
STONEWATER (5) LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

STONEWATER (5) LIMITED

COMPANY INFORMATION

Board members	Sheila Collins (Chairman) Andrew Lawrence Nicholas Harris Anne Dokov Angus Michie Chris Edis Claire Kearney Heather Bowman (appointed 1 October 2021) Hugh Shields (resigned 29 June 2022) Jennifer Bennett Juliana Crowe Tariq Kazi Doug Wright (resigned 30 September 2021)
Company secretary	Anne Harling
Community Benefit Society Number	31527R
Regulator of Social Housing Number	4717
Registered office	Suite C, Lancaster House Grange Business Park Enderby Road Leicester LE8 6EP
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU
Bankers	Barclays Bank Level 27 1 Churchill Place London E14 5HP
Principal Solicitors	Devonshires Solicitors 30 Finsbury Circus London EC2M 7DT
Solicitors (for Governance)	Trowers and Hamblins LLP 55 Princess Street Manchester M2 4EW

STONEWATER (5) LIMITED

CONTENTS

	Page
Strategic report	1 - 15
Board Members' report	16
Independent auditors' report	17 - 19
Statement of comprehensive income	20
Statement of financial position	21
Statement of changes in equity	22
Notes to the financial statements	23 - 47

STONEWATER (5) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2022

Introduction

The Board presents its report and audited financial statements for Stonewater (5) Limited (the 'Association') for the year ended 31 March 2022.

Nature of the business and principal activities

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

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

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.

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.

STONEWATER (5) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

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 2022-2030

Our Strategic Plan during 2021-22 was built on the achievements of previous years under the three themes of Customer Experience; Growth and Influence; and Business Excellence. The objectives were focused on Stonewater 25, an ambitious programme to shape the Stonewater of the future and help us deliver our Customer Promise: We're proud to make things personal. If it matters to our customers, it matters to us. Stonewater 25 builds on the changes we have already made in how we operate, while continuing to put customers at the heart of everything we do, and help us become an even stronger and more inclusive business that is equipped to face future challenges.

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

During 2022, the board undertook a full review of the Plan, in the light of the significant changes in the operating environment and new service delivery models adopted since it was first implemented. The review was also informed by the anticipated regulatory changes arising from the Social Housing White Paper. The Plan picks up on key themes from the 2021-22 Plan covering our ongoing investment in homes, commitment to neighbourhoods, and the maximisation of social, environmental and financial value. It documents our long-term commitments over a period of 8 years to align with our current development and investment programme and sets out how we will deliver our vision and mission, under three overarching strategic objectives:

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

These are supported by four enablers - activities and investment we undertake to support the delivery of our objectives:

- Governance & Viability
- People & Culture
- Partnerships & Innovation
- Data & Technology

External environment

Monday 21 February 2022 saw the end of Covid-19 restrictions in England. It was a moment that felt like the UK might soon be returning to a period of normality after what has been a tumultuous few years. It saw the UK's place in the world shift and a number of fundamental changes to the way we live and work. The Government was talking about refocussing on its domestic agenda, and rebuilding the economy, but just three days later the invasion of Ukraine by Russia began. The impact of this on the already growing cost-of-living crisis, means that we are likely to be in for another unpredictable period.

It is clear that the cost-of-living crisis will be the defining issue for the coming years – a challenge that the Government's policies will be targeted at alleviating.

Stonewater has a clear and vital role to play. We supported our customers through the pandemic with targeted support, grants and advice. As an employer, we will need to ensure that our colleagues – all of whom are now

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022**

working within our hybrid model – are supported to live and work effectively and without fear of financial difficulties, as well being able to support our customers.

As the cost-of-living crisis deepens, exacerbated by continuing economic uncertainty, housing providers like Stonewater will need to look at how the homes we build and services we provide offer solutions to the difficulties faced by our customers, as well as looking ahead at new challenges that lie around the corner. And we need to offer these solutions to stakeholders and the wider sector too, to ensure that those who are most at risk from the impacts are protected.

Housing supply and affordability

The challenges faced by developers and housing providers during the Covid-19 pandemic still impact the delivery of new homes today. A shortage of materials, skills and labour remain significant issues, compounded by an increase in supply costs that will only get worse as inflation increases and the economy remains unstable.

As the Secretary of State for Levelling Up, Housing and Communities, Michael Gove said in a speech to Shelter in April 2022, there has for a long-time been a *“failure to ensure that there are homes which are genuinely affordable for all”*. The average house price in the UK continues to rise, hitting an all-time high of £286,079 in April 2022, which demonstrates why there is an urgent need to build more affordable homes.

It is clear that the housing association sector has been playing a key role in that, as the following statistics show:

- In 2021, an estimated 174,880 homes were started in England, of which 44,000 belong to housing associations.
- In 2021, an estimated 175,390 homes were completed in England, of which 38,200 were delivered by housing associations.
- In the year 2020 to 2021, 28,191 affordable houses (Affordable Rent, Social Rent, Intermediate Rent and Affordable Home Ownership) were started in England, excluding non-Homes England London delivery.
- In the period 1st April to 30th September 2021, 70% of housing starts on site were for affordable homes
- Between July and September 2021, 67,820 households were initially assessed as homeless or threatened with homelessness and owed a statutory homelessness duty.

Should another recession occur, the housing association sector will be vital in ensuring that housing continues to be built. The contra-cyclical nature of affordable housing means that the sector will be able to support the Government with its housing targets and improving affordability as private developers scale back.

But these homes cannot simply be the same as the ones we were building years ago. The world has significantly changed, as has what people want from their homes. Stonewater is consistently looking at how the needs of our customers change, including being able to work from home, and live in communities with public open space and good design.

This year, Stonewater funded original research by Demos, *Inside Jobs: The experience of low-paid homeworkers in Britain today*, which sought to find solutions to the challenges faced by low-paid workers in seeing the benefits of working from home. Since then, we have been working with stakeholders to highlight the need to ensure that the ‘new normal’ and benefits of modern ways of working are felt by everyone, not just the better off. Housing clearly has a role in that, and we are ensuring that new developments, such as one in Castle Cary, include flexible, inbuilt spaces for homeworking, including through innovative uses of space like double porches.

This approach chimes with the Government’s housing agenda, as Michael Gove’s recent statement that he thinks *“it’s critically important that, even as we seek to improve housing supply, we also seek to build communities that people love and are proud of”* demonstrates. As the reforms to the planning system emerge as part of the recently published Levelling Up and Regeneration Bill, Stonewater will be in a good place to ensure that we’re already ahead of the curve in terms of design and open space.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022**

Environment and sustainability

Sustainability and decarbonisation continues to be a key area for the sector – in particular how to overcome the significant challenge of funding the retrofit of social housing across the UK. There has been significant interest in this from Government in recent years – from the 10-Point Plan for a Green Industrial Revolution to the Heat and Building Strategy.

Our campaigning and advocacy work on this area – including our funding of IPPR's All Hands to the Pump: A Home Improvement Plan for England report in 2020 – has focussed on ensuring that enough funding is provided and a clear technological pathway is uncovered. The positions taken by Government have so far vindicated our position on much of this, and we look forward to making further progress on ensuring that progress is made in the years to come. With energy bills playing a significant role in the cost-of-living crisis, it is more important than ever that solutions to this challenge are delivered.

Social housing and management

The most significant piece of legislation coming forward in the near future for the sector will be the Social Housing Regulation Bill. We have already seen snippets of the text of the Bill, but it has also been confirmed that the Bill will be introduced in this parliamentary year. The Bill will legislate many of the elements of the Social Housing White Paper, including:

- Enabling the Regulator to intervene with landlords who are performing poorly on consumer issues, such as complaints handling and decency of homes, and to act in the interest of tenants to make sure issues are rectified.
- Enabling the Regulator to inspect landlords to make sure they are providing tenants with the quality of accommodation and services that they deserve.
- Creating new Tenant Satisfaction Measures which will allow tenants to see how their landlord is performing compared to other landlords and help the Regulator decide where to focus its attention.
- Ensuring tenants of housing associations will be able to request information from their landlord in a similar way to how the Freedom of Information Act works for tenants of Local Authority landlords.
- Guaranteeing that the Regulator will be able to act more quickly where it has concerns about the decency of a home. They will only be required to give 48 hours notice to a landlord before a survey is carried out.
- Providing powers for the Regulator to arrange emergency repairs of tenants' homes following a survey and where there is evidence of systemic failure by the landlord. This will ensure that serious issues are resolved rapidly where a landlord is unable or unwilling to act.
- Ensuring there will be no cap on the fines that the Regulator can issue to a landlord who fails to meet required standards.

Stonewater welcomes the ambition of the Social Housing Regulation Bill, but we are under no illusions that achieving this ambition will be a quick or simple fix. However, it is a necessary journey and should inspire us to be the best landlords we can be for our customers at what is a very challenging time.

We have already begun the journey. Our work in this space includes (but is not limited to), the development of our Customer Strategy, recognising our customer voice and truly understanding what matters most, our work on professionalisation across the sector, our investment in digital transformation to ensure services are both innovative and inclusive, and not least, our continuing commitment to the Net Zero agenda through both retrofit and sustainable new development – ensuring homes that are affordable today and also fit for the future.

When the Bill is published there will be an increased focus on the sector and performance. We have lots to be proud of regarding how we support customers and look forward to sharing our experience with stakeholders at all levels.

STONEWATER (5) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

Performance in the year

Total comprehensive income for the year was £0.9m (2021: £1.0m).

Key Performance indicators:

Rental income loss through voids is 0.97% (2021: 0.64%)

Gross arrears on average were 5.75% (2021: 5.88%)

Income collection was 99.6% (2021: 99.5%).

From the outset of the pandemic we have adopted a customer focused, flexible approach through our Income Maximisation Strategy, supporting customers with welfare benefits and introducing 'deferred' and 'flexible' payment arrangements to support customers in navigating through challenging circumstances. During the year our specialist income team secured over £275k in Discretionary Housing Payments for customers. We also continue to work with the Longleigh Foundation in designing initiatives to support customers experiencing financial hardship.

We are currently working on a kickstart project re-engineering our on boarding process to better support new customers and dedicating specialist resource to avoid new customer debt and minimise low level debt through prevention, enhanced monitoring and early intervention.

Furthermore, in 2021/22, we directly engaged over 3,000 customers in shaping our services. We consulted on and launched a new customer engagement toolkit. Working with 300 customers, we added Instagram and Facebook Live to our existing engagement platforms, as well as kick start a project to pilot mystery shopping

In addition to our work on income maximisation we have continued to build on the processes within our national lettings team, introducing new digital ways of working and have continued to forge strong partnerships with contractors.

Responsive repairs satisfaction on average was 84.1% (2021: 85.9%) which exceeded our target of 84%.

Operating margin including surplus from 1st tranche sales but excluding surplus on disposal of fixed assets 15% (2021: 22%). This KPI better reflects trend in operating margin as disposals of fixed assets can vary significantly year or year. 1st tranche shared ownership sales are included in this number.

STONEWATER (5) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

Governance structure

Board

The Board has responsibility for setting Stonewater's strategic direction and ensuring that the organisation meets its strategic aims and objectives. The delegation and control framework established by the Board includes accountability to customers and other stakeholders, such as funding providers and partner local authorities. Board members are listed on the Company Information page . The Board comprised 12 members at 31 March 2022, including one executive member.

Current obligations of Board members to the Board and the company

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

Governance arrangements

Following a review of the governance structure and arrangements in the light of the impact of the pandemic, a reimagined structure was implemented in late 2020. This provides agility and efficiency in decision taking with panels and committees being convened as and when needed and board meetings scheduled on a monthly basis. All transactional business is undertaken remotely, which provides for rapid implementation of new strategies and policies and, from a practical perspective enables us to secure maximum benefit from members by giving flexibility around meeting times.

Skills, qualities and experience required by the Board

To discharge its responsibilities for setting the strategic direction and overseeing performance, Stonewater's Board needs a broad range of skills, competencies, experience and knowledge. All members are expected to demonstrate customer focus, strong communication and interpersonal skills, strategic thinking and leadership. The succession plan and annual review of terms of office ensures that the governance structure maintains the appropriate breadth of expertise to take Stonewater forward and achieve its strategic objectives.

In addition, the board seeks to have a membership that reflects the diversity of Stonewater's customers and the communities in which Stonewater works. The Board has set targets for improving diversity across the governance structure. At 31 March 2022, the Board comprised 50% female members, 17% from a Black, Asian or minority ethnic background, and one member who identifies as disabled. The board consists of members whose ages span four decades.

STONEWATER (5) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

The board undertakes an annual appraisal of its performance, culminating in the identification of key targets for the year ahead. Progress against these objectives is monitored through quarterly reporting against sub-targets and the final position is assessed through the annual collective board review at the end of the year. Four objectives were set for 2021/22 and headline performance against these was:

Objective	Performance
Prepare for post pandemic world and ensure post pandemic opportunities are considered	Comprehensive assessment of operating environment informed board away day to set direction of future strategic plan. Inorganic growth strategy reviewed and updated. All Directorates restructured and further changes implemented as needs identified to provide capacity to deliver opportunities.
Develop approach to Environmental, Social and Governance (ESG) compliance	Sustainable Finance Framework adopted. Early adopter of Sustainability reporting standard with first report published during the year. 3rd Place in the top 30 Sustainable Housing Associations by Digital Housing Sustainable Housing Index for Tomorrow ('SHIFT') gold rating status achieved.
Improve use of customer insight to inform decision making	Framework for capturing insights embedded. This includes data gathered from customer calls and digital interactions through the MyHome online portal, feedback from transactional and other surveys and learning from complaints.
Deliver growth targets	Homes England funding secured under the strategic partnership phase 2 End of year performance to be added

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

Code of Governance

The Board has adopted the 2020 National Housing Federation (NHF) Code of Governance and was fully compliant with it at 31 March 2022.

Shareholding policy

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

Committee and Panels

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

STONEWATER (5) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

Nominations and Remuneration Committee

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

Risk and Assurance Committee

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

Assets and development challenge & assurance panel

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

Customer Experience Challenge & Assurance Panel

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

Finance Challenge & Assurance Panel

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

Governance and People Challenge & Assurance Panel

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

Value Creation Challenge & Assurance Panel

Oversees the delivery of efficiency and effectiveness gains, ensuring maximum value for customers across all areas of the business.

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 the 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 and publications. Many can be found on our website (www.stonewater.org) and copies are also available on request.

STONEWATER (5) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

Risks and uncertainties

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

The Board has 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. Performance against this is kept under review facilitated through the use of metrics to enable the Board and committees to assess whether performance remains within the risk appetite parameters.

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

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

People strategy

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

Pay gap reporting

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

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/>.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2022**

Relationships

During the last year we have seen the embedding of a specialist approach to our housing management services with centralised teams delivering services across the Stonewater geography focused on customers, communities and tackling anti-social behaviour.

We have set our new Customer Strategy which continues to embed our Customer Promise within service delivery, placing a framework and measurable outcomes around a number of initiatives, projects and action plans designed to improve customer experience and tenancy sustainability, develop a listening and learning culture and ensure happy and healthy communities.

Our specialist Connected Communities Peer Leader champions a community strengths based approach to resolving housing management related issues, influencing colleagues to step back and think through the root causes of this conflict and how existing assets in a community can be built on. Our Connected communities peer leader is skilled in working with third parties, including the third sector, who have skills and resources that have been effective in helping our customers and communities to sustain positive outcomes.

In 2021/22 we undertook an 11 month test and learn pilot with an organisation called Community Catalysts, across three Stonewater localities (Bedfordshire, Halifax and Southampton). The project was named 'Communities Can' and was an intentional way of Stonewater working within our communities to look at what matters to our customers, what matters to local communities and how we can build on what is strong, rather than what is wrong. The pilot involved engaging local communities, via a series of action groups and virtual forums, as well as training for our colleagues to understand this shift in approach. As a result of the pilot we saw community action take place in all three localities, with participants developing their own community assets and support networks.

In April 2021, we restructured our Retirement Living services to introduce a "wellbeing" element and team to our service offer. Introducing the role of Wellbeing and Community Connector, we recognised that co-production with our residents and community integration is an essential part of creating the vibrant, cohesive Retirement Living communities we aspire to. This shift in service delivery has seen us take a more holistic, strengths based approach in our Retirement Living services, asking customers what they want to do in services and their communities and opening our spaces to the wider community. This has led to a range of wellness activities being delivered on site such as arm chair exercises and yoga. This team has really taken forward the digital inclusion agenda, maximising use of our 9 digital experience tables particularly helpful to those with dementia, with one service setting up a "memory café." The team has also worked on a research project with the University of Stirling looking at the role technology plays in helping people to age well in their homes and promote independent living for longer. To firm up our commitment to co-producing services with residents, in August 2021, we established our first Ageing Well Board which is made up of customers and colleagues and is a shared platform to shape and design the organisations Ageing Well agenda.

STONEWATER (5) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

Customer engagement

At Stonewater, our customers are key to our success and we're committed to ensuring we are truly a listening organisation, where our customers' voices, feedback and experience influence, shape and direct the development and delivery of our services.

The Customer Voice and Influence team brings together our customer communications, engagement, complaints and feedback specialists to embed our promise in each project, process, decision and service Stonewater delivers.

In 2021/22, we directly engaged over 3,000 customers in shaping our services. We consulted on and launched a new customer engagement toolkit. Working with 300 customers, we added Instagram and Facebook Live to our existing engagement platforms, as well as kick started a project to pilot mystery shopping.

Over 600 customers attended consultation events on issues like our new My Rewards service, our home ownership offer and grounds maintenance service. We received almost 4,000 responses to 53 surveys, which asked customers for views about local improvement plans as well as our policies, procedures and how we're performing on the issues that matter to them.

On top of that, we recruited new members to our Scrutiny Panel, our Friend of Scrutiny readers' panel, and our Customer Complaints Panel. We've launched our learning from complaints project, and we're working with customers and colleagues from across Stonewater to embed a listening and learning culture (a theme at the heart of our new Customer Strategy).

Over 2,000 customers regularly read our quarterly newsletter, Here to Help, and over 2,500 read our Customer Annual Review. We've co-created 25 films with customers to share their stories and priorities over the last year, as well as helping 116 customers to develop new digital skills through our We are Digital partnership. Our Scrutiny Panel reviewed our ASB noise and reactive repairs services, making 26 recommendations. We've already implemented 14 already, including rolling our customer shadowing of our repairs contract management meetings.

Our Friend of Scrutiny group act as a reader's panel, advising us on our customer communications. This year they've guided our communication on everything from rent and service charges, to our repairs handbook. Our online Yammer groups provide us with feedback focused on the preferences of customers with specific disabilities and requirements.

We've heard from customers on social media over 5,000 times, sharing their views and opinions on our services. In November, we hosted our first Facebook live event on damp & mould attended by over 250 customers. Our Hubb platform and our Facebook group remain popular with over 900 and 1,000 members each.

We're now working hard with our customers to involve them in the roll out of the Tenant Satisfaction Measures, alongside our work to meet the commitments outlined within the Government's Charter for Social Housing Residents and the National Housing Federation's Together with Tenants Charter. To embed this, we have a Customer Voice work plan in place, which is helping us prepare for new consumer regulation.

Customer insight

Our approach to customer insight allows us to have a better understanding of our customers; who they are and what they expect of our services. Our customer personas are embedded throughout Stonewater, demonstrating our customer's needs, opinions and aspirations and so better enabling us to tailor how we develop and deliver our services so that they are cost effective and provide great customer experiences across the business. We use a variety of customer engagement and involvement channels to feedback on and design our services with customers, including our Customer Scrutiny Panel; user-based design on digital services and in retirement living; and online Review Panels on policies.

STONEWATER (5) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

Suppliers

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

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

Homes England

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

During the year, Stonewater secured an additional £249.9m of grant funding on top of its existing Strategic Partnership with The Guinness Partnership (TGP) and Homes England (HE) which will allow us to build an additional 4,180 high-quality, affordable homes by 2029. It adds to the £224 million awarded to the Stonewater/Guinness Strategic Partnership in 2018 to build 4,500 homes by 2022 (some exceptions can run to March 2025 by specific agreement with HE). The additional funding awarded makes the Stonewater/Guinness Strategic Partnership the largest long-term strategic partner with HE

Funders

We maintain strong relationships with our Bank and Capital Market Funders by ensuring they are updated on Stonewater's operational and financial performance. Relevant operational information is published on Stonewater's investor pages on our website and both half year and annual performance information is published there too. Update meetings are held regularly.

Equality, diversity and inclusion

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

Gender	54% Male 46% Female
Ethnicity	87% White 13% BAME
Sexuality	88% identify as heterosexual 12% identify as LGBTQ+
Disability	96% non-disabled 4% disabled
Age span	19-60+

Modern slavery and human trafficking

Stonewater's modern slavery and human trafficking statement, under the Modern Slavery Act 2015, for the financial year ending 31 March 2022, is available via our website [modern-slavery-and-human-trafficking-statement](#).

STONEWATER (5) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

Financial inclusion

From the outset of the pandemic we have adopted a customer focused, flexible approach through our Income Maximisation Strategy, supporting customers with welfare benefits and introducing 'deferred' and 'flexible' payment arrangements to support customers in navigating through challenging circumstances. During the year our specialist income team secured over £275k in Discretionary Housing Payments for customers. We continue to work closely with the Longleigh Foundation in a number of ways but have two key initiatives designed to support customers experiencing financial hardship:

1. Referring customers for individual grants which for helping customers cope with the impact of difficult, unexpected and unknown situations as well as those known situations that are about to happen but that will still cause financial hardship.
2. The Circles of Support programme offers customers holistic and wrap around support in three areas of their life: economic, emotional and physical wellbeing. Colleagues can refer into the programme and our customers can also self-refer. Financial support is provided via Clean Slate who are able to work with customers regarding budgeting and income maximisation.

We are currently working on a kickstart project re-engineering our on boarding process to better support new customers and dedicating specialist resource to avoid new customer debt and minimise low level debt through prevention, enhanced monitoring and early intervention.

We benefit from three specialist roles embedded in our frontline customer facing teams focused on employability, grants and other third sector support and fuel poverty. These roles are able to work directly with customers, signposting and facilitating customers to access support to improve financial circumstances, living environments and emotional wellbeing.

During January we contacted all customers to remind them of our financial inclusion offer and that we are here to help. As a result of this communication, we spoke to over 500 customers making referrals to the Longleigh Foundation as appropriate.

We launched the findings of a research project we commissioned with Demos looking at the impact of new ways of working on lower earners. This research found that new ways of working such as home working present great opportunity and benefits for lower earners but lower earners are more exposed to challenges such as increased costs, lack of equipment, space and connectivity. While continuing to seek to influence national policy we are now better promoting social tariffs, improving connectivity within homes, providing working space in new homes, linking customers to opportunities and seeking to work with partners locally to better support new ways of working.

Treasury policies and objectives

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

Going concern

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

STONEWATER (5) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

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 colleagues and put good policies and procedures in place; monitor these through management activity and governance reporting and seek external assurance through audits, accreditations etc. In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which Stonewater is exposed to:

- 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.

- Information and financial reporting systems

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

Stonewater's operations have continued to evolve during 2021/22 in response to the changing operating environment. The Board has received regular reports on key risk areas, including the impact on services of issues relating to the supply of materials and labour and, more recently, of inflation on our customers and business costs. The crisis in Ukraine has exacerbated these risks, particularly the impact on fuel costs, and bespoke risk indicators have been developed to enable the Board to ensure that operations remain within the risk appetite.

The Board has continued to meet monthly to ensure strong governance oversight and efficient decision making. Changes to the wider governance structure to deliver more agile decisions taking have been embedded and were independently assessed as providing substantial assurance in May 2021.

STONEWATER (5) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2022

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

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

Confirmation from the Board

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

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

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

Compliance with the regulatory standards

The latest regulatory judgement issued by the Regulator of Social Housing in November 2021 confirms that Stonewater meets the requirements set out in the Governance and Financial Viability standard of the 2015 Regulatory Framework with the top ratings of G1 (The provider meets the requirements on governance set out in the Governance and Financial Viability standard) and V1 (The provider meets the requirements on viability set out in the Governance and Financial Viability Standard and has the capacity to mitigate its exposures effectively). Since then the board has undertaken a self-assessment of compliance with the Governance and Viability standard, taking account of the Code of Practice, and confirms that Stonewater remains compliant with the standard.

STONEWATER (5) LIMITED

BOARD MEMBERS' REPORT FOR THE YEAR ENDED 31 MARCH 2022

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

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements in the going concern basis unless it is inappropriate to presume that the association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. They are also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

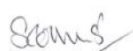
Financial statements are published on the association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the association's website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

Disclosure of information to auditors

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

BDO LLP were appointed as Stonewater (5) Limited's external auditors for 2021/22 on 20 July 2021.

The chairman presents the statement for the period.



Sheila Collins
Chairman

Date: 23 August 2022

STONEWATER (5) LIMITED

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

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2022 and of the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

We have audited the financial statements of Stonewater (5) Limited ("the Association") for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the board members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

STONEWATER (5) LIMITED

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

Other information

The Board are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information including the Report of the Board of Management and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the statement of the Board's responsibilities set out on page 16, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

STONEWATER (5) LIMITED

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

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

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

Audit procedures performed by the engagement team included:

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

BDO LLP

55 Baker Street
London
W1U 7EU

31 August 2022

STONEWATER (5) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £000	2021 £000
Turnover	4	7,334	7,449
Operating costs	4	(6,220)	(5,831)
Surplus/(Deficit) on disposal of fixed assets	9	276	(95)
Operating surplus		<u>1,390</u>	<u>1,523</u>
Interest receivable and similar income	10	2,121	1,708
Interest payable and financing costs	11	(2,576)	(2,268)
Total comprehensive income for the year		<u><u>935</u></u>	<u><u>963</u></u>

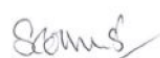
The notes on pages 23 to 47 form part of these financial statements.

STONEWATER (5) LIMITED
REGISTERED NUMBER:31527R

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note	2022 £000	2022 £000	2021 £000	2021 £000
Fixed assets					
Tangible fixed assets - Housing properties	13		60,856		60,353
Other tangible fixed assets	14		535		402
			61,391		60,755
Current assets					
Properties held for sale	15	85		16	
Debtors: amounts falling due after more than one year		18,700		16,860	
Debtors: amounts falling due within one year		829		1,683	
Cash and cash equivalents		25,476		21,509	
			45,090		40,068
Creditors: amounts falling due within one year	17	(3,335)		(2,432)	
Net current assets			41,755		37,636
Total assets less current liabilities			103,146		98,391
Creditors: amounts falling due after more than one year	18		(91,757)		(87,946)
Net assets			11,389		10,445
Capital and reserves					
Income and expenditure reserve			11,389		10,445
			11,389		10,445

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 August 2022.



Sheila Collins
Chairman



Nicholas Harris
Board member



Anne Harling
Secretary

The notes on pages 23 to 47 form part of these financial statements.

STONEWATER (5) LIMITED

STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 MARCH 2022

	Income and expenditure reserve £000	Total equity £000
At 1 April 2020	9,358	9,358
Comprehensive income for the year		
Surplus for the year	963	963
Prior year gift aid receipt	124	124
At 1 April 2021	<u>10,445</u>	<u>10,445</u>
Comprehensive income for the year		
Surplus for the year	935	935
Prior year gift aid receipt	9	9
At 31 March 2022	<u><u>11,389</u></u>	<u><u>11,389</u></u>

The notes on pages 23 to 47 form part of these financial statements.

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

1. Legal status

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

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements of the Association have been prepared on a going concern basis, under the historical cost basis of accounting in accordance with Financial Reporting Standard 102 (FRS102). This is the applicable standard in the United Kingdom and the Republic of Ireland and the Housing SORP 2018 "Statement of Recommended Practice for Registered Social Housing Providers" and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022.

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

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

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

The information is included in the consolidated financial statements of Stonewater Limited as at 31 March 2022 and these financial statements may be obtained from Stonewaters' registered address as disclosed on the Company Information page.

The following principal accounting policies have been applied:

2.2 Going Concern

After making enquires and reviewing the Stonewater Group 30 – year financial plan, the Board has a reasonable expectation that we have adequate resources to continue in operational existence for at least 12 months from the date on which the financial statements were approved for release. The financial statements have therefore been prepared on a going concern basis.

The current economic environment has been challenging for both customers and the organisation. Starting with Covid and Brexit related labour and material supply challenges, inflationary pressures have now been exacerbated by the war in Ukraine, coupled with significant increases in UK energy costs.

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

We have a policy of maintaining cash and committed bank facilities equal to contractual commitments (less grant associated with them). At 31 March 2021/22 we had £25.5m of cash, which exceeded the Association's contracted obligations less grant by £25m.

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.3 Turnover

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

2.4 Revenue recognition

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

- Rent and service charge income receivable (net of void losses), is recognised on an accruals basis as they fall due.
- 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.

2.5 Service charges

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

2.6 Cost of sales

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

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

2.7 Operating costs

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

2.8 Value Added Tax

A large proportion of the Association's income comprises rental income, which is exempt for VAT purposes and gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT. Recoverable VAT arising from partially exempt activities is credited to the consolidated statement of comprehensive income.

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.9 Government and other grants

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

In accordance with Housing SORP 2018 the useful economic life of the housing property structure has been selected (see table of useful economic lives on page 27).

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

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

2.10 Housing properties

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

Cost comprises of acquiring of land and buildings, development costs, and interest charges incurred during development. In addition staff costs attributable to 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.

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.11 Finance costs

Finance costs on bonds and notes are charged to the statement of comprehensive income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument. For all other borrowings, finance costs are charged on an amortised cost basis.

2.12 Leasehold sinking funds

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

2.13 Income and expenditure reserve

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

2.14 Depreciation of other fixed assets

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

The estimated useful lives range as follows:

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

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

2.15 Fixed Assets and depreciation

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

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

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.15 Fixed Assets and depreciation (continued)

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

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

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

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

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

2.16 Impairment

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

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

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

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

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.17 Other fixed assets

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

2.18 Allocation of costs for mixed tenure and shared ownership developments

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

2.19 Shared ownership properties and staircasing

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

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

2.20 Debtors and creditors

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

2.21 Rent and service charge agreements

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

2.22 Loans, investments and short term deposits

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

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

2.23 Financial liabilities and equity

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

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

2. Accounting policies (continued)

2.24 Cash and cash equivalents

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

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

3. 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.

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

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

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

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

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

	Note	Turnover 2021 £000	Cost of Sales 2021 £000	Operating costs 2021 £000	Deficit on disposal of fixed assets 2021 £000	Operating surplus / (deficit) 2021 £000
Social housing lettings		7,449	-	(5,831)	-	1,618
Other social housing activities						
Deficit on disposal of fixed assets		-	-	-	(95)	(95)
Total		<u>7,449</u>	<u>-</u>	<u>(5,831)</u>	<u>(95)</u>	<u>1,523</u>

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

5. Particulars of the income from social housing lettings

Association	General Needs 2022 £000	Supported / Housing for older people 2022 £000	Shared ownership 2022 £000	Affordable Rent 2022 £000	Total 2022 £000	<i>Total 2021 £000</i>
Rent receivable net of identifiable service charges	5,261	603	146	214	6,224	6,162
Service charge income	526	324	77	-	927	1,100
Net rent receivable	<u>5,787</u>	<u>927</u>	<u>223</u>	<u>214</u>	<u>7,151</u>	<u>7,262</u>
Amortised government grants (note 19)	138	33	5	4	180	181
Other income	-	-	3	-	3	6
Income from social housing lettings	<u><u>5,925</u></u>	<u><u>960</u></u>	<u><u>231</u></u>	<u><u>218</u></u>	<u><u>7,334</u></u>	<u><u>7,449</u></u>

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

5. Particulars of the expenditure from social housing lettings (continued)

Association	General Needs 2022 £000	Supported / Housing for older people 2022 £000	Shared ownership 2022 £000	Affordable Rent 2022 £000	Total 2022 £000	Total 2021 £000
Management	(1,225)	(174)	(65)	(37)	(1,501)	(1,287)
Service charge costs	(640)	(497)	(71)	(2)	(1,210)	(1,091)
Routine maintenance	(1,378)	(96)	(5)	(7)	(1,486)	(1,625)
Planned maintenance	(206)	(5)	-	-	(211)	(257)
Major repairs (note 13)	(257)	(246)	(2)	(2)	(507)	(240)
Bad debts	(53)	(8)	-	(1)	(62)	(84)
Depreciation on housing properties – annual charge (note 7 and 13)	(1,011)	(161)	(20)	(37)	(1,229)	(1,219)
Depreciation on housing properties – accelerated on disposal of components (note 7 and 13)	(13)	-	-	(1)	(14)	(28)
Expenditure on social housing lettings	<u>(4,783)</u>	<u>(1,187)</u>	<u>(163)</u>	<u>(87)</u>	<u>(6,220)</u>	<u>(5,831)</u>
Operating surplus/(deficit) on social housing lettings	<u>1,148</u>	<u>(227)</u>	<u>68</u>	<u>125</u>	<u>1,114</u>	<u>1,618</u>
Void losses	(41)	(28)	-	(2)	(71)	(43)

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

6. Units of housing stock

	Restated at the start of the year	Additions	Disposals	Reclassific ations	At the end of the year
	Number	Number	Number	Number	Number
General needs	1,054	-	-	(1)	1,053
Affordable	32	-	-	-	32
Shared ownership	63	1	(2)	(3)	59
Supported housing	8	-	-	-	8
Housing for older people	132	-	-	-	132
Total owned and managed accommodation	1,289	1	(2)	(4)	1,284
Accommodation managed for others	44	1	-	4	49
Total owned and managed accommodation	1,333	2	(2)	-	1,333

STONEWATER (5) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

7. Operating Surplus

	2022	<i>2021</i>
	£000	<i>£000</i>
This is arrived at after charging/(crediting):		
Depreciation of housing properties		
-annual charge (note 5 and 13)	1,229	1,219
-accelerated depreciation (note 5 and 13)	14	28
Depreciation of other tangible fixed assets (note 14)	24	12

Audit fees for the years ending 31 March 2022 and 31 March 2021 are borne by the Parent company, Stonewater Limited, and are disclosed in the consolidated financial statements.

8. Employees, Directors' and senior executive remuneration

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

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

9. Surplus on disposal of fixed assets

	Shared ownership properties	Other housing properties	Total	Total
	2022	2022	2022	2021
	£000	£000	£000	£000
Disposal proceeds	441	135	576	382
Net book value of disposals (note 13a)	(272)	(16)	(288)	(397)
Other costs	(7)	(5)	(12)	(80)
	<hr/>	<hr/>	<hr/>	<hr/>
Surplus/(deficit) on disposal of fixed assets	162	114	276	(95)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

10. Interest receivable and similar income

	2022	<i>2021</i>
	£000	<i>£000</i>
Interest receivable from group undertakings (note 23)	628	461
Gift aid from group undertakings	1,482	1,247
Interest receivable and similar income	11	-
Total	<u>2,121</u>	<u>1,708</u>

11. Interest payable and financing costs

	2022	<i>2021</i>
	£000	<i>£000</i>
Interest payable to group undertakings (note 23)	2,899	2,410
Amortisation of bond premium	(347)	(141)
Amortisation of bond discount	18	16
Amortisation of issue costs	6	4
Interest capitalised on construction on housing properties (note 13b)	-	(21)
Total	<u>2,576</u>	<u>2,268</u>

12. Taxation on surplus on ordinary activities

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

STONEWATER (5) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

13. a) Tangible fixed assets housing properties

	Housing properties held for lettings	Housing properties for letting under construction	Shared ownership properties held for lettings	Shared ownership under construction	Total
	£000	£000	£000	£000	£000
Cost:					
At 1 April 2021	61,898	448	3,283	23	65,652
Additions:					
- construction costs	-	693	-	(23)	670
- replace components	1,364	-	-	-	1,364
Disposals:					
- staircasing (note 9)	-	-	(282)	-	(282)
- replaced components	(21)	-	-	-	(21)
- other sales (note 9)	(20)	-	-	-	(20)
At 31 March 2022	63,221	1,141	3,001	-	67,363
Depreciation:					
1 April 2021	5,222	-	77	-	5,299
Charge for the year (note 5 and 7)	1,209	-	20	-	1,229
Disposals during the year:					
- staircasing (note 9)	-	-	(10)	-	(10)
- other sales (note 9)	(4)	-	-	-	(4)
- replaced components	(7)	-	-	-	(7)
At 31 March 2022	6,420	-	87	-	6,507
Net book value:					
At 31 March 2022	56,801	1,141	2,914	-	60,856
At 31 March 2021	56,676	448	3,206	23	60,353

STONEWATER (5) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

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

	2022	<i>2021</i>
	£000	<i>£000</i>
The net book value of housing and other properties comprises:		
Freehold	57,271	56,720
Long leasehold	3,585	3,633
Total	<u>60,856</u>	<u>60,353</u>
Interest capitalisation:		
Interest capitalised in the year (note 11)	-	21
Cumulative interest capitalised	33	32
Rate used for capitalisation	3.7%	3.8%
Works to properties:		
Improvements to existing properties capitalised	1,364	172
Major repairs expenditure to statement of comprehensive income (note 5)	507	240
	<u>1,871</u>	<u>412</u>
Total social housing grant received or receivable to date as follows:		
Capital grant held in deferred income (note 19)	13,678	13,913
Recycled capital grant fund (note 20)	497	439
Amortised to statement of comprehensive income in year (note 5)	180	181
Write back amortisation on disposals (note 19)	(2)	(3)
Cumulative amortisation to income and expenditure reserve	1,443	1,265

Impairment

A full impairment review was carried out at 31 March 2016 and no material impairment was identified. At 31 March 2022 we considered whether any specific indications of impairment at scheme or property level exist and identified none.

Properties held for security

The Association had 1,239 properties pledged as security at 31 March 2022 with a NBV of £51.3m (2021: 1,135 properties, £48.1m). The Association had 45 completed assets that have not been charged, with a net book value of £8.4m (2020: 154 NBV: £11.8m). There are some properties that are not suitable for security charging.

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

14. Other tangible fixed assets

	Furniture and office equipment £000	Total £000
Cost or valuation		
At 1 April 2021	423	423
Additions	157	157
At 31 March 2022	<u>580</u>	<u>580</u>
Depreciation		
At 1 April 2021	21	21
Charge for the year	24	24
At 31 March 2022	<u>45</u>	<u>45</u>
Net book value		
At 31 March 2022	<u>535</u>	<u>535</u>
At 31 March 2021	<u>402</u>	<u>402</u>

15. Properties held for sale

	2022 £000	2021 £000
Other property sales	85	16
	<u>85</u>	<u>16</u>

STONEWATER (5) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

16. Debtors

	2022	2021
	£000	£000
Due after more than one year		
Amounts owed by group undertakings	18,700	16,860
	18,700	16,860
Due within one year		
Rent and service charge arrears	488	474
Less: Provision for doubtful debts	(199)	(174)
	289	300
Service costs to be charged in future periods	532	663
Amounts owed by Group undertakings	8	720
	829	1,683

Amounts owed by group undertakings is a loan of £18,700,000 provided to Stonewater Developments Limited (2021: £16,860,388). This loan is borrowing under a five year loan facility expiring in 2024 and interest is charged at Base Rate + 3%.

17. Creditors: amounts falling due within one year

	2022	2021
	£000	£000
Housing loans internal (note 21)	153	162
Issue costs	(5)	(4)
Other creditors	564	770
Accruals and deferred income	773	1
Other taxation and social security	2	1
Amounts owed to group undertakings	806	636
Deferred capital grant (note 19)	180	183
Recycled capital grant fund (note 20)	140	31
Leaseholder sinking funds	722	652
	3,335	2,432

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

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

	2022 £000	2021 £000
Housing loans internal (note 21)	74,500	70,000
Housing loans premium	4,232	4,573
Housing loans discount	(688)	(635)
Issue Costs	(141)	(130)
Deferred capital grant (note 19)	13,497	13,730
Recycled capital grant fund (note 20)	357	408
	<u>91,757</u>	<u>87,946</u>

Included within Housing loans internal are loans of £74.5m (2021: £70m) from Stonewater Funding PLC, which are repayable between 2033 to 2045. Interest payable on housing loans are at varying commercial rates. Loans are secured by fixed charges on individual properties. In addition, £4.2m (2021: £4.6m) premium is amortised over the life of the loans and £0.7m (2021: £0.6m) discount is amortised over the life of the loans.

STONEWATER (5) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

19. Deferred capital grant

	2022	<i>2021</i>
	£000	<i>£000</i>
At 1 April	13,913	14,016
Grants received during the year	-	110
Transfer to RCGF (note 20)	(58)	(35)
Released to income in the year (note 5)	(180)	(181)
Write back amortisation on disposals (note 13)	2	3
At 31 March	13,677	<i>13,913</i>
Amounts due for repayments:		
-within one year (note 17)	180	183
-greater than one year (note 18)	13,497	13,730
	13,677	<i>13,913</i>

20. Recycled capital grant fund (RCGF)

	HCA	HCA
	2022	<i>2021</i>
	£000	<i>£000</i>
At 1 April	439	427
Inputs to fund:		
Grants recycled from deferred capital grants (note 19)	58	35
Recycling of grant:		
Transfer to other group members	-	(23)
At 31 March	497	<i>439</i>
Amounts due for repayments:		
-within one year (note 17)	140	31
-greater than one year (note 18)	357	408
	497	<i>439</i>

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

21. Loans and borrowings

Maturity of debt:	Bond on-lending 2022 £000	Bond on-lending 2021 £000
In one year or less, or on demand	153	162
Issue costs <1 year	(5)	(4)
Within one year (note 17)	148	158
In more than one year but not more than two years	153	162
In more than two years but not more than five years	495	505
After five years	77,396	73,271
Issue costs	(141)	(130)
Greater than one year (note 18)	77,903	73,808
Total loans	78,051	73,966

Bond on-lending includes £74.5m (2021: £70m) from Stonewater Funding PLC, a fellow group member.

The amount of debt secured on property assets is £74.5m (2021: £70m).

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

22. Share Capital

	2022	<i>2021</i>
	£000	<i>£000</i>
At 1 April	12	12
Shares issued in the year	1	2
Shares cancelled in the year	(1)	(2)
At 31 March	<u>12</u>	<u>12</u>

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

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

23. Related party disclosures

The Association has taken advantage of the disclosure exemption available to subsidiary undertaking in FRS102 in respect of related party transactions with intra group companies. The Association transacted with a non-regulated entity (Stonewater Funding PLC) whose principle activity is to act as the capital markets issuance vehicle for the group. The management fee charged by Stonewater Funding PLC was £43k (2021:£19k). The total loan balance and interest charged by Stonewater Funding PLC in the year was:

	2022	<i>2021</i>
	£000	<i>£000</i>
Loan Balance (after issue costs) (note 21)	78,051	73,966
Interest charged - incl amortisation of bond premium and discount (note 11)	2,570	2,285

In July 2021, Stonewater established a £1.0bn European Medium Term Note (EMTN) programme. In September 2021, Stonewater issued a £250m sustainability bond from this programme. The bond was issued by Stonewater Funding PLC and matures in September 2036. Proceeds from the £250m bond were onlent to Stonewater Limited, Stonewater(2) Limited and Stonewater(5) Limited on 10 September 2021. Stonewater(5) Limited was allocated £4.5m of the £250m.

Under the programme the bonds are secured by fixed charges over the housing properties of Stonewater Ltd, Stonewater(2) Limited and Stonewater (5) Limited; cross guaranteed to cover any shortfall in the security and any unpaid interest and fees in respect of the loans. At 31 March 2022 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, Stonewater Developments Limited, a company which provides development and design and build services to the group. The charge for the design and build services was £743,988 (2021: £10,100) plus 2.5% admin charge of £18,560 (2021: £252) a total recharge of £762,588 (2021: £10,352). The total loan balance and interest charged to Stonewater Developments Limited in the year was:

	2022	<i>2021</i>
	£000	<i>£000</i>
Loan Balance (note 16)	18,700	16,860
Interest received (note 10)	628	461

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

STONEWATER (5) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

24. Capital commitments

	2022	<i>2021</i>
	£000	<i>£000</i>
Commitments contracted but not provided for construction	1,026	906
	<u>1,026</u>	<u>906</u>
	<u><u>1,026</u></u>	<u><u>906</u></u>

Capital commitments for the Association will be funded from £0.1m (2021: £0.4m) social housing grant with the remainder funded from operating cashflow and external borrowings £0.9m (2021: £0.5m).