Stonewater (3) Limited

Registered Social Housing Provider

Report of the Board and Financial Statements

Year ended 31 March 2017

Community Benefit Society (FCA) number: 18946R

Homes and Communities Agency number: L0288

Stonewater (3) Limited

Report and Financial Statements for the year ended 31 March 2017

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Board, officers and advisors

Board Members:

Mrs A Dokov – Chair (until 25 April 2017)

Mr G Blunden – Chair (from 25 April 2017)

Mr M Collins

Mrs S Collins

Mr P Hammond

Mr N Harris

Mr B Roebuck

Mr C Small

Mr R Strachan - (until 31 December 2016)

Mrs S Terry

Mr J Weguelin

Mr D Wright

Mr P Symington - (from 1 July 2017)

Secretary and registered office

Anne Harling
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Grange Business Park
Enderby Road, Whetstone
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LE8 6EP

Auditor

BDO LLP
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B4 6GA

Solicitor

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Principal banker

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Stonewater (3) Limited

Report of the Board of Management

The Board presents its report and audited financial statements for Stonewater (3) Limited (the 'Association') for the year ended 31 March 2017.

Nature of the business and principal activity

Stonewater (3) Limited is a Registered Society under the Cooperative and Community Benefit Societies Act 2014, with charitable status, and a Registered Provider with the Homes and Communities Agency (HCA). It's ultimate parent is Stonewater Limited (the 'Group' or 'Stonewater').

The principal activity of the Association is the development and management of rented housing accommodation for those in most need.

Stonewater's vision and mission

Stonewater's vision is for everyone to have the opportunity to have a place they can call home. Our mission is to offer high quality homes and services for people who's needs are not met by the open market.

Our values and behaviours guide the way we do things:

- Ethical – we take responsibility and are accountable for our decisions. When we make a promise, we keep it. We are inclusive, professional and honest.
- Ambitious – we are driven and competitive, always seeking the best solutions for our organisation and our customers. We aim to be a landlord, partner and employer of choice.
- Passionate – we genuinely care and are committed and motivated to always do the best we can. Our enthusiasm and energy at every touchpoint inspires us to be an organisation everyone can be proud to be associated with.
- Agile – by being adaptable and open-minded we pro-actively make the most of opportunities. Our innovation and collaboration helps drive continuous improvement.
- Commercial – we are an efficient and astute organisation with a clear focus on delivering value for money. Organisational efficiency translates into more homes for those that need them and improved choice and services for our customers.

Strategic plan 2017-2022

Our strategic plan is our compass on this journey. 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 on income collection and compliance
- Invest in and support our people 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 our assets to ensure we have the financial capacity to deliver our priorities.

Our priorities for the next five years take account of our assessment of the current operating environment for housing, the opportunities available to us, and the challenges we face. We are working against a backdrop of a growing housing crisis, depleting resource and continuing uncertainty – both economic and legislative. With Brexit ahead of us, continuing change is inevitable. What remains clear however is that Stonewater's strong financial position, combined with our clear vision, will help stay true to our goals. While there are many challenges ahead, we are confident we are in a good position to meet them.

We listen to our customers, we have clear direction from our Board, outstanding leadership within our Executive Director Group, great capability across our management community, genuine passion amongst our staff and strong commitment from our working partners.

Activities

We house some of the most disadvantaged and vulnerable members of society. Many residents are long-term unemployed and have a range of social, health and care needs that require a specialist approach to housing management.

In many of our areas of operation, demand for affordable housing consistently outstrips supply, fuelled by rising house prices and limited availability.

During the year, the Association built 89 homes: 53 for affordable rent and 36 for shared ownership. Work started on the construction of a further 232 homes during the year.

Work continued on Stonewater's stock rationalisation programme. The asset development team achieved gross sales of £5.0m for this programme, which equates to just under £3.3m net and compares with last year's figures of £0.7m gross and £0.1m net. These sums will be re-invested in new homes that are more energy efficient and cost less to maintain, delivering continued efficiencies for the business.

External Environment

Housing supply and affordability

The Welfare Reform and Work Act 2016 legislated a 1% decrease in social housing rents for 4 consecutive years beginning on the 1 April 2016.

The problems of both housing supply and affordability are well known. There is an ongoing under supply of new homes; house prices continue to rise at a faster rate than earnings growth; and in particular there is shortage of affordable homes.

- An estimated 250,000 new homes are needed in England each year to keep up with demand, but over the last 10 years on average only 166,000 new homes have been delivered.

- The population of England is both growing and ageing, which will put more pressure on the housing market.

Housing supply and affordability

- One in four people in their twenties and early thirties now live with their parents, with the numbers increasing from 2.4 million in 2003 to 3.3 million in 2016, as a result of high and rising house prices and private sector rents.

- There has been an increase of the number of homeless households in temporary accommodation from 48,000 to 71,500 over the last five years.

The Government has announced a number of measures to increase housing supply. The Housing White Paper "Fixing our broken housing market", which was published in February 2017, 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.

To help speed up construction of new homes, it proposed freeing up public land and brownfield sites, as well as changes to give local authorities powers to ensure developers make quicker use of planning consent.

The White Paper re-stated the Government's commitment to implement regulatory changes to allow housing associations to be re-classified as private sector bodies. A number of measures subsequently came into effect from 6th April 2017 which will remove the regulator's power of consent over disposals, restructures and mergers. The White paper also said it expected housing associations to make every effort to improve efficiency, to release more resources for building new homes.

It outlined the Government's intention to set a rent policy for social housing landlords for the period beyond 2020, to assist in borrowing against future income. This may go some way to offsetting the impacts of the 1% rent reduction, particularly in terms of longer term investment and planning. The proposals in the Housing White Paper should help increase our ability to deliver more affordable homes across all tenures by increasing the capacity in our Business Plan.

There are a number of challenges that we face, including the 1% reduction per annum in social rents until 2019-20, and ongoing welfare reform. We are also in a period of economic uncertainty as a result of Brexit. Inflation is increasing as a result of the fall in the value of sterling, and development costs are also rising.

Welfare reform and cuts in government spending

The Work and Welfare Reform Act 2016 has reduced the cap on maximum levels of benefit entitlement for families to £20,000 outside London. It also restricted housing support for under 21 year olds and introduced plans to limit housing support to Local Housing Allowance (LHA) levels.

Regulation

The Homes and Communities Agency continues to focus on 'co-regulation'. Under this approach, the HCA's engagement with registered providers is risk based with a focus on protecting social housing assets from undue risk.

The Housing and Planning Act 2016 has reduced the regulation with the requirement to gain regulatory consent for restructures, constitutional changes and disposals replaced by a system of notification.

Regulation

The latest regulatory judgement issued by the Homes and Communities Agency in March 2017, following a regulatory in depth assessment, confirms that Stonewater meets the requirements set out in the Governance and Financial Viability standard of the 2015 Regulatory Framework with the top ratings of G1 (The provider meets the requirements on governance set out in the Governance and Financial Viability standard) and V1 (The provider meets the requirements on viability set out in the Governance and Financial Viability Standard and has the capacity to mitigate its exposures effectively).

Since then the board has undertaken a self assessment of compliance with the Governance and Viability standard, taking account of the Code of Practice, and confirms that Stonewater is compliant with the standard.

Performance during the year

The Association has made a surplus of £6.4m during the year (2016: £3.3m) mainly due to £3.3m (2016: £0.1m) surplus on disposal of fixed assets.

Key Performance Indicators:
Gross arrears on average was 3.20%
Voids performance on average was 2.1%
Tenant satisfaction on responsive repairs was very satisfied/satisfied 88%

Governance Structure

Board

The Board is responsible for the proper and effective management of Stonewater. The Board, working with the Executive Directors Group led by the Chief Executive, undertakes this role through strategic direction, establishing a framework for delegation, and holding the Executive Directors Group to account for performance. This includes accountability to residents and other stakeholders, such as funding providers and partner local authorities. Board members are listed on page 2. The Board comprised eleven members at 31 March 2017 including one executive member.

Current obligations of board members to the Board and the Association

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 2016/17 these were:

- Leading organisational development
- Refine strategy in light of the changing operating environment
- Make customer involvement meaningful

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 are fed into the board learning and development programme

Skills, qualities and experience required by the Board

To discharge its responsibilities for the direction of the Association, Stonewater's Board needs a broad range of skills, competencies, experience and knowledge. All members are expected to demonstrate customer focus, strong communication and interpersonal skills, strategic thinking and leadership.

In addition the Board seeks to have a membership that reflects the diversity of Stonewater's residents and the communities where we work. The board has set targets for improving diversity across the governance structure. The current board comprises 27% female members; there are no members from a black or minority ethnic background and one member identifies as disabled. The average age of the membership at AGM 2016 was 62 years.

Committees

The board is supported by five functional committees and a task and finish group, each of which is chaired by a board member. Each of the Risk and Assurance Committee, the Housing Committee and the Digital & IT Task and Finish group 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 IT Task and Finish group	Oversees the implementation of Stonewater's digital and IT strategies

Executive Directors Group

We have an experienced Executive Directors Group that manages the day to day running of the business. The Executive team consists of the Chief Executive and first Executive Directors. The members of the Executive Directors Group are disclosed in the Consolidated financial statements.

Policy for admitting new shareholders

The company has closed shareholding membership.

Code of governance

Stonewater adopted the 2015 National Housing Federation Code of Governance in June 2015 and complies fully with it.

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 and copies are also available on request.

People strategy

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

Corporate communications

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

Risks and uncertainties

New, emerging and high scoring risks are monitored through the Strategic 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 Risk and Assurance Manager oversees progress against actions to mitigate risks

The Board has adopted a risk appetite statement 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.

The key strategic risks at present are:

1. National policy changes
2. Growth
3. Long term finance
4. Sales market
5. Contractor performance
6. Digitalisation
7. Vulnerable residents
8. Leadership
9. Compliance
10. Health and safety
11. Customer satisfaction

Relationships

Customer Engagement

We seek to put customer engagement at the heart of all our activities so that customers can both influence the delivery of housing services and play an active part in the governance of the company.
Our Customer Scrutiny Panel holds the Board to account on our delivery of housing services. So far, our Panel has completed three service reviews, looking at allocations, complaints, and how we involve our customers digitally. The Scrutiny Panel sits alongside our governance structure and all of their findings feed directly into Board-level decision making, helping us to improve the services we provide.

Customer Engagement

As we work over a large geographical area we have created a digital Customer HUBB (Help Us Be Better) so that customers in different locations can engage in consultation forums and provide feedback on our services.

Customer insight

Our online Customer Insight Panel has continued to be surveyed on a range of issues to inform our approach to operational and strategic matters. Specifically we carried out our STAR survey measure of customer satisfaction, with a further survey into the priorities and satisfaction of our retirement living customers processes and procedures. This input helped us to identify the priorities for improvement to ensure most effective use of resources, and highlighted communication with customers as key in the management of anti social behaviour cases.

Improving service delivery

Our focus is on continuously striving to improve services to customers in a cost effect manner. During the year, we reviewed our Customer Offer and introduced a new approach to Estate Services management, designed to improve standards and deliver efficiency savings.
We also worked closely with residents to develop a new Reward scheme, which will offer enhanced benefits to residents who manage their tenancies well and be launched later in 2017.

Equality and diversity (E&D)

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

Slavery and human trafficking

Stonewater's slavery and human trafficking statement, under the Modern Slavery Act 2015, for the financial year ending 31 March 2017, is available via the website: www.stonewater.org.

Financial inclusion

We continue to support customers affected by the bedroom tax and benefit changes. We have been preparing for the roll out of Universal Credit; keeping abreast of good practice and partnering with other Registered Providers. We have used our normal customer communication channels to inform and advise on benefit changes and how they will be affected. We continue to promote a credit union as an option for customers.

We continue to work with Experian on rental data sharing in order to improve access to favourable financial services for our customers.

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 for preparing the Association's financial statements.

Value for Money

The Group Value for Money Self Assessment provides full details of achievements within the year. This is available through the Group website and is summarised in the Group consolidated financial statements.

The link to the current version of the VFM statement is available on the Organisation's website at https://www.stonewater.org/about-us/value-for-money/. A new statement will be published by 30 September 2017.

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.

Business planning, risk and Internal Controls Assurance

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

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

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

- *Identification and evaluation of key risks*

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

- *Monitoring and corrective action*

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

- *Control environment and control procedures*

  The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. Stonewater's own Code of Conduct based on the 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.

Business planning, risk and Internal Controls Assurance (continued)

- *Information and financial reporting systems*

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

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

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

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by Stonewater. This process has been in place throughout the year under review, up to the date of the annual report, and is reviewed by the Board.
The Board is able to confirm to the best of its knowledge compliance with its adopted code of governance and the regulatory governance, financial viability standard as set by HCA.

Disclosure of information to auditors

The Board Members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which Stonewater's auditors are unaware; and each Board Member has taken all the steps that he / she ought to have taken to make himself / herself aware of any relevant audit information and to establish that Stonewater's auditors are aware of that information.

Auditors

BDO LLP were re-appointed as Stonewater's external auditors for 2016/17 on 23 August 2016.

The report of the Board was approved on 12 September 2017 and signed on its behalf by

G Blunden

Chair of the Board

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.

Independent Auditor's report to Members of Stonewater (3) Limited

We have audited the financial statements of Stonewater (3) Limited for the year ended 31 March 2017 which comprise the statement of comprehensive income, balance sheet, statement of changes in reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Section 87 of 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 association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

As explained more fully in the statement of board member responsibilities, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2017 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 prepared in accordance with the requirements of 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.

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 to report to you if, in our opinion:

- the information given in the Report of the Board 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; or
- a satisfactory system of control has not been maintained over transactions; or
- the 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.

BDO LLP

BDO LLP, statutory auditor
Birmingham
United Kingdom
21 September 2017
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Stonewater (3) Limited

Statement of comprehensive income for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Turnover	4	23,514	23,484
Cost of sales	4	(1,324)	(1,313)
Operating costs	4	(14,931)	(15,963)
Operating surplus	4, 7	**7,259**	6,208
Surplus on disposal of fixed assets	9	3,302	127
Interest receivable and similar income	10	9	71
Interest payable and financing costs	11	(2,835)	(2,918)
Movement in fair value of non hedged financial instruments	11	(1,368)	(152)
Surplus for the financial year		**6,367**	3,336
Movement in fair value of hedged financial instruments	11	1,596	(437)
Total comprehensive income for the year		**7,963**	2,899

All activities relate to continuing operations.

The notes on pages 17 to 37 form part of these financial statements

Stonewater (3) Limited

Balance sheet at 31 March 2017

	Note	2017 £'000	2016 £'000
Fixed Assets			
Tangible fixed assets -housing properties	13	235,191	228,006
Other tangible fixed assets	14	990	1,095
		236,181	229,101
Current Assets			
Properties held for sale	15	2,058	1,172
Debtors	16	867	4,221
Investments		572	1,439
Cash and cash equivalents		6,741	3
		10,238	6,835
Creditors: amounts falling due within one year	17	(9,329)	(2,036)
Net current assets		909	4,799
Total assets less current liabilities		**237,090**	233,900
Creditors: amounts falling due after more than one year	18	(146,829)	(151,602)
Net assets		**90,261**	82,298
Capital and reserves			
Called up share capital	23	-	-
Cashflow hedge reserve		(3,680)	(5,276)
Income and expenditure reserve		93,941	87,574
		90,261	82,298

The financial statements were approved by the Board and authorised for issue on 12 September 2017.

G Blunden	**N Harris**	**A Harling**
Chair of the Board	*Board Member*	*Secretary*

The notes on pages 17 to 37 form part of these financial statements.

Stonewater (3) Limited

Statement of changes in reserves for the year ended 31 March 2017

	Note	Cash flow hedge reserve	Income and expenditure reserve	Total
		£'000	£'000	£'000
Balance at 1 April 2016		**(5,276)**	**84,311**	**79,035**
Prior year adjustment	26		3,263	3,263
Revised opening balance at 1 April 2016		**(5,276)**	**87,574**	**82,298**
Surplus for the year		-	6,367	**6,367**
Movement in fair value of hedged financial instrument		1,596	-	**1,596**
Balance at 31 March 2017		**(3,680)**	**93,941**	**90,261**

	Cash flow hedge reserve	Income and expenditure reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2015	(4,839)	80,975	**76,136**
Surplus for the year	-	3,336	3,336
Movement in fair value of hedged financial instrument	(437)	-	(437)
Balance at 31 March 2016	(5,276)	84,311	79,035

Prior year adjustment relates to SHPS deficit, which was recognised for the first time in the year ended 31 March 2016 to comply with FRS 102. The deficit was recorded in Stonewater (3) Limited at 31 March 2016 of £3.3 million. This was incorrect as the legal obligation for this liability is within Stonewater (2) Limited.

INDEX OF NOTES

General notes

SOCI related notes

Balance sheet related notes

1 Legal status

The Association is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Homes and Communities Agency as a social housing provider. The Association is a public benefit entity.

2 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Stonewater (3) Limited includes the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, "Accounting by registered social housing providers" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

The accounts are prepared under the historic cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Association management to exercise judgement in applying the accounting policies.

In preparing the financial statements, the Association has taken advantage of the following disclosure exemptions available in FRS 102:

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

This information is included in the consolidated financial statements of Stonewater Limited as at 31 March 2017 and these financial statements may be obtained from Stonewater registered address as disclosed on page 2.

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 group has adequate resources to continue in operational existence of the foreseeable future. For this reason it continues to adopt the going concern basis in the financial statements.

Turnover

Turnover is measured at the fair value of the consideration received or receivable. The Association generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties available for letting),
- First tranche sales of Low Cost Home Ownership housing properties developed for sale,
- Service charges receivable,
- Revenue grants and proceeds from the sale of land and property.

Rental income is recognised from the point when properties under development reach practical completion and are formally let, income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

2 Accounting policies (continued)

Supported housing schemes

The Association receives Supporting People grants from a number of County Councils. The grants received in the period as well as costs incurred by the Association in the provision of support services have been included in the SOCI. Any excess of cost over the grant received is borne by the Association where it is not recoverable from tenants.

Service charges

The Association adopts a fixed 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.

Schemes managed by agents

Income is shown as rent receivable and management fees payable to agents are included in operating costs.

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.

Finance costs

Finance costs are charged to Comprehensive income statement 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.

Tangible fixed assets - housing properties

Housing properties constructed or acquired (including land) on the open market since the date of transition to FRS 102 are stated at cost less depreciation and impairment (where applicable).

The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of managing development.

Directly attributable costs of acquisition include capitalised interest calculated, on a proportional basis, using finance costs on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is on-going and has not been interrupted or terminated.

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.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in property, plant and equipment(PPE) and held at cost less any impairment, and are transferred to completed properties when ready for letting.

When housing properties are developed for sale to another social landlord, the cost is dealt with in current assets under housing properties and stock for sale.

2 Accounting policies (continued)

Depreciation of housing property

Housing land and property is split between land, structure and other major components that are expected to require replacement over time.

Land is not depreciated on account of its indefinite useful economic life.

Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

The cost of all other housing property (net of accumulated depreciation to date and impairment, where applicable) and components is depreciated over the useful economic lives of the assets.

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the estimated useful economic life as follows:

Description	**Economic useful life (years)**
Boiler	15
Kitchens	20
Heating Systems & Bathrooms	30
Electrics	40
Windows	35
Roof covers	70
Structure	80-110

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.

Shared ownership properties and staircasing

Under low cost home ownership arrangements, the Association disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The Buyer has the right to purchase further proportions up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, "staircasing element", is classed as PPE and included in completed housing property at cost and any provision for impairment. Sales of subsequent tranches are treated as a part disposal of PPE. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

For shared ownership accommodation that the Association is responsible for, it is the Association's policy to maintain them in a continuous state of sound repair. Maintenance of other shared ownership properties is the responsibility of the shared owner. Any impairment in the value of such properties is charged to the Statement of comprehensive Income.

2 Accounting policies (continued)

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.

Tangible fixed assets – other

Other tangible fixed assets, other than investment properties, 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.

The Association adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation of other tangible fixed assets

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	**Economic useful life (years)**
Office fixtures, furniture and fittings	5-8

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

Government grant

Grant received in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the balance sheet and released to the income and expenditure account on a systematic basis over the useful economic lives of the assets for which it was received. In accordance with Housing SORP 2014 the useful economic life of the housing property structure has been selected.

Where Social Housing Grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the income and expenditure account over 80-110 years dependant on the type of property.

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. Grants due from government organisations or received in advance are included as current assets or liabilities.

2 Accounting policies (continued)

Recycled capital grant fund

On the occurrence of certain relevant events, primarily the sale of dwellings, the HCA can direct Stonewater to recycle capital grants or to make repayments of the recoverable amount. The Association adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to the HCA with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Disposal proceeds fund

Receipts from Right to Acquire (RTA) Sales are required to be retained in a ring fenced fund that can only be used for providing replacement housing. The sales receipts less eligible expenses are credited to the Disposal Proceeds Fund. Any sales receipts less eligible expenses held within disposal proceeds fund, which it is anticipated will not be used within one year, are disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Impairment of fixed assets

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts or depreciated replacement value. An option appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The Group looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use.

The Group defines cash generating units as schemes. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to income and expenditure.

Properties held for sale

Properties held for sale represent work in progress and completed properties, including housing properties developed for transfer to other registered providers; properties developed for outright sale; and shared ownership properties. For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche.

Properties held for sale are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

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 SOCI in other operating expenses.

2 Accounting policies (continued)

Recoverable amount of rental and other trade receivables

The Association estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

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, with the exception of the Cancellable embedded option arrangements detailed below, 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 instrument are stated on the balance sheet 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 balance sheet consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

Derivative instruments and hedge accounting

The Association holds floating rate loans which expose the Association to interest rate risk, to mitigate against this risk the Association uses interest rate swaps. These instruments are measured at fair value at each reporting date. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Association has designated each of the swaps against either existing drawn floating rate debt or against highly probable future floating rate debt. To the extent the hedge is effective movements in fair value adjustments, other than adjustments for own or counter party credit risk, are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any movements in fair value relating to ineffectiveness and adjustments for our own or counter party credit risk are recognised in income and expenditure.

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

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

Cash flow reserve
Cash flow reserve is created from the movement in the fair value of hedging derivatives that are assumed as effective.

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.

- 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.

- the appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.

- the categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset. No investment properties were identified.

- 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 (notes 13 and 14)*

  Tangible fixed assets are depreciated over their useful economic lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

  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.

  Derivative instruments and hedge accounting (note 22)

  An assessment has been made of the loan arrangements held by the Association with particular regard to their basic or non basic classification. There is a risk that a future pronouncement by FRC (or similar) or establishment of practice whereby the loans may be classified differently and also possible transitional exemptions in the first year of FRS 102 may no longer be available.

3 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Hedge accounting effectiveness

A prospective test is performed at hedge inception and at each reporting date, under the critical terms method, and using a hypothetical derivative set up so that it exactly matches the Hedging Instrument, but in the opposite direction.

The strength of the statistical relationship between the hedging instrument and hedged item is measured by comparing the mark-to-market movement of the hedging instrument to that of the hypothetical derivative by shocking the underlying curve. As the market value represents the present value of all future swap cashflows, a strong correlation between changes in market value of swap and hypothetical swap implies that the hedge is expected to be highly effective

Those swaps which are accounted for as non-basic comprise (a) cancellable swaps where the bank counterparty has the option to terminate the swap, (b) those fixed-to-floating swaps which reduce Stonewater's hedged interest percentage and (c) RPI swaps, where current government rent policy means that the swaps no longer hedge movements in inflation. Where basic swaps have payment dates that do not match exactly with the underlying loan, then an adjustment for the non-effective portion of the hedged item has been made.

Negative compensation clauses in loan agreement

A review of loans was undertaken during the year to identify whether negative compensation clauses apply. We do not believe that any of the contractual provisions in our loan agreements:

- result in the holder losing the principal amount or any interest attributable to the current period or prior periods; or
- make permission to prepay contingent on future events.

Therefore the loans were considered to be basic financial instruments.

- Rental and other trade receivables (note 16)

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed to consider whether debt is recoverable.

- Valuation of SWAPs

  We have used a clearing house valuation for all SWAPs held by the Group. This method is adopted across the registered provider sector. We have not used the debit value adjustment (DVA) as there is no current requirement under FRS 102 to hold SWAPs at DVA adjusted value.

4 Particulars of turnover, cost of sales, operating costs and operating surplus

	Turnover	**Cost of sales**	**Operating costs**	**Operating surplus/ (deficit)**
	2017 £'000	**2017 £'000**	**2017 £'000**	**2017 £'000**
Social housing lettings (note 5)	**21,863**	**-**	**(14,931)**	**6,932**
Other social housing activities:				
First tranche low cost home ownership sales	**1,651**	**(1,322)**	**-**	**329**
Other	**-**	**(2)**	**-**	**(2)**
	1,651	**(1,324)**	**-**	**327**
Activities other than Social Housing Activities				
Total	**23,514**	**(1,324)**	**(14,931)**	**7,259**

	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	2016 £'000	2016 £'000	2016 £'000	2016 £'000
Social housing lettings (note 5)	21,260	-	(14,988)	6,272
Other Social Housing Activities:				
First tranche low cost home ownership sales	1,606	(1,313)	-	293
Charges for support services	496	-	(497)	(1)
Other	122	-	(478)	(356)
	2,224	(1,313)	(975)	(64)
Total	23,484	(1,313)	(15,963)	6,208

5 Income and expenditure from social housing lettings

	General needs	Supported Housing and housing for older people	Shared ownership	Affordable	**Total 2017**	Total 2016
	£'000	£'000	£'000	£'000	**£'000**	£'000
Income						
Rents net of identifiable service charges	13,431	3,519	539	749	**18,238**	18,171
Service charge income	939	1,592	54	17	**2,602**	2,180
Other income	17	1	39	-	**57**	-
Amortised government grants	682	250	20	14	**966**	909
Turnover from social housing lettings	**15,069**	**5,362**	**652**	**780**	**21,863**	21,260
Expenditure						
Management	(2,907)	(910)	(352)	(2)	**(4,171)**	(4,992)
Service charge costs	(625)	(1,495)	(13)	(8)	**(2,141)**	(1,963)
Routine maintenance	(2,059)	(829)	(7)	(49)	**(2,944)**	(2,629)
Planned maintenance	(548)	(175)	(1)	(8)	**(732)**	(817)
Major repairs expenditure	(604)	(463)	-	(11)	**(1,078)**	(835)
Bad debts	(167)	(52)	3	5	**(211)**	(104)
Depreciation of housing properties:						
- annual charge (note 7 & 13)	(2,831)	(506)	(119)	(165)	**(3,621)**	(3,417)
- accelerated on disposal of components	(32)	(1)	-	-	**(33)**	(231)
Operating expenditure on social housing lettings	**(9,773)**	**(4,431)**	**(489)**	**(238)**	**(14,931)**	(14,988)
Operating surplus on social housing lettings	**5,296**	**931**	**163**	**542**	**6,932**	6,272
Void losses	**(166)**	**(234)**	**(1)**	**(47)**	**(448)**	(275)

6 Units of housing stock

	2017 Number	2016 Number
General needs housing:		
- social	**2,771**	2,819
- affordable	**205**	129
Low cost shared ownership	**257**	224
Supported housing	**82**	111
Housing for older people	**572**	740
Total owned	**3,887**	4,023
Units managed for others	**324**	-
Units managed by other associations	**123**	103
Total owned and managed accommodation	**4,334**	4,126
Units under construction	348	278

7 Operating surplus

	2017 £'000	2016 £'000
This is arrived at after charging:		
Depreciation of housing properties:		
- annual charge (note 5)	**3,621**	3,417
- accelerated depreciation on replaced components (note 5)	**33**	231
Depreciation of other tangible fixed assets (note 14)	**127**	128

Audit fees for the year ended 31 March 2017 are borne by the Parent company, Stonewater Limited, and are disclosed in the Consolidated financial statements.

8 Employees, Directors' and senior executive remuneration

Employee information, including pension costs and the cost of Directors and senior executives are disclosed in the consolidated financial statements

9 Surplus on disposal of fixed assets

	Shared ownership	Other housing properties	Total	Total
	2017	2017	2017	2016
	£'000	£'000	£'000	£'000
Housing Properties:				
Disposal proceeds	714	4,310	**5,024**	663
Cost of disposals	(513)	(1,209)	**(1,722)**	(536)
Total	**201**	**3,101**	**3,302**	127

10 Interest receivable and similar income

	2017	2016
	£'000	£'000
Interest receivable and investment income	**9**	71

11 Interest payable and financing costs

	2017	2016
	£'000	£'000
Bank loans and overdrafts	**2,510**	2,944
Finance costs in relation to SHPS	**376**	17
Interest payable to group undertakings	**144**	-
Interest capitalised on construction of housing properties (note 13)	**(195)**	(43)
Total Interest and Financing Costs	**2,835**	2,918
Movement in fair value of non-hedged financial instruments	**(1,368)**	152
Movement in fair value of hedged derivative instruments	**1,596**	437

12 Taxation on surplus on ordinary activities

Stonewater (3) Limited is registered with charitable rules under Co-operative and Community Benefit Societies Act and as such receives charitable relief from Corporation Tax.

13 Tangible fixed assets - Housing properties	General needs completed	General needs under construction	Shared ownership completed	Shared ownership under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation:					
At 1 April 2016	240,617	2,430	14,988	582	**258,617**
Additions:					
- construction costs	-	8,817	-	5,968	**14,785**
- replaced components	714	-	-	-	**714**
- additional properties	927	-	-	-	**927**
Completed schemes	6,365	(6,365)	841	(841)	**-**
Transfer to properties held for sale	-	-	-	(2,842)	**(2,842)**
Disposals					
- stair-casing sales	-	-	(524)	-	**(524)**
- other sales	(2,577)	-	-	-	**(2,577)**
- replaced components	(114)	-	-	-	**(114)**
At 31 March 2017	245,932	4,882	15,305	2,867	**268,986**
Depreciation:					
At 1 April 2016	30,220	-	391	-	**30,611**
Opening balance adjustment	208	-	-	-	**208**
Charge for the year (note 5 & 7)	3,502	-	119	-	**3,621**
Disposals					
- replaced components	(80)	-	-	-	**(80)**
- Other	(550)	-	(15)	-	**(565)**
At 31 March 2017	**33,300**	**-**	**495**	**-**	**33,795**
Net book value at 31 March 2017	**212,632**	**4,882**	**14,810**	**2,867**	**235,191**
Net book value at 31 March 2016	210,397	2,430	14,597	582	228,006

13 Tangible fixed assets - Housing properties (continued)

	2017 £'000	2016 £'000
The net book value of housing properties may be further analysed as:		
Freehold	**223,762**	222,541
Long leasehold	**11,429**	5,465
	235,191	228,006

Interest capitalisation:	**2017 £'000**	2016 £'000
Interest capitalised in the year (note 11)	**195**	43
Cumulative interest capitalised	**1,552**	1,357
Rate used for capitalisation	**4.3%**	4.5%

Works to properties:	**2017 £'000**	2016 £'000
Improvements to existing properties capitalised	**714**	2,229
Major repairs expenditure in Statement of comprehensive income (note 5)	**1,078**	835
	1,792	3064

Total Social Housing Grant received or receivable to date as follows:	**2017 £'000**	2016 £'000
Capital grant held in deferred income (note 19)	**76,378**	77,824
Recycled capital grant fund (note 20)	**393**	416
Disposal proceeds fund (note 21)	**243**	155
Amortised in Statement of comprehensive income in year (note 5)	**966**	909
Cumulative amortisation to reserves	**6,184**	5,218

Properties held for security:

The Association had 2,818 properties pledged as security at 31 March 2017 (2016: 2,733)

14 Other tangible fixed assets

	Office Fixtures, Furniture and fittings
	£'000
Cost or valuation:	
At 1 April 2016	2,776
Additions	22
At 31 March 2017	**2,798**
Depreciation:	
At 1 April 2016	(1,681)
Charge for year (note 7)	(127)
At 31 March 2017	**(1,808)**
Net book value:	
At 31 March 2017	**990**
At 31 March 2016	1,095

15 Properties held for sale

	Total 2017 £'000	Total 2016 £'000
Work in progress	**1,159**	375
Completed properties	**899**	548
Other	**-**	249
	2,058	1,172

16 Debtors

	2017 £'000	2016 £'000
Rent and service charge arrears	**1,048**	1,036
Less: Provision for doubtful debts	**(338)**	(340)
	710	696
Amounts owed by group undertakings	**-**	3,372
Other debtors	**157**	116
Prepayments and accrued income	**-**	37
	867	4,221

All amounts are due within one year

17 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Loans and borrowings (note 22)	**1,540**	69
Issue costs (note 22)	**(132)**	(7)
Recycled capital grant fund (note 20)	**93**	-
Disposal proceed fund (note 21)	**103**	-
Retentions	**39**	-
Interest rate swap	**-**	-
Trade creditors	**103**	503
Other creditors	**1,397**	444
Amounts owed to group undertakings	**5,691**	205
Accruals and deferred income	**62**	369
Accrued interest	**335**	350
Leaseholder sinking funds	**98**	103
	9,329	2,036

18 Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Loans and borrowings (note 22)	**64,939**	66,479
Issue Costs (note 22)	**(516)**	(677)
Derivative financial instruments	**5,588**	7,405
Deferred capital grant (note 19)	**76,378**	77,824
Recycled capital grant fund (note 20)	**300**	416
Disposal proceeds fund (note 21)	**140**	155
	146,829	151,602

19 Deferred capital grant

	2017 £'000	2016 £'000
At 1 April	**77,824**	78,888
Grants received during the year	**277**	-
Grants recycled to the recycled capital grant fund (note 20), and disposals proceeds fund (note 21) including intercompany	**(317)**	(155)
Other movements	**(681)**	-
Amortised during the year (note 5)	**(966)**	(909)
Release to income – write back on disposal	**241**	-
At 31 March	**76,378**	77,824

20 Recycled capital grant fund

	HCA 2017 £'000	HCA 2016 £'000
At 1 April	**416**	234
Grants recycled from deferred capital grants (note 19)	**229**	193
Interest accrued	**-**	2
Transferred from other Group Members	**(188)**	-
New build	**(64)**	-
Transfer to other group members	**-**	(13)
At 31 March	**393**	416
Amounts due for repayment:		
Within 1 year (note 17)	**93**	-
Within 2 to 3 years (note 18)	**300**	416
Total	**393**	416

Withdrawals from the recycled capital grant fund were used for the purchase and development of new housing schemes for letting and for approved works to existing properties.

21 Disposal proceeds fund

	HCA 2017 £'000	HCA 2016 £'000
At 1 April	**155**	179
Inputs to fund:		
interest accrued	**-**	1
Use / allocation of funds:		
new build (note 19)	**(10)**	-
grants recycled from deferred capital grant fund (note 19)	**248**	-
transfer to other group members (note 19)	**(150)**	(25)
At 31 March	**243**	155
Amounts due for repayment:		
Within 1 year (note 17)	**103**	-
Within 2 to 3 years (note 18)	**140**	155
Total	**243**	155

Withdrawals from the disposal proceeds fund were used for approved works to existing housing properties.

22 Loans and borrowings

Maturity of Debt:	Bank and Building Society loans 2017 £'000	Bond Finance 2017 £'000	Other loans 2017 £'000	Total 2017 £'000
In one year or less, or on demand	1,528	-	12	1,540
Issue costs due within one year	(132)	-	-	(132)
Within 1 year (note 17)	**1,396**	**-**	**12**	**1,408**
In more than one year but not more than two years	2,800	-	13	2,813
In more than two years but not more than five years	12,586	-	47	12,633
After five years	30,462	17,300	1,731	49,493
Issue costs due after one year one year	(387)	(129)	-	(516)
Within more than 1 year (note 18)	**45,461**	**17,171**	**1,791**	**64,423**
Total Loans	**46,857**	**17,171**	**1,803**	**65,831**

Maturity of Debt:	Bank and Building Society loans 2016 £'000	Bond Finance 2016 £'000	Other loans 2016 £'000	Total 2016 £'000
In one year or less, or on demand	-	58	11	69
Issue costs due within one year	-	(7)	-	(7)
Within 1 year (note 17)	-	51	11	62
In more than one year but not more than two years	1,529	62	12	1,603
In more than two years but not more than five years	13,859	196	43	14,098
After five years	31,988	17,043	1,748	50,779
Issue costs due after one year one year	(547)	(130)	-	(677)
Within more than 1 year (note 18)	46,829	17,171	1,803	65,803
Total Loans	46,829	17,222	1,814	65,865

23 Share Capital

	2017 £	2016 £
At 1 April	12	12
Shares cancelled in the year	(1)	-
At 31 March	11	12

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.

24 Capital commitments

	2017 £'000	2016 £'000
Commitments contracted but not provided for:		
Construction	36,957	20,399
Commitments approved by the Board but not contracted for:		
Construction	8,270	1,292
	45,227	21,691

Capital commitments for the Association will be funded from £1.4m Social housing Grant, with the remainder funded from property sales £12.6m and external borrowing £31.2m.

25 Related party disclosures

The Association has taken advantage of the disclosure exemption available in FRS 102 in respect of related party transactions with intra group companies.

The parent company is Stonewater Limited Association, a Registered social housing provider. There is no ultimate controlling party of Stonewater Limited Association.

A copy of the Consolidated financial statements can be obtained from the parent company's registered office which is outlined on page 2.

26 Prior year adjustment

Prior year adjustment relates to SHPS deficit, which was recognised for the first time in the year ended 31 March 2016 to comply with FRS 102. The deficit was recorded in Stonewater (3) Limited at 31 March 2016 of £3.3 million. This was incorrect as the legal obligation for this liability is within Stonewater (2) Limited.