

Stonewater (4) Limited

Registered Social Housing Provider

Report of the Board and Financial Statements

Year ended 31 March 2017

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 2017

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Stonewater (4) Limited

Board, officers and advisors

Board Members:

Mr D Wright – Chair (until 25 April 2017)
Mr G Blunden – Chair (from 25 April 2017)
Mr M Collins
Mrs S Collins
Mrs A Dokov
Mr P Hammond
Mr N Harris
Mr B Roebuck
Mr C Small
Mr R Strachan - (until 31 December 2016)
Mrs S Terry
Mr J Weguelin
Mr P Symington - (from 1 July 2017)

Secretary and registered office

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

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

Stonewater (4) Limited

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 2017.

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 2017-2022

Our Strategic Plan is our compass on this journey. The objectives and associated outcomes we are seeking to achieve are set out under three key themes:

Customer experience

- Deliver an effective service that meets the diverse needs and aspirations of our customers.
- Deliver retirement living services that meet the needs and aspirations of our customers
- Deliver supported housing services that meet the needs of our customers and the aspirations of the business

Growth and influence

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

Stonewater (4) Limited

Report of the Board of Management

Business excellence

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

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

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

Activities

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

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

During the year, the Association built 23 homes: 19 for affordable rent and 4 for shared ownership.

Work continued on Stonewater's stock rationalisation programme. For the Association, the asset development team achieved gross sales of £0.8m for this programme, which equates to just under £0.4m net and compares with last year's figures of £0.37m gross and £0.25 net. These sums will be re-invested in new homes that are more energy efficient and cost less to maintain, delivering continued efficiencies for the business.

External environment

Housing supply and affordability

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

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

- An estimated 250,000 new homes are needed in England each year to keep up with demand, but over the last 10 years on average only 166,000 new homes have been delivered.
- The population of England is both growing and ageing, which will put more pressure on the housing market.

Stonewater (4) Limited

Report of the Board of Management

Housing supply and affordability

- One in four people in their twenties and early thirties now live with their parents, with the numbers increasing from 2.4 million in 2003 to 3.3 million in 2016, as a result of high and rising house prices and private sector rents.
- There has been an increase of the number of homeless households in temporary accommodation from 48,000 to 71,500 over the last five years.

The Government has announced a number of measures to increase housing supply. The Housing White Paper "Fixing our broken housing market", which was published in February 2017, indicated a shift in strategy towards a more balanced approach to building new homes which meet the needs of people in all financial circumstances. It recognised the need to create more affordable rental homes, in addition to low cost home ownership options.

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

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

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

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

Welfare reform and cuts in government spending

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

Regulation

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

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

Stonewater (4) Limited

Report of the Board of Management

Performance in the year

The Association has made a surplus of £3.4m during the year (2016: £3.1m).

Key performance indicators:

Rental income lost through voids was on average 2.44% during the year.

Gross arrears were on average 1.5% during the year.

Tenants satisfaction with responsive repairs was 88% very and fairly satisfied.

Governance structure

Board

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

Current obligations of board members to the Board and the Association

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

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

In 2016-17 these were:

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

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

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

Skills, qualities and experience required by the Board

To discharge its responsibilities for the direction of the 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 27% female members; there are no members from a black or minority ethnic background and one member identifies as disabled. The average age of the membership at the AGM 2016 was 62 years.

Stonewater (4) Limited

Report of the Board of Management

Committees

The board is supported by five functional committees and a task and finish group, each of which is chaired by a board member. Each of The Risk and Assurance Committee, the Housing Committee and the Digital & IT Task and Finish group include places for independent members.

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

Executive Directors Group

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 members of the Executive Directors Group are disclosed in the Consolidated financial statements.

Policy for admitting new shareholders

The company has closed shareholding membership.

Code of governance

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

Access to information

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

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

People strategy

Details of staff related strategies and objectives can be found in the Consolidated financial statements.

Corporate communications

Details of corporate communication strategies and objectives can be found in the Consolidated financial statements.

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Report of the Board of Management

Risks and uncertainties

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

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

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

The key strategic risks at present are:

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

Relationships

Customer Engagement

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

Our Customer Scrutiny Panel holds the Board to account on our delivery of housing services. So far, our Panel has completed three service reviews, looking at allocations, complaints, and how we involve our customers digitally. The Scrutiny Panel sits alongside our governance structure and all of their findings feed directly into Board-level decision making, helping us to improve the services we provide

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

Customer insight

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

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Report of the Board of Management

Improving service delivery

Our focus is on continuously striving to improve services to customers in a cost effect manner. During the year, we reviewed our Customer Offer and introduced a new approach to Estate Services management, designed to improve standards and deliver efficiency savings.

We also worked closely with residents to develop a new Reward scheme, which will offer enhanced benefits to residents who manage their tenancies well and be launched later in 2017.

Equality and Diversity (E&D)

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

Slavery and human trafficking

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

Financial inclusion

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

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

Treasury policies and objectives

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

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

Going concern

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

Value for money

The Group Value for money self assessment provides full details of achievements within the year. This is available through the Group website and is summarised in the Consolidated financial statements. The link to the current version of the VFM statement is available on the Organisation's website at <https://www.stonewater.org/about-us/value-for-money/>. A new statement will be published by 30 September 2017.

We recognise that in order to continue to develop new homes, invest in our communities and ensure that our housing properties are maintained in good condition, we need to understand and maximise the value we get from our expenditure and our assets.

Stonewater (4) Limited

Report of the Board of Management

Business planning, risk and internal controls assurance

The Board has overall responsibility for establishing and maintaining the system of business planning, risk and internal control and for reviewing its effectiveness across Stonewater. The Risk and Assurance Committee is responsible for the board for monitoring this system and ensuring its effectiveness.

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

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

- *Identification and evaluation of key risks*

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

- *Monitoring and corrective action*

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

- *Control environment and control procedures*

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. Stonewater's own Code of Conduct based on the NHF model sets out Stonewater's stance with regard to the quality, integrity and ethics of its employees. A framework of policies and procedures is in place covering issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data protection and fraud.

Stonewater (4) Limited

Report of the Board of Management

- *Information and financial reporting systems*

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

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

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

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

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

Disclosure of information to auditors

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

Auditors

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

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



George Blunden
Chair of the Board

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

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

Independent Auditor's report to the members of Stonewater (4) Limited

We have audited the financial statements of Stonewater (4) Limited for the year ended 31 March 2017 which comprise the statement of comprehensive income, balance sheet, statement of changes in reserves, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the board and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2017 and of the association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Matters on which we are required to report by exception

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

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

BDO WP

BDO LLP, statutory auditor
Birmingham
United Kingdom
21 September 2017

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

Stonewater (4) Limited

Statement of comprehensive income for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Turnover	4	13,770	13,282
Cost of sales	4	(712)	(191)
Operating costs	4	(8,114)	(8,092)
Operating surplus	4, 7	4,944	4,999
Surplus on disposal of fixed assets	9	344	254
Interest receivable and similar income	10	14	17
Interest payable and financing costs	11	(1,933)	(2,144)
Surplus and total comprehensive income for the financial year		3,369	3,126

All activities relate to continuing operations.

The notes on pages 17 to 36 form part of these financial statements

Stonewater (4) Limited

Balance Sheet at 31 March 2017

	Note	2017 £'000	2016 £'000
Fixed Assets			
Tangible fixed assets - housing properties	13	98,614	96,281
Other tangible fixed assets	14	107	1,036
		<u>98,721</u>	<u>97,317</u>
Current Assets			
Properties held for sale	15	148	565
Debtors	16	876	843
Cash and cash equivalents		<u>4,787</u>	<u>1,247</u>
		5,811	2,655
Creditors: amounts falling due within one year	17	(6,754)	(1,064)
Net current (liabilities)/ assets		<u>(943)</u>	<u>1,591</u>
Total assets less current liabilities		97,778	98,908
Creditors: amounts falling due after more than one year	18	(75,581)	(80,080)
Net assets		<u>22,197</u>	<u>18,828</u>
Capital and reserves			
Called up share capital	23	-	-
Income and expenditure reserve		22,197	18,828
		<u>22,197</u>	<u>18,828</u>

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



G Blunden
Chair of the Board



N Harris
Board Member



A Harling
Secretary

The notes on pages 17 to 36 form part of these financial statements.

Stonewater (4) Limited

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

	Income and expenditure reserve
	£'000
Balance at 1 April 2016	18,828
Surplus for the year	3,369
Balance at 31 March 2017	22,197

	Income and expenditure reserve
	£'000
Balance at 1 April 2015	15,702
Surplus for the year	3,126
Balance at 31 March 2016	18,828

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2017

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Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2017

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. The Association is a public benefit entity.

2 Accounting policies

Basis of preparation

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

The accounts are prepared under the historic cost basis. 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.

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

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

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

The following principal accounting policies have been applied:

Going concern

After making enquiries and reviewing the financial plan, the Board has a reasonable expectation that the group has adequate resources to continue in operational existence of the foreseeable future. For this reason it continues to adopt the going concern basis in the financial statements.

Turnover

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

- Rental income receivable (after deducting lost rent from void properties available for letting)
- Service charges receivable
- Revenue grants and proceeds from the sale of land and property
- First tranche sales of low cost home ownership housing properties developed for sale

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.

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2017

2 Accounting policies (continued)

Supported housing schemes

The Association receives Supporting People grants from a number of County Councils. The grants received in the period as well as costs incurred by the Association in the provision of support services have been included in the 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.

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 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.

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 participate in the multi-employer defined benefit Social Housing Pension Scheme (SHPS). It is not possible to identify the share of the underlying assets and liabilities belonging to individual participating employers on a consistent and reasonable basis. As a result, the amount charged to operating expenditure represents the employer contribution payable to the scheme for the accounting period. Contributions payable under the terms of a funding agreement for past deficits are recognised as a liability in the balance sheet at the present value of the expected future cash flows for which there is a contractual obligation.

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2017

2 Accounting policies (continued)

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.

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

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

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2017

2 Accounting policies (continued)

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.

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.

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	50-100
Office fixtures, furniture and fittings	5-8
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

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

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2017

2 Accounting policies (continued)

Government grants (continued)

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.

Recycled capital grant fund

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

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.

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 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.

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2017

2 Accounting policies (continued)

Recoverable amount of rental and other trade receivables

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

Concessionary loans

Concessionary loans are those loans made or received by the Group that are made:

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

These loans are measured at the amount advanced at the inception of the loan less amounts received and any provisions for impairment. The Group has one concessionary loan from Stonewater (2) Limited to Stonewater (4) Limited. This loan was repaid in May 2017.

Rent and service charge agreements

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

Loans, Investments and short term deposits

All loans, investments and short term deposits held by the Association are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost), FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Association has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial 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.

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.

Income and expenditure reserve

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

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2017

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 appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.
- the categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset. No investment properties were identified.
- what constitutes a cash generating unit when indicators of impairment require there to be an impairment review

Other key sources of estimation uncertainty

Tangible fixed assets (notes 13 and 14)

Tangible fixed assets are depreciated over their useful 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.

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.

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2017

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

Concessionary loans

We reviewed the loan made by Stonewater (2) Limited to Stonewater (4) Limited 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.

The loan was repaid in May 2017.

Rental and other trade receivables (note 16)

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed 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 2017

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

	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
	2017 £'000	2017 £'000	2017 £'000	2017 £'000
Social housing lettings (Note 5)	13,039	-	(8,114)	4,925
Other Social Housing Activities	—	—	—	—
First tranche low cost home ownership sales	731	(552)	-	179
Other	-	(160)	-	(160)
	<u>731</u>	<u>(712)</u>	<u>-</u>	<u>19</u>
Total	<u>13,770</u>	<u>(712)</u>	<u>(8,114)</u>	<u>4,944</u>

	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)
Other	266	-	(210)	56
	<u>507</u>	<u>(191)</u>	<u>(248)</u>	<u>68</u>
Total	<u>13,282</u>	<u>(191)</u>	<u>(8,092)</u>	<u>4,999</u>

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2017

5 Income and expenditure from social housing lettings

	General needs	Supported housing and housing for older people	Shared ownership	Affordable	Total 2017	Total 2016
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rents net of identifiable service charges	8,804	2,219	506	258	11,787	11,784
Service charge income	291	411	86	22	810	758
Other income	205	8	4	-	217	-
Amortised government grants	197	11	11	6	225	233
	<u>9,497</u>	<u>2,649</u>	<u>607</u>	<u>286</u>	<u>13,039</u>	<u>12,775</u>
Expenditure						
Management	(1,858)	(529)	(147)	-	(2,534)	(2,739)
Service charge costs	(337)	(430)	(46)	(32)	(845)	(523)
Routine maintenance	(1,412)	(454)	(4)	(20)	(1,890)	(1,471)
Planned maintenance	(556)	(82)	(3)	(2)	(643)	(712)
Major repairs expenditure	(362)	(122)	(5)	-	(489)	(804)
Bad debt provision	(34)	(46)	(2)	-	(82)	(99)
Depreciation of housing properties:						
- annual charge (note 7 & 13)	(1,169)	(179)	(74)	(80)	(1,502)	(1,401)
- accelerated on disposal of components	(111)	(18)	-	-	(129)	(95)
	<u>(5,839)</u>	<u>(1,860)</u>	<u>(281)</u>	<u>(134)</u>	<u>(8,114)</u>	<u>(7,844)</u>
Operating expenditure on social housing lettings						
	<u>3,658</u>	<u>789</u>	<u>326</u>	<u>152</u>	<u>4,925</u>	<u>4,931</u>
Operating surplus on social housing lettings						
	<u>(157)</u>	<u>(132)</u>	<u>(19)</u>	<u>-</u>	<u>(308)</u>	<u>(184)</u>

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2017

6 Units of housing stock

	2017 Number	2016 Number
General needs housing:		
- social	2,090	1,780
- affordable	66	62
Low costs shared ownership	150	148
Supported housing	14	14
Housing for older people	230	516
Other	1	-
Total owned	<u>2,551</u>	<u>2,520</u>
Accommodation managed for others	380	438
Total owned and managed accommodation	<u>2,931</u>	<u>2,958</u>
Units under construction	25	48

7 Operating surplus

	2017 £'000	2016 £'000
This is arrived at after charging:		
Depreciation of housing properties:		
- annual charge (note 5)	1,502	1,401
- accelerated depreciation on replaced components (note 5)	129	95
-		
Depreciation of other tangible fixed assets (note 14)	35	34

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

8 Employees, Directors' and senior executive remuneration

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

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2017

9 Surplus on disposal of fixed assets

	2017 £'000	2016 £'000
Housing Properties:		
Disposal proceeds	752	370
Cost of disposals	(408)	(116)
Surplus on disposal	<u>344</u>	<u>254</u>

10 Interest receivable and similar income

	2017 £'000	2016 £'000
Interest receivable and similar income	<u>14</u>	<u>17</u>

11 Interest payable and financing costs

	2017 £'000	2016 £'000
Bank loans and overdrafts	1,949	2,143
Interest capitalised on construction of housing properties (note 13)	(121)	(6)
Interest costs in relation to SHPS	105	7
	<u>1,933</u>	<u>2,144</u>

12 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 2017

13 Tangible fixed assets - Housing properties

	General needs completed	General needs under construction	Shared ownership completed	Shared ownership under construction	Total
	£'000	£'000	£'000	£'000	£'000
<i>Cost or valuation:</i>					
At 1 April 2016	99,751	760	11,135	30	111,676
<i>Additions:</i>					
- construction costs	-	1,356	-	488	1,844
- replaced components	2,545	-	-	-	2,545
- existing properties	158	-	-	-	158
Completed schemes	1,583	(1,583)	315	(315)	-
Transfer to properties held for sale	-	-	-	(200)	(200)
<i>Disposals:</i>					
- stair-casing sales	-	-	(169)	-	(169)
- other sales (Voids/RTB/RTA)	(273)	-	-	-	(273)
- replaced components	(334)	-	-	-	(334)
At 31 March 2017	103,430	533	11,281	3	115,247
<i>Depreciation:</i>					
At 1 April 2016	14,863	-	532	-	15,395
Charge for the year (note 5)	1,429	-	73	-	1,502
<i>On disposals:</i>					
- Other sales (Voids/RTB/RTA)	(50)	-	(9)	-	(59)
- replaced components	(205)	-	-	-	(205)
At 31 March 2017	16,037	-	596	-	16,633
Net book value at 31 March 2017	87,393	533	10,685	3	98,614
Net book value at 31 March 2016	84,843	760	10,648	30	96,281

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2017

13 Tangible fixed assets - Housing properties (continued)

	2017 £'000	2016 £'000
<i>The net book value of housing properties may be further analysed as:</i>		
Freehold	95,298	94,235
Long leasehold	3,316	2,046
Short leasehold		
	<hr/>	<hr/>
	98,614	96,281
	<hr/>	<hr/>
<i>Interest capitalisation:</i>		
Interest capitalised in the year (note 11)	121	6
Cumulative interest capitalised	131	10
Rate used for capitalisation	3.5%	4.5%
<i>Works to properties</i>		
Improvements to existing properties capitalised	2,545	966
Major repairs expenditure in the Statement of comprehensive income (note 5)	489	804
	<hr/>	<hr/>
	3,034	1,770
	<hr/>	<hr/>
<i>Total Social Housing Grant received or receivable to date as follows;</i>		
Capital grant held in deferred income (note 19)	19,792	20,022
Recycled capital grant fund (note 20)	50	-
Amortised in Statement of comprehensive income (note 5)	225	233
Cumulative amortisation to reserves	2,757	2,532

Properties held for security

The Association held 2,468 units pledged as security at 31 March 2017 (2016: 2,480).

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2017

14 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 2016	1,831	446	56	2,333
Additions	-	-	-	-
Disposals	(1,831)	(126)	(56)	(2,013)
At 31 March 2017	-	320	-	320
<i>Depreciation</i>				
At 1 April 2016	(929)	(316)	(52)	(1,297)
Charge for year (note 7)	(19)	(16)	-	(35)
Disposals	948	119	52	1,119
At 31 March 2017	-	213	-	213
<i>Net book value</i>				
At 31 March 2017	-	107	-	107
At 31 March 2016	902	130	4	1,036

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2017

15 Properties for held for sale

	First tranche shared ownership properties	First tranche shared ownership properties
	2017 £'000	2016 £'000
Work in progress	91	17
Completed properties	47	548
Other Properties for Sale	10	-
	<u>148</u>	<u>565</u>

16 Debtors

	2017 £'000	2016 £'000
Rent and service charge arrears	520	1,005
Less: Provision for doubtful debts	(139)	(392)
	<u>381</u>	<u>613</u>
Amounts owed by group undertakings	493	211
Other debtors	2	11
Prepayments and accrued income	-	8
	<u>876</u>	<u>843</u>

All amounts are due within one year.

17 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Loans and borrowings (note 21)	124	116
Group Owed Loans and borrowings (note 21)	4,000	-
Issue costs (note 21)	(6)	-
Trade creditors	437	99
Amounts owed to group undertakings	783	-
Taxation and social security	18	6
Other creditors	1,059	-
Accruals and deferred income	11	684
Accrued interest	149	159
Social Housing Pension Scheme (SHPS)	158	-
Retentions	21	-
	<u>6,754</u>	<u>1,064</u>

Social Housing Pension (SHPS) is disclosed in the Creditors notes, last year the pension liability was disclosed in Provision and other liability note.

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2017

18 Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Loans and borrowings (note 21)	54,779	58,907
Issue costs (note 21)	(80)	(92)
SHPS pension deficit provision	1,041	1,243
Deferred capital grant (note 19)	19,791	20,022
Recycled capital grant fund (note 20)	50	-
	75,581	80,080

19 Deferred capital grant

	2017 £'000	2016 £'000
At 1 April	20,022	20,118
Grants received during the year	41	137
Grants recycled to the recycled capital grant fund (note 20)	(50)	-
Released to Income write back on disposals	3	-
Released to income during the year (note 5)	(225)	(233)
	19,791	20,022

20 Recycled capital grant fund

	HCA 2017 £'000	HCA 2016 £'000
Funds pertaining to activities within areas covered by		
At 1 April		
Inputs to fund:		
- grants recycled from deferred capital grants (note 19)	50	-
	50	-
At 31 March		
Amount due for repayment:		
Within 2 to 3 years	50	-
	50	-

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

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2017

21 Loans and borrowings

Maturity of debt:

	Bank loans	Other loans	Total
	2017	2017	2017
	£'000	£'000	£'000
In one year or less, or on demand	124	4,000	4,124
Issue costs	(6)	-	(6)
Within one year (note 17)	118	4,000	4,118
In more than one year but not more than two years	128	-	128
In more than two years but not more than five years	411	-	411
After five years	54,240	-	54,240
Issue costs	(80)	-	(80)
Within more than 1 year (note 18)	54,699	-	54,699
Total	54,817	4,000	58,817
	2016	2016	2016
	£'000	£'000	£'000
In one year or less, or on demand	116	-	116
Issue costs	-	-	-
Within one year (note 17)	116	-	116
In more than one year but not more than two years	121	-	121
In more than two years but not more than five years	387	-	387
After five years	58,400	-	58,400
Issue costs	(92)	-	(92)
Within more than 1 year (note 18)	58,817	-	58,817
Total	58,931	-	58,931

Stonewater (4) Limited

Notes forming part of the financial statements for the year ended 31 March 2017

22 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 November 2016 is reflected in note 17 and 18.

23 Share capital

	2017	2016
	£	£
At 1 April	22	25
Shares cancelled in the year	(11)	(3)
At 31 March	<u>11</u>	<u>22</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.

24 Capital commitments

	2017	2016
	£'000	£'000
Commitments contracted but not provided for construction	1,547	3,468
	<u>1,547</u>	<u>3,468</u>

Capital commitments for the Association will be funded from property sales £654k and external borrowing £893k.

25 Related party disclosures

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

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

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

