain.

28. Other financial commitments

Non-cancellable operating lease rentals are payable as follows:

Group	2019 Land and buildings £'000	2019 Other £'000	2018 land and buildings £'000	2018 Other £'000
Less than one year	**113**	**636**	113	1,174
Between one and five years	**94**	**858**	206	510
More than five years	**-**	**215**	-	-
	207	**1,709**	319	1,684

During the year £1,306k was recognised as an expense in the statement of comprehensive income in respect of operating leases (2018: £1,703k).

Association	2019 Land and buildings £'000	2019 Other £'000	2018 land and buildings £'000	2018 Other £'000
Less than one year	**113**	**532**	113	1,114
Between one and five years	**94**	**569**	206	461
	207	**1,101**	319	1,575

During the year £1,271k was recognised as an expense in the statement of comprehensive income in respect of operating leases (2018: £1,657k).

29. Related parties

Identity of related parties with which the Association has transacted

The Board as at 31 March 2019 includes two members, as shown on page 4, who are elected members of the Sunderland City Council ('Local Authority' (LA)). The Association and Group undertake transactions with the LA on an arm's length basis in the normal course of business.

	2019 £'000	2018 £'000
Balances with the LA as at 31 March 2019 were:		
Accruals and deferred income	-	718
Transactions with the LA during the year ended 31 March 2019 were:		
Sales to the LA	836	1,303
Purchases from the LA	63	1,669

	Receivables 2019 £'000	Creditors 2019 £'000	Receivables 2018 £'000	Creditors 2018 £'000
Sunderland City Council	71	42	53	42

The Board also includes one member, as shown on page 4, who is a tenant of the Association. In addition, a Board member's close family member is a tenant of the Association and the Executive Director (Operations) has two close family members who are joint tenants of the Association. The terms of the tenancy arrangements are consistent with those offered to other tenants of the Association and at the end of the year no amount was due to the Association in respect of these tenancies.

The Executive Director (Operations), as shown on page 5, had a close family member whose company transacted with the Association during the prior year. The Association made purchases of £nil (2018: £3k) from this company. These transactions were undertaken on an arm's length basis in the normal course of business and at the end of the current and prior year no amount was due to the Association in respect of these transactions.

The former Executive Director (Finance), as shown on page 5, was a private tenant of the Association. The terms of the tenancy arrangements were consistent with those offered to other private tenants of the Association and at the end of the current and prior year no amount was due to the Association in respect of this former Executive Director.

30. Analysis of Intra-group transactions

Intra-group trading is undertaken at arm's length and is predominantly tender or market driven. During the year intra-group transactions with non-regulated group subsidiaries were:

	Sales to 2019 £'000	Purchases from 2019 £'000	Sales to 2018 £'000	Purchases from 2018 £'000
Gentoo Homes Limited				
Group management charges	828	-	828	-
Gentoo renewal plan	-	4,248	-	6,357
Group interest charges	1,535		1,081	-
	2,363	4,248	1,909	6,357
Gentoo Developments Limited				
Homes interest charges	-	-	-	13
Group interest charges	90	-	253	-
	90	-	253	13
Gentoo Genie Limited – interest charge	247	-	-	-
Gentoo Art of Living – interest payment	-	407	-	400
	2,700	4,655	2,162	6,770

31. Accounting estimates and judgements

Estimation uncertainty
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to circumstances which may require more frequent replacement of key components.

Defined benefit obligation (DBO)
Other judgement areas particularly in respect of financial and actuarial assumptions are based on best estimates derived from the Group's policies and practices which have been applied consistently across all pension schemes operated by the Group where appropriate, and confirmed with actuaries where these are beyond management expertise, e.g. mortality tables have been chosen based on published research by the Continuous Mortality Investigation Bureau of the Institute of Actuaries and Faculty of Actuaries. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 3).

Fair value measurement
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices.

Valuation of work in progress and land held for development
Stock is carried at the lower of cost and net realisable value. Net realisable value represents the estimated selling price (in the ordinary course of business) less all estimated costs of completion and overheads. Valuations of site/phase work in progress are carried out at regular intervals and estimates of the cost to complete a site/phase and estimates of anticipated revenues are required to enable a development profit to be determined. Management are required to employ considerable judgement in estimating the profitability of a site/phase and in assessing any impairment provisions which may be required. For both financial years, a full review of stock has been performed with no impairment being considered necessary. Estimated selling prices have been reviewed on a site by site/phase by phase basis and have been amended based on local management and the Board's assessment of current market conditions. For the years ended 31 March 2018 and 31 March 2019 no exceptional charge has resulted from the review.

Gross profit recognition
Gross profit for completed house sales is recognised based on the latest whole site/phase gross margin which is an output of the site/phase valuation. These valuations, which are updated at frequent intervals throughout the life of the site/phase, use actual and forecast selling prices, land costs and construction costs and are sensitive to future movements in both the estimated cost to complete and expected selling prices. Forecast selling prices are inherently uncertain due to changes in market conditions.

Notes to the financial statements (continued)

for the year ended 31 March 2019

32. Housing stock

	Group at 2018	Units developed or acquired	Units sold or demolished	Other movements	Group at 2019
Social housing: owned and managed					
General needs social rent	27,283	1	(187)	(86)	27,011
Intermediate rent	71	-	-	-	71
Affordable rent	1,153	37	(1)	89	1,278
Shared ownership	145	13	(4)	(1)	153
Houses for older people	191	-	-	-	191
Houses for older people – affordable rent	42	-	-	-	42
Supported housing	61	-	-	(1)	60
Supported housing – affordable rent	-	-	-	1	1
Total social housing: owned and managed	**28,946**	**51**	**(192)**	**2**	**28,807**
Social housing: managed not owned					
General housing social rent	5	-	-	-	5
Supported housing	12	-	-	-	12
Leasehold schemes – freehold retained	738	-	-	3	741
Total social housing: managed not owned	**755**	**-**	**-**	**3**	**758**
Social housing: owned not managed					
General housing social rent	16	-	-	-	16
Supported housing	58	-	-	(2)	56
Total social housing: owned not managed	**74**	**-**	**-**	**(2)**	**72**
Total social housing stock	**29,775**	**51**	**(192)**	**3**	**29,637**
Non-social housing: owned and managed					
Rented owned	70	-	(2)	-	68
Non-social housing: managed not owned					
Leasehold schemes – freehold retained	246	-	-	1	247
Total non-social housing stock	**316**	**-**	**(2)**	**1**	**315**
Total housing stock	**30,091**	**51**	**(194)**	**4**	**29,952**

Notes to the financial statements (continued)

for the year ended 31 March 2019

32. Housing stock (continued)

	Association at 2018	Units developed or acquired	Units sold or demolished	Other movements	Association at 2019
Social housing: owned and managed					
General needs social rent	27,283	1	(187)	(86)	27,011
Intermediate rent	71	-	-	-	71
Affordable rent	1,153	37	(1)	89	1,278
Shared ownership	145	13	(4)	(1)	153
Houses for older people	191	-	-	-	191
Houses for older people – affordable rent	42	-	-	-	42
Supported housing	61	-	-	(1)	60
Supported housing – affordable rent	-	-	-	1	1
Total social housing: owned and managed	**28,946**	**51**	**(192)**	**2**	**28,807**
Social housing: managed not owned					
General housing social rent	5	-	-	-	5
Leasehold schemes – freehold retained	738	-	-	3	741
Total social housing: managed not owned	**743**	**-**	**-**	**3**	**746**
Social housing: owned not managed					
General housing social rent	16	-	-	-	16
Supported housing	58	-	-	(2)	56
Total social housing: owned not managed	**74**	**-**	**-**	**(2)**	**72**
Total social housing stock	**29,763**	**51**	**(192)**	**3**	**29,625**
Non-social housing: owned and managed					
Rented owned	70	-	(2)	-	68
Non-social housing: managed not owned					
Leasehold schemes – freehold retained	246	-	-	1	247
Total non-social housing stock	**316**	**-**	**(2)**	**1**	**315**
Total housing stock	**30,079**	**51**	**(194)**	**4**	**29,940**

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Gentoo Group Limited is a charitable community benefit
society, registration number 7302