Registered number: 19412R

STONEWATER (2) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

STONEWATER (2) LIMITED

COMPANY INFORMATION

Board members	Sheila Collins (Chairman) Anne Dokov Heather Bowman (appointed 1 October 2021) Tariq Kazi Nicholas Harris Andrew Lawrence Claire Kearney Juliana Crowe Jennifer Bennett Hugh Shields (resigned 29 June 2022) Doug Wright (resigned 30 September 2021) Angus Michie Chris Edis
Company secretary	Anne Harling
Community Benefit Society Number	19412R
Regulator of Social Housing Number	L0173
Registered office	Suite C, Lancaster House Grange Business Park Enderby Road Leicester. LE8 6EP
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU
Bankers	Barclays Bank Level 27 1 Churchill Place London E14 5HP
Solicitors	Devonshires Solicitors 30 Finsbury Circus London EC2M 7DT
Solicitors (for Governance)	Trowers and Hamlins LLP 55 Princess Street Manchester M2 4EW

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STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2022

Introduction

The Board presents its report and audited financial statements for Stonewater (2) Limited (the "Association") for the year ended 31 March 2022.

Nature of the business and principal activities

Stonewater (2) Limited is a Registered Society under the Cooperative and Community Benefit Societies Act 2014, with charitable status, and a Registered Provider with the Regulator of Social Housing (RSH). Its parent is Stonewater Limited (the ‘Group’ or ‘Stonewater’).

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

Our Vision

For everyone to have the opportunity to have a place that they can call home.

Our Mission

To offer quality homes and services for people whose needs are not met by the open market.

Our Values

Our Values are the principles that guide us and set the tone for the way we behave.

Ethical – We are an ethical housing services provider

Listening to and understanding the needs of every individual is paramount to delivering homes and services that make a difference to people’s lives. We do this by maintaining a professional approach, being honest and open and treating everyone with the equality they deserve. It is our place to help by being friendly, considerate and supportive of everyone that needs us. We will always ensure our actions are inclusive, accountable and fair.

Ambitious – We are a progressive organisation that dares to dream

Never content to sit back and rest on our laurels, we are the fresh face of the sector, pro-active in our approach to growth. We are not here to make up the numbers. It’s our goal to be the leader, to challenge, enhance and be radical, confident in our abilities and clear of our direction. Through strong leadership we are driven to succeed. A competitive streak keeps us focused on being modern and ground-breaking.

Passionate – We will always go the extra mile in everything we do

We are one team working together, committed to providing a truly personal experience. Our love for what we do comes from the heart and being the best we can be energises us and makes us proud of our achievements. We are motivated by our enthusiasm and empowered to give everyone we work with the confidence that they are working with the most enthusiastic and loyal people in the sector.

Agile – We are on a journey, so we make sure we never stand still

Our business dictates that change is both regular and rapid, so as an organisation we always stay one step ahead. Our approaches are flexible, adapting to evolve to individual people's needs or the latest legislation. We pride ourselves on high performance so we expect innovation and initiative to be a part of our every day. We are the smart housing services team, dynamic and slick enough to respond whenever and however change dictates it.

Commercial – We understand the importance of commercial viability

To remain competitive and effective at what we do, we are prepared to make decisions that maintain value for our residents, our partners and ourselves. From the homes we build to the services we provide, we are open to opportunity and strive to maintain a reputation for knowledge, efficiency and an ability to sustain our business. We benchmark our approach to ensure we are relevant, respected and most importantly, successful in all we do.

Stonewater's Strategic Plan 2022-2030

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

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

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

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

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

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

External environment

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

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

Stonewater has a clear and vital role to play. We supported our customers through the pandemic with targeted support, grants and advice. As an employer, we will need to ensure that our colleagues – all of whom are now working within our hybrid model – are supported to live and work effectively and without fear of financial difficulties, as well being able to support our customers.

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

Housing supply and affordability

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

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

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

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

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

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

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

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

Environment and sustainability

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

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

Social housing and management

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

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

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

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

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

Performance in the year

Total comprehensive income for the year was £24.9m (2021: £8.8m).

Key Performance indicators:

Rental income lost through voids is 0.5% (2021: 0.7%).

Gross arrears on average were 5.89% (2021: 5.72%).

During 2021/22 our income collection for the Group was 99.5%(2021:99.5%).

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

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

Furthermore, in 2021/22, we directly engaged over 3,000 customers in shaping our services. We consulted on and launched a new customer engagement toolkit. Working with 300 customers, we added Instagram and Facebook Live to our existing engagement platforms, as well as kick start a project to pilot mystery shopping
In addition to our work on income maximisation we have continued to build on the processes within our national lettings team, introducing new digital ways of working and have continued to forge strong partnerships with contractors.

Operating margin including surplus from 1st tranche sales but excluding surplus on disposal of fixed assets 28.6% (2021: 31.6%). This KPI better reflects trend in operating margin as disposals of fixed assets can vary significantly year or year. 1st tranche shared ownership sales are included in this number.

Governance structure

Board

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

Current obligations of Board members to the Board and the company

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

Governance arrangements

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

Skills, qualities and experience required by the Board

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

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

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

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

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

Code of Governance

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

Shareholding policy

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

Committee and Panels

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

Nominations and Remuneration Committee

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

Risk and Assurance Committee

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

Assets and Development Challenge & Assurance Panel

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

Customer Experience Challenge & Assurance Panel

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

Finance Challenge & Assurance Panel

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

Governance and People Challenge & Assurance Panel

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

Value Creation Challenge & Assurance Panel

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

Executive Directors Group

Stonewater has an experienced Executive Directors Group which manages the day-to-day running of the business. The Executive team consists of the Chief Executive and five Executive Directors.

The details of the Executive Directors Group are disclosed in the consolidated financial statements.

Access to information

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

Information takes a variety of forms including reports, policy statements and publications. Many can be found on our website (www.stonewater.org) and copies are also available on request.

Risks and uncertainties

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

The Board has also adopted a risk appetite statement which sets out the nature and levels of risk we are prepared to take in order to achieve our strategic objectives. Performance against this is kept under review facilitated through the use of metrics to enable the Board and committees to assess whether performance remains within the risk appetite parameters.

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

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

People strategy

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

Pay gap reporting

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

Corporate communications

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

Value for Money

The Value for Money achievements are summarised and can be found through the Group website, and are summarised in the consolidated financial statements.

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

Further details on our strategy and results can be found on our website https://www.stonewater.org/about-us/value-for-money.

Relationships

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

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

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

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

In April 2021, we restructured our Retirement Living services to introduce a “wellbeing” element and team to our service offer. Introducing the role of Wellbeing and Community Connector, we recognised that co-production with our residents and community integration is an essential part of creating the vibrant, cohesive Retirement Living communities we aspire to. This shift in service delivery has seen us take a more holistic, strengths based approach in our Retirement Living services, asking customers what they want to do in services and their communities and opening our spaces to the wider community.

This has led to a range of wellness activities being delivered on site such as arm chair exercises and yoga. This team has really taken forward the digital inclusion agenda, maximising use of our 9 digital experience tables particularly helpful to those with dementia, with one service setting up a “memory café.” The team has also worked on a research project with the University of Stirling looking at the role technology plays in helping people to age well in their homes and promote independent living for longer.

To firm up our commitment to co-producing services with residents, in August 2021, we established our first Ageing Well Board which is made up of customers and colleagues and is a shared platform to shape and design the organisations Ageing Well agenda.

Customer engagement

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

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

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

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

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

Over 2,000 customers regularly read our quarterly newsletter, Here to Help, and over 2,500 read our Customer Annual Review. We've co-created 25 films with customers to share their stories and priorities over the last year, as well as helping 116 customers to develop new digital skills thorough our We are Digital partnership.

Our Scrutiny Panel reviewed our ASB noise and reactive repairs services, making 26 recommendations. We've already implemented 14 already, including rolling our customer shadowing of our repairs contract management meetings.

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

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

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

Customer insight

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

Suppliers

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

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

Homes England

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

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

Funders

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

Equality, diversity and inclusion

Stonewater has adopted the Social Housing Equality Framework (SHEF) to support and drive the organisation's equality, diversity and inclusion (EDI) agenda. Our EDI Board is chaired by the Executive Director of Corporate Services and is taking action to achieve the SHEF 'Excellent' level across the business as a whole.

When looking at our Board, Executive and Operational Delivery Group combined, our diversity is as follows:

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

Modern slavery and human trafficking

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

Financial inclusion

From the outset of the pandemic we have adopted a customer focused, flexible approach through our Income Maximisation Strategy, supporting customers with welfare benefits and introducing ‘deferred’ and ‘flexible’ payment arrangements to support customers in navigating through challenging circumstances. During the year our specialist income team secured over £275k in Discretionary Housing Payments for customers.

We continue to work closely with the Longleigh Foundation in a number of ways but have two key initiatives designed to support customers experiencing financial hardship:

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

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

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

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

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

Treasury policies and objectives

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

Going concern

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

Business planning, risk and internal controls assurance

Purpose

The statement of internal controls provides information to both internal and external stakeholders on how Stonewater governs its business, manages risks and delivers the business plan.

Responsibility

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

Approach

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

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

- Identification and evaluation of key risks

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

- Monitoring and corrective action

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

- Control environment and control procedures

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

- Information and financial reporting systems

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

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

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

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

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

Confirmation from the Board

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

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

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

Compliance with the regulatory standards

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

BOARD MEMBERS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2022

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

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

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

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

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

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

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

Disclosure of information to auditors

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

BDO LLP were appointed as Stonewater (2) Limited’s external auditors for 2021/22 on 20 July 2021.

Signed by:

Chairman: Sheila Collins

Date: 23 August 2022

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONEWATER (2) LIMITED

Opinion on the financial statements

In our opinion, the financial statements:

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

We have audited the financial statements of Stonewater (2) Limited ("the Association") for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Conclusions relating to going concern

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

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

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

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

We have nothing to report in this regard.

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

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

Responsibilities of the Board
As explained more fully in the statement of the Board's responsibilities set out on page 17, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STONEWATER (2) LIMITED

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

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

Audit procedures performed by the engagement team included:

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

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

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

Use of our report

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

BDO LLP.

BDO LLP

55 Baker Street
London
W1U 7EU

31 August 2022

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £000	*2021* *£000*
Turnover	4	**68,910**	*61,774*
Cost of sales	4	**(9,519)**	*(5,317)*
Operating costs	4	**(39,650)**	*(36,945)*
Surplus on disposal of housing properties	4,9	**3,580**	*2,120*
Operating surplus	7	**23,321**	*21,632*
Interest receivable and similar income	10	**22**	*5*
Interest payable and expenses	11	**(12,865)**	*(11,250)*
Movement in fair value of financial instruments	11	**1,875**	*1,353*
Surplus for the year		**12,353**	*11,740*
Other comprehensive income/(losses) for the year			
Actuarial gains/(losses) on defined benefit pension scheme	23	**3,302**	*(8,837)*
Amounts recycled from Cashflow hedge reserve	25	**3,357**	*3,319*
Year end revaluation of hedging financial instruments	25	**5,872**	*2,569*
Other comprehensive income/(loss) for the year		**12,531**	*(2,949)*
Total comprehensive income for the year		**24,884**	*8,791*

The notes on pages 24 to 58 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note	2022 £000	2022 £000	*2021 £000*	*2021 £000*
Fixed assets					
Housing properties	13		**685,408**		*644,104*
Other tangible fixed assets	14		**820**		*764*
			686,228		*644,868*
Current assets					
Properties held for sale	15	**9,253**		*6,173*	
Debtors	16	**3,785**		*3,525*	
Restricted cash	17	**1,544**		*1,544*	
Cash and cash equivalents		**40,108**		*31,265*	
		54,690		*42,507*	
Creditors: amounts falling due within one year	18	**(44,420)**		*(31,813)*	
Net current assets			**10,270**		*10,694*
Total assets less current liabilities			**696,498**		*655,562*
Creditors: amounts falling due after more than one year	19		**(573,442)**		*(552,624)*
Pension liability	23		**(8,888)**		*(13,654)*
Net assets			**114,168**		*89,284*
Capital and reserves					
Cashflow Hedge Reserve			**(15,310)**		*(24,539)*
Profit and loss account			**129,478**		*113,823*
			114,168		*89,284*

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

Sheila Collins
Chairman

Nicholas Harris
Board member

Anne Harling
Secretary

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

	Cashflow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000
At 1 April 2021	(24,539)	113,823	89,284
Comprehensive income for the year			
Surplus for the year	-	12,353	12,353
Actuarial gains on pension scheme	-	3,302	3,302
Amounts recycled from Cashflow hedge reserve	3,357	-	3,357
Year end revaluation of hedging financial instruments	5,872	-	5,872
At 31 March 2022	**(15,310)**	**129,478**	**114,168**

The notes on pages 24 to 58 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

	Cashflow hedge reserve	Profit and loss account	Total equity
	£000	£000	£000
At 1 April 2020	(30,427)	110,920	80,493
Comprehensive income for the year			
Surplus for the year	-	11,740	11,740
Actuarial losses on pension scheme	-	(8,837)	(8,837)
Amounts recycled from Cashflow hedge reserve	3,319	-	3,319
Year end revaluation of hedging financial instruments	2,569	-	2,569
At 31 March 2021	(24,539)	113,823	89,284

The notes on pages 24 to 58 form part of these financial statements.

1. Legal status

Stonewater (2) Limited is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a social housing provider. The Association is a public benefit entity.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

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

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

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

The following principal accounting policies have been applied:

2.2 Going concern

After making enquiries and reviewing the 30-year financial plan, updated for current economic and business assumptions including stress testing and analysis of potential impact on covenants, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for at least 12 months from the date on which the financial statements were approved for release. The financial statements have therefore been prepared on a going concern basis.

Stress testing covered the impact on our business of key economic factors, we considered increase in rent arrears and bad debts, loss of rental income due to delayed handovers, temporary inability to sell new shared ownership properties and adverse movements in inflation and interest rates. The principal remedy in more stressed scenarios is to reduce development expenditure followed by reduction in capital repairs and achieving operating costs savings. We have modelled various scenarios and identified the limits that the business can withstand.

As circumstances continue to be uncertain, we will continue to carry out formal reviews on a regular basis.

We have a policy of maintaining cash and committed bank facilities equal to contractual commitments (less grant associated with them). At 31 March 2022 we had £40.1m of cash and £100m of undrawn facility, which exceed contractual commitments less grant.

2. Accounting policies (continued)

2.3 Turnover

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

2.4 Revenue recognition

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

• Rental income is measured at fair value of the consideration received or receivable and represents the amount receivable for the services rendered net of any voids.

• The amortisation of social housing grant is applied by the accruals model in accordance with FRS102, and the income is released over the life of the associated structure component.

• Fixed service charge income is recognised in the year to which it relates and variable service charge income is recognised in the year the related cost is recognised.

• Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

2.5 Cost of sales

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

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

2.6 Operating costs

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

2.7 Properties for sale

Properties developed for shared ownership sale are divided into first tranche sales and other sales. First tranche elements are included within turnover, cost of sales and operating costs.

Subsequent tranches (staircasing) are shown separately within the surplus on sale of housing properties before operating surplus in the statement of comprehensive income. All other sales of fixed asset properties are shown in surplus on sale of housing properties in the statement of comprehensive income.

2. Accounting policies (continued)

2.8 Service charges

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

2.9 Schemes managed by agents

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

2.10 Value Added Tax

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

2.11 Government and other grants

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

In accordance with Housing SORP 2018 the useful economic life of the housing property structure has been selected (see table of useful economic lives on page 29).

SHG received against new schemes, which are under construction is included as a long term liability. Amortisation becomes active once the unit is in active management.

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

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

2. Accounting policies (continued)

2.12 Housing properties

Housing properties constructed or acquired (including land), excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are held at cost less any impairment. Cost comprises of acquiring of land and buildings, development costs, and interest charges incurred during development. In addition staff costs attributable to bring the housing property to bringing housing property into the working condition for their intended use.

Housing properties in the course of construction are stated at cost and not depreciated and are transferred to completed properties when they are ready for letting.

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

Expenditure on replaced components is capitalised if the component is classified as being wholly replaced. Any remaining net book value of the replaced component is disposed of and recognised as accelerated depreciation.

Expenditure on schemes, which are subsequently aborted, is written off in the period in which it is recognised the scheme will not be developed to completion.

Gains and losses on disposals of housing properties are determined by comparing the proceeds with the carrying amount, incidental costs of sales and amortised grant written back are recognised within surplus on disposal of fixed assets in the statement of comprehensive income.

2.13 Fixed assets and depreciation

Freehold land is not depreciated. The useful economic lives of all tangible fixed assets are reviewed annually. Housing components are depreciated from the month following replacement.

2. Accounting policies (continued)

2.13 Fixed assets and depreciation (continued)

The range of estimated useful economic useful lives in years are:

Boilers	- 15
Kitchens	- 20
Lifts	- 20
Heating systems	- 30
Bathrooms and wetrooms	- 30
Windows and doors	- 35
Electrics	- 40
Roof cover	- 70
Structure	- 100

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

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

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

2.14 Impairment

An annual review is undertaken of existing social housing properties to determine if there have been indicators of impairment in the current financial year for assets which may have suffered an impairment loss. The review is done on a scheme level, which is deemed to be a cash-generating unit. Impairment reviews are carried out in accordance with the Housing SORP, with consideration of the following impairment indicators: -

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

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

2.15 Other fixed assets

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

2. Accounting policies (continued)

2.16 Depreciation of other fixed assets

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

Freehold buildings	- 100
Site equipment	- 5 to 25
Fixtures and fittings	- 5
Datacentre (IT infrastructure)	- 5
IT equipment and software	- 5

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

Residual values for other tangible fixed assets are assumed to be nil.

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

2.17 Allocation of costs for mixed tenure and shared ownership developments

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

2.18 Shared ownership properties and staircasing

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

• Shared ownership properties are split proportionately between current and fixed assets based on the first tranche proportion.

• The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover.

• The remaining element is classed as a fixed asset, and included in housing properties at cost, less any provisions needed for depreciation or impairment.

2.19 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, and shared ownership properties. For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche. In the majority of cases the unit basis is used.

2. Accounting policies (continued)

2.20 Debtors and creditors

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

2.21 Impairment 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.

2.22 Rent and service charge agreements

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

2.23 Loans, investments and restricted cash

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

2.24 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.

2.25 Cash and cash equivalents

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

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

2.26 Finance costs

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

2. Accounting policies (continued)

2.27 Derivative financial instruments and hedging accounting

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

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

If an effective hedge becomes ineffective the accumulated balance in the cashflow hedge reserve is released to income and expenditure over the remaining life of the hedged item.

2.28 Leased assets: Lessee

All leases are considered to be operating leases. Their annual rentals are charged to statement of comprehensive income on a straight-line basis over the term of the lease. Reverse premiums and similar incentives received to enter into operating lease agreements are released to the statement of comprehensive income over the term of the lease.

2.29 Leasehold sinking funds

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

2.30 Pension costs

The Group participates in a number of defined contribution and defined benefit pension schemes.

Contributions to the Group's defined contribution pension schemes are charged to the comprehensive income statement in the year in which they come payable.

Under defined benefit accounting the Scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the statement of financial position. The current service cost and costs from settlements and curtailments are charged to operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Re-measurements are reported in statement of comprehensive income.

2.31 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.

2. Accounting policies (continued)

2.32 Cashflow hedge reserve

Cashflow hedge reserve is created from the movement in the fair value of hedging derivatives that are deemed as effective. The cashflow reserve will be released over the life of the instruments to which it relates.

2.33 Income and expenditure reserve

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

3. Judgments in applying accounting policies and key sources of estimation uncertainty

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

Whether there are indicators of impairment of the Association's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset generating units.

Determining the anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the member's best estimate of sales value based on economic conditions within the area of development.

What constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

Determining the anticipated market value of the 3 categories of assets:
1. Void properties ear-marked for open market sale.
2. Completed but unsold shared ownership.
3. Properties under construction including shared ownership units.

3. Judgments in applying accounting policies (continued)

A method appropriate to each type of asset has been used.

Whether leases entered into by the group either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

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

Other key sources of estimation uncertainty:

Tangible fixed assets (note 13 and 14)
Tangible fixed assets are depreciated over their useful economic lives. The actual lives of the assets are assessed annually and may vary depending on a number of factors. For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

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

Social Housing Pension Scheme
The critical selection of financial and actuarial assumptions in relation to defined benefit scheme obligation based on best estimates derived from the Associations' policies and practices and their applications to the pension scheme operated by the Association where appropriate and confirmed with actuaries where these are beyond management expertise, e.g. Mortality tables have been chosen based on published research by the Continuous Mortality Investigation Bureau of the Institute of Actuaries and Faculty of Actuaries. Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expenses.

The Association has relied upon the information provided by the actuary for SHPS and DCC PS. The discount rate used is given in note 25, along with the assumptions regarding mortality rates for scheme members.

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

	Note	Turnover 2022 £000	Cost of Sales 2022 £000	Operating costs 2022 £000	Surplus on disposal of fixed assets 2022 £000	Operating surplus / (deficit) 2022 £000
Social housing lettings	5	**57,104**	**-**	**(39,650)**	**-**	**17,454**
Other social housing activities						
First tranche shared ownership sales		**11,806**	**(9,519)**	**-**	**-**	**2,287**
Surplus on disposal of fixed assets	9	**-**	**-**	**-**	**3,580**	**3,580**
Total		**68,910**	**(9,519)**	**(39,650)**	**3,580**	**23,321**

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

	Note	Turnover 2021 £000	Cost of Sales 2021 £000	Operating costs 2021 £000	Surplus on disposal of fixed assets 2021 £000	Operating surplus / (deficit) 2021 £000
Social housing lettings	5	55,217	-	(36,945)	-	18,272
Other social housing activities						
First tranche shared ownership sales		6,557	(5,317)	-	-	1,240
Surplus on disposal of fixed assets	9	-	-	-	2,120	2,120
Total		61,774	(5,317)	(36,945)	2,120	21,632

5. Particulars of the income from social housing lettings

	General Needs 2022 £000	Supported / Housing for older people 2022 £000	Shared ownership 2022 £000	Affordable Rent 2022 £000	Total 2022 £000	*Total 2021 £000*
Rent receivable net of identifiable service charges	**37,951**	**1,888**	**3,295**	**7,183**	**50,317**	*47,818*
Service charge income	**2,562**	**1,131**	**346**	**187**	**4,226**	*4,634*
Net rent receivable	**40,513**	**3,019**	**3,641**	**7,370**	**54,543**	*52,452*
Amortised government grants (note 20)	**2,114**	**128**	**116**	**37**	**2,395**	*2,372*
Other income	**110**	**-**	**56**	**-**	**166**	*393*
Income from social housing lettings	**42,737**	**3,147**	**3,813**	**7,407**	**57,104**	*55,217*

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

	General Needs 2022 £000	Supported / Housing for older people 2022 £000	Shared ownership 2022 £000	Affordable Rent 2022 £000	Total 2022 £000	*Total 2021 £000*
Management	**(9,545)**	**(575)**	**(1,541)**	**(1,425)**	**(13,086)**	*(11,417)*
Service charge costs	**(2,896)**	**(1,649)**	**(285)**	**(80)**	**(4,910)**	*(4,359)*
Routine maintenance	**(7,244)**	**(299)**	**(51)**	**(337)**	**(7,931)**	*(7,989)*
Planned maintenance	**(1,974)**	**(5)**	**(1)**	**(33)**	**(2,013)**	*(2,088)*
Major repairs (note 13b)	**(1,388)**	**(35)**	**(8)**	**(65)**	**(1,496)**	*(1,007)*
Bad debts	**(233)**	**(18)**	**(5)**	**(55)**	**(311)**	*(575)*
Depreciation on housing properties – annual charge (note 7 and 13a)	**(7,890)**	**(390)**	**(511)**	**(841)**	**(9,632)**	*(9,167)*
Depreciation on housing properties – accelerated on disposal of components (note 7 and 13a)	**(269)**	**(22)**	**-**	**(8)**	**(299)**	*(197)*
Impairment on housing properties (note 7)	**-**	**-**	**(10)**	**-**	**(10)**	*(246)*
Reversal of impairment (note 7)	**38**	**-**	**-**	**-**	**38**	*100*
Expenditure on social housing lettings	**(31,401)**	**(2,993)**	**(2,412)**	**(2,844)**	**(39,650)**	*(36,945)*
Operating surplus/(deficit) on social housing lettings	**11,336**	**154**	**1,401**	**4,563**	**17,454**	*18,272*
Void losses	**(257)**	**(67)**	**(3)**	**(43)**	**(370)**	*(298)*

6. Units of housing stock

	At the start of the year	Additions	Disposals	Reclassifications	At the end of the year
	Number	Number	Number	Number	Number
General needs	7,207	87	(9)	(44)	7,241
Affordable	969	124	(1)	34	1,126
Shared ownership	1,102	72	(25)	104	1,253
Supported housing	65	-	-	5	70
Housing for older people	338	-	-	-	338
Other	7	-	-	-	7
Total owned	9,688	283	(35)	99	10,035
Accommodation managed for others	1,653	5	(2)	(99)	1,557
Total managed accommodation	11,341	288	(37)	-	11,592
Units managed by other associations	169	-	-	-	169
Total owned and managed accommodation	11,510	288	(37)	-	11,761
Units under construction	795	227	-	-	1,022

7. Operating Surplus

	2022 **£000**	*2021* *£000*
This is arrived at after charging/(crediting):		
Depreciation of housing properties		
-annual charge (note 5 and 13a)	**9,632**	*9,167*
-accelerated depreciation (note 5)	**299**	*197*
Depreciation of other tangible fixed assets (note 14)	**105**	*119*
Impairment of housing properties (note 5 and 13)	**10**	*246*
Reversal of impairment of housing properties (note 5 and 13)	**(38)**	*(100)*
Operating lease charges	**-**	*143*

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

8. Employees, Directors' and senior executive remuneration

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

9. Surplus on disposal of fixed assets

Association	Shared ownership properties	Other housing properties	Voluntary Right to Buy	Total	Total
	2022	**2022**	**2022**	**2022**	*2021*
	£000	**£000**	**£000**	**£000**	*£000*
Disposal proceeds	4,644	2,128	-	6,772	4,858
Net book value of disposals (note 13a)	(2,188)	(776)	-	(2,964)	(2,404)
Other costs	(108)	(120)	-	(228)	(334)
Surplus on disposal of fixed assets	2,348	1,232	-	3,580	2,120

10. Interest receivable

	2022 £000	2021 £000
Other interest receivable	**22**	*5*
Total	**22**	*5*

11. Interest payable and financing costs

	2022 £000	2021 £000
Interest on loans and overdrafts	**7,463**	*7,953*
Amortisation of issue costs	**204**	*191*
Interest payable to group undertakings	**6,556**	*4,781*
Interest capitalised on construction on housing properties (note 13b)	**(1,644)**	*(1,811)*
Recycled capital grant fund (note 21)	**9**	*5*
Net interest on net defined benefit liability (note 23)	**277**	*131*
Total	**12,865**	*11,250*
Change in fair value of non-hedging financial instruments	**(1,845)**	*(1,383)*
Ineffective portion of hedging financial instruments	**(30)**	*30*
Sub-Total	**(1,875)**	*(1,353)*

12. Taxation on surplus on ordinary activities

Stonewater (2) Limited is registered with charitable rules under Co-operative and Community Benefit Societies Act and as such received charitable relief from Corporation tax.

13. a) Tangible fixed assets housing properties

	Housing properties held for lettings	Housing properties for letting under construction	Shared ownership properties held for lettings	Shared ownership under construction	Total
	£000	£000	£000	£000	£000
Cost:					
At 1 April 2021	**630,668**	**47,029**	**61,577**	**22,402**	**761,676**
Additions:					
- construction costs	**-**	**45,471**	**-**	**4,865**	**50,336**
- replaced components	**3,835**	**-**	**-**	**-**	**3,835**
Transfer to completed properties	**33,839**	**(33,839)**	**12,224**	**(12,224)**	**-**
Disposals:					
- staircasing (note 11)	**-**	**-**	**(2,424)**	**-**	**(2,424)**
- replaced components	**(815)**	**-**	**-**	**-**	**(815)**
- other sales (note 11)	**(918)**	**-**	**-**	**-**	**(918)**
At 31 March 2022	**666,609**	**58,661**	**71,377**	**15,043**	**811,690**
Depreciation:					
1 April 2021	**112,535**	**-**	**4,632**	**-**	**117,167**
Charge for the year (note 5 and 7)	**9,121**	**-**	**511**	**-**	**9,632**
Disposals:					
- staircasing (note 11)	**-**	**-**	**(236)**	**-**	**(236)**
- other sales (note 11)	**(142)**	**-**	**-**	**-**	**(142)**
- replaced components	**(516)**	**-**	**-**	**-**	**(516)**
At 31 March 2022	**120,998**	**-**	**4,907**	**-**	**125,905**
Provision for impairment:					
At 1 April 2021	**405**	**-**	**-**	**-**	**405**
Charge for the year (note 5 and 7)	**10**	**-**	**-**	**-**	**10**
Release in the year (note 5 and 7)	**(38)**	**-**	**-**	**-**	**(38)**
At 31 March 2022	**377**	**-**	**-**	**-**	**377**
Net book value:					
At 31 March 2022	**545,234**	**58,661**	**66,470**	**15,043**	**685,408**
At 31 March 2021	*517,728*	*47,029*	*56,945*	*22,402*	*644,104*

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

	2022 **£000**	*2021* *£000*
The net book value of housing and other properties comprises:		
Freehold	**389,170**	*615,922*
Long leasehold	**295,147**	*28,182*
Total	**684,317**	*644,104*
Interest capitalisation:		
Interest capitalised in the year (note 11)	**1,644**	*1,811*
Cumulative interest capitalised	**18,643**	*16,999*
Rate used for capitalisation	**3.7%**	*3.8%*
Works to properties:		
Improvements to existing properties capitalised	**3,835**	*2,403*
Major repairs expenditure to statement of comprehensive income (note 5)	**1,496**	*1,007*
	5,331	*3,410*
Total social housing grant received or receivable to date as follows:		
Capital grant held in deferred income (note 20)	**199,628**	*198,097*
Recycled capital grant fund (note 21)	**4,682**	*4,108*
Amortised to statement of comprehensive income in year (note 5)	**2,395**	*2,372*
Write back amortisation on disposals (note 20)	**(154)**	*(160)*
Cumulative amortisation to income and expenditure reserve	**29,493**	*27,252*

Properties held for security
The Association had 9,288 properties pledged as security at 31 March 2022 with a net book value of £484.9m (2021: 8,509 properties, £452.2m). The Association had 916 completed assets that have not been charged, with a net book value of £126.8m (2021: 964 assets, NBV £122.2m). There are some properties that are not suitable for security charging.

13. c) Impairment

A full impairment review was carried out at 31 March 2016 and no material impairment was identified. At 31 March 2022 we considered whether any specific indicators of impairment at scheme or property level exist and identified:

During the current year, the Association has recognised an impairment loss of £10k (2021: £246k) in respect of properties held for lettings. In addition, £38k impairment was reversed during the year (2021: £100k).

The schemes impaired are as follows:

Scheme	Charge/ (Reversal) £'000	No. of units affected	Carrying value prior to Impairment
General Needs scheme 1	(38)	33	3,075
Active Development scheme 6	10	2	538
Total	**(28)**	**35**	**3,613**

The breakdown of the brought forward impairment balance is as follows:

Scheme	Brought forward £'000	Reason for Impairment
General Needs scheme 1	405	NBV exceeded recoverable amount
Total	**405**	

14. Other tangible fixed assets

	Freehold office £000	Furniture and office equipment £000	Total £000
Cost or valuation			
At 1 April 2021	440	2,390	2,830
Additions	-	172	172
Disposals	-	(26)	(26)
At 31 March 2022	440	2,536	2,976
Depreciation			
At 1 April 2021	410	1,656	2,066
Charge for the year	2	103	105
Disposals	-	(15)	(15)
At 31 March 2022	412	1,744	2,156
Net book value			
At 31 March 2022	28	792	820
At 31 March 2021	30	734	764

15. Properties held for sale

	2022 £000	2021 £000
Housing properties for sale:		
Work in progress	**8,678**	*5,716*
Completed properties	**381**	*416*
Other properties for sale	**194**	*41*
	9,253	*6,173*

16. Debtors

	2022 £000	2021 £000
Rent and service charge arrears	**3,900**	*3,639*
Less: Provision for doubtful debts	**(1,116)**	*(1,010)*
	2,784	*2,629*
Service costs to be charged in future periods	**483**	*248*
Amounts owed by Group undertakings	**266**	*572*
Other debtors	**229**	*73*
Social housing grants receivable	**23**	*3*
	3,785	*3,525*

17. Restricted cash

	2022 £000	2021 £000
Brought forward	**1,544**	*1,544*
Carried forward	**1,544**	*1,544*

Restricted cash of £1,544,000 (2021: £1,544,000) primarily represents cash which is held in escrow as part of the Association's financing arrangements.

18. Creditors: Amounts falling due within one year

	2022 £000	*As restated* *2021* *£000*
Housing loans external (note 22)	**13,244**	*13,001*
Issue costs external (note 22)	**(160)**	*(151)*
Housing loans internal (note 22)	**38**	*18*
Issue costs internal (note 22)	**(53)**	*(27)*
Trade creditors	**-**	*2*
Amounts owed to group undertakings	**14,465**	*4,850*
Other taxation and social security	**59**	*11*
Accruals and deferred income	**2,723**	*61*
Accrued interest	**687**	*658*
Retentions	**-**	*78*
Other creditors	**3,120**	*3,639*
Leaseholder sinking funds	**1,702**	*1,477*
Deferred capital grant fund (note 20)	**2,394**	*2,407*
Recycled capital grant fund (note 21)	**3,045**	*1,365*
Derivative financial instruments	**3,156**	*4,424*
	44,420	*31,813*

19. Creditors: Amounts falling due after more than one year

	2022 £000	*As restated* *2021* *£000*
Housing loans external (note 22)	**138,581**	*151,824*
Issue costs external (note 22)	**(311)**	*(619)*
Housing loans internal (note 22)	**218,317**	*174,901*
Issue costs internal (note 22	**(1,022)**	*(756)*
Deferred capital grant (note 20)	**197,234**	*195,690*
Recycled capital grant fund (note 21)	**1,637**	*2,743*
Derivative financial instruments	**19,006**	*28,841*
	573,442	*552,624*

20. Deferred capital grant

	2022 £000	2021 £000
At 1 April	**198,097**	*196,186*
Grants received during the year	**4,358**	*4,100*
Transfer to RCGF (note 21)	**(729)**	*(967)*
Transfer from RCGF (note 21)	**164**	*736*
Transfer from intercompany	**-**	*145*
Released to income in the year (note 5)	**(2,395)**	*(2,372)*
Write back amortisation on disposals (note 13b)	**154**	*160*
Other movements	**(21)**	*109*
At 31 March	**199,628**	*198,097*
Amounts due for repayments:		
-within one year (note 18)	**2,394**	*2,407*
-greater than one year (note 19)	**197,234**	*195,690*
	199,628	*198,097*

21. Recycled capital grant fund (RCGF)

Group	RSH 2022 £000	RSH 2021 £000
At 1 April	**4,108**	*3,872*
Grants recycled from deferred capital grants (note 20)	**729**	*967*
Interest accrued (note 11)	**9**	*5*
New build (note 20)	**(164)**	*(736)*
At 31 March	**4,682**	*4,108*
Amounts due for repayments:		
-within one year (note 18)	**3,045**	*1,365*
-within two to three years (note 19)	**1,637**	*2,743*
	4,682	*4,108*

22. Loans and borrowings - current year

Maturity of debt:	Bank loans 2022 £000	Bond finance 2022 £000	Bond on-lending 2022 £000	Other loans 2022 £000	Total 2022 £000
In one year or less, or on demand (note 18)	10,928	2,105	38	211	13,282
Issue costs <1 year (note 18)	(160)	-	(53)	-	(213)
Within one year	10,768	2,105	(15)	211	13,069
In more than one year but not more than two years	10,934	2,263	36	235	13,468
In more than two years but not more than five years	28,230	7,855	122	878	37,085
After five years	82,250	1,483	218,159	4,453	306,345
Issue costs (note 19)	(311)	-	(1,022)	-	(1,333)
Greater than one year (note 19)	121,103	11,601	217,295	5,566	355,565
Total loans	131,871	13,706	217,280	5,777	368,634

Bond lending includes £218.4m (2021: £174.9m) from Stonewater Funding Plc, a fellow group member.

The amount of drawn debt secured on property assets is £370.2m (2021: £339.7m).

22. Loans and borrowings - prior year

Maturity of debt:	Bank loans 2021 £000	Bond finance 2021 £000	Bond on-lending 2021 £000	Other loans 2021 £000	Total 2021 £000
In one year or less, or on demand	10,853	1,959	18	189	13,019
Issue costs <1 year	(151)	-	(27)	-	(178)
Within one year (note 19)	10,702	1,959	(9)	189	12,841
In more than one year but not more than two years	10,928	2,105	12	211	13,256
In more than two years but not more than five years	29,909	7,307	34	788	38,038
After five years	91,505	4,293	174,855	4,778	275,431
Issue costs	(619)	-	(756)	-	(1,375)
Greater than one year (note 20)	131,723	13,705	174,145	5,777	325,350
Total loans	142,425	15,664	174,136	5,966	338,191

23. Pension commitments

The Company operates a Defined benefit pension scheme.

Social Housing (SHPS) defined benefit scheme

The Association participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The Scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it was not possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive.

Similarly, actuarial valuations of the scheme were carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive, and as at 30 September 2020 to inform the liabilities for accounting year ends from 31 March 2021 to 28 February 2022 inclusive.

The liabilities are compared, at the relevant accounting date, with the company’s fair share of the Scheme’s total assets to calculate the company’s net deficit or surplus.

The trustees of SHPS have communicated that an ongoing benefits review has identified that certain historic changes to scheme member benefits require clarification on whether scheme rules have been followed. The main issue is linked to the application of inflation changes and TPT is seeking direction from a Court ruling as to the correct interpretation of scheme rules with a ruling not currently expected before late 2024. An indicative assessment from TPT is that the impact on scheme liabilities could be an increase of approximately 3.9%. No provision has been made within the pension liability for this amount.

23. Pension commitments (continued)

Reconciliation of present value of plan liabilities:

	2022 £000	2021 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	**71,319**	*58,342*
Expenses	**40**	*40*
Interest cost	**1,531**	*1,368*
Actuarial gains/(losses) due to scheme experience	**3,404**	*(1,502)*
Actuarial (losses)/gains due to changes in demographic assumptions	**(1,108)**	*266*
Actuarial (losses)/gains due to changes in financial assumptions	**(5,229)**	*14,464*
Benefits paid and expenses	**(1,482)**	*(1,659)*
At the end of the year	**68,475**	*71,319*

Reconciliation of present value of plan assets:

	2022 £000	2021 £000
At the beginning of the year	**57,665**	*51,950*
Interest income on plan assets	**1,254**	*1,237*
Experience on plan assets (excluding amounts included in interest income) – gain	**369**	*4,391*
Contributions by employer	**1,781**	*1,746*
Benefits paid plus expenses	**(1,482)**	*(1,659)*
At the end of the year	**59,587**	*57,665*

23. Pension commitments (continued)

Composition of plan assets:

	2022 £000	2021 £000
Equities	**11,435**	*9,190*
Debt	**4,651**	*5,088*
Liability driven investment	**16,627**	*14,655*
Cash	**165**	*351*
Property	**3,142**	*2,328*
Other bonds	**3,975**	*3,407*
Infrastructure	**4,245**	*3,845*
Alternatives	**15,347**	*18,801*
Total plan assets	**59,587**	*57,665*

	2022 £000	2021 £000
Fair value of plan assets	**59,587**	*57,665*
Present value of plan liabilities	**(68,475)**	*(71,319)*
Net pension scheme liability	**(8,888)**	*(13,654)*

The amounts recognised in statement of comprehensive income are as follows:

	2022 £000	2021 £000
Administration expenses	**40**	*40*
Net interest costs (note 11)	**277**	*131*

23. Pension commitments (continued)

Analysis of actuarial loss recognised in the statement of comprehensive income

	2022 £000	2021 £000
Experience on plan assets (excluding amounts included in interest income) – gain	**369**	*4,391*
Actuarial gains and (losses)	**(3,404)**	*1,502*
Change in financial assumptions – gain (loss)	**5,229**	*(14,464)*
Change in demographic assumptions – gain (loss)	**1,108**	*(266)*
Total amount recognised in Other Comprehensive Income - gain (loss)	**3,302**	*(8,837)*

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2022 was £1,922,000 (2021: £5,628,000).

Principal actuarial assumptions at the Statement of financial position date

	2022 %	2021 %
Discount rate	**2.79**	*2.17*
Future salary increases	**4.19**	*3.86*
Future pension increases	**3.22**	*2.9*
Inflation assumption - RPI	**3.57**	*3.28*
Inflation assumption - CPI	**3.19**	*2.86*
Mortality rates		
- for a male aged 65 now	**21.1**	*21.6*
- at 65 for a male aged 45 now	**22.4**	*22.9*
- for a female aged 65 now	**23.7**	*23.5*
- at 65 for a female member aged 45 now	**25.2**	*25.1*

24. Capital commitments

	2022 £000	*2021 £000*
Commitments contracted but not provided for construction	**250,277**	*267,933*
Commitments approved by the Board but not contracted for construction	**8,974**	*78,407*
	259,251	*346,340*

Capital commitments will be funded from £40.7m SHG, with the remainder funded from property sales £53.6m and external borrowing/surplus £165m.

25. Financial Instruments

	Note	Group 2022 £000	Group *2021 £000*
Derivative Financial Instruments designated as cashflow hedges due within one year	18	**2,332**	*3,376*
Other Derivative Financial Instruments due within one year	18	**824**	*900*
Derivative financial instruments designated as cash flow hedges	19	**12,984**	*21,199*
Other derivative financial instruments	19	**6,022**	*7,791*
Total		**22,162**	**33,266**

Derivative financial instruments are measured at fair value through the profit and loss based at each reporting date.

Hedge of variable interest rate risk arising from bank loan liabilities

To hedge the volatility of floating interest rates that it is charged on bank loans, the Association has entered into standalone derivatives with a notional amount of £103.8m. All the derivatives are interest rate swaps with the majority swapping floating rates of interest to fixed rates of interest. For accounting, where possible the Association designates a hedging relationship between the derivative and the bank loan (the hedged item). Swaps with a notional of £77.3m have been designated as cash flow hedges. Over the next 7 years swaps with a notional of £41.8m which are designated as cash flow hedges will mature.

There was a £9.2m reduction in the fair value of hedging value of hedging instruments recognised in other comprehensive income, comprising £3.3m recycled from the cashflow hedge reserve, and £5.9m being the year end revaluation of hedging financial instruments.

£(30)k of ineffectiveness for hedging financial instruments has been recognised in statement of comprehensive income.

The derivatives which are not designated for accounting purposes as cash flow hedges still reduce the volatility of Stonewater's floating interest rate exposure. There are four such swaps which mature in 2023, 2027, 2031 and 2033.

Overall the Association pays 3.9% (2021: 4.1%) fixed and receives SONIA (though cash flows are settled on a net basis) on its standalone swap portfolio.

After taking into account the derivatives, the Association pays an average interest rate on its borrowings of 3.7% (2021: 4.0% per annum).

26. Share Capital

	2022 **£000**	*2021* *£000*
At 1 April	**12**	*12*
Shares issued in the year	**1**	*3*
Shares cancelled in the year	**(1)**	*(3)*
At 31 March	**12**	*12*

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

27. Related party disclosures

Intra group transactions

The Association transacted with a non-regulated entity: Stonewater Developments Limited, a company that provides development services to the Association.
The charge for the design and build services was £34,219k plus 2.5% admin charge of £855k a total recharge of £35,074k.

In the prior year the Association transacted with a non-regulated entity: Stonewater Procurement Limited, a company that provided design and build services to the Association. The charge for the design and build services in 2021 was £13,889k plus 2.5% admin charge of £347k, a total recharge of £14,236k.

The Association transacted with a non-regulated entity: Stonewater Developments Limited, a company that provides development services to the Association. The charge for the services was £2,892k (2021: £6,053k) plus 2.5% admin charge of £72k (2021: £151k), a total charge of £2,964k (2021: £6,204k).

The Association transacted with a non-regulated entity: Stonewater Funding PLC whose principal activity is to act as the capital markets issuance vehicle for the group. The management fee charged by Stonewater Funding PLC was £121k (2021: £53k).

Intra group liabilities

The Association has a loan in place with Stonewater Funding PLC. At 31 March 2022 the outstanding amount was £217.3 million (2021: £174.1 million).

	2022 **£000**	*2021* *£000*
Loan balance after issue costs (note 22)	**217,280**	*174,136*
Interest charged - Note 11	**6,556**	*4,781*

In July 2021, Stonewater established a £1.0bn Euro Medium Term Note (EMTN) programme. In September 2021, Stonewater issued a £250m sustainability bond from this programme. The bond was issued by Stonewater Funding PLC and matures in September 2036. Proceeds from the £250m bond were onlent to Stonewater Limited, Stonewater(2) Limited and Stonewater(5) Limited on 10 September 2021. Stonewater(2) Limited received £30m of the £250m.

In September 2021, £28m of the 3.375% Bonds maturing November 2045, which had been sold on a deferred basis, settled with Stonewater Funding PLC. Proceeds from the £28m bond were onlent to Stonewater Limited and Stonewater (2) Limited on 22 November 2021. Stonewater(2) Limited received £13m of the £28m.

For both issues above, the on lending is secured by fixed charges over the housing properties of the ultimate borrower. Cross guarantees by cover any shortfall in the security and any unpaid interest and fees in respect of the onlent funds. At 31 March 2022 the potential shortfall covered by the guarantees was nil as the valuation of the housing properties pledged by Stonewater Limited, Stonewater (2) Limited and Stonewater (5) exceeded the amount required.

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

A copy of the consolidated financial statements can be obtained from the parent company's registered office which is shown on the Company Information page.