STONEWATER

Statement

29 November 2019

Stonewater first-half operating surplus up 15%

Key highlights of trading for six months to the end of September 2019 include:

- **Operating surplus of £39.8m – up 15% from £34.5m for the same period in 2018/19**
- **£53m in bond funding raised in August and September, taking advantage of low interest rates to support the expanding building and stock investment programmes**
- **Liquidity of £415m in cash and undrawn banking facilities (excluding £103m deferred bond funding)**

Stonewater made an unaudited operating surplus of £39.8m in the first six months of 2019-20, against £34.5m for the same period in 2018-19.

Income from rents and service charges was up 0.9% on the first half of the previous year, despite this being the last of the four years of 1% annual rent cuts. This included the effect of the addition of £750,000 of income from new properties.

Excluding surpluses on disposal of fixed assets and charitable donations, Stonewater's operating margin was 32.4%. Void losses in this half year were 1.1% (2018-19 H1 also 1.1%). The target for the full year is 1%.

Timing of shared ownership sales is dependent on handovers of new developments. 58 units were sold in the first half of the year, generating a surplus of £1.2m (2018-19 H1 £2.8m). Sales for the full year are projected to be in line with plans at 203. The average sales period was nine weeks from completion. The number of units unsold after six months, as at 30 September 2019, was 35.

After net interest expense of £15.9m, the surplus after interest was £23.9m, against £20.9m for the same period last year. Net interest last year benefited from a credit of £2.5m from the close-out of an interest rate swap at a profit.

Asset disposals

Existing properties are sold for asset management reasons and in this half year the surplus on disposals added £12.8m to the operating surplus.

The group is participating in the Voluntary Right to Buy scheme (VRTB) – there were 65 sales under this in the period, generating a £5.6m surplus, which is to be reinvested in new development. Strategic asset sales (including London stock) generated a £7.1m surplus. Further VRTB sales and strategic sales are on course to complete in the second half of the year.

Development and Capital Expenditure

Spending on the expanding programme in the first six months was £66m (2018-19 H1 £45m) out of the full-year budget of £159m.

In the first half, 268 properties were handed over, and the total for the full year is projected to exceed 700 units. Two-thirds of these will be for rent – predominantly affordable rent – and with the exception of two homes for market sale, the remainder will be shared ownership. Stonewater has an ambitious plan to increase development to 1,500 units per year by 2022-23, in the same tenure proportions.

Capital maintenance spending was £5.5m (2018-19 H1 £4.0m) out of the full-year budget of £17.3m (2018-19 actual £13.7m).

Funding

During August and September Stonewater took advantage of low long-term market interest rates and sold £25m (nominal value) of its retained bonds spot, and £28m deferred for 2 years.

As announced last week, Stonewater has contracted with Legal & General Affordable Homes (LGAH) to be its largest management partner. Stonewater will take on an expected 1,000 homes over the next few years – a third of the properties LGAH will provide over that period.

John Bruton, Executive Director – Finance for Stonewater, said: "Stonewater remains in a strong financial position, with good liquidity access as required. In uncertain political and economic times our Brexit preparation has covered a range of scenarios, including liaising closely with key suppliers and partners, conducting extensive financial modelling, stress testing and risk mitigation planning. This is in line with regulatory requirements.

"Stonewater has very little exposure to full open market sales. Demand for our shared ownership properties remains strong and the year is expected to end on track with a similar number of sales as the 208 and 215 of the last two years. Although we are fortunate in that we do not have any significant fire safety exposure, we are increasing investment in our existing homes to ensure they continue to be safe.

"As a result, we are confident we will be able to continue to deliver for our communities where we play an important role in tackling the housing crisis and providing high-quality homes. We have established good momentum in delivering as many much-needed homes as possible across the country and are confident this will be maintained."

Ends

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About Stonewater

Stonewater is a social housing provider, with a mission to deliver good-quality, affordable homes to people who need them most. We manage around 32,500 homes in England for over 70,000 customers, including affordable properties for general rent, shared ownership and sale, alongside specialist accommodation such as retirement and supported living schemes for older and vulnerable people, young people's foyers and women's refuges.

Our ambitious house-building programme aims to build a minimum of 1,500 new homes a year from 2022/23 and we have a good pipeline of development to achieve this, driven by our vision of everyone having the opportunity to have a place that they can call home. We plough our surplus into building new homes, improving our existing housing stock and investing in customer services.

Our 800+ employees embody our values – being ambitious, passionate, agile, commercial and ethical. We achieved a 'One Star' rating in the 2019 Best Companies survey and are ranked 78th in the Top 100 best not-for-profit organisations to work for and 25th in the best housing associations to work for in 2019.

With an annual turnover of around £191 million and £1.8 billion in assets, Stonewater is a strong, dynamic and well-managed social business, with a long-term rating of A+ (negative outlook) by independent credit ratings agency S&P Global Ratings, and a top G1/V1 governance and viability ranking from the Regulator of Social Housing.

For more information, visit our website at www.stonewater.org