
STONEWATER (5) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

STONEWATER (5) LIMITED

COMPANY INFORMATION

Board members	Sheila Collins (Chairman) Heather Bowman Nicholas Harris Andrew Lawrence Claire Kearney Juliana Crowe Jennifer Bennett Angus Michie Chris Edis Barry Hoffman (appointed 1 October 2022) Hursh Shah (appointed 1 October 2022) Martin Large (appointed 1 January 2023) Anne Dokov (resigned 5 August 2022) Hugh Shields (resigned 29 June 2022) Tariq Kazi (resigned 30 September 2022)
Company secretary	Anne Harling
Community Benefit Society Number	31527R
Regulator of Social Housing Number	4717
Registered office	Suite C, Lancaster House Grange Business Park Enderby Road Leicester LE8 6EP
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU
Bankers	Barclays Bank Level 27 1 Churchill Place London E14 5HP
Principal Solicitors	Devonshires Solicitors London EC2M 7DT
Solicitors (for Governance)	Trowers and Hamblins LLP 55 Princess Street Manchester M2 4EW

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STONEWATER (5) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2023

Introduction

The Board presents its report and audited financial statements for Stonewater (5) Limited (the 'Association') for the year ended 31 March 2023.

Nature of the business and principal activities

Stonewater (5) Limited is a Registered Society under the Cooperative and Community Benefit Societies Act 2014, with charitable status, and a Registered Provider with the Regulator of Social Housing (RSH). Its parent is Stonewater Limited (the 'Group' or 'Stonewater').

The principal activity of the Association is a not-for-profit organisation, which owns, lets and manages rental housing. Our revenue is mainly acquired through rent and is ploughed back into the acquisition, development of new-affordable homes and the maintenance of property.

Business review

The turnover of £7.7 million is £0.4m higher than last year due to a rent increase of 4.1% for the majority of tenures. The Association made an operating loss of £672k due to the impairment identified as an outcome from a review carried out at year end. With the interest receivable and the gift aid income, the Association still had a comprehensive income of £753k.

On 1 January 2023, Greenoak Housing Association became a subsidiary of the Association. During the year the Stonewater Group undertook a partial collapse of its structure, combining Stonewater Limited with Stonewater 2. The restructure created streamlined administration, greater flexibility and maximises the financial capacity to deliver the planned investment in existing and also new homes. The financial consents were finalised with lenders and the transfer of engagements was effective from 31st March 2023.

Our Vision

For everyone to have the opportunity to have a place that they can call home.

Our Mission

To offer quality homes and services for people whose needs are not met by the open market.

Our Values

Our Values are the principles that guide us and set the tone for the way we behave.

Ethical – We are an ethical housing services provider.

Listening to and understanding the needs of every individual is paramount to delivering homes and services that make a difference to people's lives. We do this by maintaining a professional approach, being honest and open and treating everyone with the equality they deserve. It is our place to help by being friendly, considerate and supportive of everyone that needs us. We will always ensure our actions are inclusive, accountable and fair.

Ambitious – We are a progressive organisation that dares to dream.

Never content to sit back and rest on our laurels, we are the fresh face of the sector, pro-active in our approach to growth. We are not here to make up the numbers. It's our goal to be the leader, to challenge, enhance and be radical, confident in our abilities and clear of our direction. Through strong leadership we are driven to succeed. A competitive streak keeps us focused on being modern and ground-breaking.

Passionate – We will always go the extra mile in everything we do.

We are one team working together, committed to providing a truly personal experience. Our love for what we do comes from the heart and being the best we can be energises us and makes us proud of our achievements. We are motivated by our enthusiasm and empowered to give everyone we work with the confidence that they are working with the most enthusiastic and loyal people in the sector.

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**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2023**

Agile – We are on a journey, so we make sure we never stand still.

Our business dictates that change is both regular and rapid, so as an organisation we always stay one step ahead. Our approaches are flexible, adapting to evolve to individual people's needs or the latest legislation. We pride ourselves on high performance so we expect innovation and initiative to be a part of our every day. We are the smart housing services team, dynamic and slick enough to respond whenever and however change dictates it.

Commercial – We understand the importance of commercial viability.

To remain competitive and effective at what we do, we are prepared to make decisions that maintain value for our residents, our partners and ourselves. From the homes we build to the services we provide, we are open to opportunity and strive to maintain a reputation for knowledge, efficiency and an ability to sustain our business. We benchmark our approach to ensure we are relevant, respected and most importantly, successful in all we do.

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Stonewater's Group Strategic Plan 2022-2030

We are now in year one of our eight year strategic plan which was launched in April 2022. Our Strategic Plan reflects the board's current priorities and insight from customers. It has been developed with colleagues and Board members and reflects how we believe we can maximise the value we provide in a challenging operating environment.

Looking forward to 2030, this sets out a range of ambitious targets including our aspiration to build 12,000 new affordable homes and to have reached one of our environmental milestones with 100% of our homes achieving at least Energy Performance Certificate band 'C'.

We continue to operate amidst a sustained period of multiple challenges for our customers and society as a whole; and in navigating these challenges we have made significant enhancements to our operating model, enabling us to continue to develop and provide quality services to our customers.

We will review the Plan annually to ensure that we continue to focus on the things that will add most value for our customers and that we adapt to changes in our operating environment.

Our Strategic Plan 2022-30 sets out how we will deliver our Vision and Mission, under three overarching strategic objectives:

- Provide customer-centred services that are proactive and efficient, and that help us to retain and attract customers
- Supply, manage, and maintain homes and neighbourhoods that are safe, connected, efficient, affordable, and flexible
- Maximise the value we provide to our customers and communities through decision-making and initiatives that support environmental and social sustainability.

Performance against these objectives is set out in the value for money and performance sections of consolidated financial statements.

External environment

The past 12 months have seen significant change in the UK – especially in Westminster. This time last year, Boris Johnson was still Prime Minister and was looking forward to bringing forward his agenda to level up the UK.

The months that followed saw great change, with the Johnson premiership ending over the handling of the conduct of the Deputy Chief Whip and then a long leadership election that meant the Government was effectively on pause for several months. After a fraught leadership election, Liz Truss' time in office was brief but highly impactful – both introducing impressive packages of support for those impacted by the cost-of-living crisis on the one hand and a spike in interest rates that will continue to affect homeowners for years to come. Rishi Sunak – the third PM in a year – is now looking to stabilise the economy and prepare his party for a General Election which is likely to happen next year.

Last year's accounts highlighted that the cost-of-living crisis will be the defining issue for the coming years, and this remains the case. For Stonewater, this year has been one of looking at where we can support our customers with targeted support, grants and advice. As an employer, we will continue to ensure that our colleagues – all of whom are now working remotely – are supported to live and work effectively and without fear of financial difficulties, as well being able to support our customers.

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Social housing and management

The Social Housing Regulation Bill, which is soon to complete its passage through Parliament, is set to have a significant impact on the social housing sector by giving social housing residents greater rights of redress. Key aspects of the Bill include:

- The death of Awaab Ishak has also left its mark on the Bill, with the Government introducing 'Awaab's Law' to the Bill, creating a requirement for landlords to fix reported health hazards within specified timeframes
- A consultation will be launched later in the year to set timeframes on how long landlords will have to investigate and to make repairs, which will be written into tenancy agreements, enabling tenants to hold their landlords to account by law if they fail to provide a decent home
- The Housing Ombudsman will be able to instruct landlords to measure their service against guidance on a variety of issues such as damp and mould, as well as improvements to insolvency arrangements, data protection and the requirement for written reports after inspections
- All senior social housing managers will be required to gain a housing management qualification.

Stonewater welcomes the ambition of the reforms and are under no illusions that achieving this necessary ambition will be quick - but it is vital to ensure we are the best landlords we can be for our customers in this very challenging time.

We have been on this journey for some time. Our work in this space includes (but is not limited to):

- The development of our Customer Strategy, recognising our customer voice and truly understanding what matters most
- Our work on professionalisation across the sector
- Our investment in digital transformation to ensure services are both innovative and inclusive
- Our continuing commitment to the Net Zero agenda through both retrofit and sustainable new development – ensuring homes that are affordable today and also fit for the future.

As the measures in the Bill are amended, we will be ensuring that we participate in any opportunity to shape the final measures.

Social housing funding and delivery reform

In light of the cost-of-living crisis and high inflation, following consultation with the sector, the Government implemented a 7% cap on the increase of social housing rents for 2023/24 – with an exemption for supported housing. Stonewater welcomed the cap as it acknowledged the significant role the sector plays in providing vital affordable housing and services, and shielded customers from an unthinkable CPI+1% rent increase and the burden of those higher payments during the cost-of-living crisis.

It is expected that there will be a consultation this year on the rent settlement for 2024/25, which Stonewater will engage with. With significant challenges for our customers, including those in Retirement Living housing, Stonewater is doing everything we can to support our customers through our charitable partner, the Longleigh Foundation, and through broader advice services.

The Government is also consulting on the proposed Infrastructure Levy, which comes as part of the Levelling Up and Regeneration Bill which will receive royal assent in the coming months. Stonewater is responding to this consultation and how it will impact the delivery of new homes, while also engaging with members of the House of Lords to seek amendments to strengthen the delivery of affordable housing under the new system.

Stonewater is in a strong financial position but will continue to make the case for more funding for social housing. In a cost-of-living crisis, the role of the housing association sector is clear.

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Delivery will be affected by the implementation of the Levelling Up and Regeneration Bill, which is currently in the House of Lords. The Bill will be the mechanism for the delivery of housing and planning reform but has taken many years to move forward. It has been met with hostility from some Government backbench MPs, who are concerned about the strain new homes would put on their local communities and infrastructure.

As part of the Bill, a consultation was held on reforms to the National Planning Policy Framework (NPPF), which will seek to:

- Build beautiful and refuse ugliness
- Secure the infrastructure needed to support development
- Ensure more democratic engagement with communities on local plans
- Ensure better environmental outcomes
- Empower communities to shape their neighbourhoods.

This consultation will shape a “wider review of the NPPF to follow royal assent of the Levelling Up and Regeneration Bill”. It will be vital to ensure that this future review protects and enhances the delivery of new affordable homes for everyone who needs them.

Environment and sustainability

Sustainability and decarbonisation continues to be a key area for the sector – in particular how to overcome the significant challenge of funding the retrofit of social housing across the UK. This has taken on even greater importance given the ongoing energy bills crisis – and the Government has responded to the challenge of net zero by creating a new Department for Energy Security and Net Zero, tasked with leading on all items pertaining to energy and net zero.

There continues to be significant interest in this from across the political divide, from the 10-Point Plan for a Green Industrial Revolution to the Heat and Building Strategy. Our campaigning and advocacy work on this area has developed too, with a follow up to the 2020 Stonewater supported report by IPPR, All Hands to the Pump, being published this in January 2023. The GreenGo report has already been influential in the development of Government and Opposition policies, and we look forward to making further progress on ensuring that progress is made in the years to come. With energy bills playing a significant role in the cost-of-living crisis, it is more important than ever that solutions to this challenge are met.

Performance in the year

Total comprehensive income for the year was £0.8m (2022: £0.9m).

Key Performance indicators:

	2023	2022
Rental income loss through voids	1.25%	0.97%
Average gross arrears	6.16%	5.75%
Income collection	98.07%	99.6%

Governance structure

Board

The board has responsibility for setting Stonewater’s strategic direction and ensuring that the organisation meets its strategic aims and objectives. The delegation and control framework established by the board includes accountability to customers and other stakeholders, such as funding providers and partner local authorities. The board comprised 12 members at 31 March 2023, including one executive member.

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Current obligations of Board members to the Board and the company

Board members are collectively responsible for ensuring Stonewater's success and for compliance with all legal and regulatory obligations. Individual board members are expected to uphold Stonewater's purpose, values, objectives and policies, share responsibility for decisions taken and represent the group to stakeholders.

Governance arrangements

The board is supported by two committees and five challenge and assurance panels, each of which includes one or more independents whose skills and experience supplement those of the board member. The governance structure provides agility and efficiency in decision taking with panels and committees being convened as and when needed and board meetings scheduled on a monthly basis. All transactional business is undertaken remotely, which provides for rapid implementation of new strategies and policies and, from a practical perspective, enables us to secure maximum benefit from members by giving flexibility around meeting times.

Skills, qualities and experience required by the Board

To discharge its responsibilities for setting the strategic direction and overseeing performance, Stonewater's board needs a broad range of skills, competencies, experience and knowledge. All members are expected to demonstrate customer focus, strong communication and interpersonal skills, strategic thinking and leadership. The succession plan and annual review of terms of office ensures that the governance structure maintains the appropriate breadth of expertise to take Stonewater forward and achieve its strategic objectives. During the year, a new board member with human resources/organisational development experience was recruited to fill an identified skills gap arising from turnover on the board.

In addition, the board seeks to have a membership that reflects the diversity of Stonewater's customers and the communities in which Stonewater works. The Board has set targets for improving diversity across the governance structure. At 31 March 2023, the Board comprised 42% female members, 18% from a Black, Asian or minority ethnic background, and two members who identify as disabled. The board consists of members whose ages span four decades.

The board undertakes an annual collective review of its performance, culminating in the identification of key targets for the year ahead. Progress against these targets is monitored through quarterly reporting against sub-targets and the final position is assessed through the annual collective board review at the end of the year. Four objectives were set for 2022/23 and headline performance against these was:

Objective	Performance
Prepare for post-pandemic world and ensure post-pandemic opportunities are considered	Comprehensive assessment of operating environment informed board away day to set direction of future strategic plan. Inorganic growth strategy reviewed and updated. All Directorates restructured and further changes implemented as needs identified to provide capacity to deliver opportunities.
Develop approach to Environmental, Social and Governance (ESG) compliance	Sustainable Finance Framework adopted. Sustainability reporting standard adopted and reported against. Retrofit programme in progress to bring properties to EPC band C.

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	Sustainable Housing Index for Tomorrow ('SHIFT') gold rating status achieved.
Improve use of customer insight to inform decision making	Framework for capturing insights embedded. This includes data gathered from customer calls and digital interactions through the MyHome online portal, feedback from transactional and other surveys and learning from complaints.

Other actions for improvement arising from the annual review are monitored through the governance action plan by the Governance and People Challenge & Assurance Panel. Individual members are required to play an active role in the work of the board and its committees or panels. Each member has an individual annual review with the relevant chair. This provides an opportunity to review performance during the year and set objectives for the year ahead with any specific development needs identified feeding into the member learning and development programme.

Code of Governance

The Board has adopted the 2020 National Housing Federation (NHF) Code of Governance and was fully compliant with it at 31 March 2023.

Shareholding policy

Under the rules for each registered society in the Stonewater Group, the parent board retains discretion over the issue of shares. The current policy is that Stonewater operates a closed membership, with shares only issued to individuals who are Board members.

Committees and panels

The governance structure supporting the board comprises two committees, five challenge and assurance panels and a task and finish group. Each of these is chaired by a board member and includes places for independent members. The succession plan includes arrangements to ensure that the board continues to have access to specialist experts through these committees and panels.

Nominations and Remuneration Committee

Oversees the recruitment and remuneration of non-executives; the Chief Executive and the Chief Officers. Advises the board on annual pay reviews for Stonewater employees.

Risk and Assurance Committee

Oversees the risk management and internal control framework, including the insurance provision and the audit function; considers the annual financial statements and external and internal auditors' reports.

Customer Experience Challenge & Assurance Panel

Oversees front-facing delivery of services, ensuring that Stonewater has knowledge and understanding of the impact of the service provision on customers and its wider activities on local communities.

Finance Challenge & Assurance Panel

Oversees Stonewater's finances and exercises borrowing and treasury powers.

Governance and People Challenge & Assurance Panel

Oversees Stonewater's governance arrangements and employee terms and conditions of service, other than those which are reserved for the board.

Homes and Development Challenge & Assurance Panel

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Oversees Stonewater's growth and home investment programmes, including sustainability initiatives and compliance performance.

Chief Officer Group

Stonewater has an experienced Chief Officer Group which manages the day-to-day running of the business. The Executive team consists of the Chief Executive and five Chief Officers.

The details of the Chief Officer Group are disclosed in the consolidated financial statements.

Access to information

Stonewater aims to work in a transparent and open manner, making information publicly available unless there are justifiable reasons for not doing so, such as personal data or commercially sensitive information.

Information takes a variety of forms including reports, policy statements and publications. Many can be found on our website (www.stonewater.org) and copies are also available on request.

Risks and uncertainties

New, emerging and high scoring risks are monitored through the strategic and critical operations risk register. The Chief Officer Group and the Risk and Assurance Committee keep the register under review to ensure that it fully reflects the risks to the delivery of Stonewater's operations and strategic plan. The Operational Directors Group members and specialist leads are responsible for the identified risk areas and the Company Secretary oversees progress against actions to mitigate risks.

The board has adopted a risk appetite statement which sets out the nature and levels of risk it is prepared to take in order to achieve the strategic objectives. Performance against this is kept under review facilitated through the use of metrics to enable the committees and panels to assess, and provide assurance to the board on, whether performance remains within the risk appetite parameters for the areas under their remit. The Chief Officers and each of the committee and panel identifies any emerging risks that could take operations outside of the risk appetite and escalates to the board through regular reporting. The Risk and Assurance Committee provides overall assurance to the board that risks are being managed appropriately.

In addition to the overarching risk appetite, the board has also received regular reports on the particular risks arising from the volatile operating environment. During the last year these have covered the impact of the war in Ukraine, the cost of living crisis as well as Brexit and the pandemic on the availability of operatives and the supply chain. This has been informed by bespoke risk parameters on the impact on Stonewater's customers, colleagues, contractors and suppliers and financial status.

The Chief Executive reports to the Risk and Assurance Committee on the effectiveness of the internal control environment.

Further information on risks can be found in the consolidated financial statements.

People strategy

Detail of our people related strategies and objectives can be found in the consolidated financial statements.

Pay gap reporting

Stonewater's pay gap statement is available via the website: www.stonewater.org.

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Corporate communications

Detail of our corporate communications strategies and objectives can be found in the consolidated financial statements.

Value for Money

The Value for Money achievements are summarised and can be found through the Group website, and are summarised in the consolidated financial statements.

We recognise that in order to continue to develop new homes, invest in our communities and ensure that our housing properties are maintained in good condition, we need to understand and maximise the value we get from our expenditure and our assets.

Further details on our strategy and results can be found on our website <https://www.stonewater.org/about-us/value-for-money/>.

Relationships

We work alongside our Charity Partner, the Longleigh Foundation to support our customers to thrive in their homes and communities. This partnership enables us to support customers through individual and crisis grants, with customer receiving in total over £500k in grant each year. In addition through the Longleigh Foundation, customers have access to 'Circles of Support', a range of specialist organisations providing support in relation to financial, mental and physical wellbeing.

In addition, to Longleigh we work with charities and businesses across the country to create a growing database of organisations who can offer support and grants to our customers. This year the team also partnered with LEAP, a free service, which is helping people keep warm and reduce their energy bills without costing them any money.

We have continued to develop our stakeholder relationships with Local Authorities (LAs) and ensuring we remain a responsive, proactive partner. With new development schemes we work with our LA partners in ensuring that our schemes are addressing local needs and that we form effective letting strategies to develop sustainable communities.

In the last year we have proactively stepped up to work with partnering LAs to ensure they meet their need around the worsening Refugee crises in Afghanistan and Ukraine. We have identified and allocated 11 homes for Refugees and have accommodated 14 families across 6 local authorities (Bedford, North Somerset, Calderdale, Swindon, Southampton and Craven).

Our relationship with the University of Stirling has continued to grow as we delivered on the INVITE project. The research between the University and our Retirement Living services was to explore how technology can maximise opportunities to support residents to live well and safely, including when they develop conditions such as dementia. The research report was published in the last year and the findings will be used to develop good practice guidance for implementation of technology-enabled support that emphasises equality, inclusive design and linking people together within inclusive environments. It has had a wide reach and led to us developing relationships with the Department of Health and Social Care.

On employability, training and volunteering, we have established partnerships with various training providers as well as employers through attending careers fairs in some priority areas. We promote our employability offer through a variety of channels, including our customer hub, newsletter, targeted emails and via our frontline staff. So far we've had 39 customers respond to our promotion and we've contacted them to discuss the support they need. Some of the support customers has received included; CV and interview support,

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

digital upskilling, volunteering placements and more. We also have strong partnerships with training providers who can deliver various upskilling opportunities including the National Careers Service, Prince's Trust, Strive Training and Babington, to name a few.

Customer engagement

Customer engagement at Stonewater is all part of how we listen, learn and work with our customers to co-create solutions and deliver better customer experiences.

In 2022/23, Stonewater launched its Customer Strategy, highlighting the importance we place on listening to our customers' feedback to improve our services. This work is led by our specialist Customer Voice and Influence team, which brings together our customer communications, engagement and complaints teams to champion the customer voice.

In the last financial year, we directly engaged with over 3,000 customers, working with them to shape our services and gain a greater understanding of their needs. This includes our plans to embed the Tenant Satisfaction Measures throughout our business, which will ensure our customers are at the heart of our drive to improve services.

Our Customer Scrutiny Panel is at the heart of our approach to co-regulation and plays a critical role in influencing and improving our services. In 2022/23, the Panel worked with Stonewater to review the group's terms of reference, as well as making 32 recommendations to help Stonewater as part of their Contact and Communications Service review.

Our priority for the coming year is preparing for new consumer regulation and making sure our customers are at the heart of how we develop our support and services.

Customer insight

Our approach to customer insight allows us to have a better understanding of who our customers are and what they expect of our services. Our customer personas are embedded throughout Stonewater, demonstrating their needs, opinions and aspirations. Knowing this enables us to tailor how we develop and deliver our services so that they are cost-effective and provide great customer experiences across the business.

We use a variety of customer engagement and involvement channels to feedback on and design our services with customers, including our Customer Scrutiny Panel, user-based design on digital services and in retirement living, and online Review Panels on policies.

Suppliers

At Stonewater, we place great value on the significant contribution made by our supply partners, irrespective of their size or the volume of work they complete for us each year. Therefore, maintaining strong and positive relationships is crucial to ensure the effective delivery of a variety of services to our business.

We do this through this through two simple but effective principles: clear and regular communication with all suppliers, through agreed mediums; and ensuring that all payments are made early or on time, in line with agreed schedules in each contractual agreement. By following these two principles, we provide clarity to businesses and ensure that we contribute positively to their financial security and wellbeing during difficult and uncertain times.

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Homes England

Stonewater has been a development partner with Homes England for over 15 years delivering affordable homes across England. During that period, Stonewater has secured grant funding from Homes England to deliver a variety of tenures, including social rent, affordable rent, Rent to Buy, and shared ownership. The relationship with Homes England has always been open, transparent, and strong and committed, which has enabled Stonewater to deliver much-needed affordable homes across the country.

Stonewater has an existing Strategic Partnership with The Guinness Partnership (TGP) and Homes England to deliver:

- 4,500 new grant funded homes by March 2024 with grant funding of £224m
- 4,180 high-quality affordable homes by 2029 with grant funding of £249.9m.

Funders

We maintain strong relationships with our bank and capital market funders by ensuring they are updated on Stonewater's operational and financial performance. Relevant operational information is published on Stonewater's investor relations pages on our website, and both half year and annual performance information is published there too. Update meetings are held regularly.

Equality, diversity and inclusion

Stonewater has adopted the Social Housing Equality Framework (SHEF) to support and drive the organisation's equality and diversity agenda. The Corporate Equality Group is taking action to achieve the SHEF Achieving Level across the business as a whole. When looking at our Board, Chief Officer Group and Operational Delivery Group combined, our diversity is as follows (Figures to be updated for 2023):

Gender	58% Male	42% Female
Ethnicity	82% White	18% Black, Asian and Minority Ethnicity
Sexuality	88% identify as heterosexual	12% identify as LGBTQ+
Disability	96% non-disabled	4% disabled
Age span	19-60+	

Modern slavery and human trafficking

Stonewater's modern slavery and human trafficking statement, under the Modern Slavery Act 2015, for the financial year ending 31 March 2023, is available via our website [modern-slavery-and-human-trafficking-statement](#).

Financial inclusion

We have continued to develop a customer focused, flexible approach through our Income Maximisation Strategy which enhances our support offer for customers due to the cost of living placing more challenges on limited resources. We're able to support customers with 'flexible' payment arrangements to help them through unexpected circumstances as well as offering advice, support and guidance for those struggling with the challenges of general every day costs.

During the year our specialist income team secured over £163k in Discretionary Housing Payments for customers as well as set up a new partnership with StepChange Debt Charity to provide enhanced support on debt, budgeting, benefits and ensuring all customers have access to financial guidance when they need it. We've continued to work closely with the Longleigh Foundation with three key initiatives designed to support customers experiencing financial hardship:

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

1. Referring customers for individual grants, helping customers cope with the impact of difficult, unexpected and unknown crisis situations as well as those known situations that are about to happen but that will still cause financial hardship, such as moving home
2. The Circles of Support programme offers customers holistic and wrap around support in three areas of their life: economic, emotional and physical wellbeing. Colleagues can refer customers into the programme or they can choose to self-refer. Financial support is provided by Clean Slate who are able to work with customers regarding budgeting and income maximization, making referrals to StepChange for our customers experiencing more complex financial difficulties
3. Our kickstart project was established in October 2022 and designed to re-engineer our onboarding process to better support new customers with the emotional and financial pressures of moving home. This project also provides a dedicated specialist resource to avoid new customer debt and minimise low-level debt through prevention, enhanced monitoring and early intervention. Since its formation, this project has reduced the number of new customers in debt by 20%. We additionally provide three specialist roles embedded in our frontline customer facing teams focused on employability, grants, other third sector support and fuel poverty. These roles are able to work directly with customers, signposting and facilitating them to access support to improve financial circumstances, living environments and emotional wellbeing.

In January 2023, we contacted all customers to remind them of our financial inclusion offer and that we are here to help them navigate the cost of living crisis. This received over 2,200 responses and the insight gathered has enabled us to enhance our support offer ahead of further communication surrounding our annual rent review.

We've provided a dedicated triage service and have spoken to over 3,000 customers to answer queries, with 2900 of these being given one to one support. This has included advice on budgeting, grants, benefits, employability and making referrals to the Longleigh Foundation and Circles of Support as appropriate.

We continue to seek to influence national policy; campaigning for better support for Heat Networks customers, promoting social tariffs, improving connectivity within homes and linking customers to opportunities seeking to work with partners locally to better support new ways of working.

Treasury policies and objectives

Stonewater has a formal treasury management policy which is regularly reviewed. Further detail of this policy and objectives can be found in the consolidated financial statements.

Going concern

The Board has reviewed the Association's five-year strategic plan and 30-year financial projections. This review included stress testing and analysis of potential impact on covenants. The Board is fully satisfied that the Association has adequate resources to continue trading for the foreseeable future and therefore continues to adopt the going concern basis in preparing the Association's financial statements.

Business planning, risk and internal controls assurance

Purpose

The statement of internal controls provides information to both internal and external stakeholders on how Stonewater governs its business, manages risks and delivers the business plan.

Responsibility

The Board has overall responsibility for establishing and maintaining the system of business planning, risk and internal control and for reviewing its effectiveness across Stonewater. The Risk and Assurance Committee is

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STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

responsible to the board for monitoring this system and ensuring its effectiveness.

Approach

Stonewater has adopted the three lines of defence assurance framework, whereby we employ qualified colleagues and put good policies and procedures in place; monitor these through management activity and governance reporting and seek external assurance through audits, accreditations etc.

In meeting its responsibilities, the board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which Stonewater is exposed through:

- **Identification and evaluation of key risks**

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. The Chief Officer Group regularly considers significant risks facing Stonewater from both existing and proposed new business, and these are identified and evaluated.

- **Monitoring and corrective action**

A process of control self-assessment and regular management reporting on regulatory and control issues, including any raised by the external auditors, provides hierarchical assurance to successive levels of management and to the Board.

- **Control environment and control procedures**

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The board has adopted the NHF Code of Conduct 2022 reflecting Stonewater's stance on the quality, integrity and ethics of its non-executives and employees. A framework of policies and procedures is in place covering issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data protection and fraud, all of which support Stonewater's continued compliance with the NHF Code of Conduct.

- **Information and financial reporting systems**

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the board. The board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes; and also progress in achieving and retaining recognition for quality management systems.

Stonewater's operations have continued to evolve during 2022/23 in response to the changing operating environment. The board has received regular reports on key risk areas, including the cost of living crisis and its impact on our customers and business costs. Bespoke risk indicators have been developed to enable the board to ensure that operations remain within the risk appetite.

A suite of performance indicators, scenario models and risk appetite measures are in place to inform board decisions and performance monitoring. The board's priority is to safeguard health and safety, along with other legal, regulatory and financial compliance. Revised and new policies and procedures have been put in place to reflect the operating environment and strengthen internal controls.

The internal control framework and the risk management process are subject to regular review by the internal auditors, who are responsible for providing independent assurance to the board via the Risk and Assurance Committee.

STONEWATER (5) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

Confirmation from the Board

The Board has received from the Chief Executive an annual report, has conducted its annual review of the effectiveness of the system of internal control, has reviewed the fraud register and has taken account of any changes needed to maintain the effectiveness of risk management and the control process.

The board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by Stonewater. This process has been in place throughout the year under review, up to the date of the annual report, and is reviewed by the board.

The board is able to confirm to the best of its knowledge compliance with its adopted code of governance and the regulatory governance, financial viability standard as set by Regulator of Social Housing.

Compliance with the regulatory standards

The latest regulatory judgement issued by the Regulator of Social Housing in November 2022 confirms that Stonewater meets the requirements set out in the Governance and Financial Viability standard of the 2015 Regulatory Framework with the top ratings of G1 (The provider meets the requirements on governance set out in the Governance and Financial Viability standard) and V1 (The provider meets the requirements on viability set out in the Governance and Financial Viability Standard and has the capacity to mitigate its exposures effectively). Since then the board has undertaken a self-assessment of compliance with the Governance and Viability standard, taking account of the Code of Practice, and confirms that Stonewater remains compliant with the standard.

STONEWATER (5) LIMITED

BOARD MEMBERS REPORT FOR THE YEAR ENDED 31 MARCH 2023

The board members are responsible for preparing the report of the Board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the Board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the Board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social 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 members are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them 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. They are 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 ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

Financial statements are published on the Association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Association's website is the responsibility of the Board members. The Board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of information to auditors

The Board members who held office at the date of approval of this report confirm that in fulfilling their duties as a Board member they have taken the steps they ought to have taken to make themselves aware of any information relevant to the audit and the auditors are aware of that information. So far as they are aware there is no relevant audit information which they have not made the auditors aware of.

Post balance sheet events

On 30th June 2023 the loan to Stonewater Developments Limited was amended and restated. The loan has been extended to expire in March 2029, and the margin increased to 4% above Base Rate, in line with current market conditions. The facility amount remains £50 million.

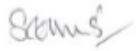
Auditors

BDO LLP were re-appointed as Stonewater (5) Limited's external auditors for 2022/23 on 27 July 2022 by the board.

STONEWATER (5) LIMITED

**BOARD MEMBERS REPORT
FOR THE YEAR ENDED 31 MARCH 2023**

This report was approved by the board and signed on its behalf.



Sheila Collins (Chairman)
Chairman

Date: 18 August 2023

STONEWATER (5) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONEWATER (5) LIMITED

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2023 and of the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 2022.

We have audited the financial statements of Stonewater (5) Limited ("the Association") for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves 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).

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes 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

In auditing the financial statements, we have concluded that the board members' 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 Association'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.

STONEWATER (5) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONEWATER (5) LIMITED

Other information

The Board are responsible for the other information. Other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information 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 including the Report of the Board of Management 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Cooperative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board and Strategic report for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the statement of the Board's responsibilities set out on page 16, 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 members determine 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 are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Association 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Association and the industry in which it operates, we identified that the principal laws and regulations that directly affect the financial statements to be the Co-operative and community

STONEWATER (5) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONEWATER (5) LIMITED

Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

In addition the Association is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: employment law, data protection and health and safety legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence if any.

Audit procedures performed by the engagement team included:

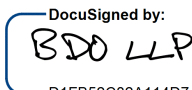
- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading minutes of meeting of those charged with governance, and reviewing correspondence with HMRC;
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the net realisable value of properties held for sale; and
- In addressing the risk of fraud through management override of controls; testing the appropriateness of journal entries and other adjustments, in particular any journals posted to cash and material journal adjustments.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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 members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association'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 Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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BDO LLP

55 Baker Street
London
W1U 7EU

Date: 20 September 2023

STONEWATER (5) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 £000	2022 £000
Turnover	4	7,685	7,334
Operating costs	4,5	(8,521)	(6,220)
Surplus on disposal of fixed assets	9	164	276
Operating (deficit)/surplus	7	(672)	1,390
Interest receivable and similar income	10	4,201	2,121
Interest payable and financing costs	11	(2,776)	(2,576)
Total comprehensive income for the year		<u>753</u>	<u>935</u>

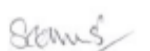
The notes on pages 23 to 45 form part of these financial statements.

STONEWATER (5) LIMITED


**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023**

	Note	2023 £000	2023 £000	2022 £000	2022 £000
Fixed assets					
Tangible fixed assets - Housing properties	13		63,479		60,856
Other tangible fixed assets	14		648		535
			<u>64,127</u>		<u>61,391</u>
Current assets					
Properties held for sale	15	-		85	
Debtors: amounts falling due after more than one year	16			18,700	
Debtors: amounts falling due within one year	16	16,610		829	
Cash and cash equivalents		26,756		25,476	
			<u>43,366</u>	<u>45,090</u>	
Creditors: amounts falling due within one year	17	(4,167)		(3,335)	
Net current assets			<u>39,199</u>		<u>41,755</u>
Total assets less current liabilities			<u>103,326</u>		<u>103,146</u>
Creditors: amounts falling due after more than one year	18		(91,184)		(91,757)
Net assets			<u><u>12,142</u></u>		<u><u>11,389</u></u>
Capital and reserves					
Income and expenditure reserve			12,142		11,389
			<u><u>12,142</u></u>		<u><u>11,389</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 August 2023.



Sheila Collins
Chairman



Nicholas Harris
Board member



Anne Harling
Secretary

The notes on pages 23 to 45 form part of these financial statements.

STONEWATER (5) LIMITED

STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 MARCH 2023

	Income and expenditure reserve	Total equity
	£000	£000
At 1 April 2021	10,445	10,445
Comprehensive income for the year		
Surplus for the year	935	935
Prior year gift aid receipt	9	9
At 1 April 2022	<u>11,389</u>	<u>11,389</u>
Comprehensive income for the year		
Surplus for the year	753	753
At 31 March 2023	<u><u>12,142</u></u>	<u><u>12,142</u></u>

The notes on pages 23 to 45 form part of these financial statements.

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

1. Legal status

Stonewater (5) Limited is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a social housing provider. The Association is a public benefit entity.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements of the Association have been prepared on a going concern basis, under the historical cost basis of accounting in accordance with Financial Reporting Standard 102 (FRS102). This is the applicable standard in the United Kingdom and the Republic of Ireland 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 financial statements are presented in Sterling (£'000) except where specifically stated otherwise.

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

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

The information is included in the consolidated financial statements of Stonewater Limited as at 31 March 2023 and these financial statements may be obtained from Stonewaters' registered address as disclosed on the Company Information page.

The following principal accounting policies have been applied:

2.2 Going concern

After making enquires and reviewing the Stonewater Group 30 - year financial plan, the Board has a reasonable expectation that we have 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 current economic environment has been challenging for both customers and the organisation. Starting with Covid and Brexit related labour and material supply challenges, inflationary pressures have now been exacerbated by the war in Ukraine, coupled with significant increases in UK energy costs.

The Board obtains assurance of financial viability through the annual budgeting, re forecasting, 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.

We have a policy of maintaining cash and committed bank facilities equal to contractual commitments (less grant associated with them). At 31 March 2022/23 we had £26.8m of cash, which exceeded the Association's contracted obligations less grant by £26.3m.

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.3 Turnover

Turnover represents rental and service charge income, grants receivable from local authorities and from Homes England, income from shared ownership first tranche sales, proceeds from property sales, grant amortisation and other income, all of which arises in the UK.

2.4 Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable.

- Rental income is measured at fair value of the consideration received or receivable and represents the amount receivable for the services rendered net of any voids.
- The amortisation of social housing grant is applied by the accruals model in accordance with FRS102, and the income is released over the life of the associated structure component.
- Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

2.5 Service charges

The Association adopts a mixture of fixed and variable method for calculating and charging service charges to its tenants and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated or fixed amounts chargeable.

2.6 Cost of sales

Cost of sales represents development/construction costs including capitalised interest, direct overheads incurred during the course of development of those properties and marketing and other incidental costs incurred during the course of the sale of those properties. Land costs originally incurred during construction are attributed to each sales transaction.

Also included within costs of sales are expenses relating to fees expended in promotion developments through the planning system, which are written off to the statement of comprehensive income until the viability of such a development is reasonably secure, after which such costs are capitalised in accordance with the accounting policy in respect of land and properties held for sale. At the date a sale is recognised a relevant proportion of costs inclusive of in-house development staff, shared ownership sales staff, and a proportion of other staff in other departments who work on development activity attributable to that sale are taken to cost of sales.

2.7 Operating costs

Direct employee, administration and operating costs are allocated to either the statement of comprehensive income or capital schemes on the basis of costs of staff or the extent to which they are directly engaged in the operations concerned.

2.8 Value Added Tax

The Association charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Association and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the statement of comprehensive income.

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.9 Government and other grants

Social Housing Grant (SHG) is receivable from Homes England, and is accounted for using the accruals method of accounting for government grants and any new grant received is included as part of creditors. The grant is recognised within income when amortised over the useful economic life of the asset. Grant is amortised even if there are no related depreciation charges.

In accordance with Housing SORP 2018 the useful economic life of the housing property structure has been selected (see table of useful economic lives under note 2.15).

SHG received against new schemes, which are under construction is included as a long term liability. Amortisation becomes active once the unit is in active management. Grants relating to revenue are recognised in the statement of comprehensive income over the same period as the expenditure to which they relate once performance related conditions have been met.

SHG can be recycled by the Association under certain circumstances such as if a property is sold, or if another relevant event takes place. In these cases, the SHG can be recycled for use on projects approved by Homes England and is held on the statement of financial position as a liability in the recycled capital grant fund. However, SHG may need to be repaid in certain circumstances.

2.10 Housing properties

Housing properties constructed or acquired (including land), excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are held at cost less any impairment.

Cost comprises of acquiring of land and buildings, development costs, and interest charges incurred during development. In addition staff costs attributable to bringing housing property into the working condition for their intended use.

Housing properties in the course of construction are stated at cost and not depreciated and are transferred to completed properties when they are ready for letting.

Expenditure on replaced components is capitalised if the component is classified as being wholly replaced. Any remaining net book value of the replaced component is disposed of and recognised as accelerated depreciation.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income.

Expenditure on schemes which are subsequently aborted, is written off in the period in which it is recognised the scheme will not be developed to completion.

Gains and losses on disposals of housing properties are determined by comparing the proceeds with the carrying amount and incidental costs of sales and amortised grant written back are recognised within surplus on disposal of fixed assets in the statement of comprehensive income.

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.11 Finance costs

Finance costs on bonds and notes 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. For all other borrowings, finance costs are charged on an amortised cost basis.

2.12 Leasehold sinking funds

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors.

2.13 Income and expenditure reserve

Income and expenditure reserve represents surpluses generated from operating activities each year.

2.14 Depreciation of other fixed assets

Freehold land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Site equipment	-	5 to 25 years
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. Residual values for other tangible fixed assets are assumed to be nil.

Gains and losses on disposals of other fixed assets are determined by comparing the proceeds with the carrying amount and incidental costs of sales and are recognised within surplus on disposal of fixed assets in the statement of comprehensive income.

2.15 Fixed assets and depreciation

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Association assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.15 Fixed assets and depreciation (continued)

Housing components are depreciated from the month following replacement. The estimated economic lives range (years) is as follows:

Boiler	- 15
Kitchen	- 20
Lifts	- 20
Heating systems	- 30
Bathrooms and wet rooms	- 30
Windows and doors	- 35
Electrics	- 40
Roof cover	- 70
Structure	- 100

Leasehold properties are depreciated over the length of the lease except where the expected useful economic life of properties is shorter than the lease; when the lease and building elements are depreciated separately over their expected useful economic lives.

Social housing grant (SHG) is amortised to income over 100 years for social housing lettings.

Where a purchase of completed properties is made, including transfer of properties between group entities, the useful lives of the components are adjusted to reflect the actual remaining lives of the properties, using the information obtained from the other social landlord during due diligence. Where accurate cost information on the components is not available, the cost for each unit is apportioned based on the pre-determined assumptions that the Group uses for new build properties.

2.16 Impairment

An annual review is undertaken to existing social housing properties to determine if there have been an indicators of impairment in the current financial year for assets which may have suffered an impairment loss. The review is done on a scheme level, which is deemed to be a cash generating unit.

Impairment reviews are carried out in accordance with the Housing SORP, with consideration of the following impairment indicators:

- Development issues
- Change in legislation
- Average void time/change in demand
- Material reduction on market value
- Schemes being redeveloped/demolished

If there is an indicator of an impairment, the recoverable amount of any affected asset is estimated and compared to the carrying amount. If the estimated recoverable amount is lower than the carrying amount, then the carrying amount is adjusted down to the recoverable value and an impairment loss is recognised as operating expenditure.

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.17 Other fixed assets

Other tangible fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2.18 Allocation of costs for mixed tenure and shared ownership developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure, costs are allocated on a floor area basis.

2.19 Shared ownership properties and staircasing

Shared ownership sales are treated under the SORP 2018 as follows:

- Shared ownership properties are split proportionately between current and fixed assets based on the anticipated first tranche proportion.
- The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover.
- The remaining element is classed as a fixed asset, and included in housing properties at cost, less any provisions needed for depreciation or impairment.

2.20 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.

2.21 Rent and service charge agreements

The Association has made arrangement with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

2.22 Loans, investments and short term deposits

All loans, investments and short term deposits held by the Association are classified as basic financial instruments in accordance with FRS 102.

These instruments are initially recorded at the transaction price less any transaction costs (historical cost), FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Association has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated in the statement of financial position at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

2.23 Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

2. Accounting policies (continued)

2.24 Cash and cash equivalents

Cash and cash equivalents in the Association's statement of financial position consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

The Association invests in highly rated Low Volatility Net Asset Value (LVNAV) money market funds where capital preservation is the priority. These are valued on an amortised cost basis.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the Association's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset generating units.
- Determining the anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the member's best estimate of sales value based on economic conditions within the area of development.
- Whether leases entered into by the group either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determining the appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.
- What constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

Other key sources of estimation uncertainty:

- Tangible fixed assets (note 13 and 14)

Tangible fixed assets are depreciated over their useful economic lives. The actual lives of the assets are assessed annually and may vary depending on a number of factors. For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

4. Particulars of turnover, costs of sales, operating costs and operating (deficit)/surplus - Current Year

	Note	Turnover 2023 £000	Cost of Sales 2023 £000	Operating costs 2023 £000	Surplus on disposal of fixed assets 2023 £000	Operating (deficit)/ surplus 2023 £000
Social housing lettings	5	7,685	-	(8,521)	-	(836)
Other social housing activities						
Surplus on disposal of fixed assets	9	-	-	-	164	164
		-	-	-	-	-
		-	-	-	-	-
Total		<u>7,685</u>	<u>-</u>	<u>(8,521)</u>	<u>164</u>	<u>(672)</u>

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

4. Particulars of turnover, costs of sales, operating costs and operating surplus/(deficit) - Prior Year

	Note	Turnover 2022 £000	Cost of Sales 2022 £000	Operating costs 2022 £000	Surplus on disposal of fixed assets 2022 £000	Operating surplus 2022 £000
Social housing lettings	5	7,334	-	(6,220)	-	1,114
Other social housing activities						
Surplus on disposal of fixed assets		-	-	-	276	276
Total		<u>7,334</u>	<u>-</u>	<u>(6,220)</u>	<u>276</u>	<u>1,390</u>

STONEWATER (5) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

5. Particulars of the income from social housing lettings

	General Needs 2023 £000	Supported / Housing for older people 2023 £000	Shared ownership 2023 £000	Affordable Rent 2023 £000	Total 2023 £000	<i>Total 2022 £000</i>
Rent receivable net of identifiable service charges	5,449	639	144	223	6,455	6,224
Service charge income	655	329	56	6	1,046	927
Net rent receivable	6,104	968	200	229	7,501	7,151
Amortised government grants (note 19)	138	33	5	5	181	180
Other income	-	-	3	-	3	3
Income from social housing lettings	<u>6,242</u>	<u>1,001</u>	<u>208</u>	<u>234</u>	<u>7,685</u>	<u>7,334</u>

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

5. Particulars of the expenditure from social housing lettings- continue

	General Needs 2023 £000	Supported / Housing for older people 2023 £000	Shared ownership 2023 £000	Affordable Rent 2023 £000	Total 2023 £000	Total 2022 £000
Management	(1,185)	(180)	(59)	(34)	(1,458)	(1,500)
Service charge costs	(792)	(438)	(58)	(2)	(1,290)	(1,210)
Routine maintenance	(1,372)	(33)	11	(12)	(1,406)	(1,487)
Planned maintenance	(227)	(21)	(1)	-	(249)	(211)
Major repairs (note 13b)	(463)	(696)	(1)	(2)	(1,162)	(507)
Bad debts	(66)	(7)	-	1	(72)	(62)
Depreciation on housing properties – annual charge (note 7 and 13a)	(1,027)	(159)	(20)	(42)	(1,248)	(1,228)
Depreciation on housing properties – accelerated on disposal of components (note 7 and 13a)	(84)	(24)	-	(1)	(109)	(15)
Impairment on housing properties (note 7 and 13a)	(1,114)	-	-	(413)	(1,527)	-
Reversal of impairment (note 7 and 13a)	-	-	-	-	-	-
Expenditure on social housing lettings	(6,330)	(1,558)	(128)	(505)	(8,521)	(6,220)
Operating surplus/(deficit) on social housing lettings	(88)	(557)	80	(271)	(836)	1,114
Void losses	(66)	(24)	-	(5)	(95)	(71)

STONEWATER (5) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

6. Units of housing stock

	At the start of the year	Additions	Disposals	Reclassifications	At the end of the year
	Number	Number	Number	Number	Number
General needs housing	1,053	-	(1)	-	1,052
Affordable Housing	32	4	-	-	36
Shared Ownership	59	-	-	(1)	58
Supported Housing	8	-	-	-	8
Housing for Older People	132	1	-	-	133
Total owned accommodation	1,284	5	(1)	(1)	1,287
Accommodation managed for others	49	-	-	1	50
Total owned and managed accommodation	1,333	5	(1)	-	1,337

STONEWATER (5) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

7. Operating Surplus

	2023	2022
	£000	£000
This is arrived at after charging/(crediting):		
Depreciation of housing properties		
- annual charge (note 5 and 13a)	1,248	1,228
- accelerated depreciation (note 5 and 13a)	109	15
Depreciation of other tangible fixed assets (note 14)	30	24
Impairment of housing properties (note 5 and 13a)	1,527	-

Audit fees for the years ending 31 March 2023 and 31 March 2022 are borne by the parent company, Stonewater Limited, and are disclosed in the consolidated financial statements.

8. Employees, directors' and senior executive remuneration

Employee information, including pension costs and the cost of directors and senior executives' remuneration are disclosed in the consolidated financial statements.

9. Surplus on disposal of fixed assets

	Shared ownership properties	Other housing properties	Total	Total
	2023	2023	2023	2022
	£'000	£'000	£'000	£'000
Disposal proceeds	129	222	351	576
Net book value of disposals (note 13a)	(65)	(84)	(149)	(288)
Other costs	(3)	(35)	(38)	(12)
Surplus on disposal of fixed assets	61	103	164	276

10. Interest receivable and similar income

	2023	2022
	£000	£000
Interest receivable from group undertakings (note 23)	1,197	628
Gift aid from group undertakings	2,591	1,482
Interest receivable and similar income	413	11
Total	4,201	2,121

STONEWATER (5) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

11. Interest payable and financing costs

	2023	2022
	£000	£000
Interest payable to group undertakings (note 23)	2,928	2,899
Amortisation of bond premium (note 23)	(175)	(347)
Amortisation of bond discount (note 23)	24	18
Amortisation of issue costs	11	6
Interest capitalised on construction on housing properties (note 13b)	(23)	-
Recycled capital grant fund (note 20)	11	-
Total	<u>2,776</u>	<u>2,576</u>

12. Taxation on surplus on ordinary activities

Stonewater (5) Limited is registered with charitable rules under Co-operative and Community Benefit Societies Act and as such received charitable relief from Corporation tax.

STONEWATER (5) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

13. a) Tangible fixed assets housing properties

	Housing properties held for lettings	Housing properties for letting under construction	Shared ownership properties held for lettings	Shared ownership under construction	Total
	£000	£000	£000	£000	£000
Cost:					
At 1 April 2022	63,221	1,141	3,001	-	67,363
Additions:					
- construction costs	-	521	-	-	521
- replace components	5,111	-	24	-	5,135
Transfer to be completed	1,491	(1,491)	-	-	-
Transfer to properties held for sale	-	-	-	-	-
Disposals:					
- staircasing (note 9)	-	-	(68)	-	(68)
- replaced components	(202)	-	(10)	-	(212)
- other sales (note 9)	(88)	-	-	-	(88)
At 31 March 2023	<u>69,533</u>	<u>171</u>	<u>2,947</u>	<u>-</u>	<u>72,651</u>
Depreciation:					
1 April 2022	6,420	-	87	-	6,507
Charge for the year (note 5 and 7)	1,228	-	20	-	1,248
Disposals during the year:					
- staircasing (note 9)	-	-	(3)	-	(3)
- other sales (note 9)	(4)	-	-	-	(4)
- replaced components	(103)	-	-	-	(103)
At 31 March 2023	<u>7,541</u>	<u>-</u>	<u>104</u>	<u>-</u>	<u>7,645</u>
Provision for impairment:					
At 1 April 2022	-	-	-	-	-
Charge for the year (note 5 and 7)	1,527	-	-	-	1,527
Release in the year (note 5 and 7)	-	-	-	-	-
At 31 March 2023	<u>1,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,527</u>
Net book value:					
At 31 March 2023	<u>60,465</u>	<u>171</u>	<u>2,843</u>	<u>-</u>	<u>63,479</u>
30At 31 March 2022	<u>56,801</u>	<u>1,141</u>	<u>2,914</u>	<u>-</u>	<u>60,856</u>

STONEWATER (5) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

13. b) Tangible fixed assets housing properties - Net Book Value analysis

	2023	2022
	£000	£000
The net book value of housing and other properties comprises:		
Freehold	59,945	57,271
Long leasehold	<u>3,534</u>	<u>3,585</u>
Total	<u><u>63,479</u></u>	<u><u>60,856</u></u>
Interest capitalisation:		
Interest capitalised in the year (note 11)	23	-
Cumulative interest capitalised	56	33
Rate used for capitalisation	3.7%	3.7%
Works to properties:		
Improvements to existing properties capitalised	5,135	1,364
Major repairs expenditure to statement of comprehensive income (note 5)	<u>1,162</u>	<u>507</u>
	<u><u>6,297</u></u>	<u><u>1,871</u></u>
Total social housing grant received or receivable to date as follows:		
Capital grant held in deferred income (note 19)	13,465	13,677
Recycled capital grant fund (note 20)	571	497
Amortised to statement of comprehensive income in year (note 5)	181	180
Write back amortisation on disposals (note 19)	(32)	(2)
Cumulative amortisation to income and expenditure reserve	1,592	1,443

Impairment

The Association assessed its portfolio for indicators of impairment at the balance sheet date 31/03/2023. At 31 March 2023 we considered whether any specific indications of impairment at scheme or property level exist and identified 2 schemes which were required impairment.

The schemes impaired are as follows:

Scheme	Reason for Impairment
Affordable Rent 4	Above 4% excess on outturn
General Needs Scheme 3	Cost of remedial works

Scheme	Charge/(Reversal) £'000s	No. of units affected	Carrying value prior to Impairment
Affordable Rent 4	413	4	1514
General Needs Scheme 3	1,114	32	4511
Grand Total	1,527	36	6,025

STONEWATER (5) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

Properties held for security

The Association had 1,237 properties pledged as security at 31 March 2023 with a NBV of £50.4 m (2022: 1,239 properties, £51.3m). The Association had 100 completed assets that have not been charged, with a net book value of £12.9m (2022: 45 NBV: £8.4m).

14. Other tangible fixed assets

	Furniture and office equipment £000	Total £000
Cost or valuation		
At 1 April 2022	580	580
Additions	143	143
	<u>723</u>	<u>723</u>
At 31 March 2023	<u>723</u>	<u>723</u>
Depreciation		
At 1 April 2022	45	45
Charge for the year	30	30
	<u>75</u>	<u>75</u>
At 31 March 2023	<u>75</u>	<u>75</u>
Net book value		
At 31 March 2023	<u>648</u>	<u>648</u>
At 31 March 2022	<u>535</u>	<u>535</u>

15. Properties held for sale

	2023 £000	2022 £000
Other property sales	-	85
	<u>-</u>	<u>85</u>

STONEWATER (5) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

16. Debtors

	2023	<i>2022</i>
	£000	<i>£000</i>
Due after more than one year		
Amounts owed by group undertakings	-	18,700
	<u>-</u>	<u>18,700</u>
Due within one year		
	2023	<i>2022</i>
	£000	<i>£000</i>
Rent and service charge arrears	467	488
Less: Provision for doubtful debts	<u>(162)</u>	<u>(199)</u>
	<u>305</u>	<u>289</u>
Service costs to be charged in future periods	599	532
Amounts owed by group undertakings	15,705	8
Other debtors	1	-
	<u>16,610</u>	<u>829</u>

Amounts owed by group undertakings includes a loan of £15,700,000 provided to Stonewater Developments Limited (2022: £18,700,000). This loan is borrowing under a five year loan facility expiring in 2024 and interest is charged at Base Rate + 3%. The five year £50m loan facility will be restated during 23/24 and extended for a further five years.

During the year the Association has provided a loan facility to its subsidiary Greenoak Housing Association Limited, of £5,000,000. The facility expires on 31 December 2024, and interest is charged at Base Rate + 1%. The balance of the loan at 31 March 2023 was nil.

STONEWATER (5) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

17. Creditors: Amounts falling due within one year

	2023	<i>2022</i>
	£000	<i>£000</i>
Housing loans internal (note 21)	150	153
Issue costs (note 21)	(6)	(5)
Other creditors	677	564
Accruals and deferred income	1,302	773
Other taxation and social security	-	2
Amounts owed to group undertakings	613	806
Deferred capital grant (note 19)	180	180
Recycled capital grant fund (note 20)	439	140
Leaseholder sinking funds	812	722
	<u>4,167</u>	<u>3,335</u>

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

	2023	<i>2022</i>
	£000	<i>£000</i>
Housing loans internal (note 21)	74,500	74,500
Housing loans premium	4,049	4,232
Housing loans discount	(653)	(688)
Issue Costs (note 21)	(129)	(141)
Deferred capital grant (note 19)	13,285	13,497
Recycled capital grant fund (note 20)	132	357
	<u>91,184</u>	<u>91,757</u>

Included within Housing loans internal is a loan of £74.5 million (2022: £74.5 million) from Stonewater Funding PLC, £51.5 million of which is repayable on 2042 and £23 million on 2046. Interest payable on housing loans are at varying commercial rates. Loans are secured by fixed charges on individual properties. In addition, £4.0 million (2022: £4.2 million) premium is amortised over the life of the loans and £0.7 million (2022: £0.7 million) discount is amortised over the life of the loans.

STONEWATER (5) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

19. Deferred capital grant

	2023	<i>2022</i>
	£000	<i>£000</i>
At 1 April	13,677	13,913
Transfer to RCGF (note 20)	(63)	(58)
Released to income in the year (note 5)	(181)	(180)
Write back amortisation on disposals (note 13)	32	2
At 31 March	13,465	<i>13,677</i>
Amounts due for repayments:		
-within one year (note 17)	180	180
-greater than one year (note 18)	13,285	<i>13,497</i>
	13,465	<i>13,677</i>

20. Recycled capital grant fund (RCGF)

	HCA	HCA
	2023	<i>2022</i>
	£000	<i>£000</i>
At 1 April	497	439
Inputs to fund:		
Grants recycled from deferred capital grants (note 19)	63	58
Interest accrued (note 11)	11	-
Recycling of grant:		
At 31 March	571	<i>497</i>
Amounts due for repayments:		
-within one year (note 17)	439	140
-within two to three years (note 18)	132	357
	571	<i>497</i>

STONEWATER (5) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

21. Loans and borrowings

Maturity of debt:	Bond on-leading 2023 £000	<i>Bond on-leading 2022 £000</i>
In one year or less, or on demand	150	153
Issue costs <1 year	(6)	(5)
Less than one year (note 17)	<u>144</u>	<u>148</u>
In more than one year but not more than two years	155	153
In more than two years but not more than five years	498	495
After five years	77,243	77,396
Issue costs	<u>(129)</u>	<u>(141)</u>
Greater than one year (note 18)	<u>77,767</u>	<u>77,903</u>
Total loans	<u><u>77,911</u></u>	<u><u>78,051</u></u>

Bond on-lending includes £74.5m (2022: £74.5m) from Stonewater Funding PLC, a fellow group member. The amount of debt secured on property assets is £74.5m (2022: £74.5m).

22. Share Capital

	2023 £	<i>2022 £</i>
At 1 April	12	12
Shares issued in the year	3	1
Shares cancelled in the year	(3)	(1)
At 31 March	<u><u>12</u></u>	<u><u>12</u></u>

The share capital of the Association consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that share is cancelled and the amount paid thereon becomes the property of Stonewater. Therefore, all shareholdings relate to non-equity interests.

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

23. Related party disclosures

The Association has taken advantage of the disclosure exemption available to subsidiary undertaking in FRS102 in respect of related party transactions with intra group companies. The Association transacted with a non-regulated entity (Stonewater Funding PLC) whose principle activity is to act as the capital markets issuance vehicle for the group. The management fee charged by Stonewater Funding PLC was £35k (2022:£43k). The total loan balance and interest charged by Stonewater Funding PLC in the year was:

	2023	<i>2022</i>
	£000	<i>£000</i>
Loan Balance (after issue costs) (note 21)	77,911	78,051
Interest charged - incl amortisation of bond premium and discount (note 11)	2,782	2,570

In July 2021, Stonewater established a £1.0bn European Medium Term Note (EMTN) programme. In September 2021, Stonewater issued a £250m sustainability bond from this programme. The bond was issued by Stonewater Funding PLC and matures in September 2036. Proceeds from the £250m bond were on-lent to Stonewater Limited and Stonewater (5) Limited on 10 September 2021. Stonewater (5) Limited was allocated £4.5m of the £250m.

Under the programme the bonds are secured by fixed charges over the housing properties of Stonewater Ltd and Stonewater (5) Limited; cross guaranteed to cover any shortfall in the security and any unpaid interest and fees in respect of the loans. At 31 March 2023 the potential shortfall covered by the guarantee was nil as the valuation of the security provided by Stonewater Limited and Stonewater (5) exceeded the amount required.

During the year the Association provided a loan to a subsidiary company, Stonewater Developments Limited, a company which provides development and design and build services to the group. The charge for the design and build services was £447,023 (2022: £743,988) plus 2.5% admin charge of £11,176 (2022: £18,560) a total recharge of £458,199 (2022: £762,548). The total loan balance and interest charged to Stonewater Developments Limited in the year was:

	2023	<i>2022</i>
	£000	<i>£000</i>
Loan Balance to Stonewater Development (note 16)	15,700	18,700
Interest received from Stonewater Development (note 10)	1,193	628
Interest received from Greenoak (note 10)	4	-

The parent company is Stonewater Limited, a registered social housing provider. There is no ultimate controlling party of Stonewater Limited. A copy of the consolidated financial statements can be obtained for the parent company's registered office, which is shown on the Company Information page.

During the year the Association provided a loan to a subsidiary company, Greenoak Housing Association Limited. The total interest charged to Greenoak was £4k, and the loan balance outstanding at 31 March 2023 was nil.

STONEWATER (5) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

24. Capital commitments

	2023	<i>2022</i>
	£000	<i>£000</i>
Commitments contracted but not provided for construction	473	1,026
	<u>473</u>	<u>1,026</u>

Capital commitments for the Association will be funded from £0.1m (2022: £0.1m) social housing grant with the remainder funded from operating cashflow and external borrowings £0.4m (2022: £0.9m).