

Stonewater (4) Limited

Registered Social Housing Provider

Report of the Board and Financial Statements

Year ended 31 March 2016

Co-operative and Community Benefit Society (FCA) number: 27696R

Homes and Communities Agency number: LH4027

Stonewater (4) Limited

Report and Financial Statements for the year ended 31 March 2016

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Board and Officers

Board Members:

Mr D Wright - Chair

Mr G Blunden

Mr M Collins

Mrs S Collins

Mrs A Dokov

Mr P Hammond

Mr N Harris

Mr B Roebuck

Mr C Small

Mr R Strachan

Mrs S Terry

Mr J Weguelin

Secretary and Registered Office

Anne Harling
Benedict Court
Southern Avenue
Leominster
Herefordshire
HR6 0QF

Auditor

BDO LLP
2 Snowhill
Birmingham
B4 6GA

Solicitor

Devonshires Solicitors
30 Finsbury Circus
London
ECM 7DT

Principal Banker

Barclays Bank
Level 27
1 Churchill Place
London
E14 5HP

Report of the Board of Management

The Board presents its report and audited financial statements for Stonewater (4) Limited (the 'Association') for the year ended 31 March 2016.

Operating and Financial Review

Nature of the Business and Principal Activity

Stonewater (4) Limited is a Registered Society under the Cooperative and Community Benefit Societies Act 2014, with charitable status, and a Registered Provider with the Homes and Communities Agency (HCA). Its ultimate parent is Stonewater Limited (the 'Group' or 'Stonewater').

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

Stonewater's Vision and Mission

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

Our Values and Behaviours guide the way we do things:

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

Strategic Plan

The objectives and associated outcomes we are seeking to achieve are set out under three key themes:

Customer experience

- Deliver outstanding service that meets the diverse needs and aspirations of our customers.
- Deliver a retirement living service that meets the diverse needs and aspirations of our customers.

Growth and influence

- Deliver an ambitious programme to provide more homes for people in need.
- Build a reputation as a thought leader in the sector with influence on national and local agendas.

Business excellence

- Achieve consistently high standards of performance for our operational key performance indicators.
- Invest in and support our people and promote a culture of high performance.
- Achieve value for money in all that we do.

Report of the Board of Management

Operating and Financial Review

Strategic Plan

Our objectives outline what we will do to achieve them and our values will guide us in how we do it. We are working against a backdrop of ever-increasing housing need, ever-decreasing resource and continuing uncertainty – both economic and legislative. What is clear however is that Stonewater's strong financial position, combined with our compelling vision and enthusiastic commitment will help us forge ahead. While there are challenges to navigate during our journey of transformation we have the expertise to ensure we do so successfully.

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

Activities

Stonewater houses some of the most disadvantaged members of the community. Many residents are long-term unemployed and have a range of social, health and care needs that require a new approach to housing management.

In many of Stonewater's areas of operation, high house prices are increasing the demand for affordable housing.

During the year, Stonewater (4) Limited built 42 homes: 31 for affordable rent and 12 for shared ownership, and have delivered in line with our affordable home target from the HCA for the three years to March 2016.

Work continued on Stonewater's stock rationalisation programme. In Stonewater (4) Limited the asset development team achieved gross sales of £0.37m for this programme, which equates to just over £0.25m net (2015: £0.77m gross and £0.43m net). These sums will enable Stonewater to invest in new homes that are more energy efficient and cost less to maintain, bringing forward efficiencies for the business.

External Environment

Housing supply and affordability

There is a continued under supply of new homes in England, and so the pressure on house prices and a shortage of affordable homes continues to be a challenge for the sector. Social rented homes construction is at its lowest level for almost 30 years and availability continues to decline. Just 8% of the population now lives in social housing compared with 42% in 1979.

An estimated 250,000 homes are needed in England each year. In 2015 142,890 new homes were completed, less than 60% of the number needed to meet demand.

House prices in England rose by 7.3% in the year to December 2015, and over the last 10 years have increased by 55%. The Office for Budget Responsibility (OBR) has predicted house price inflation to be 5% per year over the next 5 years, higher than its forecast for increases in average earnings.

The proportion of owner occupied households in England fell from a peak of 71% in 2003 to 64% in 2014 and those in private rented accommodation rose from 11% of households in the 2003 to 19% in 2015.

Private sector rents have also increased significantly in recent years. In December 2015 average private sector rental values in the UK, excluding London, were nearly 5% higher than a year earlier.

Report of the Board of Management

Operating and Financial Review

Welfare reform and cuts in government spending

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

Changes to the regulatory framework

The Homes and Communities continues to focus on 'co-regulation'. Under this approach, the HCA's engagement with registered providers will be less frequent, but more focused and strategic, with a particular emphasis on risk management and mitigation and periodic in-depth assessments. The Housing and Planning Act 2016 has reduced the regulation of registered providers.

Regulation

The latest regulatory judgement issued by the HCA in February 2016 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).

Performance in the period

The Association has made a surplus of £3.1m during the year (2015: £1.9m) mainly due to £0.5m lower maintenance expenditure.

Voids and Arrears

Rental income lost through voids was on average 1.21% during the year.

Gross arrears were on average 1.5% during the year.

Tenants satisfaction with responsive repairs was 86% very and fairly satisfied.

Resources

Board

The Board is responsible for the proper and effective management of Stonewater. The Board, working with the Executive Director Group led by the Chief Executive, undertakes this role through strategic direction, establishing a framework for delegation, and holding the Executive Director Group to account for performance. This includes accountability to residents and other stakeholders, such as funding providers and partner local authorities. Board Members are listed on page 2. The Board comprised twelve members at 31 March 2016 including two executive members.

Current obligations of Board Members to the Board and the Association

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

The board undertakes an annual appraisal of its performance, culminating in the identification of key targets for the year ahead. In 2015-16 these were:

- overseeing a successful integration programme;
- delivery of the strategic plan;
- focus on strategy; and
- compliance with regulatory standards.

Report of the Board of Management

Operating and Financial Review

Other actions for improvement arising from the appraisal are monitored through the governance action plan by the Governance and HR Committee.

Individual members are required to play an active role in the work of the Board and its committees. Each member has an individual annual appraisal, which provides an opportunity to review performance during the year and set objectives for the year ahead. Specific development needs identified through the appraisal are fed into the board learning and development programme.

Skills, qualities and experience required by the Board

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

In addition the Board seeks to have a membership that reflects the diversity of Stonewater's residents and the communities in which we work. The board has set targets for improving diversity across the governance structure. The current board comprises 25% female members; there are no members from a black or minority ethnic background and no disabled members. The average age of the membership at the AGM 2015 was 61 years.

Governance Structure

Following a governance review, the committee structure has been streamlined to five functional committees, each of which is chaired by a member of the board. The operations committees which were in place during 2015-16 have been disbanded and replaced with a single Housing Committee, which has responsibility for overseeing front-facing delivery of the affordable housing service, including the customer engagement and customer contact strategies. The Risk and Assurance Committee and the Housing Committee include places for independent members.

The functional committees and their purposes are:

Assets and Development Committee:	Oversees Stonewater's asset investment programme, including growth projects and management of assets.
Finance Committee:	Oversees Stonewater's finances and exercises borrowing and treasury powers.
Governance and HR Committee:	Oversees Board and committee recruitment and performance, reviews members' remuneration and expenses, oversees the recruitment and performance of the Chief Executive, reviews staff terms and conditions.
Housing Committee:	Oversees front facing delivery in relation to affordable landlord services, ensuring that Stonewater has knowledge and understanding of the impact of the service provision and Stonewater's activities on local communities.
Risk and Assurance Committee	Oversees risk management, the audit function and considers the annual financial statements and external and internal auditor's reports.

Policy for admitting new shareholders

The company is moving towards a closed membership in line with best practice.

Code of Governance

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

Access to Information

Stonewater aims to work in a transparent and open manner, making information publicly available unless there are justifiable reasons for not doing so, such as personal data or commercially sensitive information.

Report of the Board of Management

Operating and Financial Review

Information takes a variety of forms including reports; policy statements; minutes; and publications, such as newsletters and the annual report. Many may be found on our website www.stonewater.org and copies are also available on request

Executive Directors Group

We have an experienced Executive Directors Group that manages the day to day running of the business. The Executive team consists of our Chief Executive, Deputy Chief Executive and eight Executive Directors, one for each of our three geographical divisions, and the other five who have functional responsibilities.

Staffing Strategies

Further detail of staff related strategies and objectives can be found in the Consolidated financial statements of the Group.

Corporate Communications

To help achieve the ambition of becoming an influential thought leader, the communications team work closely with a specialist public affairs agency. A series of meetings were held with a number of MPs in their constituencies and in Westminster. Letters updating MPs on the merger were issued and we work closely with the Development team to ensure we establish and maintain relationships with MPs and local authority members in areas where we are looking to build our brand presence.

The communications team led the work on merger communications (internal and external) and established a dedicated extranet for staff to ensure information was shared in a clear and timely manner. The team also led the development of the new Stonewater brand and a new Stonewater website was launched in January 2015, in parallel with social media platforms and a new intranet for staff. All offices were rebranded as Stonewater from the start of the year along with key corporate templates, documents and collateral.

Risks and Uncertainties

New, emerging and high scoring risks are monitored through the Strategic Risk Register. The Executive Director Group and the Risk and Assurance Committee keep the register under review to ensure that it fully reflects the risks to the delivery of Stonewater's operations and strategic plan. Designated managers are responsible for each identified risk area and the Risk and Assurance Manager oversees progress against actions to mitigate risks

The Board has adopted a risk appetite statement and this is kept under review with changes made to reflect our requirements for liquidity and cumulative risk.

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

Report of the Board of Management

Operating and Financial Review

The key strategic risks at present are:

1. Welfare reform
2. Growth strategy
3. Financial viability
4. Financial - Brexit
5. Reputation
6. Social change and technology
7. Customer and service offer
8. Retirement living
9. Business transformation
10. Governance and leadership
11. Compliance control and assurance
12. Cultural differences
13. Health and safety
14. Business continuity
15. Cyber resilience

Relationships

Customer Engagement

We seek to put customer engagement at the heart of all our activities so that customers can both influence the delivery of housing services and play an active part in the governance of the company.

We have continued to provide a range of opportunities for residents to work with us to develop improved services and to improve the neighbourhoods where we have homes.

We are ensuring that customers are an essential part of planning for the future of Stonewater. A cross organisation Sounding Board of residents is key in providing oversight and intelligence of both strategic and operational plans for the new organisation.

Customer insight

Our online Customer Insight Panel has continued to be surveyed on a range of issues to inform our approach to operational and strategic matters. Specifically we carried out our STAR survey measure of customer satisfaction, with a further survey into the priorities and satisfaction of our retirement living customers.

Improving service delivery

Our focus is on continuously striving to improve services to customers in a cost effective manner. During the year, resident comment and opinion was key in us refining our anti social behaviour management processes and procedures. This input helped us to identify the priorities for improvement to ensure most effective use of resources, and highlighted communication with customers as key in the management of anti social behaviour cases.

We worked closely with residents and with partner agencies to develop a pilot Playing Out approach. This encourages responsible play, and tolerance towards play, whilst developing the skills of customers in organising the activities.

Equality and Diversity (E&D)

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

Report of the Board of Management

Operating and Financial Review

Financial inclusion

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

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During 2014-15 we began work to introduce rental data sharing with Experian in order to improve access to favourable financial services for our customers.

Charitable contributions

No charitable or political donations were made during the year.(2015: nil)

Treasury Policies and Objectives

Stonewater has a formal Treasury Management Policy which is regularly reviewed.

Further detail of this policy and objectives can be found in the Consolidated financial statements.

Going concern

Having reviewed the five year Strategic Plan and the 30 year financial projections, the Board is fully satisfied that the Association has adequate resources to continue trading for the foreseeable future. Accordingly, it continues to adopt the Going Concern basis for preparing the Association's Financial Statements.

Value for Money

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

The link to the current version of the VFM statement is available on the Organisation's website at <http://www.stonewater.org/corp/about-us/management-and-governance/our-performance/value-for-money.html>. A new statement will be published by 30 September 2016.

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.

Internal Controls Assurance

The Board has overall responsibility for establishing and maintaining the system of internal control and for reviewing its effectiveness across the Group.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association's assets and interests.

Report of the Board of Management

Operating and Financial Review

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 the Association is exposed and is consistent with the principles of the Financial Reporting Council's Combined Code on Corporate Governance as incorporated in the Housing Corporation circular 07/07: Internal Controls Assurance, now withdrawn, but considered good practice.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, includes:

- *Identification and evaluation of key risks*

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is an on-going process of management review in each area of the Association's activities. This process is summarised in an annual report considered by the Risk and Audit Committee. The Executive Management Team regularly considers significant risks facing the Association 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. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

- *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. The Board has adopted the NHF Code of Excellence in Standards of Conduct. Stonewater's own Code of Conduct is disseminated to all employees. This sets out the Association's stance with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data protection and fraud, including its prevention, detection and reporting, and the recovery of assets.

- *Information and financial reporting systems*

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

The internal control framework and the risk management process are subject to regular review by Internal Audit, who are responsible for providing independent assurance to the Board via the Risk and Audit Committee. The Risk and Audit Committee considers internal control at each of its meetings during the year.

- *Internal controls and risks*

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 any fraud registers (one entry in the year) and has taken account of any changes needed to maintain the effectiveness of risk management and the control process.

Report of the Board of Management

Operating and Financial Review

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Association. 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, the regulatory requirement as established by HCA including all aspects of law.

Disclosure of information to auditors

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

Auditors

Following a re-tendering exercise, BDO were appointed as Stonewater's external auditors for 2015-16 on 6 October 2015.

The report of the Board was approved on 26 July 2016 and signed on its behalf by



D Wright

Chair of the Board

Statement of the Board's Responsibilities in Respect of the Board's Report and the Financial Statements

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of the income and expenditure of the association for that period.

- In preparing these financial statements, the Board is required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its 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 2012. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Stonewater (4) Limited

We have audited the financial statements of Stonewater (4) Limited for the year ended 31 March 2016 which comprise the statement of comprehensive income, balance sheet, statement of changes in reserves, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2016 and of the association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

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

BDO LLP

Kyla Bellingall
BDO LLP, statutory auditor
Birmingham
United Kingdom

5 August 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC30512)

Stonewater (4) Limited

Statement of comprehensive income for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Turnover	4	13,282	13,987
Cost of sales	4	(191)	(86)
Operating costs	4	(8,092)	(9,493)
Exceptional items	4,7	-	(720)
Operating surplus	4, 7	4,999	3,688
Surplus/(deficit) on disposal of fixed assets	10	254	431
Other interest receivable and similar income	11	17	22
Interest and financing costs	12	(2,144)	(2,228)
Surplus and total comprehensive income for the financial year		3,126	1,913

All activities relate to continuing operations.

The notes on pages 17 to 40 form part of these financial statements

Stonewater (4) Limited

Balance Sheet at 31 March 2016

	Note	2016 £'000	2015 £'000
Fixed Assets			
Housing properties	14	96,281	92,786
Other Fixed assets	15	<u>1,036</u>	<u>1,007</u>
		<u>97,317</u>	<u>93,793</u>
Current Assets			
Properties held for sale	16	565	140
Debtors	17	843	705
Cash and cash equivalents		<u>1,247</u>	<u>2,969</u>
		<u>2,655</u>	<u>3,814</u>
Creditors: amounts falling due within one year	18	(1,064)	(1,786)
Net current assets		<u>1,591</u>	<u>2,028</u>
Total assets less current liabilities		98,908	95,821
Creditors: amounts falling due after more than one year	19	(78,837)	(79,158)
Provisions and other liabilities	22	(1,243)	(961)
Net assets		<u>18,828</u>	<u>15,702</u>
Capital and reserves			
Called up share capital	24	-	-
Income and expenditure reserve		<u>18,828</u>	<u>15,702</u>
		<u>18,828</u>	<u>15,702</u>

The financial statements were approved by the Board and authorised for issue on 26 July 2016.



D Wright

Chair of the Board



N Harris

Board Member

A Harling

Secretary

The notes on pages 17 to 40 form part of these financial statements.

Stonewater (4) Limited

Statement of changes in reserves for the year ended 31 March 2016

	Income and expenditure reserve
	£'000
Balance at 1 April 2015	15,702
Surplus for the year	3,126
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Balance at 31 March 2016	18,828
	<hr/>
Balance at 1 April 2014	13,789
Surplus for the year	1,913
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Balance at 31 March 2015	15,702
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Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

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Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

1 Legal status

Stonewater 4 Limited is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Homes and Communities Agency (HCA) as a social housing provider.

2 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Stonewater 4 Limited includes the Co-operative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, "Accounting by registered social housing providers" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

Information on the impact of first-time adoption of FRS 102 is given in note 27.

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

The following principal accounting policies have been applied:

Turnover

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

- Rental income receivable (after deducting lost rent from void properties available for letting)
- Service charges receivable
- Revenue grants and proceeds from the sale of land and property

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

Supported housing schemes

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

Service charges

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

Management of units owned by others

Management fees receivable and reimbursed expenses are shown as income and included in management fees receivable. Costs of carrying out the management contracts and rechargeable expenses are included in operating costs.

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

2 Accounting policies

Value Added Tax

The Association charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Association and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the Statement of Comprehensive Income.

Finance costs

Finance costs are charged to profit or loss 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.

Pension costs

Contributions to the group's defined contribution pension scheme are charged to the statement of comprehensive income in the year in which they become payable.

The Association participates in the Social Housing Pension Scheme (SHPS) which provides benefits based on pensionable pay. The assets of the scheme are held separately from those of the Association.

Tangible fixed assets - housing properties

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

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

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

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the Statement of Comprehensive Income.

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

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

Depreciation of housing property

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

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

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

2 Accounting policies

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

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

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

Description	Estimated Economic Life
Boiler	15
Kitchens	20
Heating Systems & Bathrooms	30
Electrics	40
Windows	35
Roof covers	70
Structure	80-110

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

Shared ownership properties and staircasing

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

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

Low cost home ownership properties are not depreciated on the expectation that the net realisable value at the time of disposal will be in excess of the historical cost.

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

Allocation of costs for mixed tenure and shared ownership developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme.

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

2 Accounting policies

Tangible fixed assets – other

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

Depreciation of other tangible fixed assets

Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Description	Economic useful life (years)
Freehold buildings - other	50 to 100
Office furniture and equipment	5 to 8 years
Motor vehicles	4

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

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

Government grants

Grants received in relation to assets that are presented at deemed cost at the date of transition have been accounted for using the performance model as required by Housing SORP 2014. In applying this model, such grant has been presented as if it were originally recognised as income within the Statement of Comprehensive Income in the year it was receivable and is therefore included within brought forward reserves.

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

Where a social housing grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the Statement of Comprehensive Income.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once performance related conditions have been met.

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

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016 *(continued)*

2 Accounting policies

Impairment of fixed assets

The housing property portfolio for the Association is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts or depreciated replacement cost. An option appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The Association looks at the net realisable value, under the options available, when considering the recoverable amount for the purposes of impairment assessment. The recoverable amount is taken to be the higher of the fair value less costs to sell or value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets (VIU-SP) or cash generating units concerned or the present value of future cash flows to be derived from them appropriately adjusted to account for any restrictions on their use. No properties have been valued at VIU-SP.

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

Properties held for sale

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

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

Debtors and creditors

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

Recoverable amount of rental and other trade receivables

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

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

2 Accounting policies

Rent and service charge agreements

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

Loans, Investments and short term deposits

All loans, investments and short term deposits held by the Association, with the exception of the Lenders Option Borrowers Option Loan and Cancellable embedded option arrangements detailed below, are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost), FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Association has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instrument are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Financial liabilities and equity

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

Cash and cash equivalents

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

Provision for liabilities

The Association has recognised provisions for liabilities on the Social Housing Pension Scheme (SHPS) deficit contribution.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date.

Where the effect of the time value of money is material the amount expected to be required to settle the obligation is recognised at the present value using a discount rate. The unwinding of the discount is recognised as a finance cost in income and expenditure in the period it arises.

Contingent liabilities

A contingent liability is recognised for a possible obligation, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

A contingent liability exists on grant repayment which is dependent on the disposal of related property.

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

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

In preparing these financial statements, the key judgements have been made in respect of the following:

- whether there are indicators of impairment of the Association's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset generating units.
- the anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the member's best estimate of sales value based on economic conditions within the area of development.
- the critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.
- the appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.
- the exemptions to be taken on transition to FRS102.
- the categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset. No investment properties were identified.
- what constitutes a cash generating unit when indicators of impairment require there to be an impairment review

Other key sources of estimation uncertainty

Tangible fixed assets (see notes 14 and 15)

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

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

During the year we changed the estimated useful life of components to align with other group companies which resulted in increasing the estimated useful lives of some components and therefore reduced depreciation charge.

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

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

Negative compensation clauses in loan agreement

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

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

Therefore the loans were considered to be basic financial instruments.

Concessionary loans

We reviewed the loan received by the Association from another group company and concluded that it is a concessionary loan as it was made:

- to further its public benefit objectives,
- at a rate of interest which is below the prevailing market rate of interest
- to not be repayable on demand.

Rental and other trade receivables (debtors) (see note 17)

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

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

	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	2016 £'000	2016 £'000	2016 £'000	2016 £'000
Social housing lettings (Note 5)	12,775	-	(7,844)	4,931
Other Social Housing Activities				
First tranche low cost home ownership sales	207	(191)	-	16
Charges for support services	34	-	(38)	(4)
Management Fee and Other	266	-	(210)	56
	<u>507</u>	<u>(191)</u>	<u>(248)</u>	<u>68</u>
	<u>13,282</u>	<u>(191)</u>	<u>(8,092)</u>	<u>4,999</u>

	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	2015 £'000	2015 £'000	2015 £'000	2015 £'000
Social housing lettings (Note 5)	13,594	-	(8,976)	4,618
Other Social Housing Activities				
First tranche low cost home ownership sales	141	(86)	-	55
Charges for support services	39	-	(36)	3
Management Fee and Other	213	-	(1,201)	(988)
	<u>393</u>	<u>(86)</u>	<u>(1,237)</u>	<u>(930)</u>
	<u>13,987</u>	<u>(86)</u>	<u>(10,213)</u>	<u>3,688</u>

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

5 Income and expenditure from social housing lettings

	General needs £'000	Sheltered & Supported housing £'000	Shared ownership £'000	Total 2016 £'000	Total 2015 £'000
Income					
Rents net of identifiable service charges	9,010	2,282	492	11,784	11,461
Service charge income	300	363	95	758	745
Amortised government grants	212	11	10	233	1,388
	<u>9,522</u>	<u>2,656</u>	<u>597</u>	<u>12,775</u>	<u>13,594</u>
Turnover from social housing lettings					
Expenditure					
Management	(2,382)	(282)	(75)	(2,739)	(1,714)
Service charge costs	(238)	(224)	(61)	(523)	(713)
Routine maintenance	(1,174)	(294)	(3)	(1,471)	(1,438)
Planned maintenance	(610)	(101)	(1)	(712)	(1,289)
Major repairs expenditure	(691)	(113)	-	(804)	(806)
Bad debts	(81)	(16)	(2)	(99)	(106)
Depreciation of housing properties:					
- annual charge	(1,164)	(172)	(65)	(1,401)	(2,775)
- accelerated on disposal of components	(86)	(9)	-	(95)	-
Impairment of housing properties	-	-	-	-	-
Other costs	-	-	-	-	(135)
	<u>(6,426)</u>	<u>(1,211)</u>	<u>(207)</u>	<u>(7,844)</u>	<u>(8,976)</u>
Operating expenditure on social housing lettings					
Operating surplus on social housing lettings	<u>3,096</u>	<u>1,445</u>	<u>390</u>	<u>4,931</u>	<u>4,618</u>
Void losses	(82)	(91)	(11)	(184)	(162)

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

6 Units of housing stock

	2016 Number	2015 Number
General needs housing:		
- social	1,780	1,759
- affordable	62	55
Shared Ownership	148	136
Supported housing	14	14
Sheltered Accommodation	516	516
Other	-	-
Total owned	2,520	2,480
Accommodation managed for others	438	453
Total owned and managed accommodation	2,958	2,933
Units under construction	48	-

7 Operating surplus

	2016 £'000	2015 £'000
This is arrived at after charging/(crediting):		
Depreciation of housing properties:		
- annual charge (note 5 & 14)	1,401	2,775
- accelerated depreciation on disposal (note 5 & 14)	95	-
Surplus on disposal of housing properties	254	431
Depreciation of other tangible fixed assets	34	42
Impairment of other tangible fixed assets	-	720
Auditors' remuneration (excluding VAT):		
- fees for audit services	-	10
- fees for tax services	-	3

Audit fees for the year-ended 31 March 2016 are borne by the Parent company, Stonewater Limited, and are disclosed in the consolidated financial statements.

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

8 Employees

	2016 £'000	2015 £'000
Staff costs (including Executive Management Team) consist of:		
Wages and salaries	-	1,749
Social security costs	-	135
Pension Costs	-	195
	<u>-</u>	<u>2,079</u>

From 1 January 2015 employees of the Association were transferred onto joint contracts of employment with the Parent company Stonewater Limited, and the employee information is disclosed in the Consolidated Financial Statements.

9 Directors' and senior executive remuneration

The directors are defined as the members of the Board of Management, the Chief Executive and the Executive Management Team disclosed in the Consolidated Financial Statements.

The cost of all officers both executive and non executive is incurred and paid by Stonewater Limited for the year-ended 31 March 2016. Information regarding Director and senior executive remuneration is disclosed in the financial statements Stonewater Limited, the ultimate parent company.

	2016 £'000	2015 £'000
Executive directors' emoluments	-	103
Amounts paid to non-executive directors	-	10
	<u>-</u>	<u>113</u>

The remuneration paid to staff (including Executive Management Team) earning over £60,000 upwards:

	2016 Number	2015 Number
£110,000 - £119,999	-	1
	<u>-</u>	<u>1</u>

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

10 Surplus on disposal of fixed assets

	Other housing properties	Other housing properties
	2016 £'000	2015 £'000
Housing Properties:		
Disposal proceeds	370	766
Cost of disposals	(112)	(335)
Selling costs	(4)	-
	<hr/>	<hr/>
Surplus on disposal of other tangible fixed assets	254	431
	<hr/>	<hr/>

11 Interest receivable and income from investments

	2016 £'000	2015 £'000
Interest receivable and similar income	17	22
	<hr/>	<hr/>

12 Interest payable and similar charges

	2016 £'000	2015 £'000
Bank loans and overdrafts	2,143	2,226
Interest capitalised on construction of housing properties	(6)	(4)
Net interest on defined benefit liability	7	6
	<hr/>	<hr/>
	2,144	2,228
	<hr/>	<hr/>

13 Taxation on surplus on ordinary activities

Stonewater 4 Limited is registered with charitable rules under Co-operative and Community Benefit Societies Act and as such receives charitable relief from Corporation Tax.

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

14 Tangible fixed assets - Housing properties	General needs completed	General needs under construction	Shared ownership completed	Shared ownership under construction	Total
	£'000	£'000	£'000	£'000	£'000
<i>Cost or valuation:</i>					
At 1 April 2015	95,907	793	10,021	200	106,921
Additions:					
- construction costs	-	3,151	-	1,615	4,766
- replaced components	1,116	(139)	(11)	-	966
Completed schemes	3,045	(3,045)	1,125	(1,125)	(660)
Transfer to properties held for sale				(660)	(317)
Disposals:	(317)	-	-	-	(317)
At 31 March 2016	99,751	760	11,135	30	111,676
<i>Depreciation:</i>					
At 1 April 2015	13,713	-	422	-	14,135
Charge for the year	1,431	-	65	-	1,496
Eliminated on disposals:					
- replaced components	(236)	-	-	-	(236)
At 31 March 2016	14,908	-	487	-	15,395
Net book value at 31 March 2016	84,843	760	10,648	30	96,281
Net book value at 31 March 2015	82,194	793	9,599	200	92,786

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

14 Tangible fixed assets - Housing properties

	2016 £'000	2015 £'000
The net book value of housing properties may be further analysed as:		
Freehold	94,235	90,724
Long leasehold	2,046	2,062
Short leasehold		
	<u>96,281</u>	<u>92,786</u>
<i>Interest capitalised in the year</i>	6	4
<i>Cumulative interest capitalised</i>	10	4
<i>Rate used for capitalisation</i>	4.5%	4.5%
<i>Works to properties</i>		
Improvements to existing properties capitalised	966	1,221
Major repairs expenditure to income and expenditure account	804	-
	<u>1,770</u>	<u>1,221</u>
<i>Total Social Housing Grant received or receivable to date as follows;</i>		
Capital grant held in deferred income (note 20)	20,022	20,118
Amortised to income and expenditure account in year	233	28
Cumulative amortisation to reserves	2,532	2,299

Properties held for security

The Association held 2,480 units pledged as security at 31 March 2016 (2,480 in 2015).

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

15 Other tangible fixed assets

	Freehold Office Properties	Office Fixtures, Furniture, And fittings	Motor Vehicles	Total
	£'000	£'000	£'000	£'000
<i>Cost or valuation</i>				
At 1 April 2015	1,831	412	56	2,299
Additions	-	63	-	63
Disposals	-	(29)	-	(29)
At 31 March 2016	1,831	446	56	2,333
<i>Depreciation</i>				
At 1 April 2015	(913)	(333)	(46)	(1,292)
Charge for year	(16)	(12)	(6)	(34)
Disposals	-	29	-	29
At 31 March 2016	(929)	(316)	(52)	(1,297)
<i>Net book value</i>				
At 31 March 2016	902	130	4	1,036
At 31 March 2015	918	79	10	1,007

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

16 Properties for Held for Sale

	First Tranche Shared Ownership Properties	First Tranche Shared Ownership Properties
	2016 £'000	2015 £'000
Work in progress	17	68
Completed properties	548	72
	<u>565</u>	<u>140</u>

17 Debtors

	2016 £'000	2015 £'000
Rent and service charge arrears	1,005	807
Less: Provision for doubtful debts	(392)	(345)
	<u>613</u>	<u>462</u>
Amounts owed by group undertakings	211	115
Other debtors	11	14
Prepayments and accrued income	8	114
	<u>843</u>	<u>705</u>

All amounts for year-ended 31 March 2016 are due within one year (2015: £701k due within one year and £4k due after more than one year)

18 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Loans and borrowings (note 21)	116	-
Trade creditors	99	878
Amounts owed to group undertakings	-	15
Taxation and social security	6	38
Other creditors	-	4
Accruals and deferred income	684	851
Accrued interest	159	-
	<u>1,064</u>	<u>1,786</u>

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

19 Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Loans and borrowings (Note 21)	58,815	59,040
Deferred capital grant (Note 20)	20,022	20,118
	78,837	79,158

20 Deferred capital grant

	2016 £'000	2015 £'000
At 1 April	20,118	20,146
Grants received during the year	137	1,360
Grants recycled from the recycled capital grant fund	-	-
Released to income during the year (note 5)	(233)	(1,388)
	20,022	20,118

21 Loans and borrowings

Maturity of debt:

		Bank loans
		2016
		£'000
In one year or less, or on demand (note 18)		116
In more than one year but not more than two years		121
In more than two years but not more than five years		387
After five years		58,399
		59,023
Total loans		59,023
Amortised fees		(92)
Total		58,931

		Bank loans
		2015
		£'000
In one year or less, or on demand		-
In more than one year but not more than two years		90
In more than two years but not more than five years		385
After five years		58,663
		59,138
Total loans		59,138
Amortised fees		(98)
		59,040

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

22 Provisions and other liabilities

	SHPS deficit contribution
	£'000
At 1 April 2015	961
Charged to income and expense	
- Additions	403
- Remeasurement (note a)	(8)
Unwinding of discount	7
Contribution paid	(120)
At 31 March 2016	<u>1,243</u>

Note a: The discount rate used in calculating the SHPS deficit contribution provision changed from 3.10% at 31 March 2015 to 3.25% at 31 March 2016, as a result the provision decreased.

- SHPS pension deficit contribution (see note 23), whereby contributions are due annually until April 2026

23 Pensions

Social Housing Pension Scheme

Stonewater (4) Limited participates in the Social Housing Pension Scheme (the scheme). The scheme is funded and is contracted out of the state pension scheme.

The Trustee commissions an actuarial valuation of the scheme every three years. The main purpose of the valuation is to determine the financial position of the scheme in order to address the level of future contributions required so that the scheme can meet its pension obligations as they fall due.

The discounted value of the future contributions arising from the last valuation received in October 2015 are reflected in Note 22.

24 Share capital

	2016 £	2015 £
At 1 April	25	20
Shares issued in the year	-	9
Shares cancelled in the year	(3)	(4)
At 31 March	<u>22</u>	<u>25</u>

The share capital of Stonewater (4) Limited 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 (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

25 Capital commitments

	2016 £'000	2015 £'000
Commitments contracted but not provided for construction	3,468	7,647
Commitments approved by the Board but not contracted for construction	-	1,776
	<u>3,468</u>	<u>9,423</u>

Capital commitments for the Association will be funded from property sales and external borrowing.

26 Related party disclosures

The ultimate controlling party of the group is Stonewater Limited a registered industrial and provident society. There is no ultimate controlling party of Stonewater Limited.

The Association has taken advantage of the exemptions in paragraph 33 of FRS102 allowing no disclosure to be made in respect of related party transactions relating to fellow group entities given Stonewater (4) Limited is a wholly owned subsidiary of Stonewater Limited.

27 First time adoption of FRS 102

Explanation of changes to previously reported to Surplus and Reserves;

- Social Housing Grant can no longer be offset against housing property within fixed assets and under section 24 of FRS 102, where properties are held at deemed cost, the related social housing grant will be recognised initially under the performance model with subsequent grants measured using the 'accrual model' with the grant amortised over the life of the structure and components of the property. This change in accounting treatment will result in the property costs increasing, but being offset by an increase in liabilities. Property depreciation will also be restated to reflect the higher property costs.
- FRS102 requires that, where an organisation has a contractual commitment to make future pension payments, the present value of these future payments needs to be shown as a liability within the balance sheet. The contractual commitment for SHPS has therefore been recognised as a liability on the Balance Sheet for 1 April 2014
- FRS 102 requires recognition of the cost of accumulating compensated absences in the financial statements. Therefore an entity that has employees that have untaken holidays at the balance sheet date that will be paid for in the next financial year will need to make an accrual for such entitlements.

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

27 First time adoption of FRS 102

The transition statement for Stonewater 4 has been included below, which highlights the key changes to the Opening Balance Sheet as at 31 March 2014, Balance Sheet as at 31 March 2015 and the Statement of Comprehensive Income for the year ended 31 March 2015.

Balance Sheet at 1 April 2014	As per Financial Statements	FRS102 Adjustment	As per FRS102
	£'000	£'000	£'000
Tangible Fixed Assets			
Housing Properties	105,510	(999)	104,511
Accumulated Depreciation	(11,734)	(1,061)	(12,795)
Social Housing Grant	(1,032)	1,032	-
Other Subsidies	(22,086)	22,086	-
Other Fixed Assets	1,749	-	1,749
Current Assets			
Non Liquid Assets	176	-	176
Debtors	394	-	394
Cash at bank and in hand	1,487	-	1,487
Creditors: Amounts falling due within one year			
Deferred income - Holiday Accrual	-	(24)	(24)
Other creditors	(1,329)	-	(1,329)
Net current assets	728	(24)	704
Total assets less current liabilities	73,135	21,034	94,169
Creditors: Amounts falling due after more than one year			
Social Housing Grant	-	20,146	20,146
Other creditors	59,228	-	59,228
SHPS Pension scheme	-	1,006	1,006
Revenue reserves b/fwd - Original	13,907	-	13,907
PYA - Amortisation of Grant	-	912	912
PYA - SHPs Pension	-	(1,006)	(1,006)
PYA - Other	-	(24)	(24)
Revenue reserves b/fwd - Restated	13,907	(118)	13,789
Total long term liabilities and reserves	73,135	21,034	94,169

As a result of implementation of FRS102, a net reduction of £(0.12)m has arisen within reserves at 31 March 2014, primarily due to the reclassification of pension £(1.0)m, broadly offset by an increase in amortisation of grants £0.9m.

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2016

27 First time adoption of FRS 102

Balance Sheet at 31 March 2015	As per Financial Statements	FRS102 Adjustment	As per FRS102
	£'000	£'000	£'000
Tangible Fixed Assets			
Housing Properties	107,466	(545)	106,921
Accumulated Depreciation	(12,949)	(1,186)	(14,135)
Social Housing Grant	(22,281)	22,281	-
Other Subsidies	(577)	577	-
Other Fixed Assets	1,007	-	1,007
Current Assets			
Properties for sale	140	-	140
Debtors	705	-	705
Cash at bank and in hand	2,969	-	2,969
Creditors: Amounts falling due within one year			
Deferred income - Holiday Accrual	-	(24)	(24)
Other creditors	(1,762)	-	(1,762)
Net current assets	2,052	(24)	2,028
Total assets less current liabilities	74,718	21,103	95,821
Creditors: Amounts falling due after more than one year			
Social Housing Grant	-	20,118	20,118
Other creditors	59,040	-	59,040
SHPS Pension scheme	-	961	961
Revenue reserves	15,678	24	15,702
Total long term liabilities and reserves	74,718	21,103	95,821

As a result of implementation of FRS102, the restated balance sheet at 31 March 2015 shows an increase within reserves of £0.02m, primarily due to amortisation of grants.

Stonewater 4 Limited

Notes forming part of the financial statements for the year ended 31 March 2016

27 First time adoption of FRS 102

Income & Expenditure Account year-ended 31 March 2015	As per Financial Statements	FRS102 Amortisation Adjustment	FRS102 Other Adjustments	As per FRS102
	£'000	£'000	£'000	£'000
Turnover	12,600	1,387	0	13,987
Operating costs	(8,251)	(1,290)	48	(9,493)
Cost of sales	(86)	-	-	(86)
Exceptional items	(720)	-	-	(720)
Operating surplus	3,543	97	48	3,688
Surplus on sale of fixed assets	431	-	-	431
Interest payable and similar charges	(2,225)	-	-	(2,225)
Other finance costs	-	-	(3)	(3)
Investment income	22	-	-	22
Total comprehensive income for the year	1,771	97	45	1,913

As a result of implementation of FRS102, the turnover for the year-ended 31 March 2015 has been adjusted for the amortisation of the grant by £1.4m, and the operating costs have been adjusted for increased depreciation of £1.3m.

Surplus for the year has increased by £0.15m mainly due to grants amortisation of £0.1m and reclassification of SHPS Pension contributions of £0.05m.

