

STONEWATER (5) LIMITED  
REPORT OF THE BOARD OF  
MANAGEMENT, STRATEGIC REPORT  
AND FINANCIAL STATEMENTS

For the year ending 31 March 2019

Community Benefit Society Number 31527R

Regulator of Social Housing Number 4717



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## Board members and advisors

### Board Members

George Blunden (Chair)  
Sheila Collins (until 30.09.18)

Doug Wright

John Weguelin

Nicholas Harris

Patrick Symington (until 30.11.18)

Claire Kearney (from 01.10.18)

Andrew Lawrence (from 01.01.19)

Sheila Collins (until 30.09.18)

Michael Collins (Deputy Chair)  
(retired 30.09.18)

Brian Roebuck

Anne Dokov

Peter Hammond

Tariq Kazi

Juliana Crowe

Jennifer Bennett (from 01.10.18)

### Advisors

#### Secretary and registered office

Anne Harling  
Suite C, Lancaster House  
Grange Business Park  
Enderby Road  
Whetstone  
Leicester  
LE8 6EP

#### Principal Bankers

Barclays Bank  
Level 27  
1 Churchill Place  
London  
E14 5HP

#### Principal Solicitors

Devonshires Solicitors  
30 Finsbury Circus  
London  
EC2M 7DT

#### Auditors

BDO LLP  
55 Baker Street  
London  
W1U 7EU

#### Solicitors (for Governance)

Trowers and Hamlins LLP  
55 Princess Street  
Manchester  
M2 4EW

# Report of the Board of Management and Strategic report

The Board presents its report and audited financial statements for Stonewater (5) Limited (the 'Association') for the year ended 31 March 2019.

## 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 principle 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.

### 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.

# Report of the Board of Management and Strategic report

**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.

## Stonewater's strategic plan 2018-2022

Our Strategic Plan sets out our priorities and what we aim to achieve. The objectives and associated outcomes we are seeking to achieve are set out under three key themes:

### Customer experience

- Deliver an effective service that meets the diverse needs and aspirations of our customers.
- Deliver Retirement Living services that meet the needs and aspirations of our customers.
- Deliver Supported Housing services that meet the needs of our customers and the aspirations of the business.

### Growth and influence

- Deliver an ambitious programme to provide more homes for people in need.
- Develop an increased range of housing options from home ownership to affordable rented homes to meet the changing needs of the market.
- Build a reputation as a thought leader in the sector with influence on national and local agendas.

### Business excellence

- Achieve consistently high standards of performance for our business critical key performance indicators (KPIs) on income collection and compliance.
- Invest in and support our people in order to attract, develop and retain a highly motivated workforce who will deliver our strategic objectives.
- Manage our resources efficiently and effectively and maximise the return on investment in our assets to ensure we have the financial capacity to deliver our priorities.

# Report of the Board of Management and Strategic report

Our priorities for the next four years and the objectives we have set take account of our assessment of the current operating environment for housing, the opportunities available to us, and the challenges we face.

Along with others in the housing sector, we are adapting to change: rising inflation and its impact on construction costs, the mobility and migration of construction trades and resultant skills shortages, and the backdrop of economic uncertainty due to Brexit. This means we have to work harder and be more creative than ever to achieve our goals.

In this context, our strategy is to deliver high quality services for our customers, while operating as a responsible business, and making positive contributions to the communities we serve.

## External environment

### Housing supply and affordability

We continue to operate in an environment where housing supply and affordability are paramount concerns. More people than ever before are faced with homelessness and the cost of housing in many areas continues to rise above affordable levels.

Between 2010 and 2019

- The number of households who are homeless increased by 71%. This means there are currently 82,000 homeless households.
- Approximately 123,000 children live in these homeless households and therefore have nowhere to call 'home'.
- The number of rough sleepers has increased by 165%. An estimated 4,700 people currently sleep rough, although homeless charities believe the actual figure is higher.
- Figures on homeless households and rough sleepers for this period do not include the 'hidden homeless' or 'sofa surfers': people who do not have a home but also do not qualify for housing assistance.
- Supply of housing is not keeping up with demand. There has been an 11% drop in social housing availability and housing that is affordable for those on a low income.

Since 2015 there has been a real shift in the Government's vision for the housing sector, with the goal of delivering 300,000 new homes per year. The Housing White Paper "Fixing our broken housing market" indicated a shift in strategy towards a more balanced approach to building new homes which meet the needs of people in all financial circumstances. It recognised the need to create more affordable rental homes, in addition to low cost home ownership options.

Following the 2017 General Election, housing has continued to be at the forefront of the national agenda and remains a priority under successive Housing Ministers.

# Report of the Board of Management and Strategic report

As part of this, housing associations are now seen to play a vital role in delivering new homes to solve the housing crisis. But there has also been a drive towards higher standards, especially following the Grenfell Tower tragedy of June 2017. The drive towards more, better affordable homes led to the publication of the Social Housing Green Paper, “A New Deal for Social Housing”, which sought to find ways to stimulate the affordable housing sector to deliver more homes, as well as tackle the stigma around social housing and look to improve standards of accommodation.

Under the current Housing Minister, housing remains a priority for the Government, and Stonewater hopes that it will remain a priority once the Brexit uncertainty is overcome

Despite this priority, the ‘B’ word continues to dominate Parliamentary business – to the point where vital legislation like the Domestic Violence Bill was delayed due to the lack of available time.

Brexit also causes key risks to organisations like Stonewater – including on finances, ability of contractors to fulfil contracts, impact on residents’ day to day lives, and availability of labour.

With the situation remaining highly volatile we are continuing to monitor how things are evolving in our operating environment. We are in close dialogue with our contractors to understand their positions and the situation with their supply chains. We are keeping in touch with key local authorities to understand how their thinking is developing.

We are also retaining strong liquidity levels to deal with financial uncertainties. We believe we are in a good position and feedback from partners indicates that we are being far more proactive than other registered providers. At January's Executive team meeting we looked at actions we can take to support EU colleagues remaining in post after Brexit. Finally, we are reassuring staff through regular emails, blogs and at team meetings, of the actions we are taking as things evolve.

## Demographic changes

Stonewater is committed to its customers, who are drawn from a range of backgrounds including:

- Long-term unemployed
- People with social, health and care needs
- Disadvantaged and vulnerable individuals

# Report of the Board of Management and Strategic report

## Government policy and changes to welfare options

Set amidst a backdrop of continuing economic uncertainty due to Brexit, we have welcomed the following changes:

- Government's concessions on the Local Housing Allowance for people living in sheltered or supported accommodation. Original plans to cap the allowance were scrapped and the Government announced a consultation on future funding.
- The decision to make changes to the payment of Universal Credit, helping to prevent problems with rent arrears associated with claimants not receiving any benefits for long periods between payments.
- After five years of 1% rent reductions, which caused a number of housing associations to look to significantly cut cost and find ways to become more efficient, as well as significantly reducing new development and putting supported housing at risk across the country, the Government has confirmed a new rent settlement of CPI+1% for five years from 2020.
- The splitting of the Homes and Communities Agency into Homes England and the Regulator of Social Housing as given more direction to the sector, as well as leading to the creation of Strategic Partnerships. Stonewater finalised its Strategic Partnership deal with Guinness Partnerships and Homes England in March 2019 in the biggest deal announced to date.
- The Government has introduced a drive towards better design in housing, with the view that building better quality homes will lead to a better public perception of housing and an understanding of social and economic benefits of new housing.

In light of the startling increase in the number of homeless people both living on the streets and in temporary accommodation, the Government has launched its Rough Sleeping Strategy and Rough Sleeping Plan, designed to tackle the issue and ultimately stamp it out. Reducing homelessness has become a core tenet of Stonewater's work over the past year with the launch of our Hidden Homelessness campaign and video, which highlights how easy it is to miss the significant issues that so many people are facing. Stonewater is proud of the work that our supported housing, foyers and hostels do to support people in need, and will continue to campaign for better funding and support from Government for these vital services.

We were also pleased to see that the Government had published its draft Domestic Abuse Bill, and will work to ensure that it protects those who have fled from domestic abuse – including those in Stonewater's dedicated domestic abuse victim housing.

Meanwhile, as modern methods of construction become more commonplace and championed as a way to produce more homes more quickly, Stonewater is committed to looking at ways to introduce MMCs into our development programme.

# Report of the Board of Management and Strategic report

## Performance in the year

Total comprehensive income for the year was £1.1m (2018: £1.1m).

### Key Performance indicators:

Rental income loss through voids is 1.26% (2018: 2.04%)

Gross arrears on average were 4.68% (2018: 4.46%)

Responsive repairs satisfaction on average was 89.36% (2018: 86.11%)

Operating margin excluding surplus on disposal of fixed assets 27% (2018: 25%). This KPI better reflects trend in operating margin as disposals of fixed assets can vary significantly year or year.

## Governance structure

### Board

The Board is responsible for the proper and effective management of Stonewater. The Board, working with the Executive Directors Group (EDG) led by the Chief Executive, undertakes this role through strategic direction, establishing a framework for delegation, and holding the EDG to account for performance. This includes accountability to customers and other stakeholders, such as funding providers and partner local authorities. Board members are listed on page 1. The Board comprised twelve members at 31 March 2019 including one executive member.

### Current obligations of board members to the board and the company

Board members are collectively responsible for ensuring the success of the company and for its compliance with all legal and regulatory obligations. Members are expected to comply with and uphold Stonewater's purpose, values, objectives and policies, share responsibility for decisions taken and represent the company.

The board undertakes an annual appraisal of its performance, culminating in the identification of key targets for the year ahead.

In 2018/19 these were:

- Growth
- Achieving value for money
- Service delivery
- Board succession

The board monitors progress against these objectives through quarterly reporting against sub-targets and the final position is assessed through the annual collective board appraisal at the end of the year. Headline progress against these objectives for the Group was:

- Growth – 548 units handed over against our internal target of 646. However performance exceeded Homes England targets for start on site by 166 homes, completion by 197 homes and cash take up by £3.3m.
- Value for money – targeted gains of £1.9 achieved
- Service delivery – key KPI's are monitored by the board on a quarterly basis
- Board succession – targets for board and committee member recruitment met.

# Report of the Board of Management and Strategic report

Other actions for improvement arising from the appraisal are monitored through the governance action plan by the Governance and HR Committee. Individual members are required to play an active role in the work of the Board and its committees. Each member has an individual annual appraisal, which provides an opportunity to review performance during the year and set objectives for the year ahead.

Specific development needs identified through the appraisal feed into the member learning and development programme.

## Code of Governance

Stonewater has adopted the 2015 National Housing Federation (NHF) Code of Governance for our registered providers and complies fully with it.

## Committees

The Board is supported by six functional committees, each of which is chaired by a Board member. Each of the Risk and Assurance Committee, the Housing Committee, the Finance Committee and the Digital and new Business Design and Technology Committee include places for independent members.

### > Assets and Development Committee

Oversees Stonewater's asset investment programme, including growth projects and management of assets.

### > Finance Committee

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

### >Governance and HR Committee

Oversees Board and committee recruitment and performance, reviews members' remuneration and expenses, oversees the recruitment and performance of the Chief Executive, reviews staff terms and conditions.

### >Housing Committee

Oversees front facing delivery in relation to affordable landlord services, ensuring that Stonewater has knowledge and understanding of the impact of the service provision and Stonewater's activities on local communities.

### >Risk and Assurance Committee

Oversees risk management, the audit function and considers the annual financial statements and external and internal auditor's reports.

### >Digital and new Business Design and Technology Committee

*(formerly the Digital and IT Task and Finish group)*

Oversees the implementation of Stonewater's digital and IT strategies, which has responsibility for developing and overseeing technological strategies to support Stonewater's customer offer and organisational development

# Report of the Board of Management and Strategic report

## Executive Directors Group

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

The details of the Executive Directors 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; minutes; and publications, such as newsletters and the annual report. Many may be found on our website [www.stonewater.org](http://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 operational risk register. The Executive Director 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. Designated managers are responsible for each identified risk area and the Company Secretary oversees progress against actions to mitigate risks.

The Board has also adopted a risk appetite statement which sets out the nature and levels of risk we are prepared to take in order to achieve our strategic objectives, and this is kept under review with changes made to reflect our requirements for liquidity and cumulative risk.

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.

## Gender pay gap

Stonewater gender pay gap statement is available via the website: [www.stonewater.org](http://www.stonewater.org)

## 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

Providing people with affordable and secure homes remains the main focus and purpose at Stonewater. An understanding of housing's relationship and interface with other areas of social policy (social care, health, financial inclusion, regeneration, employability and education), plus understanding our customer base, is vital to our success.

Housing associations have evolved to become highly capitalised and more than just social housing providers, playing a key role in communities, undertaking a range of wider activities and diversifying the range of affordable housing provided.

Changes and cuts in public expenditure, changes in social policy and long-term demographic changes will always present a challenging operating environment. However, we work hard to develop a broader role and provide a wide range of services within our communities.

### Customer engagement

We place our customers at the heart of what we do, investing in communities to make great places to live. Our aim is to deliver innovative, effective and consistent services to our customers, and to listen to their feedback so we can use this to help shape our services to meet the diverse needs and aspirations of customers.

We encourage our customers to engage with us through a range of channels including the Customer Scrutiny Panel, our digital Customer Hub, and through mainstream social media channels like Facebook and Twitter to name a few. We let customers know that we are committed to continuous improvement in the services we offer them, and we encourage them to let us know what they think.

We are especially focused on improving digital access for our customers and staff, and our ConnecteD digital programme is designed to do just that. Improving and enhancing digital channels enables two-way feedback regardless of the location of our customers and staff. Our early involvement in the National Housing Federation's Together with Tenants draft plan reinforces Stonewater's commitment to continuously nurture positive relationships with our customers and share our experience with the sector.

# Report of the Board of Management and Strategic report

## Customer insight

We have implemented an approach to gathering and using Customer insight that is providing a multi-dimensional view of our customers obtained from a wide variety of analyses and information; including demographic data, customer feedback through surveys, complaints and involvement, operational data and staff knowledge. Allowing us to understand our customers more with the aim of tailoring how we develop our services, getting services right first time and removing duplication.

Our most recent customer survey shows that at a Group level 82.4% of our customers are either very or fairly happy with the services they receive from us.

## Equality, diversity and inclusion

Stonewater has adopted the Social Housing Equality Framework (SHEF) to support and drive the organisations Equality and Diversity agenda. The Corporate Equality Group is taking action to achieve the SHEF Developing Level across the business as a whole.

## Modern slavery and human trafficking

Stonewater's slavery and human trafficking statement, under the Modern Slavery Act 2015, for the financial year ending 31 March 2019, is also available via the website: [modern-slavery-and-human-trafficking-statement](#)

## Financial inclusion

We provide information via the Website and Customer Hubb keeping customers up-to-date with benefit changes. Our colleagues are trained on welfare benefits and are able to identify customers who require specialist support. They are sign posted to national and local organisations that can provide this. We contact customers as they apply for Universal Credit to ensure they have the necessary support to complete their claim and set up a payment method.

We continue to work with Experian on rental data sharing to improve our customer's access to favourable financial services through their credit rating.

## 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

Having reviewed the five-year strategic plan and the 30-year financial projections, the Board is fully satisfied that the Association has adequate resources to continue trading for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the Association's financial statements.

# Report of the Board of Management and Strategic report

## 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 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 staff and put appropriate policies and procedures in place; monitor performance through management activity and governance reporting and seek external assurance through audits, accreditations etc.

#### > Identification and evaluation of key risks

Stonewater's risk management process involves risk identification and assessment, the allocation of risk owners to manage risk, implementation of controls and review of the residual risks after controls are implemented. Assurance mapping is used to inform the actions taken to manage the risks to ensure these are focused on maintaining operations within the board's risk appetite.

#### > 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, and financial and compliance including treasury strategy and new investment projects. Stonewater's own Code of Conduct based on the National Housing Federation (NHF) model sets out Stonewater's stance with regard to the quality, integrity and ethics of its 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.

#### > 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.

The internal control framework and the risk management process are subject to regular review by the Internal Auditor, who provides independent assurance to the Board via the Risk and Assurance Committee.

# Report of the Board of Management and Strategic report

## 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.

## Governance and Viability Standard – Regulation

The latest regulatory judgement issued by the Regulator of Social Housing (RSH) in November 2018, confirms that Stonewater meets the requirements set out in the Governance and Financial Viability standard of the 2015 Regulatory Framework. Stonewater achieved a top rating 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 is compliant with the standard.

# Statement of the Board's responsibilities in respect of the Board's report and the financial statements

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 2014 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 2015. 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 2014.

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.

BDO LLP were appointed as Stonewater's external auditors for 2018/19 on 24 October 2018

The report of the Board was approved on 23 July 2019 and signed on its behalf by:



**George Blunden**  
Chair of Board

# Independent auditor's report to the members of Stonewater (5) Limited

## Opinion

We have audited the financial statements of Stonewater (5) Limited ("the Association") for the year ended 31 March 2019 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).

In our opinion, the financial statements:

>give a true and fair view of the state of the Association's affairs as at 31 March 2019 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 2015.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

>the board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

>the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

# Independent auditor's 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, 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 Co-operative 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 12, 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.

# Independent auditor's report to the members of Stonewater (5) Limited

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 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.



Philip Cliftlands  
For and on behalf of BDO LLP, statutory auditor  
55 Baker Street  
United Kingdom

6 August 2019

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

## Statement of comprehensive income

|  |            | 2019           | 2018    |
|--|------------|----------------|---------|
|  | Note       | £'000          | £'000   |
| Turnover   | 4          | <b>5,592</b>   | 5,894   |
| Cost of sales  | 4          | -              | (67)    |
| Operating costs  | 4          | <b>(4,062)</b> | (4,350) |
| Surplus on disposal of fixed assets                      | 4,9        | <b>248</b>     | 332     |
| <b>Surplus for the year</b>                              | <b>4,7</b> | <b>1,778</b>   | 1,809   |
| Interest receivable and similar income                   | 10         | <b>801</b>     | 728     |
| Interest payable and financing costs                     | 11         | <b>(1,479)</b> | (1,482) |
| <b>Total comprehensive income for the financial year</b> |            | <b>1,100</b>   | 1,055   |

All activities relate to continuing operations.

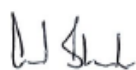
The notes on pages 21 to 39 form part of these financial statements.

## Statement of financial position

|   |      | 2019          | 2018          |
|---|------|---------------|---------------|
|   | Note | £'000         | £'000         |
| <b>Fixed assets</b>                                     |      |               |               |
| Housing properties                                      | 13   | 40,601        | 41,478        |
| Other tangible fixed assets                             | 14   | 84            | -             |
| <b>Total fixed assets</b>                               |      | <b>40,685</b> | <b>41,478</b> |
| <b>Current assets</b>                                   |      |               |               |
| Properties for sale                                     | 15   | 6             | -             |
| Trade and other debtors                                 | 16   | 4,522         | 862           |
| Cash and cash equivalents                               |      | 7,514         | 9,978         |
|   |      | <b>12,042</b> | <b>10,840</b> |
| Creditors: amounts falling due in one year              | 17   | (1,444)       | (1,893)       |
| <b>Net current assets</b>                               |      | <b>10,598</b> | <b>8,947</b>  |
| <b>Total assets less current liabilities</b>            |      | <b>51,283</b> | <b>50,425</b> |
| Creditors: amounts falling due after more than one year | 18   | (45,099)      | (45,341)      |
| <b>Net assets</b>                                       |      | <b>6,184</b>  | <b>5,084</b>  |
| <b>Capital and reserves</b>                             |      |               |               |
| Share capital   | 22   | -             | -             |
| Income and expenditure reserve                          |      | 6,184         | 5,084         |
|   |      | <b>6,184</b>  | <b>5,084</b>  |

The notes on pages 21 to 39 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 23 July 2019.



**G Blunden**  
Chair of the Board



**N Harris**  
Board Member



**A Harling**  
Secretary

## Statement of changes in reserves

|                                 | Income and<br>expenditure reserve |
|---------------------------------|-----------------------------------|
|                                 | £'000                             |
| Balance at 1 April 2018         | 5,084                             |
| Surplus for the year            | 1,100                             |
| <b>Balance at 31 March 2019</b> | <b>6,184</b>                      |
|                                 |                                   |
| Balance at 1 April 2017         | 4,029                             |
| Surplus for the year            | 1,055                             |
| <b>Balance at 31 March 2018</b> | <b>5,084</b>                      |

The notes on pages 21 to 39 form part of these financial statements.

## Notes to the financial statements

|    |  |
|----|--|
|    | <b>General notes</b>   |
| 1  | Legal status   |
| 2  | Accounting policies  |
| 3  | Judgements in applying accounting policies and key sources of estimation uncertainty |
|    | <b>Statement of comprehensive income related notes</b>                               |
| 4  | Particulars of turnover, cost of sales, operating costs and operating surplus        |
| 5  | Particulars of income and expenditure from social housing lettings                   |
| 6  | Units of housing stock   |
| 7  | Operating surplus  |
| 8  | Employees, Directors' and senior executives' remuneration                            |
| 9  | Surplus of disposal of fixed assets  |
| 10 | Interest receivable and similar income   |
| 11 | Interest payable and financing costs   |
| 12 | Taxation on surplus on ordinary activities   |
|    | <b>Statement of financial position related notes</b>                                 |
| 13 | Tangible fixed assets – housing properties   |
| 14 | Other tangible fixed assets  |
| 15 | Properties held for sale   |
| 16 | Debtors  |
| 17 | Creditors: amounts falling due within one year                                       |
| 18 | Creditors: amounts falling due after more than one year                              |
| 19 | Deferred capital grant   |
| 20 | Recycled capital grant fund  |
| 21 | Loans and borrowings   |
| 22 | Share capital  |
| 23 | Capital commitments  |
| 24 | Related party disclosures  |

# Notes to the financial statements

## 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

### Basis of preparation

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 2014 "Statement of Recommended Practice for Registered Social Housing Providers" and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

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 2019 and these financial statements may be obtained from Stonewaters' registered address as disclosed on page 1.

The following principal accounting policies have been applied:

### Going concern

After making enquiries and reviewing the financial plan, the Board has a reasonable expectation that the association has adequate resources to continue in operational existence for the foreseeable future. The financial statements have therefore been prepared on a going concerned basis.

### Turnover

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

- 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.

# Notes to the financial statements

## Revenue recognition

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

## 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.

## 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.

In addition to the land costs originally stocked under construction attributable to each sales transaction, 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 which work on development activity attributable to that sale are taken to cost of sales.

## 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.

## 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.

## 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 2014 the useful economic life of the housing property structure has been selected (see table of useful economic lives on page 25)

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

# Notes to the financial statements

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.

## Disposal proceeds fund

The purpose of the fund was to provide replacement-housing properties for rent, at no greater cost than the properties provided through the approved programme. If unused within a three year period, it will be repayable to Homes England.

The development team have an ambitious programme, and it is expected that any disposal proceeds are likely to be used before they are due for repayment.

The RSH communicated its intention that from 1 April 2017, credits arising from Right to acquire (RTA) sales should instead be credited to the Recycled capital grant fund, therefore the DPF fund no longer is required.

## 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 bring the housing property 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.

## Notes to the financial statements

### Fixed Asset and depreciation

Freehold land is not depreciated. The useful economic lives of all tangible fixed assets are reviewed annually.

Housing components are depreciated from the month following replacement. The range of estimated useful economic useful lives are:

| Description             | Estimated economic life (years) |
|-------------------------|---------------------------------|
| 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.

# Notes to the financial statements

## 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 adjustment down to the recoverable value and an impairment loss is recognised as operating expenditure.

## Other fixed assets

Other tangible fixed assets are stated at historical cost less accumulated depreciation and any 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.

## 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:

| Description    | Estimated useful life (years) |
|----------------|-------------------------------|
| Site Equipment | 5 to 25                       |

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.

## 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 or unit basis depending on the appropriateness for each scheme.

# Notes to the financial statements

## Shared ownership properties and staircasing

Shared ownership sales are treated under the SORP 2014 as follows:

- Shared ownership properties are split proportionately between current and fixed assets based on the 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.

## 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.

## 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.

## 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.

## 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.

## 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.

## 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.

## Leasehold sinking funds

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

## 3. Judgements 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 or lease 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.

## Notes to the financial statements

### 4. Particulars of turnover, costs of sales, operating costs and operating surplus

|                                      |      | Turnover     | Operating costs | Surplus on disposal of fixed assets | Operating surplus |
|--------------------------------------|------|--------------|-----------------|-------------------------------------|-------------------|
|                                      | Note | 2019         | 2019            | 2019                                | 2019              |
|                                      |      | £'000        | £'000           | £'000                               | £'000             |
| Social housing lettings              | 5    | 5,592        | (4,062)         | -                                   | 1,530             |
| Other social housing activities:     |      |              |                 |                                     |                   |
| Surplus on disposals of fixed assets | 9    | -            | -               | 248                                 | 248               |
| <b>Total</b>                         |      | <b>5,592</b> | <b>(4,062)</b>  | <b>248</b>                          | <b>1,778</b>      |

|  |      | Turnover     | Cost of sales | Operating costs | Surplus on disposal of fixed assets | Operating surplus |
|--|------|--------------|---------------|-----------------|-------------------------------------|-------------------|
|  | Note | 2018         | 2018          | 2018            | 2018                                | 2018              |
|  |      | £'000        | £'000         | £'000           | £'000                               | £'000             |
| Social housing lettings                      | 5    | 5,814        | -             | (4,350)         | -                                   | 1,464             |
| Other social housing Activities:             |      |              |               |                 |                                     |                   |
| First tranche low costs home ownership sales |      | 80           | (67)          | -               | -                                   | 13                |
| Surplus on disposal of fixed assets          | 9    | -            | -             | -               | 332                                 | 332               |
| <b>Total</b>                                 |      | <b>5,894</b> | <b>(67)</b>   | <b>(4,350)</b>  | <b>332</b>                          | <b>1,809</b>      |

## Notes to the financial statements

### 5. Particulars of the income and expenditure from social housing lettings

|   | General needs  | Supported and housing for older people | Shared ownership | Affordable  | Total 2019     | Total 2018 |
|---|----------------|--|------------------|-------------|----------------|------------|
|   | £'000          | £'000                                  | £'000            | £'000       | £'000          | £'000      |
| Rent receivable net of identifiable service charges           | 3,922          | 579                                    | 142              | 125         | <b>4,768</b>   | 4,737      |
| Service charge income   | 325            | 224                                    | 87               | 1           | <b>637</b>     | 888        |
| <b>Net rent receivable</b>                                    | <b>4,247</b>   | <b>803</b>                             | <b>229</b>       | <b>126</b>  | <b>5,405</b>   | 5,625      |
| Amortised government grants (note 13b & 19)                   | 142            | 33                                     | 7                | 2           | <b>184</b>     | 188        |
| Other income  | 1              | -                                      | 2                | -           | <b>3</b>       | 1          |
| <b>Turnover from social housing lettings</b>                  | <b>4,390</b>   | <b>836</b>                             | <b>238</b>       | <b>128</b>  | <b>5,592</b>   | 5,814      |
| <b>Expenditure on letting activities</b>                      |                |  |                  |             |                |            |
| Management  | (768)          | (110)                                  | (55)             | (16)        | <b>(949)</b>   | (1,112)    |
| Service charge costs  | (352)          | (235)                                  | (74)             | (1)         | <b>(662)</b>   | (801)      |
| Routine maintenance   | (728)          | (129)                                  | (10)             | (12)        | <b>(879)</b>   | (902)      |
| Planned maintenance   | (62)           | (13)                                   | (1)              | (1)         | <b>(77)</b>    | (54)       |
| Major repairs (note 13b)                                      | (212)          | (206)                                  | (10)             | (8)         | <b>(436)</b>   | (578)      |
| Bad debts   | (36)           | (2)                                    | 1                | -           | <b>(37)</b>    | (65)       |
| Depreciation on housing properties (note 7 & 13a)             | (843)          | (142)                                  | (23)             | (14)        | <b>(1,022)</b> | (838)      |
| <b>Operating expenditure on social housing lettings</b>       | <b>(3,001)</b> | <b>(837)</b>                           | <b>(172)</b>     | <b>(52)</b> | <b>(4,062)</b> | (4,350)    |
| <b>Operating surplus/(deficit) on social housing lettings</b> | <b>1,389</b>   | <b>(1)</b>                             | <b>66</b>        | <b>76</b>   | <b>1,530</b>   | 1,464      |
| <b>Void losses</b>  | <b>(57)</b>    | <b>(11)</b>                            | <b>-</b>         | <b>(2)</b>  | <b>(70)</b>    | (117)      |

# Notes to the financial statements

## 6. Units of housing stock

|  | 2019         | 2018         |
|--|--------------|--------------|
|  | Number       | Number       |
| General needs housing                        | 824          | 812          |
| Affordable housing                           | 19           | 19           |
| Shared ownership                             | 64           | 66           |
| Housing for older people                     | 132          | 145          |
| <b>Total owned and managed accommodation</b> | <b>1,039</b> | <b>1,042</b> |

## 7. Operating surplus

|  | 2019  | 2018  |
|--|-------|-------|
|  | £'000 | £'000 |
| This is arrived at after charging:         |       |       |
| Depreciation of housing properties         |       |       |
| -annual charge (note 5 and 13a)            | 1,018 | 817   |
| -accelerated depreciation (note 5 and 13a) | 4     | 21    |

Audit fees for the year ending 31 March 2019 are borne by the parent company, Stonewater Limited, and are disclosed in the consolidated financial statements.

## 8. Employees, Directors' and senior executives' 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 | Other housing properties | Total      | Total      |
|----------------------------|------------------|--------------------------|------------|------------|
|                            | 2019             | 2019                     | 2019       | 2018       |
|                            | £'000            | £'000                    | £'000      | £'000      |
| Housing properties:        |                  |                          |            |            |
| Disposal proceeds          | 129              | 257                      | 386        | 515        |
| Net book value (note 13a)  | (73)             | (48)                     | (121)      | (179)      |
| Other                      | (2)              | (15)                     | (17)       | (4)        |
| <b>Surplus on disposal</b> | <b>54</b>        | <b>194</b>               | <b>248</b> | <b>332</b> |

## Notes to the financial statements

### 10. Interest receivable and similar income

|   | 2019       | 2018       |
|---|------------|------------|
|   | £'000      | £'000      |
| Interest receivable from group undertakings (note 24) | 88         | 304        |
| Interest receivable and similar income                | 30         | 22         |
| Gift aid from group undertakings                      | 683        | 402        |
| <b>Total</b>  | <b>801</b> | <b>728</b> |

### 11. Interest payable and financing costs

|   | 2019         | 2018         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Bank loans and overdrafts   | -            | 2            |
| Interest payable to group undertakings (note 24)                      | 1,480        | 1,480        |
| Interest capitalised on construction of housing properties (note 13b) | (2)          | -            |
| Recycled capital grant fund (note 20)                                 | 1            | -            |
| <b>Total</b>  | <b>1,479</b> | <b>1,482</b> |

### 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.

## Notes to the financial statements

### 13(a). Tangible fixed assets housing properties

|                                      | Housing properties held for lettings | Housing properties for letting under construction | Shared ownership properties held for lettings | Total         |
|--------------------------------------|--------------------------------------|---|---|---------------|
|                                      | £'000                                | £'000   | £'000   | £'000         |
| <b>Cost:</b>                         |                                      |   |   |               |
| At 1 April 2018                      | 40,555                               | 13  | 3,343   | 43,911        |
| Additions                            |                                      |   |   |               |
| -Construction costs                  | -                                    | 52  | -   | 52            |
| -Replacement components              | 220                                  | -   | -   | 220           |
| Transfer to properties held for sale | (6)                                  | -   | -   | (6)           |
| Disposals – staircasing (note 9)     | -                                    | -   | (73)  | (73)          |
| Disposals – property (note 9)        | (60)                                 | -   | -   | (60)          |
| <b>At 31 March 2019</b>              | <b>40,709</b>                        | <b>65</b>   | <b>3,270</b>                                  | <b>44,044</b> |
| <b>Depreciation:</b>                 |                                      |   |   |               |
| At 1 April 2018                      | 2,411                                | -   | 22  | 2,433         |
| Charge for the year (note 5 & 7)     | 999                                  | -   | 23  | 1,022         |
| Eliminated on disposals              | -                                    | -   | -   | -             |
| Disposals – staircasing (note 9)     | -                                    | -   | -   | -             |
| Disposals – other (note 9)           | (12)                                 | -   | -   | (12)          |
| <b>At 31 March 2019</b>              | <b>3,398</b>                         | <b>-</b>  | <b>45</b>                                     | <b>3,443</b>  |
| <b>Net book value:</b>               |                                      |   |   |               |
| <b>At 31 March 2019</b>              | <b>37,311</b>                        | <b>65</b>   | <b>3,225</b>                                  | <b>40,601</b> |
| At 31 March 2018                     | 38,144                               | 13  | 3,318   | 41,478        |

## Notes to the financial statements

### 13(b). Tangible fixed assets housing properties (continued)

|   | 2019          | 2018   |
|---|---------------|--------|
|   | £'000         | £'000  |
| <b>The net book value of housing and other properties (note 13(a)) comprises:</b> |               |        |
| Freehold  | <b>36,621</b> | 37,428 |
| Long leasehold  | <b>3,980</b>  | 4,050  |
|   | <b>40,601</b> | 41,478 |
| <b>Interest capitalisation:</b>   |               |        |
| Interest capitalised in the year (note 11)  | <b>2</b>      | -      |
| Rate used for capitalisation  | <b>4%</b>     | -      |
| <b>Works to properties:</b>   |               |        |
| Improvements to existing properties capitalised                                   | <b>220</b>    | 885    |
| Major repairs expenditure to income and expenditure account (note 5)              | <b>436</b>    | 578    |
|   | <b>656</b>    | 1,463  |
| <b>Total social housing grant received or receivable to date as follows:</b>      |               |        |
| Capital grant held in deferred income (note 19)                                   | <b>14,365</b> | 14,577 |
| Recycled capital grant fund (note 20)   | <b>98</b>     | 67     |
| Amortised to income and expenditure account in year (note 5)                      | <b>184</b>    | 188    |
| Cumulative amortisation to reserves   | <b>909</b>    | 725    |

#### Impairment

A full impairment review was carried out at 31 March 2016 and no material impairment was identified. At 31 March 2019 we considered whether any specific indications of impairment at scheme or property level exist and identified none.

#### Properties held for security

The Association had 566 properties pledged as security at 31 March 2019 (2018: 567 properties).

### 14. Other tangible fixed assets

|                         | Site IT equipment |
|-------------------------|-------------------|
|                         | £'000             |
| <b>Cost:</b>            |                   |
| At 1 April 2018         | -                 |
| Additions               | 84                |
| <b>At 31 March 2019</b> | <b>84</b>         |
| <b>Net book value:</b>  |                   |
| At 31 March 2019        | <b>84</b>         |
| At 31 March 2018        | -                 |

## Notes to the financial statements

### 15. Properties held for sale

|                           | 2019  | 2018  |
|---------------------------|-------|-------|
|                           | £'000 | £'000 |
| Other properties for sale | 6     | -     |

### 16. Debtors

|   | 2019  | 2018  |
|---|-------|-------|
|   | £'000 | £'000 |
| Rent and service charge arrears               | 416   | 382   |
| Less: Provision for doubtful debts            | (173) | (164) |
|   | 243   | 218   |
| Service costs to be charged in future periods | 147   | 267   |
| Amounts owed by group undertakings            | 4,100 | 372   |
| Other debtors                                 | 4     | -     |
| Prepayment and accrued income                 | 28    | 5     |
|   | 4,522 | 862   |

Included in amounts owed by group undertakings is a loan of £3,175,000 provided to Stonewater Developments Limited (2018: nil). This loan is a borrowing under a five year loan facility and interest is charged at LIBOR + 3%.

### 17. Creditors – amounts falling due within one year

|                                       | 2019  | 2018  |
|---------------------------------------|-------|-------|
|                                       | £'000 | £'000 |
| Housing loans internal (note 21)      | 29    | 31    |
| Trade creditors                       | -     | 56    |
| Other creditors                       | 758   | 773   |
| Taxation and social security          | -     | 2     |
| Accrued interest                      | -     | 45    |
| Amounts owed to group undertakings    | 54    | 434   |
| Deferred capital grant (note 19)      | 185   | 184   |
| Recycled capital grant fund (note 20) | 19    | -     |
| Leaseholder sinking funds             | 399   | 368   |
|                                       | 1,444 | 1,893 |

## Notes to the financial statements

### 18. Creditors – amounts falling due after more than one year

|                                       | 2019          | 2018          |
|---------------------------------------|---------------|---------------|
|                                       | £'000         | £'000         |
| Housing loans internal (note 21)      | 30,000        | 30,000        |
| Bond premium (note 21)                | 889           | 918           |
| Issue costs (note 21)                 | (49)          | (37)          |
| Deferred capital grant (note 19)      | 14,180        | 14,393        |
| Recycled capital grant fund (note 20) | 79            | 67            |
|                                       | <b>45,099</b> | <b>45,341</b> |

Included within Housing loans is a loan of £30million (2018: £30 million) from Stonewater Funding PLC, which is repayable in 2042. Interest payable on housing loans are at varying commercial rates. Loans are secured by fixed charges on individual properties. In addition, £0.9 million (2018: £0.9 million) premium is amortised over the life of the bond, which matures in November 2042.

### 19. Deferred capital grant

|   | 2019          | 2018          |
|---|---------------|---------------|
|   | £'000         | £'000         |
| At 1 April                              | 14,577        | 14,617        |
| Transfer to RCGF (note 20)              | (30)          | (48)          |
| Transfer from intercompany              | -             | -             |
| Released to income in the year (note 5) | (184)         | (188)         |
| Write back amortisation on disposals    | -             | 1             |
| Other movements                         | 2             | 195           |
| <b>At 31 March</b>                      | <b>14,365</b> | <b>14,577</b> |
| <b>Amounts due for repayments</b>       |               |               |
| -within one year (note 17)              | 185           | 184           |
| -greater than one year (note 18)        | 14,180        | 14,393        |
|   | <b>14,365</b> | <b>14,577</b> |

## Notes to the financial statements

### 20. Recycled capital grant fund (RCGF)

|  | HCA       | HCA       |
|--|-----------|-----------|
|  | 2019      | 2018      |
|  | £'000     | £'000     |
| At 1 April   | 67        | 19        |
| <b>Inputs to fund:</b>                                 |           |           |
| Grants recycled from deferred capital grants (note 19) | 30        | 48        |
| Interest accrued (note 11)                             | 1         | -         |
| <b>At 31 March</b>                                     | <b>98</b> | <b>67</b> |
| <b>Amounts due for repayments:</b>                     |           |           |
| -within 1 year (note 17)                               | 19        | -         |
| -within 2 to 3 years (note 18)                         | 79        | 67        |
|  | <b>98</b> | <b>67</b> |

### 21. Loans and borrowings

| Maturity of debt:                                   | Bond on -lending | Total         |
|---|------------------|---------------|
|   | 2019             | 2018          |
|   | £'000            | £'000         |
| In one year or less, or on demand                   | 29               | 31            |
| Issue Costs   | -                | -             |
| <b>Within one year (note 17)</b>                    | <b>29</b>        | <b>31</b>     |
| In more than one year but not more than two years   | 34               | 29            |
| In more than two years but not more than five years | 107              | 106           |
| After five years                                    | 30,748           | 30,783        |
| Issue Costs   | (49)             | (37)          |
| <b>Greater than one year (note 18)</b>              | <b>30,840</b>    | <b>30,881</b> |
| <b>Total Loans</b>                                  | <b>30,869</b>    | <b>30,912</b> |

Bond on-lending includes £30 million (2018: £30 million) from Stonewater Funding PLC, a fellow group member.

## Notes to the financial statements

### 22. Share capital

|                              | 2019      | 2018      |
|------------------------------|-----------|-----------|
|                              | £'000     | £'000     |
| <b>At 1 April</b>            | <b>12</b> | <b>11</b> |
| Shares issued in the year    | 3         | 3         |
| Shares cancelled in the year | (3)       | (2)       |
| <b>At 31 March</b>           | <b>12</b> | <b>12</b> |

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.

### 23. Capital commitments

|   | 2019         | 2018         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Commitments contracted but not provided for construction              | -            | 515          |
| Commitments approved by the Board but not contracted for construction | <b>1,249</b> | 603          |
| <b>Total</b>  | <b>1,249</b> | <b>1,119</b> |

Capital commitments for the Association will be funded from £0.6m (2018: £0.6m) social housing grant and the remainder from existing funds and borrowings £0.7m (2018: £0.5m).

### 24. 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 total loan balance and interest charged by Stonewater Funding PLC in the year was:

|  | 2019          | 2018   |
|--|---------------|--------|
|  | £'000         | £'000  |
| Loan Balance (after issue costs) (note 21) | <b>30,869</b> | 30,912 |
| Interest charged (note 11)                 | <b>1,480</b>  | 1,480  |

# Notes to the financial statements

## 24. Related party disclosures continued

Under the facility the loans, which are repayable at various dates through to 2042, are secure by fixed charges over the housing properties of Stonewater Ltd, Stonewater (2) Limited and Stonewater (5) Limited; cross guaranteed cover any shortfall; in the security and any unpaid interest and fees in respect of the loans. At 31 March 2019 the potential shortfall covered by the guarantee was nil as the valuation of the security provided by Stonewater Limited, Stonewater (2) Limited and Stonewater (5) exceeded the amount required.

During the year the Association provided a loan to a subsidiary company, a non-regulated entity incorporated on 13 June 2018, Stonewater Developments Limited, a company which provides development services to the group. The total loan balance and interest charged to Stonewater Developments Limited in the year was: -

|                             | 2019  | 2018  |
|-----------------------------|-------|-------|
|                             | £'000 | £'000 |
| Loan Balance (note 16)      | 3,175 | -     |
| Interest received (note 10) | 88    | -     |

The Association also transacted with a non-regulated entity: Stonewater Procurement Limited, a company that provided design and build services to the Association.

The charge for the design and build services was £17,000 (2018: £12,915) plus 2.5% admin charge of £500 (2018: £323) a total recharge of £17,500 (2018: £13,238)

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 page 1.