gentoo

Great homes
Strong communities
Inspired people
for Sunderland

Financial Statements 2022-23

www.gentoogroup.com

Gentoo Group Limited

Annual report and financial statements for the year ended 31 March 2023

Co-operative and Community Benefit Societies Act 2014 Registered number: 7302
Regulator of Social Housing (RSH) Registered Number: L4313

Contents

Strategic report

Principal activities
Our principal activities are the provision of social and affordable homes to those who have a housing need, and the wider regeneration of our communities. We also deliver new build housing development for both sale and rent.

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

Corporate Strategy
During 2023 the Group carried out a strategic review culminating in the delivery of a new Corporate Strategy 2023-25. This Strategy was approved by the Group Board in May 2023 and replaces the previous five-year strategy to 2025. The Group's vision – "to provide great homes, strong communities and inspired people, for Sunderland", is unchanged.

The new Corporate Strategy's core purpose is to provide safe and decent homes for our customers of today and tomorrow.

Our number one priority will always be the safety of our customers and colleagues. We have identified the following further priorities which will guide the delivery of our services:

- We know our customers
- We provide great homes
- We help communities to thrive
- We are a great place to work
- We spend our money wisely
- We are well governed

As well as the new Corporate Strategy, our colleagues have worked together to produce a new set of values. They set out what we stand for and what we as Gentoo want to be known for. They are what make us, us:

- We care about people
- We take accountability
- We shape the future
- We bring leadership
- We deliver

The new Corporate Strategy will be underpinned by the following enabling strategies that will help us to deliver our vision, purpose and priorities:

- Customer and Communities Strategy
- People Strategy
- Property Strategy
- Digital Transformation Strategy
- Sustainability Strategy

These enabling strategies will be developed over the coming year.

Strategic report (continued)

Operating review

2022/23 was a hugely challenging year for the social housing sector and the UK economy generally. Ongoing cost of living challenges, including the effect of high inflation on energy bills and food costs, have made the year particularly difficult for our customers. Against this backdrop we have been purposeful to ensure our customers remain our absolute priority. We have worked hard to maintain our service delivery and have made progress in how we interact with our customers. Our revised Corporate Strategy was driven by the need to ensure serving our customers drives all of our actions every day.

We know our customers
This year we have continued our preparation for the introduction of the new consumer regulation regime, and we embrace its objectives. We have implemented the independent collection of Tenant Satisfaction Measures data and are using its findings to shape the services we provide to our customers.

We have continued to work closely with our Tenant and Community Voice Groups to understand our customers' needs and challenges. We are acutely aware of the cost of living challenges faced by our customers. Our long-established Money Matters Team continues to provide valuable support, helping 970 customers with debt and benefits advice during the financial year, generating £1.58m in additional income for them.

We provide great homes
2022/23 saw a continuation of our track record of delivering our stock investment budget commitments. Agile procurement and effective contract management allowed us to deliver a £36.4m programme of enhancements to our existing stock.

Our responsive maintenance services, in common with the sector, navigated multiple challenges during the year, including cost inflation, high void costs and increased demand from our customers. We were prompt in reviewing and addressing our approach to damp and mould, a key sector concern in the light of several high profile cases nationally.

Our affordable development programme was likewise challenged during the year. Increased build costs, planning challenges and contractor insolvency all meant that the delivery of new affordable homes was below expectations. In the light of these challenges the current five year new build target has been reduced to 655 homes.

The Group's market sales subsidiary, Gentoo Homes, delivered a respectable volume of 189 units during the year. Construction cost increases however meant that the profits derived from the subsidiary, to be reinvested into the Group's core purpose, was below expectations.

We continue to build on a strong track record of performance in landlord health and safety compliance, with the safety of our customers our priority. Our readiness to meet the legislative requirements of building and fire safety progressed well during the year.

We help communities to thrive
We continued our work with a range of key partners during the year. As an anchor institution of the city we view Sunderland City Council as our main strategic partner, our work together spanning grounds maintenance, estate services, community safety, safeguarding and a host of other activities. Our activities with other partners range from employability, health, wellbeing and social welfare and domestic abuse.

We are a great place to work
Our colleagues are our key resource to deliver our purpose. During the year we have reviewed, and improved, the way we communicate with our colleagues. We have commenced an investment in technology to provide them with the tools to be successful in their roles. We have undertaken an externally facilitated review of our workplace culture, an outcome of which has been new values, designed by our colleagues.

We spend our money wisely
We are aware of the strategic trade-offs that all affordable housing providers face. Whilst we are committed to increasing our capacity and delivery of new affordable housing, our priority during the year has been investing our resources in our existing homes. We continued to deliver strong performance in rent collection and voids and arrears management and this provides us with the capacity to invest in our customers' homes and the services we provide. Some of our key value

Strategic report (continued)

Operating review (continued)

for money metrics require improvement and during the year we have made progress in improving our operational efficiency which is aimed at further improving our capacity to invest to deliver our purpose.

We are well governed
Our Board and Committee structure operated effectively during the year. Board turnover during the year was healthy and planful Board succession was evidenced in the transition to a new Group Chair and Chair of Risk and Audit Committee. Executive Team changes during the year have continued since the year end, to equip the leadership group to deliver the new Corporate Strategy.

In January 2023, the Group completed the refinance of £460m of debt. This project, delivered in a volatile funding environment, allowed the Group to move away from entrenched legacy funding constraints and provides us with the financial capacity to deliver our new Corporate Strategy.

Strategic report (continued)

Financial review

Financial performance

Detailed results for the year are highlighted in the Consolidated Statement of Comprehensive Income on page 31 and the notes to the financial statements on pages 39 to 81. The table below summarises these results:

	2022/23	2021/22	2020/21	2019/20
	£m	£m	£m	£m
Turnover	182.7	168.7	165.6	172.2
Cost of sales and operating expenditure	(156.6)	(143.9)	(141.4)	(145.3)
Other operating income	0.1	0.3	0.3	0.2
Surplus on disposal of tangible assets	3.9	1.8	0.5	1.5
Operating surplus	**30.1**	**26.9**	**25.0**	**28.6**
Net interest charges	(22.0)	(20.1)	(20.7)	(22.2)
Revaluation of fixed asset investments	-	(1.4)	(0.9)	0.6
Fair value adjustment for investment property	(0.6)	(1.0)	0.8	(0.6)
Fair value adjustment	0.1	0.1	0.2	(0.2)
Taxation	0.1	(0.2)	(0.1)	(0.2)
Surplus for the year	**7.7**	**4.3**	**4.3**	**6.0**

Turnover has increased during the year by £14m (8.3%). This is predominantly due to an increase in income from social housing lettings of £4.6m resulting from the permitted 4.1% rent increase for 2022/23 and an increase in income from properties developed for outright sale of £9.3m.

Cost of sales and operating expenditure have increased by £12.7m, due mainly to an increase of £10m in the costs of building homes for outright sale and an increase of £3.2m in repairs and maintenance costs. The latter is primarily a result of inflationary increases in contractor costs and additional fire safety works expenditure.

Operating surplus benefitted from a £3.9m surplus on tangible asset disposals, primarily comprising Right to Buy and Right to Acquire disposals (RTB/RTA) of £3.7m. Overall surplus is negatively impacted by the increase in net interest charges arising from increased interest rates, which are partly offset in the year buy the impact of the refinancing of the Group’s debts which completed in January 2023.

The core business has continued to perform well, with good income collection and strong operational performance.

Strategic report (continued)

Financial review (continued)

Financial position

The detailed Consolidated Statement of Financial Position is on page 33 and supporting details can be found in the notes to the financial statements on pages 33 to 80. The table below summarises the year-end financial position:

	2022/23	2021/22	2020/21	2019/20
	£m	£m	£m	£m
Intangible fixed assets	1.0	-	-	-
Net book value of tangible assets – housing properties	1,064.8	1,044.1	1,028.4	1,023.1
Other tangible fixed assets and investments	24.6	26.1	59.5	58.4
Debtors due after one year	28.7	28.5	3.5	4.1
Net current assets	51.9	38.2	29.3	69.5
Total assets less current liabilities	**1,171.0**	**1,136.9**	**1,120.7**	**1,155.1**
Creditors due after one year	(551.9)	(526.9)	(518.9)	(558.2)
Pension liability	-	-	(3.3)	-
Net assets	**619.1**	**610.0**	**598.5**	**596.9**
Revaluation reserve	141.6	144.1	155.1	156.1
Revenue reserve	226.6	207.8	178.2	168.4
Other reserve	250.9	258.1	265.2	272.4
	619.1	**610.0**	**598.5**	**596.9**

The increase in housing property assets of £20.7m reflects our priority of investing to enhance our customers' homes and develop new ones. £56.2m of this investment took place in the year, alongside depreciation of £28.1m and asset disposals of £7.5m.

The increase in creditors due after one year relates to additional drawn debt arising from the Group's refinancing. A pension asset at 31 March 2023 of £143.2m has not been recognised in the Statement of Financial Position (see note 25). A plan surplus can only be recognised as a defined benefit plan asset to the extent that it is recoverable either through reduced contributions in the future or through refunds from the plan. A recognisable net asset of £1.35m has been calculated based on the potential economic benefit that could be available from a reduction in future contributions. As this is not considered to be material in the context of the financial statements, an asset has not been recognised.

Capital structure and treasury activity

At 31 March 2023 the Group's total borrowing facilities, excluding transaction fees, were £669.8m (2022: £588.1m). Of this, £514.8m (2022: £502.4m) was drawn.

£155.0m (2022: £85.7m) of the total borrowing facilities is undrawn, secured and immediately available to fund the Group's activities. These consist of Revolving Credit Facilities of £150.0m (2022: £76.9m) and an overdraft of £5m (2022: £5m) (see note 22). These facilities are secured by specific charges on the social housing assets of the Group.

The Group completed a refinancing process on 26 January 2023 resulting in a £460m restructure of the treasury portfolio. £360m of legacy, partly syndicated debt was refinanced by a 40 year £110m private placement and £350m in bank facilities. The new facilities feature more favourable financial covenants, are materially more security efficient, and include £150m in new Revolving Credit Facilities to bolster the Group's liquidity and facilitate delivery of our development and stock investment programmes.

The objective of the Group's Treasury Management Policy is to ensure the Group has access to sufficient liquidity to meet all liabilities as they fall due. The Policy seeks to maintain a balance between variable rate and fixed rate debt with fixed rate loans helping to manage the Group's exposure to adverse future interest rate fluctuations. The proportion of fixed rate debt at 31 March 2023 was 71% (2022: 67%).

Strategic report (continued)

Financial review (continued)

Capital structure and treasury activity (continued)

The Group's lending arrangements require compliance with a range of financial and non-financial covenants. Performance against key loan covenants is reported to Board on a quarterly basis. Recent reports confirm ongoing compliance by the Group with these covenants.

The Group had cash and cash equivalents of £21.8m (2022: £13.9m) and an unutilised overdraft of £5m (2022: £5m) at 31 March 2023. The increase in cash at the year-end is a consequence of the refinancing activity which concluded in January 2023.

The Group had available liquidity at 31 March 2023 of £176.8m (2022: £95.8m), consisting of revolving credit facilities of £150.0m (2022: £76.9m) and cash balances and overdraft of £26.8m (2022: £18.9m).

Financial risk management

The Treasury Management Policy reflects good practice and is approved annually by Group Board. The Policy addresses key financial 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 several institutions. All institutions must meet high credit criteria and are approved by the Executive Director of Finance. The Policy includes a list of approved investment instruments.

Liquidity risk
We have sufficient committed loan facilities in place to deliver our business plan until January 2028. These facilities are held with a range of high calibre lenders with the duration of loans structured to manage and minimise re-financing risk.

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 the Business Plan.

Cash
The Group's policy is to hold a minimum cash balance of £10m ensuring that loan facilities are in place to fund future requirements. Short term cash balances are placed on short term deposits at competitive rates. During the year the Group generated cash of £69.7m (2022: £65.3m) from operating activities. Net cash of £46.3m (2022: £36.3m) was invested in the year with net cash for financing activities of £15.4m (2022: £15.1m) in the year.

Strategic report (continued)

Performance and value for money

Our approach to value for money

Our approach to value for money is about being effective in how we plan, manage and operate our business. It means spending our money wisely so we can provide safe and decent homes for our customers of today and tomorrow.

Value for money is integral to our Corporate Strategy and enabling strategies. By spending our money wisely and being well governed, we can create more value that will enable us to know our customers, provide great homes, help communities to thrive and be a great place to work. This means we:

- Minimise our costs without compromising on the quality of our homes and services.
- Seek to do more for less, ensuring we get the best return on our resources.
- Use our resources to achieve our strategic priorities and deliver our core purpose and vision.
- Use our resources fairly to help improve the lives of those who live in our communities.
- Use our resources with integrity and accountability, ensuring we are open and transparent.

We have established five priorities that help us manage our resources, spend our money wisely and achieve value for money in everything we do:

- We maximise social value to create more opportunities for those who live in our communities, helping them to thrive.
- We use data and information to help make the best use of our resources and ensure we spend our money wisely.
- We maximise opportunities through procurement to provide the best possible products, systems and services for our customers and colleagues.
- We invest in our colleagues and how they work, so we can deliver effective and efficient services to our customers.
- We seek opportunities to partner with others, when doing so will improve the lives of our customers and their communities.

Our Group Board is responsible for ensuring we deliver value for money and get the best possible return from every pound we spend. Our Group Board considers how the financial impact of its decisions helps us deliver our core purpose, vision and priorities for our customers. Our Group Board monitors value for money through a range of strategic and financial measures, as well as those required by the Regulator of Social Housing.

VfM metrics

The tables below report the Group's performance against a suite of VfM measures defined by the Regulator of Social Housing. These measures are benchmarked against housing associations in England (both LSVT and traditional) with more than 1,000 units, which we consider offers meaningful comparison with the Group's performance (Source: Regulator of Social Housing – Value for money metrics and reporting 2022).

Strategic report (continued)

Performance and value for money (continued)

VfM metrics (continued)

Metric	Actual 2021	Actual 2022	**Target 2023**	**Actual 2023**	Target 2024
Operating margin (social housing lettings)	17.6%	17.9%	**19.8%**	**18.4%**	23.8%
2022 sector median	23.3%				
Operating margin (overall)	14.6%	14.7%	**18.3%**	**14.3%**	19.1%
2022 sector median	20.5%				

Operating margin shows the profitability and efficiency of an organisation before deduction of items such as interest costs.

2023's operating margin (social housing lettings) is higher than prior year but lower than target primarily due to increased repair costs linked to increases in void materials and subcontractor costs. There was also a reduction in rental income due to an increased number of RTA/RTB sales and a delay to the number of new affordable homes in the year.

Overall operating margin in 2023, is slightly below prior year, and below target. This is due to the reduced margins from non-social housing activities, namely the Group's market housebuilding subsidiary, Gentoo Homes.

Operating margin (social housing lettings) is expected to improve in 2024 due to increased rental income, operating efficiencies, and reduced pension contributions. Overall target operating margin is likely to be pressured by the difficult market conditions being encountered by Gentoo Homes.

	Actual 2021	Actual 2022	**Target 2023**	**Actual 2023**	Target 2024
Headline social housing cost per unit	£3,265	£3,750	**£3,726**	**£4,038**	£4,012
2022 sector median	£4,150				

The headline social housing cost per unit (SHCPU) includes management costs, routine maintenance costs, planned maintenance costs, capitalised repairs costs, charges for support services and other social housing costs. These costs are then divided by the number of units owned or managed.

SHCPU is above 2023's target and 2022's actual position primarily due to an increase in repairs and maintenance costs and a greater than budgeted investment plan programme expenditure. These increases were also driven by economic factors such as wage costs, labour shortages and ongoing high inflation. 2024's target, compared to 2023's actual performance, reflects a less volatile cost base.

Strategic report (continued)

Performance and value for money (continued)

VfM metrics (continued)

	Actual 2021	Actual 2022	**Target 2023**	**Actual 2023**	Target 2024
EBITDA MRI interest cover (EBITDA-MRI IC)	149.1%	107.1%	**135.8%**	**90.1%**	105.1%
2022 sector median	146.0%				

EBITDA MRI is an abbreviation for earnings before interest, tax, depreciation, amortisation, with major repairs included. It is a key indicator of liquidity and investment capacity, measuring the extent to which the Group's cash surplus exceeds its interest costs.

EBITDA-MRI IC was lower than prior year and target due to increased costs described above, in addition to increased spend on the stock investment programme. Spend in 2023 was £36.4m which compares to £32.4m in 2022 and £29.3m in the 2023 target. Improvement of underlying EBITDA-MRI IC remains a priority. However, the 2024 target reflects increased interest costs arising from the higher interest rate environment.

	Actual 2021	Actual 2022	**Target 2023**	**Actual 2023**	Target 2024
New supply delivered (social)	0.1%	0.4%	**0.4%**	**0.2%**	0.5%
2022 sector median	1.4%				
New supply delivered (non-social)	0.5%	0.5%	**0.7%**	**0.6%**	0.6%

The new supply metrics show the number of new social and non-social housing units acquired or developed during the year as a percentage of total social and non-social housing units owned at the year end.

New supply delivered (social) has seen a decrease from the prior year and target due primarily to construction programme delays in the delivery of new units on a number of schemes on the Group's affordable development programme. There is a targeted increase in delivery for 2024 however delivery risks still remain on live schemes, which may see this performance reduce throughout the year.

New supply delivered (non-social) reflects the Group's housebuilding subsidiary, Gentoo Homes. The rate of sales achieved of 189 is considered to be successful given the challenges of building and selling homes during the current economic climate. The 2024 target of 160 units is representative of a challenging housing market outlook for 2023/24.

	Actual 2021	Actual 2022	**Target 2023**	**Actual 2023**	Target 2024
Reinvestment	3.5%	4.7%	**5.2%**	**5.3%**	5.6%
2022 sector median	6.5%				

The reinvestment metric shows investment in properties (existing stock and new supply) as a percentage of the value of total properties owned.

The Group's historic and actual reinvestment levels are lower than the peer group due primarily to relatively small affordable homes programme. 2022/23's actual reinvestment levels, of £36m of capital expenditure on existing stock and £20m on the affordable homes programme, was higher than prior year and target. The 2024 target reflects £26m investment in new properties and £33m in enhancements to existing homes.

Strategic report (continued)

Performance and value for money (continued)

VfM metrics (continued)

	Actual 2021	Actual 2022	**Target 2023**	**Actual 2023**	Target 2024
Gearing	48.2%	46.8%	**47.5%**	**46.1%**	46.2%
2022 sector median	44.1%				
The gearing metric measures how much debt an organisation holds as a percentage of its assets, demonstrating the degree of its reliance on debt finance. Gearing levels are higher compared to our peers in part due to the Group's historic diversification and commercial acquisitions. The Group's more recent gearing trend is a positive one with gearing levels on a slightly downward trend.					

	Actual 2021	Actual 2022	**Target 2023**	**Actual 2023**	Target 2024
Return on capital employed	2.2%	2.3%	**3.0%**	**2.6%**	3.3%
Sector median	3.2%				
Return on capital employed compares operating surplus to total assets less current liabilities and is a measure of how efficiently an organisation's resources are invested. ROCE has increased from prior year due to an increase in operating surplus, however it is lower than target due to cost increases and reduced profits from Gentoo Homes. Delivery of the projected increase in operating surplus for 2024 would see an improvement in this measure.					

Strategic report (continued)

Performance and value for money (continued)

Strategic Priorities

In order to measure the progress we are making against our six key strategic priorities, we have developed a new suite of performance metrics. The section below highlights new metrics which will be key measures of performance for the new strategy combined with existing 2022/23 reporting metrics.

Priority 1: *we know our customers*
We are committed to working with our customers to review and improve how we engage with them. We will prioritise the collection of meaningful and robust satisfaction data from our customers to test the delivery of our strategy and ensure our customers play a full role in shaping our services. The following key metrics will be collected from 2023/24 onwards:

	Target 2024
% of customers who are satisfied with Gentoo's overall service	85%
% of customers who are satisfied with Gentoo's overall service	85%
% of customers who are satisfied that Gentoo makes a positive contribution to their neighbourhood	85%

Priority 2: *we provide great homes*
Our landlord health and safety compliance responsibilities are integral to our core purpose of providing safe and decent homes for our customers of today and tomorrow. We are committed to increasing the number of homes we acquire and build, with a particular focus on improving the supply of affordable homes.

	Actual 2022	**Target 2023**	**Actual 2023**	Target 2024
% of properties with a current Landlord Gas Safety record	99.97%	**100%**	**99.98%**	100%
% of domestic properties with a current electrical installation condition report *(transition from 8 year to 5 year inspection cycle)*	90.11%	**100%**	**88.92%**	100%
% of non-domestic properties with a current fire risk assessment *(transition from 5 year to 3 year inspection cycle)*	87%	**100%**	**100%**	100%
% of domestic properties with a water hygiene risk assessment	97.28%	**100%**	**96.6%**	100%
Number of homes acquired or built for affordable rent (cumulative)	121	**85**	**54**	150
Number of new homes sold by Gentoo Homes	154	**210**	**189**	160

Priority 3: *we help communities to thrive*
We will continue to prioritise the numerous partnership we have built over the years with a range of agencies. We will work with our partners to reduce anti-social behaviour in our communities. We will also review our estates and open spaces to ensure they meet the needs of our neighbourhoods. We will work with other housing providers, local authorities and other stakeholders to influence social housing policy as part of the North East devolution deal.

Strategic report (continued)

Performance and value for money (continued)

Strategic Priorities (continued)

Priority 4: *we are a great place to work*
We will listen to, communicate with and invest in our colleagues to ensure we develop our people to best serve our customers. We will check our success by asking our colleagues how we are progressing in making Gentoo a great place to work for all our colleagues.

	Actual 2022	**Target 2023**	**Actual 2023**	Target 2024
Average number of working days lost due to sickness	10.2	**7.5**	**10.2**	6
Investors in people status	Gold	Gold	**Gold**	Gold
Colleague turnover % (voluntary)	12.1%	**10%**	**12.8%**	10%

Corporate Strategy 2023-2025 Measures	Target 2024
% of colleagues who would recommend Gentoo as a great place to work	80%
Colleague turnover rate	10%
% of colleagues who believe Gentoo is committed to their health & Safety	75%

Priority 5: *We spend our money wisely*
We will embed a comprehensive approach to value for money through all parts of our business. The metrics below demonstrate that we deliver the basics of rent collection, arrears and voids management well. We will work to improve our operating margins by improving our efficiency and increasing our capacity to invest in our customers' existing homes and in building new affordable homes.

	Actual 2022	**Target 2023**	**Actual 2023**	Target 2024
Rent collected as % of rent due	99.9%	**100.0%**	**101.28%**	100.1%
Current tenant arrears as a % of rent debt	2.9%	**2.7%**	**1.6%**	1.6%
Rent loss (void loss) as % of rent due	1.5%	**1.3%**	**1.6%**	1.3%

Priority 6: *We are well governed*
We will continue to prioritise effective and intelligent governance, including reviewing our committee structure to ensure our customers' voice is at the heart of our decision making.

Strategic report (continued)

Streamlined Energy and Carbon Reporting (SECR)

There are qualifying conditions that require organisations to report their carbon emissions and energy usage. The Group is not required by legislation to include this information in its annual report. Without the intention of being the equivalent of legislatively compliant, the Group does elect to include some relevant disclosures below, given the increasing importance of the carbon reduction agenda. The methodology used to produce the Group's carbon footprint is in line with the Greenhouse Gas Protocol and follows an operational control approach to identifying what is included within the footprint.

Gentoo's carbon footprint 1 April 2022 – 31 March 2023

The Group emitted 2,726 tCO_2e (tonnes of carbon dioxide equivalent) for 2022/23 across scope 1 and 2 (2022: 3,544 tCO_2e). This includes Gentoo Homes' emissions. Adding Scope 3 business travel brings the total to 2,872 tCO_2e (2022: 3,887 tCO_2e).

An intensity ratio is used to determine the carbon emissions relative to a single common business metric and allows the Group's carbon footprint to be compared over time or with similar organisations.

For scope 1 and 2 emissions, this can be presented as 2,726 tCO_2e (2022: 3,544 tCO_2e) with an intensity ratio of 2.79 tCO_2e per total full-time equivalent employee (2022: 3.62 tCO_2e) and 14.89 tCO_2e per million £ turnover (2022: 20.97 tCO_2e).

When scope 3 emissions are included this can be presented as 2,872 tCO_2e (2022: 3,887 tCO_2e) with an intensity ratio of 2.94 tCO_2e per total full-time equivalent employee (2022: 3.97 tCO_2e) and 15.69 tCO_2e per million £ turnover (2022: 23 tCO_2e).

For 1 April 2022 to 31 March 2023 the number of full-time equivalent employees was 976 (2022: 978) and turnover was £183m (2022: £169m).

Low carbon initiatives

The Group has a number of carbon efficiency initiatives in place, including renewable energy, in the form of solar photo voltaics (PVs) at offices. These PVs provided an equivalent of 43,990 kwhs of energy towards the total demand of the Group's use during this period (representing 0.75% of electricity consumed). This prevented emissions of 9.3 tCO_2e had all the energy demands been met by the National Grid.

During the period the Group used a green tariff for all electricity supplied from the National Grid. This equated to 4,665,104 kwh supplied from renewable energy sources.

Electric vehicles are available for colleagues to use as pool vehicles. There were 2,527 business miles travelled in electric vehicles during this period across the whole of the Group, with zero emissions. If these miles had been covered in an average car of unknown fuel type, an estimated additional 1.3 tCO_2e would have been emitted.

In line with the Group's corporate priorities to tackle climate change, we have introduced an electric vehicle salary sacrifice scheme. The scheme assists our staff to install a home charging point and lease an electric vehicle at their expense in the most tax efficient manner. It is our aim that the adoption of this scheme will help to deliver a reduction in the carbon emissions of our grey fleet.

Environmental, Social and Governance (ESG)

The Group has carried out an initial self-assessment against the criteria set out in the Sustainability Reporting Standard for social housing and will be further developing its ESG credentials to support its funding objectives and Corporate Strategy, culminating in the production in 2023 of the Group's first formal ESG Report which will be released in Autumn 2023.

Strategic report (continued)

Risk management

Risk management framework
Gentoo is committed to developing and implementing effective and efficient arrangements to identify, assess and control the significant risks that could affect Gentoo's ability to meet its strategic objectives. Our arrangements for risk management are detailed in our risk management framework, which is reviewed and approved annually by the Group Board.

Our risk management framework aims to embed risk management activities in the day-to-day management of operations. Gentoo's risk management framework is based on the following principles. Risk management is:

- an essential part of Gentoo's governance and leadership. It is fundamental to how Gentoo is directed, managed and controlled at all levels.
- an integral part of Gentoo's activities. It supports decision making and the achievement of Gentoo's strategic objectives.
- collaborative and promotes the involvement of stakeholders to enable their knowledge, views and perceptions to be considered.
- based on the best available information and expertise. Gentoo takes account of historical and current information, future expectations and assumptions and any limitations and uncertainties when making decisions.
- continually improved through learning, experience and horizon scanning for new and emerging risks.

Risk appetite
The Group Board establishes Gentoo's risk appetite by determining and continuously assessing the nature and extent of the strategic risks that Gentoo is exposed to and is willing to take to achieve its objectives.

Gentoo's risk appetite provides a framework which enables it to make informed management decisions. It benefits Gentoo by:

- reducing the uncertainty associated with specific risks and risk categories
- improving consistency across governance mechanisms and decisions making
- supporting performance improvement
- focusing on priority areas within the Group
- informing resource prioritisation and allocation of additional financial commitments.

Risks are organised using defined categories to enable the development of a structured, integrated, and holistic view of risks.

Strategic report (continued)

Risk management (continued)

Gentoo's risk management framework establishes a risk appetite scale that is applied to each risk category. The table below provides generic definitions for each level of Gentoo's risk appetite scale. It also shows the risk appetite for each risk category

Risk appetite	Description	Risk Categories
Averse	• The avoidance of risk and uncertainty in the achievement of key deliverables or initiatives is a key objective. • Activities undertaken will only be those considered to carry virtually no residual risk.	• Governance and compliance • Customer safety • Occupational health and safety • Data integrity • Data and cyber security
Minimalist	• Gentoo prefers very safe business delivery options that have a low degree of inherent risk. • The potential for benefit/return is not a key driver. • Activities will only be undertaken when they have a low degree of residual risk.	• Legal
Cautious	• Gentoo prefers safe options that have a low degree of inherent risk and only limited potential for benefit. • Gentoo is willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives when it has identified scope to achieve significant benefit and/or achieve an opportunity. • Activities undertaken may carry a high degree of residual risk that is deemed controllable to a large extent.	• Strategy • Operational • Asset management • Corporate property • Financial and value for money • Commercial venture • Project and programme • Reputational • Environmental
Open	• Gentoo is willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. • Gentoo seeks to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. • Activities themselves may potentially carry, or contribute to, a high degree of residual risk.	• People • Technology • Development of new homes for affordable rent • Development of new homes for partial sale • Development of new homes for sale
Eager	• Gentoo is eager to be innovative and to choose options based on maximising opportunities and potential higher benefit, even if those activities carry a very high residual risk.	

Risk reporting

The Group Board ensures there are suitable and sufficient arrangements for reporting on risk management to the Group Board and Risk and Audit Committee to:

- communicate risk management activities and outcomes across Gentoo
- provide information to support decision making
- improve risk management activities
- ensure key stakeholders have sufficient oversight of risk management.

Strategic report (continued)

Risk management (continued)

The Group's Risk Management Framework is presented:
- annually to the Executive Team for review and consultation
- annually to the Risk and Audit Committee who shall make a recommendation to the Group Board for approval if they are satisfied that it is suitable and sufficient
- annually to the Group Board for approval based on the recommendation from the Risk and Audit Committee.

The Group's Risk Appetite Statement is presented:
- annually to the Executive Team for review and consultation
- annually to the Risk and Audit Committee who shall make a recommendation to the Group Board for approval if they are satisfied that it is suitable and sufficient
- annually to the Group Board for approval based on the recommendation from the Risk and Audit Committee.

Strategic risks
The Group Board and Executive Team are collectively responsible for ensuring that the Group identifies the significant risks that will affect Gentoo's ability to achieve its strategic objectives. Gentoo's internal and external operating environments have changed significantly in the past twelve months. The Risk and Audit Committee have been kept updated on the impact of such changes on Gentoo's strategic risks through the risk management report and other topic-specific reports discussed at the Committee.

There was one strategic risk in an intolerable risk position between September 2022 and May 2023. This was the risk of a work-related fatality or serious injury on a Gentoo Homes construction site. The Group Board and Risk and Audit Committee increased their oversight of this risk and only approved the risk being changed to a tolerable position once they felt assured by the Executive Team and Gentoo Homes Leadership Team that improvements were being made. The Group Board and Risk and Audit Committee will continue their oversight of this risk, and it is a monthly agenda item for the Executive Team.

Gentoo Homes failing to deliver its budgeted surplus is a strategic risk for Gentoo Group. The housing market and other economic factors are adversely impacting this risk, although it has remained in a tolerable position due to Gentoo's open risk appetite for the development of homes for sale. The Group Board and Risk and Audit Committee will continue their oversight of this risk, including oversight of business planning, stress testing and financial performance.

Core tenant data being lost, corrupt or unavailable because of a cyber-attack is a strategic risk for Gentoo Group. Cyber security is included in the internal audit programme each year.

The table below shows Gentoo's current strategic risks. It shows the risk description, risk position and a summary of key strategic controls.

Strategic report (continued)

Risk management (continued)

Risk	Risk position	Strategic controls
The Regulator of Social Housing downgrades the Group to a non-compliant governance or financial viability grading because the Group fails to comply with regulatory standards. This could result in damage to the Group's reputation, an adverse impact on the Group's funding and customers losing trust and confidence in the Group as their landlord.	Tolerable	• Constitutional Rules, Standing Orders and Financial Regulations • Board and Committee oversight of governance and financial performance • Adoption of National Housing Federation (NHF) Code of Governance • Risk Management Framework • Golden Rules establish financial parameters • Corporate Strategy approved by Group Board to establish strategic direction • Governance Policies
Homes are not maintained in accordance with the Decent Homes Standard because the Group does not have the financial capacity to undertake the necessary repairs, maintenance and stock investment and/or does not undertake repairs and maintenance or stock investment to the required standard. This could result in a failure to comply with regulatory standards, receiving a severe maladministration notice, damage to the Group's reputation and customers losing trust and confidence in the Group as their landlord.	Optimal	• Business planning • Stress testing and mitigations • Asset management strategy and delivery plan • Stock condition survey programme • Stock condition data • Capital major repairs programme • Responsive repairs • Board, Committee and Executive oversight • Supplier relationship management framework
The Group is unable to deliver its five-year investment plan because of an increase in supply chain costs, an inability of the supply chain to meet demand, significant unforeseen or unbudgeted building safety costs and other competing financial demands. This could result in investment priorities changing, re-prioritising budgets, damage to the Group's reputation and customers losing trust and confidence in the Group as their landlord.	Optimal	• Business planning • Stress testing and mitigations • Board, Committee and Executive oversight • Supplier relationship management framework • Asset management strategy and delivery plan
Gentoo Homes is unable to deliver its budgeted surplus due to a reduction in house prices, a reduction in house sales and an increase in construction costs and interest rates. This could lead to a reduction in the anticipated income and profit from sales and a reduction of the money gifted to Gentoo Group.	Tolerable	• Gentoo Homes Business Plan • Stress testing and mitigations • Periodic test of Gentoo Homes' ongoing viability and options • Board, Committee and Executive Oversight
Core customer data is exploited, lost, corrupt or unavailable due to a cyber-attack. This could lead to a disruption of services to customers, colleagues being unable to perform core roles, regulatory action and prosecution and damage to the Group's reputation.	Tolerable	• Data Governance Policy • Data Protection Policy • Information Security Policy • Disaster Recovery Plan • Defence in depth (physical IT security measures)

Strategic report (continued)

Risk management (continued)

Risk	Risk position	Strategic controls
The Group does not have enough suitably qualified people to deliver its core services due to being unable to recruit and/or retain colleagues in critical roles. This could lead to a disruption of services to customers, a backlog of workload in critical roles and additional demand being placed on existing resources to compensate.	**Optimal**	• Board, Committee and Executive oversight • Recruitment and Selection Policy • Colleague turnover and retention data analysed to identify issues and risks • Values-led approach to all people-related activities • Recruitment framework and internal Talent Acquisition Team
There is a work-related fatality or serious injury on a Gentoo Homes construction site that is caused by unsafe practices and/or conditions, a lack of health and safety competence amongst site and senior management teams and a lack of oversight by the senior management team. This could result in the prosecution of Gentoo Homes and individual officers, fines in accordance with sentencing guidelines and damage to Gentoo Homes' and the Group's reputation.	**Tolerable**	• Board, Committee and Executive oversight • Documented health and safety management system • Gentoo Homes site procedures manual • Health, Safety and Environment Team
A customer is seriously injured or dies in their home because the Group fails to undertake the necessary landlord health and safety compliance checks and carry out safety critical repairs and maintenance. This could result in the prosecution of the Group and individual officers, a failure to comply with regulatory standards, damage to the Group's reputation and customers losing trust and confidence in the Group as their landlord.	**Tolerable**	• Board, Committee and Executive oversight • Landlord health and safety compliance framework • Landlord health and safety compliance policies • Supplier relationship management framework • Asset management strategy and delivery plan • Property Maintenance Compliance • Technical Assurance Team
The Group fails to successfully deliver its Genforce project because of inadequate project management and governance, insufficient and/or unsuitable people resource committed to the project or MRI "products" not being integrated into the new system(s) before the end of the MRI contract. This could lead to customers not being able to easily access services, further extensions to the MRI contract and a prolonged reliance on existing manual and semi-automated processes.	**Tolerable**	• Board, Committee and Executive oversight to monitor project and programme performance • Project and programme management resource to deliver Genforce project • Digital implementation partner appointed to provide expert implementation support • Programme Board established to oversee governance and risk management of Genforce project • Existing MRI contract ensuring continuity of systems

Strategic report (continued)

Risk management (continued)

Risk	Risk position	Strategic controls
The Group is unable to build the planned number of affordable homes in Sunderland due to cost and inflation pressures, planning delays and refusals and an increase in competition from other house builders. This could lead to certain schemes becoming wholly unviable, delays to the programme and the Group retaining ownership of acquired land.	Tolerable	• Board, Committee and Executive oversight • Business planning • Stress testing and mitigations • Affordable Homes Plan • Supplier relationship management framework
The Group's rent arrears increase significantly for two or more years because of high levels of inflation and the cost of living, increased void costs and government caps on rental income. This could lead to an increase in rent arrears and former customer arrears and a reduction of the Group's surplus and operating margin.	Optimal	• Board, Committee and Executive oversight • Arrears and allocations management • Income management policy • Rent setting policy • Voids management
Works and services delivered by a tier 1 or 2 supplier are significantly impacted due to the supplier becoming insolvent or unable to fulfil the contract, and the Group having concentrated a significant volume of work with that supplier. This could lead to delays to ongoing and pipeline contracts, increased time and costs associated with appointing new suppliers and damage to the Group's reputation.	Optimal	• Supplier relationship management framework • Supplier segmentation analysis • Third party systems (e.g. CHAS/ Creditsafe/Cyber Scorecard) • Third party systems (Genbuy) • Constitutional Rules, Standing Orders and Financial Regulations • Responsible Procurement Policy • Procurement strategy
Strategic decisions are made to the detriment of customers because the Group fails to give due consideration to the impact of decisions on customers and communities and fails to embed the voice and opinion of customers in its strategic decision making. This could lead to reduced levels of customer satisfaction, an increase in complaints, damage to the Group's reputation and customers losing trust and confidence in the Group as their landlord.	Optimal	• Tenant and resident engagement Policy • Board, Committee and Executive oversight • Tenant Scrutiny Group • Tenant and Community Voice Forums • Tenant representation on the Board
The Group is unable to meet its target of 70% of homes achieving an energy efficiency performance rating of EPC-C or better by April 2025 due to a lack of funding and resource, financial capacity, increased costs or a lack of capacity and capability in the supply chain being able to deliver key retrofitting plans at scale and pace. This could lead to the Group failing to meet government timelines, an impact on the Group's wider decarbonisation plans and damage to the Group's reputation.	Optimal	• Asset management strategy and delivery plan • Energy performance data • Business planning • Stress testing and mitigations • Board, Committee and Executive oversight • Supplier relationship management framework
A customer suffers severe ill health or dies because of damp or mould that the Group did not reduce or remove from their home. This could result in the prosecution of the Group and individual officers, a failure to comply with regulatory standards, damage to the Group's reputation and customers losing trust and confidence in the Group as their landlord.	Tolerable	• Board, Committee and Executive oversight • Stock condition survey programme • Stock condition data • Damp and mould policy • Responsive repairs

Report of the Board

Board Members, Executive Directors and Advisors

Board
Emily Cox, MBE (Chair) (appointed 28 September 2022)
Keith Loraine, OBE (Chair) (resigned 28 September 2022)
Alison Fellows
Andrew Lister (appointed 1 September 2023)
Brenda Naisby
Carol Long
Chris Watson
Claire Long
David Murtagh
Ellen Thinnesen (appointed 25 January 2023)
Hannah Pollard (appointed 1 October 2022)
Patricia Smith (appointed 18 July 2022)
James Prestwich (appointed 28 September 2022 and resigned 14 March 2023)
Karen Noble (resigned 9 May 2022)
Kehri Ellis (resigned 4 November 2022)
Philip Tye (resigned 17 June 2022)

Executive Directors
Louise Bassett (Chief Executive Officer) – appointed 26 May 2023
Louise Bassett (Interim Chief Executive Officer) – appointed 4 January 2023
Nigel Wilson (Chief Executive Officer) – resigned 31 March 2023
Peter Lenehan (Executive Director of Finance)
Susan Thompson (Executive Director of Housing)
Stephen Flounders (Executive Director of Regulatory and Business Services) – appointed 1 September 2023

Independent Auditor
Grant Thornton UK LLP
No. 1 Whitehall Riverside
Whitehall Road
Leeds
West Yorkshire
LS1 4BN

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

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

Report of the Board (continued)

Principal activities

The Group's principal activities and its performance during the year are included in the Strategic Report which precedes this report.

Group Board ("the Board)

The Board Members and Executive Directors who served during the financial year are set out on page 21.

Under the Society's rules the Board is comprised of one resident Board Member, two council Board Members, and up to nine independent Board Members up to a maximum of 12 Board Members in total. Board Members are drawn from a wide range of backgrounds and experience. The Board meets a minimum of six times a year. A system of Board Member appraisal is in place, led by the Board Chair and facilitated by an external adviser. A process is also in place to review the performance of the Chair.

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

The essential functions of, and significant matters reserved for, the Board are formally recorded in Gentoo's Standing Orders, Scheme of Delegation and Financial Regulations and reflect the requirements of the National Housing Federation's Code of Governance 2020. These essential functions include, but are not limited to, the development of Gentoo's strategy, vision and values, changes to Gentoo's corporate structure, changes to Gentoo's management and control structure and any changes to the Society's status. The Board delegates other matters to its subsidiary boards, committees and executive which are recorded in the respective terms of reference and Gentoo's Scheme of Delegation.

The Regulator of Social Housing's Governance and Financial Viability Standard ("the Standard") requires all registered providers to adopt and comply with an appropriate code of governance and certify compliance with its chosen code together with certification of compliance with the Standard. The Group has adopted the National Housing Federation's Code of Governance 2020 ("the Code") and the Board complies with the principles and requirements set out in the Code. The Board reviewed and certified its self-assessment with both the Standard and the Code in July 2023.

Policies are reviewed and approved by Group Board, People Committee, Risk and Audit Committee (RAC) and the Executive Team as appropriate. The Board reviews the Corporate Strategy and the Group's Risk Appetite statement. The Board and People Committee discuss culture. The Board has a Statement of Preferred Board Composition, which was last reviewed and approved by the Board in July 2023 with no changes required. The Group Board has a skills matrix approved by the Board. The Board has a Board Diversity Policy, which is taken account of in succession planning discussions, was reviewed and approved by the Board in July 2023. There is a resident Board Member, for which requirements of the position are set out in the Group's Rules and the Group's Standing Orders. The Group has Tenant and Community Voice Groups for each of the areas as well as a Young Persons Tenant and Community Voice Group, there is also a Tenant Scrutiny Group.

A Board Diversity Policy is in place that recognises and embraces the benefits of having a diverse board. All board appointments are made on merit, in the context of the skills, experience and diversity of thought the Board as a whole requires to be effective. The Board recognises that diversity in respect to skills, knowledge and experience was reflected in terms of its composition. The Board had a commitment to meet the requirements of the Lord Davies Report, that 33% of the Board should be female and this has been exceeded with the membership as at 31 March 2023 being 80% female.

People Committee

This is a non-executive committee chaired by a Member of the Board, who is not the Group Chair. The Committee oversees board and committee appointments, board member re-appointments and remuneration, board succession planning, board appraisals, executive appointments, terms of employment and remuneration, making recommendations to the Board where appropriate. Executive Directors are not present at the meeting when their salaries are determined. The committee met four times during the financial year. The Committee agreed that a main focus of its work during 2022/23 should be on equality, diversity and inclusion (EDI) and mental health, and these areas have been discussed in-depth, alongside organisational culture.

Report of the Board (continued)

Risk and Audit Committee

This is a non-executive committee chaired by a Member of the Board, who is not the Group Chair and includes one independent committee member, who is a risk specialist. This committee oversees the production of the Annual Report and Financial Statements and provides scrutiny, challenge and assurance over the risk management and internal control framework on behalf of the Board. The committee provides oversight and scrutiny of the performance of Group's Landlord Compliance programme, reviews Gentoo's risk management framework and risk appetite statement and monitors compliance with Group's probity and whistleblowing arrangements. The Committee also works with the Group's internal auditors, approves the annual Internal Audit Plan and considers all reports from the internal auditor. The Committee met six times during the financial year and regularly meets with internal and external auditors without management present.

Development Committee

This is a non-executive committee to support the Board in its oversight of the delivery of Gentoo's affordable development programme. Membership includes one independent committee member, who is a development specialist. The remit of the Committee is to approve and monitor delivery of the affordable development programme, approve significant contracts, acquisitions, planning and Homes England funding. The Committee met six times during the financial year.

Board and Committee membership, and meeting attendance

Name	Group Board	People Committee	Risk and Audit Committee	Development Committee
	8 Meetings	4 Meetings	6 Meetings	6 Meetings
Alison Fellows	8 (8)	-	-	4 (6)
Brenda Naisby	8 (8)	4 (4)	-	-
Carol Long	8 (8)	-	5 (6)	-
Chris Watson	6 (8)	4 (4)	-	-
Claire Long	7 (8)	-	5 (6)	-
David Murtagh	5 (8)	-	6 (6)	-
Ellen Thinnesen	3 (3)	-	-	-
Emily Cox, MBE	8 (8)	2 (2)	-	6 (6)
Hannah Pollard	5 (5)	-	-	3 (3)
Patricia Smith	6 (7)	-	4 (4)	-
Alan Gallagher*	-	-	6 (6)	-
Ged Walsh**	-	-	-	6 (6)

The following Board members resigned during the year:

James Prestwich	4 (5)	1 (2)	-	-
Karen Noble	-	-	0 (1)	-
Kehri Ellis	3 (3)	-	-	4 (4)
Keith Loraine, OBE	2 (2)	-	-	3 (3)
Philip Tye	1 (1)	1 (1)	-	-
David Langley***	-	-	2 (3)	-

* An independent Risk and Audit Committee Member
** An independent Development Committee Member
*** An unremunerated, co-opted Risk and Audit Committee Member

Report of the Board (continued)

Internal controls assurance

The Group Board is the ultimate governing body and is responsible for establishing and maintaining a sound system of internal control and risk management across the Group in order to safeguard Gentoo's assets, compliance and reputation. The Group Board is supported by the Group Risk and Audit Committee in this work. The Group Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Risk and Audit Committee to review all material information presented with the financial statements, including the internal controls assurance statement.

The Chair of the Risk and Audit Committee provides a feedback report at each meeting of the Group Board. This report details the key matters discussed at the most recent meeting of the Risk and Audit Committee, as well as any decisions made by the Committee and details of any issues that need to be brought to the attention of the Group Board. The Group Board reviews the effectiveness of the Group's business planning, risk and control framework and processes to support its strategy and objectives and decision making. The Group Board undertakes an annual assessment of these frameworks and approves the internal controls statement for inclusion in the annual report.

The Group's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss. The Group continuously identifies, assesses, evaluates, and controls its significant risks so it can respond to changes in its internal and external operating environment. Key elements of the Group's control framework include:

- Group Board approved Terms of Reference and Delegated Authorities for the Risk and Audit Committee.
- A robust Risk Management Framework that clearly defines management responsibilities for the identification, assessment, evaluation, and control of significant risks.
- A discussion of the Group's strategic risks at each meeting of the Risk and Audit Committee, accompanied by the submission of the Group's Strategic Risk Register.
- A robust approach to financial planning, stress testing and resilience planning, ensuring the Group Board has ownership of these activities and that they are pivotal to, and integrated with, the Group's overall approach to business planning, risk and performance management.
- A strategic approach to treasury management that seeks to optimise how the Group borrows to invest in its core purpose.
- Regular reporting to the Group Board and Risk and Audit Committee on covenant compliance, financial golden rules, and value for money.
- Regular reporting to the Group Board on progress against the Group's Corporate Strategy and associated performance measures.
- Regular reports to the Risk and Audit Committee on business continuity and cyber security.
- Robust policies on anti-fraud, bribery and corruption, anti-money laundering and whistleblowing.
- Standing reports to the Risk and Audit Committee on the outcomes of internal audits, including the Annual Internal Audit Opinion.
- Statements on the Group's system of internal controls included in the annual report of the Group's appointed internal auditor and external auditor.
- An annual self-assessment against the Regulatory Standards and the National Housing Federation's Code of Governance, the findings of which are reported to the Group Board.

The Group Board concludes that an effective system of internal control has been in place throughout the period commencing 1 April 2022 and up to the date of approval of the report and financial statements.

Report of the Board (continued)

Statement of the responsibilities of the Board for the report and financial statements

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

Co-operative and Community Benefit Society legislation requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under the Co-operative and Community Benefit Society legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association and Group for that period. In preparing these financial statements, the Board are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2018, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Board confirms that:

- so far as each Board member is aware, there is no relevant audit information of which the Group and Association’s auditor is unaware; and
- the Board have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the Group and Association’s auditor is aware of that information.

Going concern

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the going concern period until 31 March 2025. For this reason, they continue to adopt the going concern basis in preparing the Group’s financial statements. The 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. The Board is satisfied that covenant compliance is maintained throughout the life of the plan on the basis that the Group Business 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 (2022: £nil) political donations and incurred £nil (2022: £nil) political expenditure during the year.

Disclosure of information to auditor

The Board Members who held office at the date of approval of this Report of the Board 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.

Report of the Board (continued)

Auditor

In accordance with section 83 of the Co-operative and Community Benefit Societies Act 2014, Grant Thornton UK LLP will not be reappointed as auditor of the company and following a competitive tender process a new auditor will be appointed.

By order of the Board:

Emily Cox, MBE	**Claire Long**	**Simon Walker**
Board Member	Board Member	Secretary
22 September 2023	22 September 2023	22 September 2023

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

Opinion

We have audited the financial statements of Gentoo Group Limited (the 'Association') and its subsidiaries (the 'group') for the year ended 31 March 2023, which comprise the consolidated and association statements of comprehensive income, the consolidated and association statement of financial position, the consolidated and association statement of changes in reserves, and the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).
In our opinion, the financial statements:

- give a true and fair view of the state of the group's and parent society's affairs as at 31 March 2023 and of the Group and parent Association's income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and parent society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or parent society to cease to continue as a going concern.

In our evaluation of the board's conclusions, we considered the inherent risks associated with the group's and parent society's business model including effects arising from macro-economic uncertainties such as the crisis in Ukraine, the cost of living crisis and rising inflation, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the board with respect to going concern are described in the relevant sections of this report.

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

Other information

The other information comprises the information included in the annual report The board is responsible for the other information contained within the annual report**Error! Bookmark not defined.**. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Responsibilities of the board

As explained more fully in the statement of board's responsibilities set out on page 25, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board is responsible for assessing the group's and parent society'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 the board either intends to liquidate the group or parent society or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Association, and the sector in which it operates. We determined that the following laws and regulations were most significant; financial reporting legislation (Housing SORP 2018, United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102, the Accounting Direction for Private Registered Providers of Social Housing 2022, the Housing and Regeneration Act 2008, and the Co-operative and Community Benefit Societies Act 2014), the NHF

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

Code of Governance 2020, Health and Safety at work and building regulations including the Fire Safety Act 2021. The engagement team remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

- We understood how the Association is complying with these legal and regulatory frameworks by making inquiries of management, internal audit, and those charged with governance. We enquired of management and those charged with governance whether there were any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of board minutes and papers provided to the Audit and Risk Committee, and through our legal and professional expenses review.
- To assess the potential risks of material misstatement, including how a fraud might occur, we obtained an understanding of:
  - The Association and Group's operations, including the nature of its sources of income, expected financial statement disclosures and risks that may result in risk of material misstatement; and
  - The Association and Group's control environment including the adequacy of procedures for authorisation of transactions.
- Audit procedures performed by the engagement team included:
  - Evaluating the processes and controls established to address the risks related to irregularities and fraud;
  - Testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions;
  - Challenging assumptions and judgements made by management in its significant accounting estimates;
  - Identifying and testing related party transactions; and
  - Completion of audit procedures to conclude on the compliance of disclosures in the financial statements with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud and error. The risk of not detecting a material misstatement fur to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud, or non-compliance with laws and regulations throughout the audit.
- We assessed the appropriateness of the collective competence and capabilities of the engagement team, including consideration of the engagement team's knowledge and understanding of the sector in which the Association operates in and their practical experience through training and participation with audit engagements of a similar nature. All team members are qualified accountants or working towards that qualification and are considered to have sufficient knowledge and experience of companies of a similar size and complexity, appropriate to their role within the team.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Association and Group's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the applicable statutory provisions.

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

- the rules and interpretative guidance issued by the Financial Conduct Authority.
- the Association and Group's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, including the adequacy of the training to inform staff of the relevant legislation, rules and other regulations of the regulator, the adequacy of procedures for authorisation of transactions, internal review procedures over the Association's and Group's compliance with regulatory requirements, the authority of, and resources available to the compliance officer and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the society, as a body, in accordance with sections 87(2) and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
22 September 2023

Consolidated statement of comprehensive income

for the year ended 31 March 2023

	Note	2023	2022
		£'000	£'000
Turnover	2a	**182,711**	168,684
Cost of sales	2a	**(41,465)**	(31,570)
Gross profit		**141,246**	137,114
Operating expenditure	2a	**(115,140)**	(112,357)
Other operating income	2a	**90**	256
Surplus on disposal of tangible fixed assets	5	**3,890**	1,782
Operating surplus		**30,086**	26,795
Interest receivable and similar income	7	**6,102**	1,033
Interest payable and similar charges	8	**(28,108)**	(21,107)
Fair value adjustment for investment property	13	**(632)**	(958)
Loss on disposal of investment properties	13	**(15)**	-
Revaluation of fixed asset investments		**-**	(1,357)
Fair value adjustment	17	**104**	103
Surplus before taxation		**7,537**	4,509
Taxation	9	**140**	(179)
Surplus for the financial year		**7,677**	4,330
Other comprehensive income			
Actuarial gain in respect of pension scheme	25	**106,600**	44,130
Restriction of pension asset	25	**(105,120)**	(37,050)
Total comprehensive income for the year		**9,157**	11,410

The consolidated results relate wholly to continuing activities. The accompanying notes form part of these financial statements.

These financial statements were approved by the Board and were signed on its behalf by:

Emily Cox, MBE
Board Member
22 September 2023

Claire Long
Board Member
22 September 2023

Simon Walker
Secretary
22 September 2023

Association statement of comprehensive income
for the year ended 31 March 2023

	Note	2023	2022
		£'000	£'000
Turnover	2a	**135,982**	131,262
Cost of sales	2a	**-**	-
Gross profit		**135,982**	131,262
Operating expenditure	2a	**(112,265)**	(109,690)
Other operating income	2a	**42**	-
Surplus on disposal of tangible fixed assets	5	**3,890**	1,782
Operating surplus		**27,649**	23,354
Interest receivable and similar income	7	**8,210**	2,346
Interest payable and similar charges	8	**(28,013)**	(21,035)
Gift aid receivable		**-**	1,730
Fair value adjustment for investment property	13	**(632)**	(958)
Loss on disposal of investment properties	13	**(15)**	-
Revaluation of fixed asset investments		**-**	(1,357)
Surplus before taxation		**7,199**	4,080
Taxation	9	**179**	(179)
Surplus for the financial year		**7,378**	3,901
Other comprehensive income			
Actuarial gain in respect of pension scheme	25	**106,600**	44,130
Restriction of pension asset	25	**(105,120)**	(37,050)
Total comprehensive income for the year		**8,858**	10,981

The Association's results relate wholly to continuing activities. The accompanying notes form part of these financial statements.

These financial statements were approved by the Board and were signed on its behalf by:

Emily Cox, MBE	**Claire Long**	**Simon Walker**
Board Member	Board Member	Secretary
22 September 2023	22 September 2023	22 September 2023

Consolidated statement of financial position

at 31 March 2023

	Note	2023	2022
		£'000	£'000
Fixed assets			
Intangible fixed assets	10	**1,044**	-
Tangible fixed assets			
Tangible fixed assets – housing properties	11	**1,064,803**	1,044,105
Tangible fixed assets – other	12	**16,861**	17,660
		1,082,708	1,061,765
Investments and non-current debtors			
Investment properties	13	**7,355**	8,087
Other investments	14	**30**	30
HomeBuy loans receivable	16	**303**	358
Debtors: amounts falling due after more than one year	17	**28,677**	28,494
		36,365	36,969
		1,119,073	1,098,734
Current assets			
Stock	18	**57,361**	59,379
Debtors	19	**13,718**	10,661
Cash and cash equivalents		**21,872**	13,931
		92,951	83,971
Creditors: amounts falling due within one year	20	**(41,033)**	(45,812)
Net current assets		**51,918**	38,159
Total assets less current liabilities		**1,170,991**	1,136,893
Creditors: amounts falling due after more than one year	21	**(551,876)**	(526,935)
Net assets		**619,115**	609,958
Capital and reserves			
Called up share capital	31	**-**	-
Revaluation reserve		**141,626**	144,103
Revenue reserve		**226,625**	207,824
Other reserve		**250,864**	258,031
		619,115	609,958

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board and were signed on its behalf by:

Emily Cox, MBE	**Claire Long**	**Simon Walker**
Board Member	Board Member	Secretary
22 September 2023	22 September 2023	22 September 2023

Registered number: 7302

Association statement of financial position

at 31 March 2023

	Note	2023	2022
		£'000	£'000
Fixed assets			
Intangible fixed assets	10	**1,044**	-
Tangible fixed assets			
Tangible fixed assets – housing properties	11	**1,069,823**	1,049,762
Tangible fixed assets – other	12	**16,966**	17,771
		1,087,833	1,067,533
Investments and non-current debtors			
Investment properties	13	**7,355**	8,087
Other investments	14	**30**	30
Investments in subsidiaries	15	**250**	250
HomeBuy loans receivable	16	**303**	358
Debtors: amounts falling due after more than one year	17	**61,593**	55,208
		69,531	63,933
		1,157,364	1,131,466
Current assets			
Stock	18	**11,840**	11,213
Debtors	19	**19,261**	20,623
Cash and cash equivalents		**21,790**	12,581
		52,891	44,417
Creditors: amounts falling due within one year	20	**(34,858)**	(39,559)
Net current assets		**18,033**	4,858
Total assets less current liabilities		**1,175,397**	1,136,324
Creditors: amounts falling due after more than one year	21	**(551,876)**	(521,661)
Net assets		**623,521**	614,663
Capital and reserves			
Called up share capital	31	**-**	-
Revaluation reserve		**126,073**	127,796
Revenue reserve		**246,585**	228,837
Other reserve		**250,863**	258,030
		623,521	614,663

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board and were signed on its behalf by:

Emily Cox, MBE	**Claire Long**	**Simon Walker**
Board Member	Board Member	Secretary
22 September 2023	22 September 2023	22 September 2023

Registered number: 7302

Consolidated statement of changes in reserves

	Revaluation reserve £'000	Revenue reserve £'000	Other reserve £'000	Total reserves £'000
Balance at 1 April 2021	155,092	178,258	265,198	598,548
Total comprehensive income for the year				
Surplus	-	4,330	-	4,330
Other comprehensive income				
Transfer in respect of depreciation on revalued properties	(603)	603	-	-
Transfer in respect of realised losses on disposal of revalued properties	(1,512)	1,512	-	-
Transfer in respect of debt service reserve release	(8,874)	8,874	-	-
Realisation of other reserve	-	7,167	(7,167)	-
Actuarial gain in respect of pension scheme	-	44,130	-	44,130
Restriction of pension asset	-	(37,050)	-	(37,050)
Balance at 31 March 2022	144,103	207,824	258,031	609,958
Balance at 1 April 2022	144,103	207,824	258,031	609,958
Total comprehensive income for the year				
Surplus	-	7,677	-	7,677
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	(1,048)	1,048	-	-
Realisation of other reserve	-	7,167	(7,167)	-
Actuarial gain in respect of pension scheme	-	106,600	-	106,600
Restriction of pension asset	-	(105,120)	-	(105,120)
Balance at 31 March 2023	**141,626**	**226,625**	**250,864**	**619,115**

The accompanying notes form part of these financial statements.

Association statement of changes in reserves

	Revaluation reserve £'000	Revenue reserve £'000	Other reserve £'000	Total reserves £'000
Balance at 1 April 2021	138,785	199,700	265,197	603,682
Total comprehensive income for the year				
Surplus	-	3,901	-	3,901
Other comprehensive income				
Transfer in respect of depreciation on revalued properties	(603)	603	-	-
Transfer in respect of realised losses on disposal of revalued properties	(1,512)	1,512	-	-
Transfer in respect of debt service reserve release	(8,874)	8,874	-	-
Realisation of other reserve	-	7,167	(7,167)	-
Actuarial gain in respect of pension scheme	-	44,130	-	44,130
Restriction of pension asset	-	(37,050)	-	(37,050)
Balance at 31 March 2022	127,796	228,837	258,030	614,663
Balance at 1 April 2022	127,796	228,837	258,030	614,663
Total comprehensive income for the year				
Surplus	-	7,378	-	7,378
Other comprehensive income				
Transfer in respect of depreciation on revalued properties	(675)	675	-	-
Transfer in respect of realised losses on disposal of revalued properties	(1,048)	1,048	-	-
Realisation of other reserve	-	7,167	(7,167)	-
Actuarial gain in respect of pension scheme	-	106,600	-	106,600
Restriction of pension asset	-	(105,120)	-	(105,120)
Balance at 31 March 2023	**126,073**	**246,585**	**250,863**	**623,521**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 March 2023

	2023	2022
	£'000	£'000
Cash flows from operating activities		
Surplus for the year	**7,677**	4,330
Adjustments for non-operating activity items:		
Depreciation	**29,890**	30,003
Amortisation of deferred government grant	**(210)**	(165)
Impairment of other tangible fixed assets	**109**	109
Revaluation of fixed asset investments	**-**	1,357
Change in value of investment property	**632**	958
Fair value adjustment	**(104)**	(103)
Interest receivable and similar income	**(6,102)**	(1,033)
Interest payable and similar charges	**28,108**	21,107
Surplus on disposal of tangible fixed assets	**(3,890)**	(1,782)
Loss on disposal of investment properties	**15**	-
Taxation	**(140)**	179
	48,308	50,630
Proceeds from sale of tangible fixed assets - housing properties	**11,750**	6,757
Increase in trade and other debtors	**(2,856)**	(4,789)
Decrease/(increase) in stock	**185**	(4,853)
Increase in trade and other creditors	**3,093**	9,524
Increase in provisions and employee benefits	**1,600**	3,840
	13,772	10,479
Tax paid	**(100)**	(100)
Net cash flows from operating activities	**69,657**	65,339
Cash flows from investing activities		
Proceeds from sale of tangible fixed assets – other	**288**	867
Proceeds from sale of investment properties	**86**	-
Acquisition of tangible fixed assets - housing properties	**-**	(823)
Acquisition of tangible fixed assets – other	**(1,214)**	(2,348)
Acquisition of intangible fixed assets	**(1,044)**	-
Capital expenditure on existing properties	**(36,409)**	(32,416)
Development of social housing properties	**(19,807)**	(14,260)
Interest received	**5,923**	2,036
Proceeds from receipt of Government grants	**5,867**	6,132
Proceeds from sale of Debt Service Reserve	**-**	7,976
Deposit into Debt Service Reserve	**-**	(3,500)
Net cash from investing activities	**(46,310)**	(36,336)

Consolidated statement of cash flows (continued)

for the year ended 31 March 2023

	2023	2022
	£'000	£'000
Cash flows from financing activities		
Proceeds from loans	**310,000**	16,692
Interest paid	**(24,570)**	(21,652)
Repayment of borrowings	**(297,581)**	(10,181)
Loan refinancing fees	**(3,255)**	-
Net cash from financing activities	**(15,406)**	(15,141)
Net increase in cash and cash equivalents	**7,941**	13,862
Cash and cash equivalents at 1 April	**13,931**	69
Cash and cash equivalents at 31 March	**21,872**	13,931

The accompanying notes form part of these financial statements.

Notes to the financial statements
for the year ended 31 March 2023

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 Regulator of Social Housing 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") and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for private Registered Providers of Social Housing 2022. The presentation currency of these financial statements is sterling. All amounts (excluding note 31) 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 FRS 102) and has applied the exemptions available under FRS 102 in respect of the following disclosure:

- Statement of cash flows 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:

- Investment properties (note 13)
- Other investments (note 14)
- Home Purchase Plans (note 17)

1.2. Going concern

The financial statements have been prepared on a going concern basis which the Board consider to be appropriate for the following reasons.

Management have prepared detailed forecasts for the period ended 31 March 2025 (the going concern period) to demonstrate that the Group has sufficient resources to meet all liabilities as they fall due. In addition, the Group prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in May 2023 by the Board. As well as considering the impact of a number of scenarios on the business plan, the Board also adopted a stress testing framework against the base plan. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

The Board, after reviewing the Group and Association budgets for 2023/24 and the Group's medium term financial position from 2024/25 as detailed in the 30-year business plan, is of the opinion that the Group and Association have adequate resources to continue to meet their liabilities until 31 March 2025. In reaching this conclusion, the Board has considered the following factors:

- The refinancing exercise – completion of a re-financing process on 26 January 2023 resulted in a £460m restructure of the Treasury portfolio. The new facilities feature more favourable financial covenants, are materially more security efficient, and include £150m in new Revolving Credit Facilities to bolster liquidity and enable delivery of Gentoo's development and stock investment programmes.

Notes to the financial statements (continued)
for the year ended 31 March 2023

1 Accounting policies (continued)

1.2. Going concern (continued)

- The property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales and reductions in sales values.
- Rent and service charge receivables – budget and business plan scenarios have considered arrears and bad debts increasing to allow for customer difficulties in making payments and for potential future restrictions in rent increases;
- The Group's ability to withstand other adverse scenarios such as higher interest rates, inflation and increases in the number of void properties.

The available cash and unutilised loan facilities at 31 March 2023 of £176.9m are considered sufficient to cover the potential sensitivity scenarios.

The Board believes the Group and Association have sufficient funding in place and have calculated covenant compliance throughout the going concern period which confirms the Group is forecast to be in compliance with debt covenants, even in severe but plausible downside scenarios. Consequently, the Board is confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for the period to 31 March 2025, being the going concern period, and therefore have prepared the financial statements on a going concern basis.

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 undertakings. Details of the subsidiary undertakings are included in note 15 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 judgements and estimates. The judgements and estimates which have the most significant impact on amounts recognised in the financial statements are set out in note 30.

1.5 Basic financial instruments

Trade and other debtors / creditors
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

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, such as HomeBuy, see 1.22, the Group has opted to apply the accounting treatment set out in paragraphs PBE34.90 to PBE34.97 of FRS 102.

Notes to the financial statements (continued)

for the year ended 31 March 2023

1 Accounting policies (continued)

1.5 Basic financial instruments (continued)

Investments in subsidiaries
Investments in subsidiaries are carried at cost less impairment.

Other investments
Other fixed asset investments are stated at fair value. Holding market valued assets is not judged to be an activity linked to the principal rental activity of the Group. Movements in fair value are therefore recorded in the statement of comprehensive income below operating surplus.

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 statement of cash flows. HBF deposit accounts are held as cash with a joint mandate with Homes England. Withdrawals from these accounts requires permission from Homes England.

1.6 Other financial instruments

Financial instruments not considered to be basic financial instruments (other financial instruments)
The Genie Home Purchase Plan (HPP) is a 'non-basic 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.

1.7 Derecognition of financial instruments

A financial instrument is removed from the statement of financial position when it is extinguished, either through the obligation specified in the contract being discharged, cancelled or expiring. The difference between the carrying amount of a financial instrument extinguished and the consideration paid is recognised in the Statement of Comprehensive Income within interest receivable and similar income and interest payable and similar charges.

1.8 Intangible fixed assets

Computer software is carried at cost less accumulated amortisation and impairment losses. Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs, including staff time, that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the criteria as follows is met:

• it is technically feasible to complete the software so that it will be available for use;
• management intends to complete the software and use or sell it;
• there is an ability to use or sell the software;
• it can be demonstrated how the software will generate probable future economic benefits;
• adequate technical, financial and other resources to complete the development and to use or sell the software are available; and the expenditure attributable to the software during its development can be reliably measured.

Amortisation is charged on a straight-line basis over the expected useful life of the software. The expected useful life is considered to be ten years. The computer software is reviewed for impairment where there are triggers such as technological advancement or changes in market price, that indicate that the carrying amount may be impaired.

Notes to the financial statements (continued)

for the year ended 31 March 2023

1 Accounting policies (continued)

1.9 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. The allocation of components for new developments and acquisitions is a matter of judgment and has been based on a component matrix which is reviewed periodically. 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 - flat	15
Boilers	10	Lifts	30	Structure	10-100
Doors	30	PV invertors	8	Windows	30
Electrical installations	30	PV panels	25		
Heating installations	15	Roof	60		

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 Group 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.

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 has legally completed. 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 presented before operating surplus or deficit.

Housing properties under construction

Housing properties under construction are stated at cost and are not depreciated. An impairment review is performed at the balance sheet date if there are impairment indicators.

Notes to the financial statements (continued)
for the year ended 31 March 2023

1 Accounting policies (continued)

1.9 Tangible fixed assets (continued)

Capitalisation of interest
Interest on loans financing the development programme is capitalised up to the date of practical completion of the scheme. Interest costs are included at a weighted average rate of 5.14%. Where a loan is not specifically drawn down to fund a development, no interest is capitalised.

Revaluation reserve
Housing properties were stated at valuation using existing use value for social housing until conversion to FRS 102 when the deemed cost option was taken. The revaluation reserve comprises the cumulative revaluation position as at the date of conversion. The reserve is adjusted annually for transfers to the revenue reserve in respect of depreciation and disposals of housing properties formerly held at valuation.

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

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 cost, 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 the Recycled Capital Grant Fund (RCGF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

Notes to the financial statements (continued)

for the year ended 31 March 2023

1 Accounting policies (continued)

1.11 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.

1.12 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.

1.13 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 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. Movements in fair value are therefore recorded in the statement of comprehensive income below operating surplus.

Rental income from investment property is accounted for when it is receivable or when conditions associated with the income have been met.

1.14 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.

Land
Investments in land without the benefit of planning consent, either through the purchase of land or non-refundable deposits paid on land purchase contracts subject to planning consent, are included initially at cost. Regular reviews are carried out for impairment in the values of these investments and provision made to reflect any irrecoverable element. The impairment reviews consider the existing use value of the land and assess the likelihood of achieving planning consent and the value thereof.

Notes to the financial statements (continued)
for the year ended 31 March 2023

1 Accounting policies (continued)

1.15 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 Group 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 the statement of comprehensive income.

Non-financial assets
The carrying amounts of the Group'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. 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.

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.

Notes to the financial statements (continued)

for the year ended 31 March 2023

1. Accounting policies (continued)

1.16 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. To comply with FRS 102 paragraph 28, an entity shall recognise a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. A recognisable net asset is calculated based on the potential economic benefit that could be available from a reduction in future contributions. If this is considered to be material in the context of the financial statements, an asset will be recognised.

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 plan
The Group participates in one 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.

Notes to the financial statements (continued)
for the year ended 31 March 2023

1. Accounting policies (continued)

1.17 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;
- Service charge income from tenants, leaseholders and private rental customers;
- Sale of residential property which may include part exchange sales. The purchase and subsequent sale of part exchange properties is an activity which is undertaken in order to facilitate the sale of a new property. The profit/(loss) from the sale of part exchange properties is recognised within cost of sales being a cost of revenue derived from a subsidiary's principal activities;
- 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.
- For the Association only, gift aid receipts from wholly owned subsidiaries. This is recognised at the point that a Companies Act s288 written resolution has been approved by the Board.

1.18 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.

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

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

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

1.19 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.

Notes to the financial statements (continued)

for the year ended 31 March 2023

1. Accounting policies (continued)

1.19 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.

1.20 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 at the rate received from the Client Money Services account.

1.21 Value added tax (VAT)

The Association is included in a group VAT registration which also includes Gentoo Services Limited. 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.

1.22 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.

1.23 Other reserves

Other reserves represent the transfer of assets and liabilities from the Group's former housing subsidiaries during the 31 March 2008 year end. These are released to revenue reserves over 50 years being the average expected useful economic lives of the assets.

Notes to the financial statements (continued)

for the year ended 31 March 2023

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

Group

2023	Turnover	Cost of sales	Operating expenditure	Other operating income	Surplus on disposal	Operating surplus / (deficit)
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Social housing lettings (note 2b)	**130,479**	**-**	**(106,499)**	**-**	**-**	**23,980**
Other social housing activities:						
Charge for support services	**301**	**-**	**(1,271)**	**-**	**-**	**(970)**
Other social housing activities	**301**	**-**	**(1,271)**	**-**	**-**	**(970)**
Activities other than social housing activities:						
Properties developed for outright sale	**47,234**	**(41,425)**	**(2,896)**	**-**	**-**	**2,913**
Other	**4,697**	**(40)**	**(4,474)**	**90**	**-**	**273**
Non-social housing activities	**51,931**	**(41,465)**	**(7,370)**	**90**	**-**	**3,186**
Surplus on disposal of tangible assets	**-**	**-**	**-**	**-**	**3,890**	**3,890**
Total	**182,711**	**(41,465)**	**(115,140)**	**90**	**3,890**	**30,086**

Group

2022	Turnover	Cost of sales	Operating expenditure	Other operating income	Surplus on disposal	Operating surplus / (deficit)
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Social housing lettings (note 2b)	125,961	-	(103,414)	-	-	22,547
Other social housing activities:						
Charge for support services	293	-	(1,246)	-	-	(953)
Other social housing activities	293	-	(1,246)	-	-	(953)
Activities other than social housing activities:						
Properties developed for outright sale	37,897	(31,527)	(2,755)	-	-	3,615
Other	4,533	(43)	(4,942)	256	-	(196)
Non-social housing activities	42,430	(31,570)	(7,697)	256	-	3,419
Surplus on disposal of tangible assets	-	-	-	-	1,782	1,782
Total	168,684	(31,570)	(112,357)	256	1,782	26,795

Notes to the financial statements (continued)
for the year ended 31 March 2023

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

Association	**Turnover**	**Operating expenditure**	**Other operating income**	**Surplus on disposal**	**Operating surplus / (deficit)**
					2023
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Social housing lettings (note 2b)	**130,479**	**(106,552)**	**-**	**-**	**23,927**
Other social housing activities:					
Charges for support services	**292**	**(1,272)**	**-**	**-**	**(980)**
Other social housing activities	**292**	**(1,272)**	**-**	**-**	**(980)**
Activities other than social housing activities:					
Other	**5,211**	**(4,441)**	**42**	**-**	**812**
Non-social housing activities	**5,211**	**(4,441)**	**42**	**-**	**812**
Surplus on disposal of tangible assets	**-**	**-**	**-**	**3,890**	**3,890**
Total	**135,982**	**(112,265)**	**42**	**3,890**	**27,649**

Association	**Turnover**	**Operating expenditure**	**Other operating income**	**Surplus on disposal**	**Operating surplus / (deficit)**
					2022
	£'000	£'000	**£'000**	£'000	£'000
Social housing lettings (note 2b)	125,961	(103,461)	**-**	-	22,500
Other social housing activities:					
Charges for support services	292	(1,246)	**-**	-	(954)
Other social housing activities	292	(1,246)	**-**	-	(954)
Activities other than social housing activities:					
Other	5,009	(4,983)	**-**	-	26
Non-social housing activities	5,009	(4,983)	**-**	-	26
Surplus on disposal of tangible assets	-	-	**-**	1,782	1,782
Total	131,262	(109,690)	**-**	1,782	23,354

Notes to the financial statements (continued)
for the year ended 31 March 2023

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

Group				**2023**	**2022**
	General needs housing	**Supported Housing and housing for older people**	**Shared ownership**	**Total**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Income					
Rent receivable net of identifiable service charges	**125,863**	**1,153**	**228**	**127,244**	123,424
Service charge income	**2,602**	**423**	**-**	**3,025**	2,372
Net rents receivable	**128,465**	**1,576**	**228**	**130,269**	125,796
Amortised Government grants	**210**	**-**	**-**	**210**	165
Turnover from social housing lettings	**128,675**	**1,576**	**228**	**130,479**	125,961
Operating expenditure					
Management	**(21,343)**	**(344)**	**-**	**(21,687)**	(21,033)
Service charge costs	**(3,065)**	**(498)**	**-**	**(3,563)**	(3,458)
Routine maintenance	**(37,077)**	**-**	**-**	**(37,077)**	(34,590)
Planned maintenance	**(7,212)**	**-**	**-**	**(7,212)**	(8,388)
Major repairs expenditure	**(6,854)**	**-**	**-**	**(6,854)**	(4,986)
Bad debts	**32**	**-**	**-**	**32**	(338)
Lease costs	**(1,700)**	**-**	**-**	**(1,700)**	(1,787)
Depreciation of housing properties	**(28,140)**	**-**	**-**	**(28,140)**	(28,398)
Impairment of housing properties	**(109)**	**-**	**-**	**(109)**	(109)
Other costs (redundancy)	**(189)**	**-**	**-**	**(189)**	(327)
Operating expenditure on social housing lettings	**(105,657)**	**(842)**	**-**	**(106,499)**	(103,414)
Operating surplus on social housing lettings	**23,018**	**734**	**228**	**23,980**	22,547
Rent losses from voids (being rental income lost as a result of a property not being let)	**(2,007)**	**(16)**	**-**	**(2,023)**	(1,814)

Notes to the financial statements (continued)
for the year ended 31 March 2023

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

Association				**2023**	2022
	General needs housing	**Supported Housing and housing for older people**	**Shared ownership**	**Total**	Total
	£'000	**£'000**	**£'000**	**£'000**	£'000
Income					
Rent receivable net of identifiable service charges	**125,863**	**1,153**	**228**	**127,244**	123,424
Service charge income	**2,602**	**423**	**-**	**3,025**	2,372
Net rents receivable	**128,465**	**1,576**	**228**	**130,269**	125,796
Amortised Government grants	**210**	**-**	**-**	**210**	165
Turnover from social housing lettings	**128,675**	**1,576**	**228**	**130,479**	125,961
Operating expenditure					
Management	**(22,047)**	**(411)**	**-**	**(22,458)**	(21,693)
Service charge costs	**(3,065)**	**(498)**	**-**	**(3,563)**	(3,458)
Routine maintenance	**(36,259)**	**-**	**-**	**(36,259)**	(33,869)
Planned maintenance	**(7,208)**	**-**	**-**	**(7,208)**	(8,388)
Major repairs expenditure	**(6,850)**	**-**	**-**	**(6,850)**	(4,986)
Bad debts	**32**	**-**	**-**	**32**	(338)
Lease costs	**(1,700)**	**-**	**-**	**(1,700)**	(1,787)
Depreciation of housing properties	**(28,248)**	**-**	**-**	**(28,248)**	(28,506)
Impairment of housing properties	**(109)**	**-**	**-**	**(109)**	(109)
Other costs (redundancy)	**(189)**	**-**	**-**	**(189)**	(327)
Operating expenditure on social housing lettings	**(105,643)**	**(909)**	**-**	**(106,552)**	(103,461)
Operating surplus on social housing lettings	**23,032**	**667**	**228**	**23,927**	22,500
Rent losses from voids (being rental income lost as a result of a property not being let)	**(2,007)**	**(16)**	**-**	**(2,023)**	(1,814)

Notes to the financial statements (continued)

for the year ended 31 March 2023

3. Employees

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

	Group 2023 No.	**Association 2023 No.**	Group 2022 No.	Association 2022 No.
Central enabling services	**178**	**178**	163	163
Selling homes	**65**	**-**	64	-
Operations	**733**	**733**	751	751
	976	**911**	978	914

The aggregate payroll costs of these persons were as follows:

	Group 2023 £'000	**Association 2023 £'000**	Group 2022 £'000	Association 2022 £'000
Wages and salaries	**33,497**	**30,577**	31,657	28,836
Social security costs	**3,529**	**3,189**	3,101	2,791
Defined benefit plan	**10,000**	**9,489**	13,190	12,366
Defined contribution plan	**862**	**707**	381	282
	47,888	**43,962**	48,329	44,275
Redundancy costs*	**234**	**194**	404	367
	48,122	**44,156**	48,733	44,642

* Includes compensatory pay, redundancy pay and payment in lieu of notice.

Salary banding for all employees whose total remuneration, including pension exceeds £60,000 (including Executive Directors) per annum is as follows:

	Group 2023 No.	**Association 2023 No.**	Group 2022 No.	Association 2022 No.
£60,001 - £70,000	**44**	**36**	42	35
£70,001 - £80,000	**22**	**16**	19	16
£80,001 - £90,000	**11**	**9**	17	12
£90,001 - £100,000	**9**	**6**	5	4
£100,001 - £110,000	**3**	**2**	3	3
£110,001 - £120,000	**-**	**-**	1	1
£120,001 - £130,000	**4**	**4**	2	1
£140,001 - £150,000	**1**	**1**	1	1
£150,001 - £160,000	**1**	**1**	1	1
£160,001 - £170,000	**-**	**-**	1	1
£170,001 - £180,000	**1**	**1**	-	-
£180,001 - £190,000	**-**	**-**	-	-
£190,001 - £200,000	**1**	**1**	1	1
£240,001 - £250,000	**1**	**1**	1	1

Notes to the financial statements (continued)

for the year ended 31 March 2023

4. Directors' and key management personnel remuneration

	2023	2022
	£'000	£'000
Non-Executive Directors' remuneration	**109**	137
Executive Directors' and key management personnel remuneration (page 55)	**635**	645
Association contributions to group wide defined benefit plan	**133**	136
Association contributions to defined contribution plan	**18**	14
Compensation for loss of office *	**-**	29
	895	961

*2022: Compensatory pay for one Executive Director

Retirement benefits are accruing to three (2022: three) of the above senior staff under a defined benefit scheme and one (2022: one) of the above senior staff under a defined contribution scheme. The aggregate remuneration (excluding pension contributions) of the highest paid director was £231,185 (2022: £229,055).

The Group made £17,746 (2022: £13,743) in pension contributions for the Chief Executive (resigned 31 March 2023).

The Group made £12,223 (2022: £nil) in pension contributions for the Interim Chief Executive (appointed 4 January 2023) as an ordinary member of the LGPS group wide defined benefit plan. The Interim Chief Executive has no enhanced or special terms and has no other pension arrangements to which the Association contributes.

		2023	2022
		Remuneration	Remuneration
Board Member	**Board role**	**£'000**	£'000
Alison Fellows	Non-Executive Director	**11**	10
Brenda Naisby	Non-Executive Director	**10**	10
Carol Long	Non-Executive Director	**10**	10
Christopher Watson	Non-Executive Director	**12**	10
Claire Long	Non-Executive Director	**12**	10
David Murtagh	Non-Executive Director	**12**	15
Debra Waller	Non-Executive Director	**-**	1
Dianne Sharp	Non-Executive Director	**-**	9
Ellen Thinnesen	Non-Executive Director	**-**	-
Emily Cox, MBE	Chair	**6**	12
Hannah Pollard	Non-Executive Director	**5**	-
James Prestwich	Non-Executive Director	**4**	-
Karen Noble	Non-Executive Director	**1**	7
Kehri Ellis	Non-Executive Director	**6**	10
Keith Loraine, OBE	Chair	**11**	23
Patricia Smith	Non-Executive Director	**7**	-
Philip Tye	Non-Executive Director	**2**	10
Total		**109**	137

Emily Cox has waived remuneration since becoming Chair of the Board.

The independent RAC Member, Alan Gallagher (appointed 21/10/2021), received £5,000 (2022: £2,218).
The independent RAC Member, Susan Johnson, received £nil (2022: £4,600) in remuneration.
The independent Development Committee Member, Gerard Walsh, received £5,000 (2022: £5,000) in remuneration.

Notes to the financial statements (continued)
for the year ended 31 March 2023

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

The Board reviews remuneration every three years and this is done with the advice of an external consultant and includes benchmarking and comparator information and also reviews the requirements of the NHF Code. The three-year cycle fell within 2021/22 and the external consultant's report was taken to the People Committee in January 2022 and they made a recommendation for approval at the January 2022 Group Board meeting, where it was duly approved. The review recommended no changes to the remuneration. The next full remuneration review will be carried out in two years with a 'light touch' annual review each year.

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

		2023 No.			2022 No.
£100,001 - £110,000		**-**	£100,001 - £110,000	Susan Thompson	1
£110,001 - £120,000		**-**	£110,001 - £120,000	Diane Carney	1
£150,001 - £160,000	**Susan Thompson**	**1**	£150,001 - £160,000		-
£160,001 - £170,000		**-**	£160,001 - £170,000	Louise Bassett	1
£170,001 – £180,000	**Louise Bassett**	**1**	£170,001 – £180,000		-
£190,001 - £200,000	**Peter Lenehan**	**1**	£190,001 - £200,000	Peter Lenehan	1
£240,001 - £250,000	**Nigel Wilson**	**1**	£240,001 - £250,000	Nigel Wilson	1

5. Surplus on disposal of tangible fixed assets

	Group 2023 £'000	**Association 2023 £'000**	Group 2022 £'000	Association 2022 £'000
Proceeds from sales	**12,038**	**12,038**	7,624	7,624
Cost of sales	**(7)**	**(7)**	(213)	(213)
Net book value of assets sold	**(7,714)**	**(7,714)**	(5,251)	(5,251)
	4,317	**4,317**	2,160	2,160
Transfer to recycled capital grant fund	**(427)**	**(427)**	(378)	(378)
	3,890	**3,890**	1,782	1,782

Notes to the financial statements (continued)
for the year ended 31 March 2023

6. Expenses and auditor's remuneration

	Group 2023 £'000	**Association 2023 £'000**	Group 2022 £'000	Association 2022 £'000
Included in surplus are the following:				
Depreciation:				
Housing properties	**28,140**	**28,248**	28,398	28,506
Other tangible fixed assets	**1,750**	**1,756**	1,605	1,597
Impairment loss on housing properties	**109**	**109**	109	109
Change in value of investment property	**632**	**632**	958	958
Fair value adjustment	**(104)**	**-**	(103)	-
Redundancy costs	**234**	**194**	404	367
Auditor's remuneration:				
Audit of these financial statements	**119**	**119**	89	89
Amounts receivable by the Association's auditor and its associates in the respect of:				
Audit of financial statements of subsidiaries of the Association	**21**	**-**	21	-
Audit-related assurance services	**8**	**8**	40	40

7. Interest receivable and similar income

	Group 2023 £'000	**Association 2023 £'000**	Group 2022 £'000	Association 2022 £'000
Interest receivable and similar income	**720**	**720**	1,003	1,003
Interest receivable from Group undertakings	**-**	**2,108**	-	1,313
Gain on early repayment of loans	**5,262**	**5,262**	-	-
	5,982	**8,090**	1,003	2,316
Net interest income on net defined benefit plan (liabilities)/assets	**120**	**120**	30	30
	6,102	**8,210**	1,033	2,346

Notes to the financial statements (continued)
for the year ended 31 March 2023

8. Interest payable and similar charges

	Group	**Association**	Group	Association
	2023	**2023**	2022	2022
	£'000	**£'000**	£'000	£'000
Interest on loans repayable	**24,542**	**24,447**	21,056	20,984
Bank fees and similar charges*	**1,891**	**1,891**	618	618
Capitalised interest**	**(181)**	**(181)**	(567)	(567)
Early loan redemption costs	**1,856**	**1,856**	-	-
Interest payable and similar charges	**28,108**	**28,013**	21,107	21,035

*Bank fees and similar charges includes £1,252k of release of arrangement fees in relation to the re-financing, see note 22.
** Capitalisation rate of 5.14% (2022: 4.19%).

9. Taxation

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

	Group	**Association**	Group	Association
	2023	**2023**	2022	2022
	£'000	**£'000**	£'000	£'000
Total current tax	**-**	**-**	179	179
Adjustments in respect of prior periods	**(140)**	**(179)**	-	-
	(140)	**(179)**	179	179

Reconciliation of effective tax rate

	Group	**Association**	Group	Association
	2023	**2023**	2022	2022
	£'000	**£'000**	£'000	£'000
Surplus for the year	**7,537**	**7,199**	4,509	4,080
Tax at standard rate of 19% (2022: 19%)	**1,432**	**1,368**	857	775
Expenses not deductible	**2**	**-**	4	-
Charitable tax exemptions	**(1,166)**	**(1,108)**	(557)	(532)
Gift aid	**(30)**	**-**	(107)	-
Adjustments in respect of prior periods	**(140)**	**(179)**	-	-
Deferred tax not recognised	**(82)**	**(108)**	17	4
Effects of group and other reliefs	**-**	**(10)**	-	(67)
Losses	**(6)**	**-**	(29)	-
Tax rate changes	**(150)**	**(142)**	(6)	(1)
Total tax (credit)/charge included in profit or loss	**(140)**	**(179)**	179	179

In total, the Group and Association have an unrecognised deferred tax asset of £0.6m (2022: £1.2m).

The Finance Act 2021, which was substantively enacted on 24 May 2021, included provisions to increase the UK corporation tax from 19% to 25%, effective 1 April 2023. This rate has been applied when calculating deferred tax at the year end..

Notes to the financial statements (continued)
for the year ended 31 March 2023

10. Intangible fixed assets

Group and Association

	Software
	£'000
Cost	
At 1 April 2022	-
Additions	1,044
At 31 March 2023	**1,044**
Net book value	
At 31 March 2023	**1,044**

Intangible fixed assets will be amortised once completed and available for use.

Notes to the financial statements (continued)

for the year ended 31 March 2023

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					
Reported at 1 April 2022	1,297,191	8,446	9,965	1,627	1,317,229
Additions	-	-	19,807	-	19,807
Enhancements	35,878	-	-	532	36,410
Interest capitalised	-	-	181	-	181
Schemes completed	9,082	-	(9,082)	-	-
Disposals	(11,829)	(591)	-	(33)	(12,453)
At 31 March 2023	**1,330,322**	**7,855**	**20,871**	**2,126**	**1,361,174**
Depreciation					
Reported at 1 April 2022	272,527	142	-	455	273,124
Depreciation charge for the year	28,067	-	-	73	28,140
Disposals	(4,959)	(10)	-	(33)	(5,002)
Impairment	19	-	-	90	109
At 31 March 2023	**295,654**	**132**	**-**	**585**	**296,371**
Net book value					
At 31 March 2023	**1,034,668**	**7,723**	**20,871**	**1,541**	**1,064,803**
At 31 March 2022	1,024,664	8,304	9,965	1,172	1,044,105

Security
£875.0m (27,832 units) of completed properties net book value is held as security against debt (note 22).

Borrowing costs
The amount of borrowing costs capitalised to tangible fixed assets – housing properties during the period was £181,000 (2022: £567,000) with a capitalisation rate of 5.14% (2022: 4.19%).

Social housing assistance
The amount of social housing grant received or receivable during the current year was £6.642m (2022: £5.079m) and is held in deferred income. See note 24 for the cumulative grant position.

Deemed cost
On transition to FRS 102 in 2015/16 the Group took the option to hold revalued assets at deemed cost. The closing historic cost net book value of these assets is £665,340,000 (2022: £687,898,000).

Impairment
An impairment assessment is only required where any impairment indicators are identified. No general impairment indicators, which would require a full impairment assessment of all housing properties, have been identified. However, a provision of £0.1m has been made for specific circumstances, being garages identified for demolition.

Notes to the financial statements (continued)
for the year ended 31 March 2023

11. Tangible fixed assets – housing properties (continued)

Expenditure to works on existing properties:

	2023	2022
	£'000	£'000
Amounts capitalised – enhancements	**36,410**	32,416
Amounts charged to statement of comprehensive income (note 2b)	**6,854**	4,986
	43,264	37,402

Notes to the financial statements (continued)
for the year ended 31 March 2023

11. Tangible fixed assets – housing properties (continued)

Association	**Housing properties held for letting £'000**	**Shared ownership £'000**	**Housing properties under construction £'000**	**Garages held for letting £'000**	**Total £'000**
Cost					
Reported at 1 April 2022	1,302,704	9,187	9,965	1,477	1,323,333
Additions	-	-	19,278	-	19,278
Enhancements	35,878	-	-	532	36,410
Interest capitalised	-	-	181	-	181
Schemes completed	9,082	-	(9,082)	-	-
Disposals	(11,829)	(591)	-	(33)	(12,453)
At 31 March 2023	**1,335,835**	**8,596**	**20,342**	**1,976**	**1,366,749**
Depreciation					
Reported at 1 April 2022	273,123	144	-	304	273,571
Depreciation charge for the year	28,175	-	-	73	28,248
Disposals	(4,959)	(10)	-	(33)	(5,002)
Impairment	19	-	-	90	109
At 31 March 2023	**296,358**	**134**	**-**	**434**	**296,926**
Net book value					
At 31 March 2023	**1,039,477**	**8,462**	**20,342**	**1,542**	**1,069,823**
At 31 March 2022	1,029,581	9,043	9,965	1,173	1,049,762

Security
£875.0m (27,832 units) of completed properties net book value is held as security against debt (note 22).

Borrowing costs
The amount of borrowing costs capitalised to tangible fixed assets – housing properties during the period was £181,000 (2022: £567,000) with a capitalisation rate of 5.14% (2022: 4.19%).

Social housing assistance
The amount of social housing grant received, or receivable was £6.642m (2022: £5.079m) and is held in deferred income. See note 24 for the cumulative grant position.

Deemed cost
On transition to FRS 102 in 2015/16 the Group took the option to hold revalued assets at deemed cost. The closing historic cost net book value of these assets is £665,340,000 (2022: £687,898,000).

Impairment
An impairment assessment is only required where any impairment indicators are identified. No general impairment indicators, which would require a full impairment assessment of all housing properties, have been identified. However, a provision of £0.1m has been made for specific circumstances, being garages identified for demolition.

Notes to the financial statements (continued)

for the year ended 31 March 2023

11. Tangible fixed assets – housing properties (continued)

Expenditure to works on existing properties:

	2023	2022
	£'000	£'000
Amounts capitalised – enhancements	**36,410**	32,416
Amounts charged to statement of comprehensive income (note 2b)	**6,850**	4,986
	43,260	37,402

Notes to the financial statements (continued)

for the year ended 31 March 2023

12. Tangible fixed assets – other

Group	**Land and buildings £'000**	**Furniture, fixtures and fittings £'000**	**Vehicles and equipment £'000**	**Total £'000**
Cost				
At 1 April 2022	19,456	2,479	8,959	30,894
Additions	349	458	407	1,214
Disposals	(2,453)	(76)	(68)	(2,597)
Category transfer	-	332	(332)	-
At 31 March 2023	**17,352**	**3,193**	**8,966**	**29,511**
Depreciation and impairment				
At 1 April 2022	8,350	1,011	3,873	13,234
Depreciation charge for the year	333	290	1,127	1,750
Disposals	(2,325)	(9)	-	(2,334)
Category transfer	-	83	(83)	-
At 31 March 2023	**6,358**	**1,375**	**4,917**	**12,650**
Net book value				
At 31 March 2023	**10,994**	**1,818**	**4,049**	**16,861**
At 31 March 2022	11,106	1,468	5,086	17,660

Within disposals, across all categories, there are £839k of nil net book value assets which had been disposed of in previous years. These have been corrected in the current year and are not a prior year adjustment due to the £nil net book value.

The net book value of land and buildings comprises:

	2023 £'000	2022 £'000
Freehold	**10,372**	10,463
Long leasehold	**622**	643
	10,994	11,106

Notes to the financial statements (continued)
for the year ended 31 March 2023

12. Tangible fixed assets – other (continued)

Association	**Land and buildings £'000**	**Furniture, fixtures and fittings £'000**	**Vehicles and Equipment £'000**	**Total £'000**
Cost				
At 1 April 2022	19,607	2,511	8,640	30,758
Additions	349	458	407	1,214
Disposals	(2,453)	(76)	(68)	(2,597)
Category transfer	-	332	(332)	-
At 31 March 2023	**17,503**	**3,225**	**8,647**	**29,375**
Depreciation and impairment				
At 1 April 2022	8,431	1,012	3,544	12,987
Depreciation charged for the year	339	290	1,127	1,756
Disposals	(2,325)	(9)	-	(2,334)
Category transfer	-	83	(83)	-
At 31 March 2023	**6,445**	**1,376**	**4,588**	**12,409**
Net book value				
At 31 March 2023	**11,058**	**1,849**	**4,059**	**16,966**
At 31 March 2022	11,176	1,499	5,096	17,771

Within disposals, across all categories, there are £839k of nil net book value assets which had been disposed of in previous years. These have been corrected in the current year and are not a prior year adjustment due to the £nil net book value.

The net book value of land and buildings comprises:

	2023 £'000	2022 £'000
Freehold	**10,436**	10,533
Long leasehold	**622**	643
	11,058	11,176

Notes to the financial statements (continued)

for the year ended 31 March 2023

13. Investment properties - Group and Association

	Freehold
	£'000
At 1 April 2022	8,087
Disposals	(100)
Fair value adjustment for investment property	(632)
At 31 March 2023	**7,355**

In accordance with FRS 102, investment properties are held at fair value and are not depreciated.

During the year an investment property with a fair value of £100k was disposed of for £85k, generating a loss of £15k.

2023: Management have reviewed the fair value of the investment properties as at 31 March 2023 and as a result of this, a fair value decrease of £632k was required. £3.5m 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. The valuations, which are supported by market evidence, are prepared by considering the aggregate of the net annual rents receivable, and assumed net effective rent yields, from the properties and where relevant, associated costs. The remainder of the portfolio has been valued by considering potential divestment values by the Directors. Any gain or loss arising for a change in fair value is recognised in the statement of comprehensive income.

2022: Management have reviewed the fair value of the investment properties as at 31 March 2022 and as a result of this, a fair value decrease of £958k was required. The review, which is supported by market evidence, is prepared by considering potential divestment values and 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 profit or loss. Rental income from investment properties is accounted for as described in the turnover accounting policy. The Directors consider the remaining carrying value of investment properties to be an appropriate fair value.

14. Other investments - Group and Association

	2023	2022
	£'000	£'000
Other investments	30	30
	30	30

Notes to the financial statements (continued)
for the year ended 31 March 2023

15. Investment in subsidiaries

Association	Investment in subsidiaries 2023 £'000	Investment in subsidiaries 2022 £'000
Cost and net book value		
At 31 March	**250**	250

The Association has the following investments in subsidiaries:

Subsidiary undertakings	Aggregate of capital and reserves	Profit/(loss) for year	Country of incorporation	Registered number	Class and percentage of shares held
Non-registered providers	**£'000**	**£'000**			
Gentoo Homes Limited	1,071	94	England	04739226	Ordinary – 100%
Gentoo Developments Limited	13	-	England	06192887	Ordinary – 100%
Gentoo Genie Limited	513	129	England	07083129	Ordinary – 100%
Genie Homeplan Limited*	-	-	England	07103094	Ordinary – 100%
Gentoo Services Limited*	-	-	England	12521655	Ordinary – 100%
Cottier Grange Estates Management Company Limited**	-	-	England	11375748	Ordinary – 100%
Meadow View (Houghton Le Spring) Residents Management Company Limited**	-	-	England	12358797	Ordinary – 100%

*Dormant subsidiaries
** Subsidiaries of Gentoo Homes Limited

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

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**:**

	Income from 2023 £'000	Purchases from 2023 £'000	Income from 2022 £'000	Purchases from 2022 £'000
Gentoo Homes Limited				
Group management charges	**655**	**-**	657	-
Gentoo renewal plan	**-**	**1,332**	-	172
Group interest charges	**2,037**	**-**	1,212	-
Developments interest charges	**-**	**-**	4	-
	2,692	**1,332**	1,873	172
Gentoo Developments Limited				
Gentoo Homes interest charges	**-**	**-**	-	4
	-	**-**	-	4
Gentoo Genie Limited – interest charge	**72**	**-**	101	-
	2,764	**1,332**	1,974	176

Notes to the financial statements (continued)
for the year ended 31 March 2023

16. HomeBuy loans receivable - Group and Association

	Total
	£'000
Loans advanced to borrowers at 1 April 2022	**358**
Repaid during the year	**(55)**
Loans advanced to borrowers at 31 March 2023	**303**

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

	Group	**Association**	Group	Association
	2023	**2023**	2022	2022
	£'000	**£'000**	£'000	£'000
Cash held in secured accounts	**26,870**	**26,870**	26,554	26,554
Amounts owed by group undertakings	**-**	**34,608**	-	28,465
Genie Home Purchase Plans (HPP)	**2,265**	**199**	2,463	305
Deferred income	**(458)**	**(84)**	(523)	(116)
	28,677	**61,593**	28,494	55,208

The HPP arrangements are valued at fair value. Management have reviewed the fair value of the HPP arrangements as at 31 March 2023 and, as a result of this, a Group fair value increase of £104k (2022: £103k) 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 is 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.

The loans with the subsidiaries includes interest charges which may fluctuate in accordance with changes in SONIA.

The amounts owed by group undertakings is with the Association's subsidiaries, Gentoo Homes Limited £33.3m and Gentoo Genie Limited £1.3m.

Cash held in secured accounts represents the additional security required for the £204.8m loan from T.H.F.C. To meet security requirements the £26.9m needs to be held in a secured account until the debt is repaid. This cash cannot be drawn for use in the business until this point.

Notes to the financial statements (continued)

for the year ended 31 March 2023

18. Stock

	Group 2023 £'000	**Association 2023 £'000**	Group 2022 £'000	Association 2022 £'000
Properties under construction	**43,145**	**-**	45,682	-
Completed properties	**2,375**	**-**	2,481	-
Properties held for resale	**1**	**-**	2	-
Land held for development	**10,656**	**10,656**	10,521	10,521
Raw materials and consumables	**728**	**728**	693	692
Work in progress – shared ownership	**456**	**456**	-	-
	57,361	**11,840**	59,379	11,213

There are a number of developments that had funding agreed from Homes England's Home Building Fund (note 21). This funding was secured by way of a first charge against the land to be developed, and was applicable to the following sites:

Churchfields, Sunderland

Sweetbriar Park, Darlington

19. Debtors

	Group 2023 £'000	**Association 2023 £'000**	Group 2022 £'000	Association 2022 £'000
Rents and service charges receivable	**3,966**	**3,966**	6,243	6,243
Less: provision for bad and doubtful debts	**(2,804)**	**(2,804)**	(3,552)	(3,552)
Net rent and service charge debtors	**1,162**	**1,162**	2,691	2,691
Trade debtors	**1,184**	**1,100**	1,287	1,219
Less: provision for bad debts and doubtful debts	**(161)**	**(121)**	(2)	1
Amounts owed by group undertakings	**-**	**6,561**	-	9,430
Other debtors	**7,406**	**6,477**	1,986	3,565
Prepayments and accrued income	**4,127**	**4,082**	4,699	3,717
	13,718	**19,261**	10,661	20,623

Transactions with subsidiaries are undertaken at arm's length (see notes 15, 17 and 20).

The amounts owed by group undertakings is with the Association's subsidiaries Gentoo Homes Limited £6,510k, Gentoo Genie Limited £50k and Gentoo Developments Limited £1k.

Notes to the financial statements (continued)

for the year ended 31 March 2023

20. Creditors: amounts falling due within one year

	Group	**Association**	Group	Association
	2023	**2023**	2022	2022
	£'000	**£'000**	£'000	£'000
Commercial debt (note 22)	**5,477**	**5,477**	13,262	13,262
Trade creditors	**2,738**	**2,203**	2,802	1,971
Rent and service charges received in advance	**3,656**	**3,656**	3,633	3,633
Taxation and social security	**1,310**	**1,310**	880	879
Other creditors	**7,302**	**5,286**	5,105	4,524
Amounts owed to group undertakings	**-**	**825**	-	433
Deferred capital grant (note 24)	**265**	**265**	191	191
Accruals and deferred income	**20,285**	**15,836**	19,939	14,666
	41,033	**34,858**	45,812	39,559

The amounts owed to group undertakings is with the Association's subsidiary Gentoo Homes Limited.

Leaseholders' funds

As at 31 March 2023 the Group and Association held funds on behalf of leaseholders in respect of schemes under management of £2.9m (2022: £2.6m). These are included in other creditors within creditors: amounts falling due within one year.

Notes to the financial statements (continued)

for the year ended 31 March 2023

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

	Group 2023 £'000	**Association 2023 £'000**	Group 2022 £'000	Association 2022 £'000
Commercial debt (note 22)	**507,651**	**507,651**	484,227	484,227
Other debt (note 22)	**-**	**-**	5,274	-
Deferred capital grant (note 24)	**31,231**	**31,231**	24,747	24,747
Other creditors	**12,110**	**12,110**	12,110	12,110
Recycled capital grant fund (note 23)	**884**	**884**	577	577
	551,876	**551,876**	526,935	521,661

The commercial debt is secured by way of a fixed charge on the housing properties of the Group. Interest is charged to the subsidiary companies based on the amounts that are on-lent during the year.

In March 2021 a funding facility was agreed with Homes England which provided funding of £9.1m relating to two schemes via the Home Building Fund. The security for this facility was put in place during the prior year and £5.3m of funding was drawn at 31 March 2022. This facility was repaid during the year.

Notes to the financial statements (continued)
for the year ended 31 March 2023

22. Debt analysis

Borrowings

	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Due within one year				
Bank loans*	**5,976**	**5,976**	13,432	13,432
Issue costs	**(499)**	**(499)**	(170)	(170)
	5,477	**5,477**	13,262	13,262
Due after more than one year				
Bank loans*	**400,366**	**400,366**	485,437	485,437
Other loans	**110,000**	**110,000**	5,274	-
Issue costs	**(2,715)**	**(2,715)**	(1,210)	(1,210)
	507,651	**507,651**	489,501	484,227
Total borrowings	**513,128**	**513,128**	502,763	497,489

******Bank loans due within one year includes £199k deferred gain and after more than one year £1,354k relating to a THFC bond coupon which is being amortised over the life of the bond.*

Security
The commercial loans are secured by way of a fixed charge on the housing properties of the Association.

Re-financing
The Group completed a re-financing process on 26 January 2023 resulting in a £460m restructure of the Treasury portfolio. £360m of legacy, partly syndicated debt was refinanced by a 40 year £110m private placement and £350m in bank facilities provided by NatWest, ABN AMRO, and HSBC. £303.1m of drawn debt was repaid and cancelled attracting a break loss of £1.856m with one funder and a £5.262m break gain with another funder, see notes 7 and 8.

Terms of repayment and interest rates
Bank and other loans are repaid by both annual instalments and bullet repayments. The final instalments fall to be repaid in the period from 2028 to 2063. The group borrows at both fixed and variable interest rates with fixed rates of interest ranging from 3.485% to 6.38%. The group's 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.

At 31 March 2023 the Group had undrawn borrowing facilities of £155.0m (2022: £85.7m).

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	Group 2023 £'000	Association 2023 £'000	Group 2022 £'000	Association 2022 £'000
Within one year or on demand	**5,477**	**5,477**	13,262	13,262
One year or more but less than two years	**5,832**	**5,832**	19,532	14,258
Two years or more but less than five years	**119,953**	**119,953**	79,228	79,228
Five years or more	**381,866**	**381,866**	390,741	390,741
	513,128	**513,128**	502,763	497,489

Notes to the financial statements (continued)

for the year ended 31 March 2023

23. Recycled Capital Grant Fund - Group and Association

	£'000
At 1 April 2022	**577**
Grants recycled (note 24)	**165**
Grants recycled from reserves	**427**
Recycling of grant: new build	**(285)**
Balance at 31 March 2023	**884**

There are no amounts (2022: £nil) three years old or older where repayment may be required.

24. Social Housing Grant – Group and Association

	2023	2022
Cost	**£'000**	£'000
At 1 April	**25,722**	20,695
Received during the year	**6,642**	5,079
Transferred from RCGF	**285**	-
Recycled on disposal	**(165)**	(52)
At 31 March	**32,484**	25,722
Amortisation		
At 1 April	**784**	620
Released in the year	**210**	165
Released on disposal	**(6)**	(1)
At 31 March	**988**	784
At 31 March	**31,496**	24,938

	2023	2022
	£'000	£'000
Amounts to be released within one year	**265**	191
Amounts to be released in more than one year	**31,231**	24,747
	31,496	24,938

Notes to the financial statements (continued)

for the year ended 31 March 2023

25. Employee benefits

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. The last full actuarial valuation was performed on 31 March 2022.

Net pension asset/(liability)	2023 £'000	2022 £'000
Defined benefit obligation	**(245,120)**	(349,370)
Plan assets	**388,320**	386,420
Restriction for asset ceiling*	**(143,200)**	(37,050)
Net pension	**-**	-

Movements in present value of defined benefit obligation	2023 £'000	2022 £'000
At 1 April	**349,370**	363,130
Current service cost	**10,000**	12,990
Past service cost	**-**	200
Interest expense	**9,660**	7,550
Contributions by members	**1,660**	1,800
Actuarial gain on scheme liabilities	**(115,020)**	(27,130)
Benefits paid	**(10,550)**	(9,170)
At 31 March	**245,120**	349,370

Movements in fair value of plan assets	2023 £'000	2022 £'000
At 1 April	**386,420**	359,860
Interest income	**10,810**	7,580
Remeasurement: return on plan assets less interest income	**(8,420)**	17,000
Contributions by employer	**8,400**	9,350
Contributions by members	**1,660**	1,800
Benefits paid	**(10,550)**	(9,170)
At 31 March	**388,320**	386,420

Expense recognised in the statement of comprehensive income	2023 £'000	2022 £'000
Current service cost	**(10,000)**	(12,990)
Past service cost	**-**	(200)
Net interest on net defined benefit liability	**120**	30
Total expense recognised in the statement of comprehensive income	**(9,880)**	(13,160)

* To comply with FRS 102 paragraph 28, an entity shall recognise a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. A recognisable net asset of £1.35m has been calculated based on the potential economic benefit that could be available from a reduction in future contributions. As this is not considered to be material in the context of the financial statements, an asset has not been recognised.

The difference between the £10,000k current service cost and the £8,400k employer contributions, £1,600k, represents a non-cash change.

Notes to the financial statements (continued)
for the year ended 31 March 2023

25. Employee benefits (continued)

	2023	2022
	£'000	£'000
Actuarial (loss) / gain in respect of pension asset	**(8,420)**	44,130
Actuarial gain in respect of pension liability – financial assumptions	**137,270**	-
Actuarial gain in respect of pension liability – demographic assumptions	**(1,150)**	-
Actuarial gain in respect of pension liability – liability experience	**(21,100)**	-
Adjustment in respect of asset ceiling	**(105,120)**	(37,050)
Total amount recognised in other comprehensive income	**1,480**	7,080

The fair value of the plan assets were allocated as follows:

	2023	**2023**	2022	2022
	Fair value	**Fair value**	Fair value	Fair value
	£'000	**%**	£'000	%
Equities	**198,830**	**51.2**	220,250	57.0
Government bonds	**5,050**	**1.3**	7,730	2.0
Corporate bonds	**75,720**	**19.5**	72,650	18.8
Property	**40,770**	**10.5**	32,460	8.4
Multi asset credit	**17,470**	**4.5**	-	-
Cash	**6,990**	**1.8**	6,960	1.8
Other	**43,490**	**11.2**	46,370	12.0
	388,320	**100**	386,420	100

The principal actuarial assumptions (expressed as weighted averages) at the year- end were as follows:

	2023	2022
	%	%
Discount rate	**4.7**	2.8
Future salary increases	**4.2**	4.4
CPI inflation	**2.7**	2.9
Pension increases	**2.7**	2.9
Pension accounts revaluation rate	**2.7**	2.9
	£'000	£'000
Actual return on plan assets	**2,390**	24,580

The mortality assumptions at the year-end were as follows:

	2023	2022
Current Pensioner aged 65		
Male	**21.6**	21.8
Female	**24.6**	25.0
Future retiree upon reaching 65		
Male	**22.9**	23.5
Female	**26.1**	26.7

Notes to the financial statements (continued)

for the year ended 31 March 2023

25. Employee benefits (continued)

The assumptions relating to longevity underlying the pension liabilities in 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 the number of years stated above.

Sensitivity analysis

The following table provides an indication of the sensitivity to changes in assumptions. The impact on the statement of comprehensive income tends to be hard to predict.

	Change	**Change in present value of total obligation £'000**	**Change**	**Change in present value of total obligation £'000**
Adjustment to discount rate	+ 0.1% p.a.	(4,410)	- 0.1% p.a.	4,660
Adjustment to salary increase rate	+ 0.1% p.a.	490	- 0.1% p.a	(490)
Adjustment to pension increase rate	+ 0.1% p.a.	4,170	- 0.1% p.a	(3,920)
Adjustment to mortality age rate assumption	- 1 year	6,370	+ 1 year	(6,370)

26. Capital commitments – Group and Association

	2023	2022
	£'000	£'000
Expenditure contracted for but not provided for in the financial statements	**108,970**	128,382
Expenditure authorised by Board but not contracted	**193,737**	154,556
	302,707	282,938

The commitments will be funded through Grant £1.3m (2022: £2m), social housing property Right to Buy and Right to Acquire sales £9.9m (2022: £6.7m), existing facilities and cash £176.8m (2022: £89.8m) and cash generated from operations and new facilities £114.7m (2022: £184.4m).

27. Contingent liabilities

Grant

The Group receives a grant from Homes England which is used to fund the acquisition and development of housing properties and their components. Under transition to FRS 102 revalued housing properties were held at deemed cost. For these properties grant is recognised under the performance model and £48.9m (2022: £48.9m) 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 2023 the timing of any future disposal is uncertain.

Notes to the financial statements (continued)

for the year ended 31 March 2023

28. Other financial commitments

Non-cancellable operating lease rentals (primarily relating to operational fleet vehicles) are payable as follows:

Group	2023	2022
	£'000	£'000
Less than one year	1,700	1,780
Between one and five years	1,695	3,520
More than five years	26	-
	3,421	5,300

During the year £1,797k was recognised as an expense in the statement of comprehensive income in respect of operating leases (2022: £1,868k).

Association	2023	2022
	£'000	£'000
Less than one year	1,621	1,700
Between one and five years	1,683	3,179
More than five years	26	-
	3,330	4,879

During the year £1,700k was recognised as an expense in the statement of comprehensive income in respect of operating leases (2022: £1,787k).

Notes to the financial statements (continued)
for the year ended 31 March 2023

29. Related parties

Identity of related parties with which the Association has transacted

The Board as at 31 March 2023 includes one Member who is an elected member 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.

	2023	2022
Transactions with the LA during the year were:	**£'000**	£'000
Sales to the LA	**296**	42
Purchases from the LA	**1,737**	1,128

	Receivables outstanding	**Creditors and accruals outstanding**	Receivables outstanding	Creditors and accruals outstanding
	2023	**2023**	2022	2022
	£'000	**£'000**	£'000	£'000
Local Authority	**14**	**7**	160	116

The Board also includes one Member who is a tenant of the Association. In addition, a Board Member's (resigned during the year) close family member is a tenant of the Association. The rent and service charges for the year in respect of these tenancies totalled £4,965 (2022: £5,016). The terms of the tenancy arrangements held by these individuals 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.

30. Accounting estimates and judgements

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.

Estimates uncertainty

Defined benefit pension
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 defined benefit surplus amount and the annual defined benefit expenses (as analysed in note 25). The net unrecognised defined benefit pension asset at 31 March 2023 was £143.2m.

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. Fair value measurements were applied to investment properties and HPP arrangements in the year. Refer to notes 13, 17 and 33 for more details.

Notes to the financial statements (continued)

for the year ended 31 March 2023

30. Accounting estimates and judgements (continued)

Property components and lives
Management review annually the assigned lives of assets and individual components. These decisions are made based on historic knowledge of the Group's assets and benchmarking against similar organisations. The depreciation charge is driven by asset and component lives. See notes 1.9, 11 and 12 for more details.

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 and land held for development has been performed. Estimated selling prices and costs 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. See note 18 for more details.

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. If gross profit margin should have been lower by 1%, it would have led to an increased cost of sale of £0.5m.

Judgements

Property classifications
The categorisation of property assets as investment properties or fixed assets is a matter of judgement and is based on the intended use of the property. Where the property is used for social benefit, it is categorised as a fixed asset. Only property which is intended to be used for commercial return or capital appreciation is categorised as an investment property. See note 13 for further details.

Impairment assessment
Indicators of impairment are considered annually and where an indicator exists, an impairment assessment is performed. This assessment applies management judgement in whether the indicator of impairment is applicable, and the key indicator of impairment has been identified. For the year ended 31 March 2023 an impairment charge of £0.1m (2022: £0.1m) resulted from this review.

Non-recognition of the defined benefit surplus
The net unrecognised defined benefit pension asset at 31 March 2023 was £143.2m. The asset has been restricted to comply with FRS 102 paragraph 28. An entity shall recognise a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. These criteria were not considered to be met, specifically as the scheme is in a funding deficit, a reduction in future contributions is not available and contributions are not based on the FRS 102 valuation. An asset was therefore not recognised.

Notes to the financial statements (continued)

for the year ended 31 March 2023

31. Share capital – Group and Association

	2023	2022
	£	£
Ordinary shares at £1 each at 1 April	**11**	11
Issued during the year	**4**	2
Surrendered during the year	**(5)**	(2)
At 31 March	**10**	11

The share capital is represented by 1 share held by each Member of the Association. Shareholders have a right to attend and vote at general meetings. Shareholders have no rights to a distribution on a winding up and have no rights to dividends.

32. Analysis of changes in net debt - Group

	At 1 April 2022	**Cashflows**	**Other non-cash movements**	**At 31 March 2023**
	£'000	**£'000**	**£'000**	**£'000**
Cash at bank and in hand	**13,931**	**7,941**	**-**	**21,872**
Bank loans due within one year	(13,262)	**7,785**	-	(5,477)
Bank loans due in greater than one year	(489,501)	**(20,204)**	**2,054**	(507,651)
	(488,832)	**(4,478)**	**2,054**	**(491,256)**

Refer to note 22 for further information on movements on bank and other loans.

33. Financial Instruments – non basic

	2023	2022
	£'000	£'000
Financial assets measured at fair value through consolidated statement of comprehensive income	**1,790**	1,848

The above non-basic financial instruments relate to the HPP arrangements of Gentoo Genie, one of the Group's subsidiaries. Details of the relevant accounting policies and treatment are included in notes 1.6 and 17.

The key risk associated with the above would be considered to be recovery of the amounts due. This is mitigated by the following:

- The customer contract fixes the settlement balance as being no lower than the original property sales price therefore providing protection against downwards HPI.
- The risk of customer default is reduced through a Board approved arrears policy and the legal contract in place which allows the Company to seek possession should the customer default.

Notes to the financial statements (continued)

for the year ended 31 March 2023

34. Housing stock – Group and Association

	Group and Association at 2022	**Units developed or acquired**	**Units sold or demolished**	**Other movements**	**Group and Association at 2023**
Social housing: owned and managed					
General needs social rent	26,681	-	(178)	14	26,517
Intermediate rent	28	-	(1)	(3)	24
Affordable rent	1,576	54	(12)	3	1,621
Shared ownership	164	-	(10)	-	154
Houses for older people	191	-	-	-	191
Houses for older people – affordable rent	42	-	-	-	42
Supported housing	6	-	-	(5)	1
Supported housing – affordable rent	1	-	-	-	1
Total social housing: owned and managed	**28,689**	**54**	**(201)**	**9**	**28,551**
Social housing: managed not owned					
General housing social rent	5	-	-	-	5
Supported housing	12	-	-	-	12
Leasehold schemes – freehold retained	711	7	(2)	-	716
Total social housing: managed not owned	**728**	**7**	**(2)**	**-**	**733**
Social housing: owned not managed					
General housing social rent	16	-	-	-	16
Affordable rent	1	-	-	-	1
Supported housing	142	-	-	(9)	133
Total social housing: owned not managed	**159**	**-**	**-**	**(9)**	**150**
Total social housing stock	**29,576**	**61**	**(203)**	**-**	**29,434**
Non-social housing: owned not managed					
Rented owned	63	-	(1)	-	62
Non-social housing: managed not owned					
Leasehold schemes – freehold retained	15	-	-	-	15
Non-social housing: not managed not owned					
Leasehold schemes – freehold retained	200	-	(11)	-	189
Total non-social housing stock	**278**	**-**	**(12)**	**-**	**266**
Total housing stock	**29,854**	**61**	**(215)**	**-**	**29,700**