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Registered number: **08190978**

STONEWATER FUNDING PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2026

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COMPANY INFORMATION

Directors	Nicholas Harris (resigned 30 July 2025) Jonathan Layzell (appointed 30 July 2025) Chris Edis (resigned 31 December 2025) Anne Costain (resigned 23 March 2026) David Ripley (appointed 30 April 2026) Hursh Shah
Company secretary	Syka Sheikh (appointed 1 July 2026)
Registered number	08190978
Registered office	Suite C, Lancaster House Grange Business Park, Enderby Road Whetstone Leicester LE8 6EP
Independent auditors	Menzies LLP The Colmore Building 20 Colmore Circus Queensway Birmingham B4 6AT
Principal bankers	Barclays Bank 1 Churchill Place London E14 5HP
Principal solicitors	Devonshires Solicitors LLP 30 Finsbury Circus London EC2M 7DT

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2026

Principal activities

The principal activity of Stonewater Funding PLC ("the company") is to act as the capital markets issuance vehicle for the Stonewater Group.

Business review

Revenue for the year was £22.2m (2025: £22.2m), which consisted of interest receivable and management fees charged to group companies.

A gift aid payment of £10.0k was pledged to Stonewater (5) Limited for the year (2025: £18.0k). £5.4k was paid in the year, with the remaining £4.6k due to be paid within 9 months of year end.

In November 2025, S&P Global Ratings affirmed Stonewater's long term issuer credit rating and the issue rating on the three publicly listed bonds issued by Stonewater Funding PLC at A- with a stable outlook.

Key performance indicators

The directors of Stonewater manage the Group's operations on a divisional basis. A suite of key performance indicators is reported to the Group Board each quarter.

Stonewater Funding PLC monitors the following key performance indicators, measured at Group level, in relation to the issued Private Placement Notes:

- The ratio of adjusted operating surplus to interest payable is greater or equal to 1:1 on an annual basis, and 1.1:1 on a three year basis
  - Performance was 1.7:1 for the financial year and 1.5:1 on a three year basis.

- Gearing does not exceed 70%,
  - Performance was 46%.

- The aggregate net book value of properties that are owned by non-guarantors or non-borrowers shall not exceed 25% of the total aggregate net book value of all Group properties.
  - Performance was 7%.

Additionally, for both the Public Bonds and Private Placement Notes, Stonewater Funding PLC monitors:

- The value of the assets from Stonewater used as security for the bond, on an Existing Use Value Social Housing (EUV-SH) and/or Market Value Subject to Tenancies (MVST) basis, is at least 105% on an EUV-SH basis or 115% (120% for the Private Placement Notes) on a MVST basis of the bond notional.
  - All asset cover tests satisfied.

STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2026

Going Concern

These financial statements are prepared on a going concern basis. As part of the assessment the Board reviewed an updated 30 year long-term financial plan in May 2026, with a focus on the next five years, which considers various economic factors including the increase in inflation and interest rates, and the impact of modelled scenarios in combination, together with any mitigations that could be taken. The modelling confirmed that the Group would still be able to operate in these scenarios within all banking covenants, with adequate cash resources and available debt facilities.

The entity operates as a funding vehicle by on-lending proceeds from bond sales to fellow Group members. The appropriateness of preparing the accounts of the entity on a going concern basis is therefore intrinsically linked to the going concern of the Group as a whole. The Group has prepared cash flow forecasts covering a period of 12 months from the date of approval of these financial statements. At a Group level, the Board believes that there is no material uncertainty that would cast doubt on the Group's ability to continue as a going concern and it is well placed to absorb the impact of changes that lay ahead.

Prior to lending funds to third parties, the directors ensure the borrowing entity can meet its contractual obligations as they fall due via a review of past involvement with the borrower, updating credit checks and liquidity assessments. The Finance Challenge and Assurance Panel also monitors all lending, including intercompany loans, with delegation from the ultimate parent under Group Standing Orders for effective governance and operations across all Group subsidiaries. They receive assurance at each meeting that financial commitments can be met and are provided with oversight of key financial risks.

The Board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis for the 12 months from the signing date.

Principal risks and uncertainties

The company on lends the proceeds from its funding to Stonewater Limited, Stonewater (5) Limited and Mount Green Housing Association Limited.

The main risk facing the company is that it is unable to make interest or principal payments to the Note and Bondholders when they fall due. This risk is mitigated as the company on lends funds under secured loan agreements which are backed by the housing assets of each borrower; and cross guarantees which cover any shortfall in the security and any unpaid interest and fees in respect of the loans. If there are any payments which are not made to Stonewater Funding PLC, or if the borrowers are in breach of the loan agreement with the company in another way, then the company can enforce the security under the loan agreement.

Further risk mitigation is evidenced by the annual credit ratings given by S&P Global Ratings.

Financial risk management

Risk management objectives and policies

The Group finance team is responsible for the management of funds and control of associated risks and is accountable to the Stonewater Limited Board and the Stonewater Funding PLC Board.

Interest rate risk/hedging

The company currently borrows on a fixed rate basis from the capital markets and then on lends these funds to Stonewater Limited, Stonewater (5) Limited and Mount Green Housing Association Limited on a similar fixed rate basis. As such, the company does not bear any risk, apart from the underlying credit risk of Stonewater Limited, Stonewater (5) Limited and Mount Green Housing Association Limited, which is discussed below. The company does not have any hedging activities.

Credit risk

All of the company's capital markets financing proceeds are on lent to Stonewater Limited, Stonewater (5) Limited and Mount Green Housing Association Limited, which represent the only credit risk to the company. The credit risk is mitigated through a number of factors, including the housing asset security which stands behind the loans to Stonewater Limited, Stonewater (5) Limited and Mount Green Housing Association Limited, the overall credit-worthiness of the Group, the guarantees that Stonewater Limited, Stonewater (5) Limited and Mount Green Housing Association Limited have issued to the company and the contractual protections in the loan agreements themselves.

Risk and Assurance

The Group Risk and Assurance Committee is responsible for ensuring that internal controls are adequate and effective and that the organisation's approach to risk management is commensurate with risk appetite. The committee approves the internal audit work plan and reviews internal audit findings. It considers significant issues relating the financial statements and also recommends the appointment of internal and external auditors.

Section 172 statement

The company was formed for the sole purpose of raising debt finance for the Stonewater Group. It is a wholly owned subsidiary and does not have any employees. The directors, accordingly, do not consider that the interests of the company's employees or the need to act fairly between members of the company are relevant to the proper discharge of their duty under section 172. Each of these factors is considered by the wider group. The directors take guidance from the Group on matters relating to the impact of the company's operations on the community and environment. Given the purpose of the company the relevant stakeholder groups are therefore the investors in the listed debt and the parent group.

The Board of Stonewater Funding PLC consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of those stakeholders, and in doing so have regard (amongst other matters) to:

a) the likely consequences of any decision in the long term,
b) the need to foster the company's business relationships with suppliers, customers and others, and
c) the desirability of the company maintaining a reputation for high standards of business conduct.

As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours. The intention is to nurture our reputation, through both the construction and delivery of our plan, that reflects our responsible behaviour.

The Board considers the following to be the key decisions and considerations it has made during the year to 31 March 2026.

Board decision
The Board considered the risk appetite of the Company.

Consideration
Resolved that the Company is operating within the Group's risk appetite.

Board decision
The Board decided to update the £1bn European Medium Term Note programme.

Consideration
The update to the programme enables Stonewater Funding PLC to be agile in issuing future bonds as the programme documentation is up to date.

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2026

Board decision
The Board made the decision to Gift Aid profits to Stonewater (5) Limited.

Consideration
This promotes the wider aims of the Stonewater Group in meeting the needs of its charitable beneficiaries.

This report was approved by the Board on 22nd July 2026 and signed on its behalf by:

Jonathan Layzell
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2026

The directors present their report and the financial statements for the year ended 31 March 2026.

Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the company's financial statements and then apply them consistently;
- make judgments and accounting 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;

  prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year after taxation amounted to £10.0k (2025 £18.0k).

No dividends were recommended during the year (2025: nil).

Directors

The directors who served during the year were:

Nicholas Harris (resigned 30 July 2025)
Jonathan Layzell (appointed 30 July 2025)
Chris Edis (resigned 31 December 2025)
Anne Costain (resigned 23 March 2026)
Hursh Shah

Future developments

The company will continue to act as the capital markets issuance vehicle for the Stonewater Group.

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Directors’ indemnities

The company maintains liability insurance for its directors and officers. The company also provides indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purpose of the Companies Act 2006. The indemnity was in force throughout the financial year and is currently in force.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditors

Menzies LLP (previously Beever and Struthers) were appointed as Stonewater's external auditors for 2025/26 on 30 July 2025 in accordance with Section 489 of the Companies Act 2006.

This report was approved by the Board on 22nd July 2026 and signed on its behalf.

Jonathan Layzell
Director

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONEWATER FUNDING PLC

Opinion

We have audited the financial statements of Stonewater Funding plc ('the company') for the year ended 31 March 2026 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and the notes to the financial statements, including a summary of significant accounting policies in note 2. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 company's affairs as at 31 March 2026 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 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 company 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.

We were first appointed as auditor of Stonewater Funding plc by the directors for the year ending 31 March 2026. The period of total uninterrupted engagement for the company is for the financial year ending 31 March 2026. We have fulfilled our ethical responsibilities under, and we remain independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. No non-audit services prohibited by that standard were provided.

Our application of materiality and an overview of the scope of our audit

The materiality for the audit of the company for the year ended 31 March 2026 was £388,920, determined with a benchmark of 1.75% of interest receivable.

We consider interest receivable to be the most appropriate benchmark, as this links to the most significant year end balances and is more relevant than a result-based calculation, given the company makes neither a profit nor a loss.

Performance materiality was set at 75% of materiality for the financial statements as a whole, which equates to £291,690. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Risk and Assurance Committee any corrected or uncorrected identified misstatements exceeding £19,446, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in

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forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of Long-Term Debtor

The risk around the recoverability of the long-term debtor was considered to represent a significant audit risk, because of its significant impact on going concern and the financial statements as a whole.
The company's primary activity is to issue bonds, source investor financing and on-lend to the Group entities. It therefore has long term liabilities which relate to the bonds issued and long-term intercompany debtors which relate to the loans provided to group members (as at 31 March 2026 this was to Stonewater Limited, Stonewater (5) Limited and Mount Green Housing Association Limited).

Long-term debtors in relation to this activity are £747m at 31 March 2026 (2025: £748m).

The risk arises in relation to the group entities not being able to service or repay the debt due to the company.

Our response

Our procedures included the following:

- **Assessment of recoverability**: Reviewed the budget and longer-term financial forecast, including the underlying assumptions, to assess the ability of Stonewater Limited to service and repay the debt. We also reviewed the stress testing performed on the long-term financial plan.
- **Confirmation of value**: Agreed all intercompany balances to the accounting records of the company and Stonewater Limited, Stonewater (5) Limited and Mount Green Housing Association Limited)
- **Test of detail**: Tested the detailed calculations for loan covenant compliance prepared by management for Stonewater Limited, both for the year ended 31 March 2026 and projected future performance.

Our results

Our testing found that across a range of stress testing scenarios carried out on the longer-term financial forecast, including those linked to the current economic climate, Stonewater Limited remains viable, and we found nothing to indicate any issues with the ability of Stonewater Limited to service and repay the debts due to the company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' 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 company'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 directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Strategic Report and Directors' Report, other than the financial statements and our Auditor's report thereon. The directors are responsible for the other information. 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.

In connection with our audit of the financial statements 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 or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of the Directors

As explained more fully in the Directors' Responsibilities 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, and for such internal control as the directors 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 directors is responsible for 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 the directors either intends to liquidate the company or to cease operations, or have 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.

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

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Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws and regulations that affect the Company, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Companies Act 2006 and tax legislation.
- We enquired of the directors and reviewed correspondence and directors meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the directors have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the directors have in place to prevent and detect fraud. We enquired of the directors about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the directors about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

Use of our Report
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.

Signed by:
Lee Cartwright
DBC7679AF0DF489...

Lee Cartwright ACA (Senior Statutory Auditor)
For and on behalf of
Menzies LLP
Chartered Accountants
Statutory Auditor

The Colmore Building
20 Colmore Circus Queensway
Birmingham
B4 6AT

Date: 17-Sep-2026

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2026

	Note	2026 £000	2025 £000
Revenue	2	**22,224**	*22,247*
Gross profit		**22,224**	*22,247*
Administrative expenses		**(203)**	*(188)*
Operating profit		**22,021**	*22,059*
Interest payable and expenses	5	**(22,011)**	*(22,041)*
Profit before tax	6	**10**	*18*
Tax on profit	6	**-**	*-*
Profit and total comprehensive income for the year		**10**	*18*

The notes on pages 15 to 22 form part of these financial statements.

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STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2026

	Note		2026 £000		2025 £000
Current assets					
Debtors: amounts falling due after more than one year	7	**747,333**		*747,535*	
Debtors: amounts falling due within one year	7	**4,253**		*4,300*	
Bank and cash balances		**63**		*97*	
		751,649		*751,932*	
Creditors: amounts falling due within one year	8	**(5,347)**		*(5,438)*	
Net current assets			**746,302**		*746,494*
Total assets less current liabilities			**746,302**		*746,494*
Creditors: amounts falling due after more than one year	9		**(746,247)**		*(746,426)*
Net assets			**55**		*68*
Capital and reserves					
Called up share capital	11		**50**		*50*
Profit and loss account			**5**		*18*
			55		*68*

The financial statements were approved by the Board on 22nd July 2026 and were signed on its behalf by:

Jonathan Layzell
Director

The notes on pages 15 to 22 form part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2026

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 April 2025	50	18	68
Comprehensive income for the year			
Profit for the year	-	10	10
Paid taxable profit under gift aid	-	(5)	(5)
Paid prior year taxable profit under gift aid	-	(18)	(18)
At 31 March 2026	50	5	55

The notes on pages 15 to 22 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2025

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 April 2024	50	4	54
Comprehensive income for the year			
Profit for the year	-	18	18
Paid taxable profit under gift aid		(4)	(4)
At 31 March 2025	50	18	68

The notes on pages 15 to 22 form part of these financial statements.

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1. General information

Stonewater Funding PLC is a public limited company, limited by shares, incorporated in England and Wales.

It is a subsidiary of a public benefit entity. The registered office and number is disclosed on the company information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are presented in Sterling (£'000) to the nearest thousand except where specifically stated otherwise.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies.

The accounts are prepared under the historic cost basis, with the exception of certain loans held at amortised cost where appropriate.

In preparing the financial statements, the company has taken advantage of the following disclosure exemptions available in FRS 102 to subsidiary undertakings:

> No cash flow statement has been presented.
> Disclosures in respect of the financial instruments have not been presented.
> Disclosure in respect of related party transactions with intra group companies.

This information is included in the consolidated financial statements of Stonewater Limited as at 31 March 2026, and these financial statements may be obtained from the registered office as disclosed on the Company Information page.

There are no significant accounting policies and estimates.

The following principal accounting policies have been applied:

2.2 Going Concern

The Company's financial statements have been prepared on a going concern basis. The Board reviewed and approved the budget for 2025/26 in February 2026 and the thirty-year long-term financial plan in May 2026.

After making enquiries and reviewing the 30 year financial plan, updated for current economic and business assumptions including stress testing and analysis of potential impact on covenants, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date on which the financial statements were approved for release. The financial statements have therefore been prepared on a going concern basis.

The Board obtains assurance of financial viability through the annual budgeting, reforecasting, and long-term business planning exercises. As part of this, we assess and stress test the availability of funding, liquidity, and compliance with lenders' covenants alongside other key metrics considered by other key stakeholders such as our regulators and credit rating agencies. Together, this ensures the Board has a continual and rolling process of reviewing and assessing our financial strength and viability.

The current economic environment has been, and continues to be, challenging for both customers and the organisation. Stress testing covered the impact on our business of key economic factors, increases in capital and revenue works to achieve EPC C and B, increase in rent arrears and bad debts, loss of rental income due to delayed handovers, temporary inability to sell new shared ownership properties and adverse movements in inflation and interest rates. Although the plans do not exceed covenant safeguards, the more severe stresses may approach or exceed the covenants. The principal remedy in these more stressed scenarios is to reduce development expenditure followed by reduction in capital repairs and achieving operating costs savings. We have modelled various scenarios and identified the limits that the business can withstand.

The entity operates as a funding vehicle by on-lending proceeds from bond sales to fellow Group members. The appropriateness of preparing the accounts of the entity on a going concern basis is therefore intrinsically linked to the going concern of the Group as a whole. The Group has prepared cash flow forecasts covering a period of 19 months from the date of approval of these financial statements. At a Group level, the Board believes that there is no material uncertainty that would cast doubt on the Group's ability to continue as a going concern and it is well placed to absorb the impact of changes that lay ahead.

Prior to lending funds to other group entities, the directors ensure the borrowing entity can meet its contractual obligations as they fall due via a review of past involvement with the borrower, updating credit checks and liquidity assessments. The Finance Challenge & Assurance Panel also monitors all lending, including intercompany loans, with delegation from the ultimate parent under Group Standing Orders for effective governance and operations across all Group subsidiaries. They receive assurance at each meeting that financial commitments can be met and are provided with oversight of key financial risks.

Liquidity is monitored for the Group as a whole. At 31 March 2026, Stonewater had £25.4m of cash, £22.9m of short-term investments and £359m of undrawn facilities, which exceeded contracted obligations less grant by £117.4m.

2.3 Finance Income

Represents interest receivable on loans to other group companies and management fees receivable from other group companies. All revenue is generated within the UK.

Revenue represents income receivable from group companies in relation to the on lending of the finance raised which is recognised on an accruals basis as it falls due.

2.4 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.5 Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating costs.

2.6 Bonds and loans

All bonds and loans held by the company are classified as basic financial instruments in accordance with FRS 102. These instruments are initially accounted for at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cashflows through the expected life of the financial asset or liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The company has calculated that the difference between the historical cost and amortised cost basis is not material and so financial instruments are stated on the Statement of Financial Position at historical cost. The premiums and discounts related to the bonds and bond on lending are accounted for using the effective interest rate method. Loans and bonds that are payable or receivable within one year are not discounted.

2.7 Tax and gift aid

The company makes a qualifying donation of all taxable profits to a charitable group company. The gift aid paid during the year is reflected in the accounts and any remaining taxable profit not paid by the year end will be paid within 9 months of the year end.

3. Operating profit

	2026	*2025*
	£000	*£000*
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements (VAT inclusive)	**44**	*47*

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4. Employee numbers and Directors remuneration

The directors are employed by, and their remuneration is paid by Stonewater Limited.

The company does not have any employees. The cost of staff is incurred and paid by Stonewater Limited.

Employee information, including pension costs, and directors' remuneration, are disclosed in the financial statements of Stonewater Limited, the ultimate parent company.

5. Interest payable and similar expenses

	2026 **£000**	*2025* *£000*
Interest Payable on Bonds and Notes	**22,200**	*22,188*
Amortisation of bond premium	**(621)**	*(596)*
Amortisation of bond discount	**393**	*396*
Amortisation of issue costs	**39**	*53*
	22,011	*22,041*

6. Taxation on profit on ordinary activities

	2026 **£000**	*2025* *£000*
Tax reconciliation		
Profit and total comprehensive income for the year	**10**	*18*
Payment of taxable profit under gift aid by the year end	**(5)**	-
Gift aid pledged and to be paid within 9 months of the year end	**(5)**	*(18)*
Profit subject to Corporation Tax	**-**	-

The tax charge for the year is nil (2025: nil)

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7. Debtors

	2026 £000	*2025 £000*
Due after more than one year		
Amounts owed by group undertakings	**747,333**	*747,535*
	747,333	*747,535*

Amounts owed by group undertakings represent the bond proceeds on lent to Stonewater Limited, Stonewater (5) Limited and Mount Green Housing Association Limited. Interest is received bi-annually, and at the corresponding interest rate that the Company pays.

	2026 £000	*2025 £000*
Due within one year		
Amounts owed by group companies	**4,253**	*4,300*
	4,253	*4,300*

The maturity and the interest rate of the intercompany debt matches the maturity and the interest rate of the external debt see note 9.

8. Creditors: Amounts falling due within one year

	2026 £000	*2025 £000*
Interest accrual	**4,267**	*4,267*
Other creditors	**19**	*23*
Bond premium	**643**	*621*
Bond discounts	**(403)**	*(393)*
Issue Cost < 1 yr	**(63)**	*(69)*
Amounts owed to group undertakings	**884**	*989*
	5,347	*5,438*

Amounts owed to group undertakings represents invoices or other amounts paid on behalf of the Company and are due on demand.

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9. Creditors: Amounts falling due after more than one year

	2026	*2025*
	£000	*£000*
Bonds and loan notes	**743,289**	*743,289*
Bond Discount	**(5,794)**	*(6,197)*
Issue costs	**(1,272)**	*(1,333)*
Bond Premium	**10,024**	*10,667*
	746,247	*746,426*

10. Bonds and notes

The company is the issuer under Stonewater's £1 billion Euro Medium Term Note programme which was most recently updated in August 2025. In September 2021, the company issued a £250m bond from the programme under Stonewater's sustainable finance framework.

The company has in issue Public Bonds and Private Placement Notes. The Public Bonds do not contain financial covenants. The Private Placements Notes contain interest cover tests of 1:1 (annual) and 1.1:1 (3 years) and a gearing test where Total Debt is not to exceed 70% of historic cost of properties. However, these covenant tests are at Group level, not for Stonewater Funding PLC.

Both the bonds and the notes are secured by the assets of each borrower to whom proceeds are on lent, and there are cross guarantees in place if on enforcement there is a shortfall in security.

At 31 March 2026, the bonds and notes had a market value as follows:

	Market value per £100	Total Market Value
	£000	**£'000**
£125m of 5.034% 2042 bonds	**91.45**	**114,309**
£50m of 3.03% Series A notes	**54.94**	**27,472**
£50m of 3.06% Series B notes	**55.29**	**27,647**
£15.3m of 3.35% Series C notes	**70.13**	**10,722**
£75m of 3.04% 2050 Private Placement	**54.91**	**41,183**
£178m of 3.375% 2045 Bonds	**70.53**	**125,545**
£250m of 1.625% 2036 Bonds	**67.11**	**167,765**
Total		**514,643**

Total market value of £514,643k compares to book value, excluding issue costs, of £747,759k.

The funds from the above issues have been on lent to the other group companies who provide security for the borrowings.

10. Bonds and notes (continued)

At 31 March 2025 the bonds and notes had a market value as follows:

	Market value per £100	Total Market Value
	£000	*£'000*
£125m of 5.034% 2042 bonds	*92.81*	*116,009*
£50m of 3.03% Series A notes	*56.17*	*28,087*
£50m of 3.06% Series B notes	*56.54*	*28,269*
£15.3m of 3.35% Series C notes	*69.16*	*10,574*
£75m of 3.04% 2050 Private Placement	*56.01*	*42,005*
£178m of 3.375% 2045 Bonds	*72.39*	*128,852*
£250m of 1.625% 2036 Bonds	*66.13*	*165,330*
Total		*519,126*

Total market value of £519,126k compares to book value, excluding issue costs, of £747,986k.

The maturity of the bonds and notes is as follows:

Maturity of debt:	**Total 2026 £000**	**Total** *2025* **£000**
In one year or less, or on demand	**(240)**	*(228)*
Issue costs <1 year	**63**	*69*
Within one year (note 8)	**(177)**	*(159)*
In more than one year but not more than two years	**(231)**	*(240)*
In more than two years but not more than five years	**(819)**	*(758)*
After five years	**(746,469)**	*(746,761)*
Issue costs	**1,272**	*1,333*
Greater than one year (note 9)	**(746,247)**	*(746,426)*
Total loans	**(746,424)**	*(746,585)*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2026

11. Share capital

	2026	*2025*
	£	*£*
Authorised		
50,000 *(2025:50,000)* Ordinary shares of £1 each shares of £1.00 each	**50,000**	*50,000*
Allotted, called up and fully paid		
50,000 *(2025:50,000)* Ordinary shares of £0.25 per share	**12,500**	*12,500*
Allotted, called up and unpaid		
50,000 *(2025:50,000)* Ordinary shares of £0.75 per share	**37,500**	*37,500*

The share capital of the company consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income.

12. Controlling party

The company is a subsidiary undertaking of Stonewater Limited which is the ultimate parent undertaking, a registered society under the Co-operative & Community Benefit Societies Act 2014 and a registered social housing provider with the Regulator of Social Housing.

The consolidated financial statements of Stonewater Limited are available to the public and may be obtained from the Company Secretary, Suite C, Lancaster House, Grange Business Park, Enderby Road, Whetstone, Leicester, LE8 6EP.