
STONEWATER FUNDING PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

STONEWATER FUNDING PLC

COMPANY INFORMATION

Directors	Anne Costain Nicholas Harris (director until 23 June 2025) Chris Edis Hursh Shah
Company secretary	Anne Harling
Registered number	08190978
Registered office	Suite C, Lancaster House Grange Business Park, Enderby Road Whetstone Leicester LE8 6EP
Independent auditors	BDO LLP, Statutory Auditor 55 Baker Street London W1U 7EU
Principal bankers	Barclays Bank Level 27 1 Churchill Place London E14 5HP
Principal solicitors	Devonshires Solicitors 30 Finsbury Circus London EC2M 7DT

STONEWATER FUNDING PLC

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STONEWATER FUNDING PLC

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2025

Principal activities

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

Business review

Revenue for the year was £22.2m (2024: £22.3m), which predominantly consisted of interest receivable and management fees charged to group companies.

A gift aid payment of £18,000 was pledged to Stonewater (5) Limited for the year (2024: £25,000), none of which was paid in the year, so the £18,000 is due to be paid within 9 months of year end.

In January 2025, Stonewater Funding reallocated part of the 2042 bonds which had been on lent to Stonewater Limited, to Mount Green Housing Association Limited. The terms of the reallocated debt are the same as the terms of the original on lending to Stonewater Limited so that Stonewater Funding continues to receive sufficient interest to pay the investors who hold the bond. £30.0m of nominal debt (and the associated bond premiums) were onlent to Mount Green at a fixed interest rate of 5.034%.

In November 2024, S&P Global Rating revised Stonewater's long term issuer credit rating and the issue rating on the three publicly listed bonds issued by Stonewater Funding PLC to A- with a stable outlook.

Key performance indicators

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

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

- The ratio of adjusted operating surplus to interest payable is greater or equal to 1:1 on an annual basis, and 1.1:1 on a three year basis.
 - Performance was 1.4:1 for the financial year and 1.6:1 on a three year basis.
- Gearing does not exceed 70%,
 - Performance was 48%.
- The aggregate net book value of properties that are owned by non-guarantors or non-borrowers shall not exceed 25% of the total aggregate net book value of all Group properties.
 - Performance was 7%.

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

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

STONEWATER FUNDING PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2025

Going Concern

These financial statements are prepared on a going concern basis. As part of the assessment the Board reviewed an updated 30 year long-term financial plan in June 2025, with a focus on the next five years, which considers various economic factors including the increase in inflation and interest rates, and the impact of modelled scenarios in combination, together with any mitigations that could be taken. The modelling confirmed that the Group would still be able to operate in these scenarios within all banking covenants, with adequate cash resources and available debt facilities.

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

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

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

Principal risks and uncertainties

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

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

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

Financial risk management

Risk management objectives and policies

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

Interest rate risk/hedging

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

STONEWATER FUNDING PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2025

Credit risk

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

Risk and Assurance

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

Section 172 statement

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

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

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

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

The Board considers the following to be the key decisions and considerations it has made during the year to 31 March 2025.

Board decision

The Board considered the risk appetite of the Company.

Consideration

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

Board decision

The Board decided to update the £1bn European Medium Term Note programme and add Mount Green Housing Association Limited as a borrower under the programme.

STONEWATER FUNDING PLC

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2025

Consideration

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

Board decision

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

Consideration

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

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

A handwritten signature in dark ink, appearing to be 'Anne Costain', with a long horizontal flourish extending to the right.

Anne Costain
Director

Date: 6 August 2025

STONEWATER FUNDING PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2025

The directors present their report and the financial statements for the year ended 31 March 2025.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Results and dividends

The profit for the year after taxation amounted to £18,000 (2024: £25,000).

No dividends were recommended during the year (2024: nil).

Directors

The directors who served during the year were:

Anne Costain
Nicholas Harris (director until 23 June 2025)
Chris Edis
Hursh Shah

Future developments

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

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DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2025

Directors' indemnities

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

Disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Post balance sheet events

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

Auditors

BDO were re-appointed as Stonewater's external auditors for 2024/25 on 23 December 2024, by the Board.

Beever and Struthers were appointed as the external auditors for 2025/26 on the 30th July 2025 in accordance with section 489 of the Companies Act 2006.

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



Anne Costain
Director

Date: 6 August 2025

STONEWATER FUNDING PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONEWATER FUNDING PLC

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2025 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Stonewater Funding PLC for the year ended 31 March 2025, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity 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 Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the Audit Committee, we were appointed Risk and Assurance Committee on 6 October 2015 to audit the financial statements for the year ended 31 March 2016 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 10 years, covering the years ended 31 March 2016 to 31 March 2025.

We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained the directors' going concern assessment, which includes assessment of the recoverability of on lent funds to the parent and other group entities. As such our work has focussed on the directors' review of the group business plans.
- Assessment of the internal forecasting process to confirm the projections are prepared by appropriate personnel who are aware of the detailed figures in the forecast but also have a high-level understanding of the entity's market, strategy and profile in the customer base.
- Obtaining details and assessing the availability of financing facilities, including the nature of facilities, repayment terms and financial covenants. We considered management's financial covenant compliance calculations through to March 2027 and confirmed the consistency of such calculations with the ratios stated in the relevant lender agreements.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONEWATER FUNDING PLC

- Consideration of the forecasts prepared by management and challenge of the key assumptions based on our knowledge of the business.
- We have reviewed the stress testing scenarios modelled by management, which include assessing the impact on covenant compliance when sensitising the model for changes in interest rates and inflation. We did not note any significant omissions from the stress testing performed.
- We challenged management on the suitability of the mitigating actions identified in their assessment and the quantum and period ascribed to these mitigating actions.
- We considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure with the forecasts and stress test scenarios.

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

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

Overview

Key audit matters		2025	2024
	Recoverability of amounts owed by group undertakings	✓	✓
Materiality	Financial statements as a whole		
	£11.3m (2024: £11.2m) based on 1.5% (2024: 1.5%) of total assets		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

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

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONEWATER FUNDING PLC

Key audit matter		How the scope of our audit addressed the key audit matter
<p>Recoverability of amounts owed by group undertakings</p> <p>As disclosed in note 7 of the Financial Statements the company is owed £751.8m by Group entities.</p>	<p>As the Company on-lends to three of the Group's Registered Providers, the principal risk facing the Company is that these entities will be unable to make their interest or principal payments when they fall due.</p> <p>Recoverability of these balances is specifically tied to the values of properties pledged as security for this on-lending, as well as the future viability of the Group's Registered Providers and needs to be reviewed at each balance sheet date.</p> <p>The directors' assessment on recoverability of amounts owed by group undertakings involves a number of subjective judgements. We have therefore spent significant audit effort in assessing the appropriateness of the assumptions involved, and as such this was identified as a Key Audit Matter.</p>	<p>Our audit response involved the following procedures:</p> <p>With respect to the valuation of properties held as security we:</p> <ul style="list-style-type: none"> obtained a summary of the value of housing properties pledged as security for the amounts owed to the Company agreed a sample to valuation reports issued by third-party qualified management experts assessed the management expert's qualifications, experience and objectivity; and where applicable, obtained and reviewed the reconciliations prepared by management for differences in values per valuation reports and the summary prepared by management in respect of the movements of properties due to sale and/or substitution after the date of valuation reports. <p>With respect to the future viability of the borrowing entities we:</p> <ul style="list-style-type: none"> Assessed management's review on the long-term forecasts of the Group, as well as the individual borrowing entities; Challenged the scenarios modelled by management, including a reverse stress testing to analyse the current estimates of rent collection, property sales and maintenance and development spend that could be sustained without breaching banking covenants; Considered the forecasts prepared by management and challenged the key assumptions based on our knowledge of the business, including availability of financing facilities and covenant compliance calculations; and

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONEWATER FUNDING PLC

		<ul style="list-style-type: none">Challenged management on the suitability of the mitigating actions identified by them in their assessment and the quantum and period ascribed to these mitigating actions. We reviewed the reasonableness of the proposed mitigations and whether the mitigations were entirely in the control of management to action. <p>Key observations:</p> <p>We noted no material exceptions through performing these procedures.</p>
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Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company financial statements	
	2025	2024
Materiality	£11.3m	£11.2m
Basis for determining materiality	1.5% of total assets	1.5% of total assets
Rationale for the benchmark applied	The total assets represent the level of secured assets that underpin the funds raised in the capital markets.	
Performance materiality	£8.5m	£8.4m
Basis for determining performance materiality	70% of materiality	70% of materiality
Rationale for determining performance materiality	Performance materiality is based on our previous experience of the audit and factors such as the low levels of misstatements previously identified and the limited areas of the financial statements subject to estimation uncertainty.	

Reporting threshold

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONEWATER FUNDING PLC

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £226k (2024: £224k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none">the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; andthe Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.</p>
Matters on which we are required to report by exception	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none">adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; orthe Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; orcertain disclosures of Directors' remuneration specified by law are not made; orwe have not received all the information and explanations we require for our audit.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONEWATER FUNDING PLC

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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:

Non-compliance with laws and regulations

Based on:

- our understanding of the Company and the industry in which it operates;
- discussion with management and those charged with governance; and
- obtaining an understanding of the Company's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be the applicable accounting framework and the Companies Act 2006.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be compliance with tax legislation.

Our procedures in respect of the above included:

- review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- review of financial statement disclosures and agreeing to supporting documentation; and
- review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONEWATER FUNDING PLC

- enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override in relation to the posting of journals and estimations made in relation to the assessment by management of the recoverability of amounts owed by group undertakings.

Our procedures in respect of the above included:

- testing a sample of journal entries throughout the year that met defined risk criteria, as well as a random sample, by agreeing to supporting documentation; and
- assessing significant estimates made by management for bias, in particular in relation to the recoverability of amounts owed by group undertakings.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

DocuSigned by:

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Elizabeth Kulczycki (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

Date: 13 August 2025

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STONEWATER FUNDING PLC

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2025

	Note	2025 £000	2024 £000
Revenue	2	22,247	22,252
Gross profit		22,247	22,252
Administrative expenses		(188)	(151)
Operating profit		22,059	22,101
Interest payable and expenses	5	(22,041)	(22,076)
Profit before tax		18	25
Tax on profit		-	-
Profit and total comprehensive income for the year		18	25

The notes on pages 18 to 25 form part of these financial statements.

STONEWATER FUNDING PLC
REGISTERED NUMBER: 08190978

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2025

	Note	2025 £000	2024 £000
Current assets			
Debtors: amounts falling due after more than one year	7	747,535	747,709
Debtors: amounts falling due within one year	7	4,300	4,288
Bank and cash balances		97	100
		<u>751,932</u>	<u>752,097</u>
Creditors: amounts falling due within one year	8	(5,438)	(5,446)
Net current assets		746,494	746,651
Creditors: amounts falling due after more than one year	9	(746,426)	(746,597)
Net assets		<u>68</u>	<u>54</u>
Capital and reserves			
Called up share capital	11	50	50
Profit and loss account		18	4
		<u>68</u>	<u>54</u>

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 6 August 2025.



Anne Costain
Director

The notes on pages 18 to 25 form part of these financial statements.

STONEWATER FUNDING PLC

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

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

The notes on pages 18 to 25 form part of these financial statements.

STONEWATER FUNDING PLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2024

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 April 2023	50	14	64
Comprehensive income for the year			
Profit for the year	-	25	25
The paid taxable profit under gift aid	-	(21)	(21)
The paid prior year taxable profit under gift aid	-	(14)	(14)
At 31 March 2024	50	4	54

The notes on pages 18 to 25 form part of these financial statements.

STONEWATER FUNDING PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

1. Legal status

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

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

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

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

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

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

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

This information is included in the consolidated financial statements of Stonewater Limited as at 31 March 2025, and these financial statements may be obtained from the registered office as disclosed on the Company Information page.

The following principal accounting policies have been applied:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

2. Accounting policies (continued)

2.2 Going Concern

The Company's financial statements have been prepared on a going concern basis. The Board reviewed and approved the budget for 2024/25 in March 2024 and the thirty-year long-term financial plan in June 2025.

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

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

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

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

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

Liquidity is monitored for the Group as a whole. At 31 March 2025, Stonewater had £21.6m of cash, £45m of short term investments and £334m of undrawn facilities, which exceeded contracted obligations less grant by £205.0m.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

2. Accounting policies (continued)

2.3 Finance Income

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

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

2.4 Finance costs

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

2.5 Debtors and creditors

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

2.6 Bonds and loans

All bonds and loans held by the company are classified as basic financial instruments in accordance with FRS102. These instruments are initially accounted for at the transaction price less any transaction costs (historical cost). FRS102 requires that basic financial instruments are subsequently measured at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cashflows through the expected life of the financial asset or liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

2.7 Tax and gift aid

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

STONEWATER FUNDING PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025**

3. Operating profit

	2025	2024
	£000	£000
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements (VAT inclusive)	<u>47</u>	<u>40</u>

4. Employee numbers and Directors remuneration

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

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

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

5. Interest payable and similar expenses

	2025	2024
	£000	£000
Interest Payable on Bonds and Notes	22,188	22,211
Amortisation of bond premium	(596)	(571)
Amortisation of bond discount	396	386
Amortisation of issue costs	53	50
	<u>22,041</u>	<u>22,076</u>

6. Taxation on profit on ordinary activities

	2025	2024
	£000	£000
Tax reconciliation		
Profit and total comprehensive income for the year	18	25
Payment of taxable profit under gift aid by the year end	-	(21)
Gift aid pledged and to be paid within 9 months of the year end	(18)	(4)
Profit subject to Corporation Tax	<u>-</u>	<u>-</u>

The tax charge for the year is £nil (2024: £nil).

STONEWATER FUNDING PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025**

7. Debtors

	2025	<i>2024</i>
	£000	<i>£000</i>
Due after more than one year		
Amounts owed by group undertakings	747,535	<i>747,709</i>
	<u>747,535</u>	<i><u>747,709</u></i>

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

	2025	<i>2024</i>
	£000	<i>£000</i>
Due within one year		
Amounts owed by group companies	4,300	<i>4,288</i>
	<u>4,300</u>	<i><u>4,288</u></i>

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

8. Creditors: Amounts falling due within one year

	2025	<i>2024</i>
	£000	<i>£000</i>
Interest accrual	4,267	<i>4,264</i>
Other creditors	23	<i>31</i>
Bond premium	621	<i>596</i>
Bond discounts	(393)	<i>(396)</i>
Issue Cost < 1 yr	(69)	<i>(62)</i>
Amounts owed to group undertakings	989	<i>1,013</i>
	<u>5,438</u>	<i><u>5,446</u></i>

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

STONEWATER FUNDING PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025**

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

	2025 £000	2024 £000
Bonds and loan notes	743,289	743,289
Bond Discount	(6,197)	(6,591)
Issue costs	(1,333)	(1,389)
Bond Premium	10,667	11,288
	<u>746,426</u>	<u>746,597</u>

10. Bonds and notes

The company is the issuer under Stonewater's £1 billion Euro Medium Term Note programme which was most recently updated in October 2024. In September 2021, the company issued a £250m bond from the programme under Stonewater's sustainable finance framework.

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

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

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

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

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

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

STONEWATER FUNDING PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025**

10. Bonds and notes (continued)

At 31 March 2024 the bonds and notes had a market value as follows:

	Market value per £100	Total Market Value £'000
£125m of 5.034% 2042 bonds	98.5	123,130
£50m of 3.03% Series A notes	74.75	37,374
£50m of 3.03% Series B notes	75.15	37,574
£15.3m of 3.25% Series C notes	75.81	11,598
£75m of 3.04% 2050 Private Placement	63.19	47,393
£178m of 3.375% 2045 Bonds	78.56	139,842
£250m of 1.625% 2036 Bonds	68.98	172,464
Total		<u>569,375</u>

Total market value of £569,375k compares to book value, excluding issue costs, of £748,186k.

The maturity of the bonds and notes is as follows:

Maturity of debt:	Total 2025 £000	Total 2024 £000
In one year or less, or on demand	(228)	(200)
Issue costs <1 year	<u>69</u>	<u>62</u>
Within one year (note 8)	(159)	(138)
In more than one year but not more than two years	(240)	(228)
In more than two years but not more than five years	(758)	(720)
After five years	(746,761)	(747,038)
Issue costs	<u>1,333</u>	<u>1,389</u>
Greater than one year (note 9)	(746,426)	(746,597)
Total loans	<u><u>(746,585)</u></u>	<u><u>(746,735)</u></u>

STONEWATER FUNDING PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

11. Share capital

	2025 £	2024 £
Authorised		
50,000 (2024 - 50,000) Ordinary shares of £1 each shares of £1.00 each	<u>50,000</u>	<u>50,000</u>
Allotted, called up and fully paid		
50,000 (2024 - 50,000) Ordinary shares of £0.25 per share	<u>12,500</u>	<u>12,500</u>
Allotted, called up and unpaid		
50,000 (2024 - 50,000) Ordinary shares of £0.75 per share	<u>37,500</u>	<u>37,500</u>

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

12. Controlling party

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

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