

Mid-year performance update

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Stonewater Funding plc

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STONEWATER H1 2021/22 PERFORMANCE UPDATE
Stonewater's Mid-Year Performance Update covering the period to 30
September 2021

Financial performance*

The Group is pleased to report a continuing sound financial performance. The unaudited management accounts for the six months to 30 September 2021 show a turnover of £113 million (H1 2020/21: £96 million), delivering an operating surplus of £40 million (H1 2020/21: £34 million). Interest cover was 251% (H1 2020/21: 248%)

The operating surplus for the year to March 2022 is forecast to be in line with expectations.

The Group's total capital investment in existing homes during the period was £4.7 million, an increase from £2.9 million for the same period last year (which reflected the Covid-19-related restrictions at the time). Total capital investment in new homes during the period was £76 million (H1 2020/21: £64 million). Housing Fixed Assets stood at £2,124 million, up from £2,037 million as at 31 March 2021. Drawn debt was £1,300 million, up from £1,100 million as at 31 March 2021. Cash and available facilities stood at £680 million (31 March 2021: £548 million) with committed and fully secured loan facilities at £1,655 million (31 March 2021: £1,509 million).

In May 2021 S&P Global Ratings affirmed its rating of Stonewater as A+ with a Stable Outlook. On 31 March 2021, following an In-Depth Assessment, the Regulator of Social Housing confirmed its grading of Stonewater as G1/V1.

<https://www.stonewater.org/media/5538/20210519-uksocialhousingproviderstonewateraratingaffirmedoutlookstable.pdf>

<https://www.gov.uk/government/publications/regulatory-judgement-stonewater-limited/current-regulatory-judgement-stonewater-limited-31-march-2021>

Financing

Stonewater issued a £250 million sustainability bond on 3 September 2021, the first issue under its EMTN programme. The proceeds were lent to the Registered Providers in the Stonewater group where £98 million was used to repay existing term and revolving loan facilities.

Furthermore, on 15 September a deferred sale of £28m of retained bonds from a previous issue settled.

Operational performance

Overall customer satisfaction was 83%, slightly below the target of 84%.

Rent arrears are stable at 5.31% (March 21: 5.38%) and remain below our target. We continue to provide a range of well-used support services to help our residents sustain their tenancies as outlined in our ESG report published earlier this year <https://www.stonewater.org/media/5617/esg-report-2020-21-final.pdf>.

The Group completed 430 new homes during the first half of the year (H1 2020/21: 217), all of which were for affordable tenures, and started work on 481 new homes. With the progress in the development programme, the pipeline is now for a further 5,100 homes by March 2025. Shared ownership sales generated an income of £18.0 million (H1 2020/21: £6.9 million) with a margin of 17% (H1 2020/21: 19%).

186 tenanted housing properties were acquired from Bromford Housing Group on 28 June.

Supporting our residents and communities

The Group continues to support our customers in a range of ways. For instance, our charity partner, Longleigh Foundation, continues to offer grants that make a huge difference to people struggling with severe financial hardship.

On cutting carbon emissions, Stonewater is committed to improving the efficiency of homes and we are pursuing a carbon-neutral approach to new developments. The Group is also leading the way with retrofitting and energy efficiency through projects such as the Oxford Energy Superhub and our work with Passivhaus.

Finally, working alongside Guinness, Stonewater has been named by Homes England as one of its largest strategic partners. The two organisations will be provided further funding of circa £250 million to build 4,180 high-quality, affordable homes by 2029. This is in addition to the £224 million awarded to the strategic partnership by Homes England in 2018 to build 4,500 homes by 2025.

Management

In accordance with the succession plan previously announced, Anne Costain assumed the responsibilities of Executive Director – Finance on 1 October. Following a selection process, Keith Reed has stepped up to the role of Director of Financial Operations and deputy to Anne.

*Q4 2020/21 figures are based on audited financial statements as of March 31, 2021.

ENDS

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