

**Gentoo Genie Limited**

**Financial statements for the year ended 31 March 2019**

**Registered number: 07083129**

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## Strategic report

### Principal activities

The Company's principal activities during the year were administering and providing Home Purchase Plans (HPP).

### Business review and results

Gentoo Genie's key objective was to make home ownership accessible to excluded consumers. The company provides an innovative home finance product called the 'Genie' which is targeted at first time buyers and long term renters. The company is authorised and regulated by the Financial Conduct Authority (FCA) as the Genie product is a Home Purchase Plan.

### Future Developments

During 2016 Genie's parent company Gentoo Group, reviewed its business plan and decided to refocus on its core activity as an excellent housing provider in Sunderland. As a result, Genie no longer accepts new business and is focussed on the ongoing servicing of the existing Genie customers in a way that aligns with our regulatory responsibilities. In this regard, we use the term "run-down" to refer to the ongoing business model.

### Results for the year

The profit before taxation for the year is £29k (2018: £351k).

### Key Performance Indicators (KPIs)

The KPI's for the business in run-down focuses on reducing the cost base and the KPI is the rate of repayment of the Inter Company loan provided by Gentoo Group.

### Principal risks and uncertainties

The Senior Management Team operates a consistent framework to identify, assess, mitigate and report risk exposures.

There is clear escalation of any risk exposures to the Senior Management Team and the Board. A Risk Mitigation Plan is in place to ensure rigorous oversight in risk management. The risk assessment and Risk Mitigation Plan are presented to the Board at least annually.


The key risks faced by Genie under the new business model:

- **Conduct Risk** - Gross conduct risk is reduced as front book regulation no longer applies (sales, underwriting, and financial promotions). However, specific net conduct risks increases with the challenge of regulatory capital and minimum regulatory standards in a run-down business.
- **Operational Risk** - Operational risks shift from front book to back book customer servicing. There is an operational risk around key man dependencies of the run-down team.
- **Credit Risk** - Underwriting risk is reduced as the book is closed to new business but will not be completely eliminated as change in party requests will still need to be underwritten.
- **Liquidity and Funding Risks** - Liquidity and funding risk is reduced as growth funding applications are cancelled; however there is a heightened risk that the run-down business plan and assumptions do not perform as expected which will impact Gentoo Group.

**Strategic report (continued)**

- **Market Risk** - Market risk is unchanged although external factors such as house price inflation crystallise only on arrears or customer exits.
- **Property Development Risk** - Property development risk is eliminated.

By order of the board



**Simon Walker**  
Director  
17 July 2019

**Directors' report for the year ended 31 March 2019**

The directors present their report and the audited financial statements of Gentoo Genie Limited (Genie) for the year ended 31 March 2019.

**Directors**

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

Steven Hicks  
Simon Walker

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

**Financial instruments**

The Genie Home Purchase Plan (HPP) is considered to be a complex financial instrument due to the potential link to upward House Price Inflation (HPI).

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.

**Proposed dividend**

The directors do not recommend the payment of a dividend.

**Political contributions**

The Company made no political donations and incurred no political expenditure during the year.

**Disclosure of information to auditor**

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

**Auditor**

Pursuant to Section 487 of the companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



**Simon Walker**  
Director  
17 July 2019

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

## **Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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



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

## **Independent auditor's report to the members of Gentoo Genie Limited**

### **Opinion**

We have audited the financial statements of Gentoo Genie Limited ("the company") for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

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

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

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

### **Going concern**

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation

## **Independent auditor's report to the members of Gentoo Genie Limited (Continued)**

of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

### **Strategic report and directors' report**

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

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

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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



## **Independent auditor's report to the members of Gentoo Genie Limited (Continued)**

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Nick Plumb (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

Quayside House

110 Quayside

Newcastle upon Tyne

NE1 3DX

18 July 2019

**Statement of comprehensive income**  
for the year ended 31 March 2019

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
<b>Finance income</b>	<b>2</b>	<b>282,334</b>	<b>342,943</b>
Cost of sales		<b>(190,103)</b>	<b>(132,928)</b>
<b>Gross profit</b>		<b>92,231</b>	<b>210,015</b>
Administrative expenses		<b>(30,427)</b>	<b>(58,465)</b>
Other operating income	<b>3</b>	<b>296,602</b>	<b>199,334</b>
Interest payable and similar charges	<b>7</b>	<b>(246,615)</b>	<b>-</b>
Fair value adjustment	<b>13</b>	<b>(82,296)</b>	<b>-</b>
<b>Profit before taxation</b>		<b>29,495</b>	<b>350,884</b>
Taxation	<b>8</b>	<b>-</b>	<b>-</b>
<b>Profit for the financial year</b>		<b>29,495</b>	<b>350,884</b>
Other comprehensive income		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>29,495</b>	<b>350,884</b>

**Statement of financial position**  
at 31 March 2019

	<b>Note</b>	<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
<b>Fixed assets</b>			
Tangible assets	9	-	-
<b>Current assets</b>			
Stock	10	93,488	120,010
Debtors	11	226	14,320
Cash at bank and in hand		85,080	57,231
		<u>178,794</u>	<u>191,561</u>
<b>Creditors:</b> amounts falling due within one year	12	<u>(92,964)</u>	<u>(19,417)</u>
<b>Net current assets</b>		<u>85,830</u>	<u>172,144</u>
<b>Debtors:</b> amounts falling due after more than one year	13	<u>4,236,955</u>	<u>5,677,155</u>
<b>Total assets less current liabilities</b>		<u>4,322,785</u>	<u>5,849,299</u>
<b>Creditors:</b> amounts falling due after more than one year	14	<u>(4,598,266)</u>	<u>(6,154,275)</u>
<b>Net liabilities</b>		<u>(275,481)</u>	<u>(304,976)</u>
<b>Capital and reserves</b>			
Called up share capital	16	250,000	250,000
Profit and loss account		<u>(525,481)</u>	<u>(554,976)</u>
<b>Shareholders' deficit</b>		<u>(275,481)</u>	<u>(304,976)</u>

These financial statements were approved by the board of directors on 17 July 2019 and were signed on its behalf by:



**Simon Walker**  
Director  
Registered number: 07083129

**Statement of changes in equity**

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
Balance at 1 April 2017	250,000	(905,860)	(655,860)
<b>Total comprehensive income for the period</b>			
Profit	-	350,884	350,884
Balance at 31 March 2018	<u>250,000</u>	<u>(554,976)</u>	<u>(304,976)</u>
Balance at 1 April 2018	250,000	(554,976)	(304,976)
<b>Total comprehensive income for the period</b>			
Profit	-	29,495	29,495
<b>Balance at 31 March 2019</b>	<u>250,000</u>	<u>(525,481)</u>	<u>(275,481)</u>

**Notes to the financial statements**  
for the year ended 31 March 2019

**1. Accounting policies**

**Legal status**

Gentoo Genie Limited (the "Company") is a private company incorporated and domiciled in England in the UK. The registered number is 07083129 and the registered address is Emperor House, 2 Emperor Way, Doxford International Business Park, Sunderland, SR3 3XR.

**Basis of accounting**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102")*. The presentation currency of these financial statements is sterling.

The Company's parent undertaking, Gentoo Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Gentoo Group Limited are available to the public and may be obtained from the Company Secretary, Emperor House, 2 Emperor Way, Doxford International Business Park, Sunderland, SR3 3XR. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period; and
- Cash Flow Statement and related notes

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods in these financial statements.

**1.1. Measurement convention**

The financial statements are prepared on the historical cost basis except that the following assets are stated at their fair value: other financial instruments classified at fair value through the statement of comprehensive income:

- debtors: amounts falling due after more than one year

**1.2. Going Concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 3 and 4.

The Company meets its day to day working capital requirements through cash generated from its principal activities. Additionally, the Company has parent company funding and the Company has received assurances from Group that this funding will continue to be made available so as to allow the company to meet its liabilities as they fall due, for the 12 month period following the approval of these financial statements, and thereafter for the foreseeable future. The Company's forecasts and projections show that the Company should be able to operate within the level of its current facilities and no matters have been drawn to its attention to suggest that future funding may not be forthcoming on acceptable terms. Therefore, the directors believe that the company is well placed to manage its business risks successfully despite the economic uncertainty.

After making enquiries, the directors have a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to prepare the financial statements on a going concern basis.

**Notes to the financial statements (continued)**

For the year ended 31 March 2019

**1. Accounting policies (continued)**

**1.3. Classification of financial instruments issued by the Company**

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

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

**1.4. Basic financial instruments**

*Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

*Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. Where a public benefit entity concessionary loan has been received, the Company has opted to apply the accounting treatment set out in paragraphs PBE34.90 to PBE34.97 of FRS 102.

*Bad and doubtful debts*

For any customer who is in arrears, their arrears will be provided for in full as a doubtful debt, when a default notice is sent to the customer in arrears. The provision will be reduced by each payment made to clear the arrears, if / when a payment arrangement is put in place. The provision will be fully cleared when a payment arrangement is completed.

The provision will be written off in full, as a bad debt, when a court has granted permission for the customer's property to be re-possessed.

**Notes to the financial statements (continued)**  
For the year ended 31 March 2019

**1. Accounting policies (continued)**

**1.5. Other financial instruments**

*Financial instruments not considered to be Basic financial instruments (Other financial instruments)*

The Genie HPP arrangements are not considered to be basic financial instruments.

The Genie HPP is a 'complex financial instrument' under FRS 102 due to the potential link to upward 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.

There are no other financial instruments which are not considered to be basic financial instruments.

**1.6. Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives. The estimated useful lives are as follows:

Office equipment	3 - 10	years
IT equipment	3	years

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

**1.7. Stock**

Stock consists of properties held for sale that do not currently have an HPP agreement attached to them. Stock is valued at the lower of cost and net realisable value, plus any additional cost associated with that property becoming void that can be capitalised e.g. the purchase of a customer's shares.

**1.8. Impairment excluding stock and deferred tax assets**

*Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

**Notes to the financial statements (continued)**  
For the year ended 31 March 2019

**1. Accounting policies (continued)**

**1.8. Impairment excluding stock and deferred tax assets (continued)**

Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than 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 cash-generating unit (CGU) exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. 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 has been recognised.

**1.9. Employee benefits**

*Defined benefit plans*

*Group plans*

The Company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan and the net defined benefit liability are recognised fully by the Company which is legally responsible for the plan, which is Gentoo Group Limited. The Company then recognises a cost equal to its contribution payable for the period.

**1.10. Income receivable from HPP financing transactions**

Income receivable from HPP financing transactions represents amounts derived from the provision of goods and services which fall within the Company's ordinary activities. Income receivable is attributable to the reservation fees and the element of the monthly fees which do not reduce the HPP balance which are remitted by customers as a result of the HPP and are recognised in the period to which they relate.



**Notes to the financial statements (continued)**  
For the year ended 31 March 2019

**1. Accounting policies (continued)**

**1.11. Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the statement of financial position date. Deferred tax balances are not discounted.

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

**1.12. Significant judgements and estimates**

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

*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.

**2. Finance income**

Finance income, all of which arises in the UK, represents the element of the customer's payment which does not reduce the balance required to exit the arrangement as per note 1.5 and note 1.10.

	2019	2018
	£	£
Non capital element	282,334	342,943

**Notes to the financial statements (continued)**

For the year ended 31 March 2019

**3. Other operating income**

Other operating income represents profit received from the termination of Genie HPP agreements and the open market sale of stock properties.

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

	2019	2018
	£	£
<i>Auditor's remuneration:</i>		
Audit of these financial statements	<u>6,709</u>	<u>6,514</u>

**5. Staff numbers and costs**

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

	2019	2018
	No.	No.
Management and administration	<u>4</u>	<u>4</u>

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£	£
Wages and salaries	105,037	105,774
Social security costs	10,786	10,687
Contributions to defined contribution plans	25,835	25,521
Redundancy costs	53,368	-
	<u>195,026</u>	<u>141,982</u>

**6. Director's remuneration**

	2019	2018
	£	£
Non-executive director's remuneration	<u>5,000</u>	<u>8,736</u>

Retirement benefits are not accruing to non-executive directors under a defined contribution plan. The other Directors are remunerated via Gentoo Group Limited, the parent company.

**Notes to the financial statements (continued)**  
For the year ended 31 March 2019

**7. Interest payable and similar charges**

	2019	2018
	£	£
Interest payable on intercompany loan (note 15)	<u>246,615</u>	<u>-</u>

The parent company forewent interest charges in the prior year, due to the change in business model.

**8. Taxation**

**Total tax expense recognised in the statement of comprehensive income**

	2019	2018
	£	£
<i>Current tax</i>		
Current tax on income for the period	-	-
Total current tax	<u>-</u>	<u>-</u>

**Reconciliation of effective tax rate**

	2019	2018
	£	£
Profit for the year	29,495	350,884
Total tax expense	<u>-</u>	<u>-</u>
Profit excluding taxation	29,495	350,884
Tax using the UK corporation tax rate of 19% (2018: 19%)	5,604	66,668
Deferred tax not recognised	(21,240)	(66,668)
Expenses not deductible	15,636	-
Total tax expense included in profit or loss	<u>-</u>	<u>-</u>

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) was substantively enacted on 26 October 2015 and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

In total, the Company has an unrecognised deferred tax asset of £ 74,476 (2018: £93,481)

**Notes to the financial statements (continued)**

For the year ended 31 March 2019

**9. Tangible assets**

	<b>Equipment</b>
<b>Cost</b>	<b>£</b>
Balance at 1 April 2018 and 31 March 2019	<u>214,371</u>
<b>Depreciation</b>	
Balance at 1 April 2018 and 31 March 2019	<u>214,371</u>
<b>Net book value</b>	
At 31 March 2018 and 31 March 2019	<u>-</u>

**10. Stock**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Properties held for re-sale	<u>93,488</u>	<u>120,010</u>

**11. Debtors**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Trade debtors	<u>226</u>	<u>14,320</u>

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

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Trade creditors	<b>55</b>	-
Taxation and social security	<b>6,750</b>	5,531
Amounts owed to group undertakings (see note 15)	<b>24,686</b>	-
Accruals and deferred income	<u><b>61,473</b></u>	<u>13,886</u>
	<u><b>92,964</b></u>	<u>19,417</u>

**Notes to the financial statements (continued)**  
For the year ended 31 March 2019

**13. Debtors: amounts falling due after more than one year**

The debtors due after more than one year are made up as follows:

	2019	2018
	£	£
HPP arrangements	5,197,126	6,865,995
Deferred income	(877,875)	(1,188,840)
Fair Value Adjustment	(82,296)	-
	<u>4,236,955</u>	<u>5,677,155</u>

The HPP arrangements are valued at fair value. The fair value adjustment represents the differences between carrying and fair value. Deferred income relates to the difference between the cost of the property to the Company and the value it has been purchased by the customer. Deferred income will be released to profit or loss upon the Company no longer having a share in the property.

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

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

	2019	2018
	£	£
Amounts owed to group undertakings	<u>4,598,266</u>	<u>6,154,275</u>

**Notes to the financial statements (continued)**

For the year ended 31 March 2019

**15. Interest-bearing loans and borrowings**

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, being amounts owed to group undertakings.

	2019 £	2018 £
<b>Creditors falling due after more than one year</b>		
Amounts owed to group undertakings	<u>4,598,266</u>	<u>6,154,275</u>

	2019 £	2018
<b>Creditors falling due within one year</b>		
Amounts owed to group undertakings	<u>24,686</u>	<u>-</u>

The loan with the parent company carries the same terms and conditions as the loan agreement between the parent company and the Group's funders and includes interest charged at 5% per annum, monthly in arrears.

**16. Called up share capital**

	2019 £	2018 £
<b>Called up, allotted and fully paid</b>		
250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

**Notes to the financial statements (continued)**

For the year ended 31 March 2019

**17. Related parties**

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

The Company is a wholly owned subsidiary of Gentoo Group Limited. The creditors: amounts falling due after more than one year balance relates to Gentoo Group's loan to Gentoo Genie Limited.

	<b>Creditors outstanding 2019</b>	Creditors outstanding 2018
	<b>£</b>	<b>£</b>
Gentoo Group Limited	<b>4,622,952</b>	6,154,275

**18. Ultimate parent undertaking**

The Company is a subsidiary undertaking of Gentoo Group Limited which is the ultimate controlling party. This is the only group in which the results of the company are consolidated. The consolidated financial statements of Gentoo Group Limited are available to the public and may be obtained from the Company Secretary, Gentoo Group Limited, Emperor House, 2 Emperor Way, Doxford International Business Park, Sunderland, SR3 3XR.

