

Company Registration Number: 06927929

**Sovereign Advances Limited
Annual Report and Financial Statements
For the year ended 31 March 2021**



Directors

Gordon Holdcroft	Resigned 31 st July 2020
Graeme Gilbert	
Mark Washer	
Heather Bowman	Resigned 26 th October 2020
Tracey Barnes	

Company Secretary

Claire McKenna	Resigned 3 rd December 2020
Charlotte Ferris	Appointed 3 rd December 2020

Registered Office

Sovereign House
Basing View
Basingstoke
Hampshire
RG21 4FA

Auditor

KPMG LLP
Gateway House
Tollgate
Chandlers Ford
SO53 3TG

Principal Solicitor

Trowers & Hamlins LLP
3 Bunhill Row
London
EC1Y 8YZ

Principal Banker

National Westminster Bank plc
Abbey Gardens
4 Abbey Street
Reading
RG1 3BA

Directors' Report

The board of directors (the "Board") is pleased to present the report and audited financial statements for the year ended 31 March 2021. This report gives an overview of the financial affairs of Sovereign Advances Limited (the "Company") during the year ended 31 March 2021.

The Directors are listed on page 1. None of the Directors held, at any time during the year, any beneficial interest in the shares of the Company.

Principal Activities

The principal activity of the Company is to receive bond issue proceeds from Sovereign Housing Capital plc on behalf of those registered providers within the Group comprising Sovereign Housing Association Limited (the "Parent Undertaking" or the "Association") and its subsidiaries (the "Group") that are registered borrowers within the Group's bond structure. It is the 'Group Borrower' within the bond funding structure. The Company generates a positive cash flow from this on-lending agreement.

The Company is a wholly owned subsidiary of the Parent Undertaking.

Performance During the Year

During the year, the Company continued to on-lend the proceeds of the Group bond issue received in 2009 to the Parent Undertaking. The Parent Undertaking is currently the only registered provider within the Group that is a formal party to the Group's bond funding structure.

Proposed Dividend

The directors do not recommend the payment of a dividend (2020: £nil).

Gift Aid

Gift aid of £nil is committed at the year end and will be paid prior to 31 December 2021 (2020: £nil).

Going Concern

The Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, being a period of 12 months after the date on which the report and financial statements are signed. There is no negative impact of Covid-19 on future revenues. For this reason, it continues to adopt the going concern basis in the financial statements.

Employees

The Company has no employees (2020: nil).

Political and Charitable Contributions

The Company made no donations for political or charitable purposes.

Annual General Meeting

Pursuant to the provisions of the Companies Act 2006, no Annual General Meeting is required for 2021.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Statement of Directors' Responsibilities for the Directors' Report and Financial Statements

The directors are responsible for preparing the Annual Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Disclosure of Information to Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- a) so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- b) each director has taken all the steps that they ought to have taken in their duty as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Internal Control Assurance Statement

The Directors have overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The Directors recognise that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable, but not absolute, assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial information and the safeguarding of the Company's assets and interests.

In meeting its responsibilities, the Directors have adopted a risk-based approach to internal controls which are embedded within the normal management and governance process.

In particular the Company has adopted the same rigorous authorisation and control procedures for commitments, expenditure, bank accounts and accounting transactions as that of the Parent Undertaking and is in the process of implementing an internal audit schedule to ensure these procedures are being complied with.

The Directors' Report was approved on 5 July 2021 and signed on its behalf by:

BY ORDER OF THE BOARD



Charlotte Ferris
Company Secretary

Independent Auditor's Report to the Members of Sovereign Advances Limited

Opinion

We have audited the financial statements of Sovereign Advances Limited ("the company") for the year ended 31 March 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
- we have not identified and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Board, the group audit and risk committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.

- Reading Board, group audit and risk committee, investment committee, remuneration committee, property services committee, treasury committee, resident and board committee and major projects committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Obtaining a copy of the Group's fraud register.

We communicated identified fraud risks to the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet external stakeholder expectations, we perform procedures to address the risk of management override of controls, in particular the risk that Company management may be in a position to make inappropriate accounting entries. On this audit there is not a fraud risk related to revenue recognition because the Company has no revenue.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation of the design and implementation of some of the Company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to based on risk criteria and comparing the identified entries to supporting documentation. These included unusual or unexpected account combinations with cash.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company 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 or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: GDPR, anti-bribery and money laundering recognising the nature of the Company's activities. 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. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Other information

The directors are responsible for the other information, which comprises the directors' report and the internal control assurance statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Independent Auditor's Report

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the directors' report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company'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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Dawson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House
Tollgate
Chandlers Ford
SO53 3TG

Statement of Comprehensive Income

For the Year Ended 31 March 2021

	Note	2021 £'000	2020 £'000
Operating expenses		(9)	(9)
Operating loss	3	(9)	(9)
Interest receivable and similar income	4	10,003	10,003
Interest payable and similar expenses	5	(9,994)	(9,994)
Results before taxation		-	-
Taxation	6	-	-
Result for the year		-	-

All the amounts above relate to continuing activities.

The notes on pages 12 to 18 form part of the financial statements.

Statement of Financial Position
As at 31 March 2021

	Note	2021 £'000	2020 £'000
Fixed Assets			
Investments	8	50	50
Current assets			
Debtors (<i>including £175,000k (2020: £175,000k) due after more than one year</i>)	9	175,000	175,495
Cash at bank and in hand	10	20	11
		<u>175,020</u>	<u>175,506</u>
Creditors: amounts falling due within one year	11	(57)	(543)
Net current assets		<u>174,963</u>	<u>174,963</u>
Creditors: amounts falling due after more than one year	12	(175,000)	(175,000)
Net assets		<u>13</u>	<u>13</u>
Capital and reserves			
Called up share capital	13	13	13
Profit and loss account		-	-
Equity shareholder's funds		<u>13</u>	<u>13</u>

The notes on pages 12 to 18 form part of the financial statements.

These financial statements were approved by the Board on 5 July 2021 and were signed on its behalf by:



.....
Tracey Barnes
Director

Statement of Changes in Equity**As at 31 March 2021**

	Share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 April 2019	13	-	13
Total comprehensive income for the year			
Profit for the year	-	-	-
Balance at 31 March 2020	13	-	13
Total comprehensive income for the year			
Profit for the year	-	-	-
Balance at 31 March 2021	13	-	13

The notes on pages 12 to 18 form part of the financial statements.

Notes**For the Year Ended 31 March 2021***(Forming part of the financial statements)***1. Legal Status**

Sovereign Advances Limited (the "Company") is a private limited company limited by shares and incorporated and domiciled in England and the United Kingdom.

2. Principal Accounting Policies

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102").

The Company's ultimate parent undertaking, Sovereign Housing Association Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Sovereign Housing Association are available to the public and may be obtained from the address given in note 15. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the Statement of Cash Flows and related notes, disclosures of transactions with key management personnel and related party transactions with wholly owned group entities. The Company does not prepare consolidated accounts as a parent undertaking.

The Directors have not made any judgements in application of these accounting policies that have significant effect on the financial statements with a significant risk of material adjustments in the next year.

The financial statements are presented in pounds sterling and rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

(a) Basis of accounting

The financial statements are prepared on the historical cost basis.

The directors, after reviewing the company's budgets for 2021/22 and the group's medium term financial position as detailed in the 30-year business plan, including changes arising from the Covid-19 pandemic, are of the opinion that, taking account of severe but plausible downsides, the company will have sufficient funds to meet its liabilities as they fall due for a period of 12 months from the date of approval of the financial statements. The directors therefore continue to adopt the going concern basis in preparing the annual financial statements.

(b) Interest Income and Expense

Interest is recognised on an accruals basis and included in the year to which it relates.

(c) Basic Financial Instruments

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents comprise cash balances.

(d) Taxation

Corporation tax is provided on the Company's taxable profits at the current rate.

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Profits are gift aided to the Parent Undertaking, a charitable organisation, to minimise the tax liability to the Company.

(e) Deferred Tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred at the balance sheet date, with the following exception:

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable surplus from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(f) Gift Aid Payment Presented Within the Statement of Changes in Equity

Gift Aid payment is only recognised in the statement of changes in equity at the year end, there is a deed of covenant prior to the year-end or a Companies Act s288 written resolution has been approved by the shareholder in the year to pay the taxable profit for the year to its parent by a certain payment date.

3. Operating Loss

	Note	2021 £'000	2020 £'000
Operating loss is stated after charging:			
Auditors' remuneration			
- in their capacity as auditor		3	4
		<u> </u>	<u> </u>

4. Interest Receivable and Similar Income

	2021 £'000	2020 £'000
Loans to other Group companies	10,003	10,003
	<u>10,003</u>	<u>10,003</u>

5. Interest Payable and Similar Expenses

	2021 £'000	2020 £'000
In respect of loans		
Loans from other Group companies	(9,994)	(9,994)
	<u>(9,994)</u>	<u>(9,994)</u>

6. Taxation

	2021 £'000	2020 £'000
Current tax on income for the period	-	-
	<u> </u>	<u> </u>
Total current tax	<u>-</u>	<u>-</u>

Reconciliation of effective tax rate:

Profit before taxation	<u>-</u>	<u>-</u>
Tax using the UK corporation tax rate of 19% (2020: 19%)	-	-
Effect of current year Gift Aid to be paid by 31 December (included in the statement of changes in equity)	-	-
	<u> </u>	<u> </u>
Total tax expense included in profit and loss	<u>-</u>	<u>-</u>

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020. In the Budget on 3 March 2021, it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge.

7. Staff Numbers and Costs

No emoluments were paid to the directors who served during the current or prior year. These costs were borne by Sovereign Housing Association Limited. Remuneration costs of £1k (2020: £1k) relating to these individuals were recharged in the year. The Directors are remunerated in the Parent Undertaking and their levels of remuneration are disclosed in those financial statements.

The Company has no employees (2020: nil). Work is performed on the Company's behalf by employees of the Parent Undertaking. An amount of £1k (2020: £1k) was charged for these services to the Company by the Parent Undertaking.

8. Fixed Assets – Investments

	2021 £'000	2020 £'000
Cost		
Shares in Group undertakings	50	50
	<u>50</u>	<u>50</u>

Investment in Group undertakings represents a 99% holding of the ordinary share capital of Sovereign Housing Capital plc. The registered office of Sovereign Housing Capital plc is Sovereign House, Basing View, Basingstoke, Hampshire RG21 4FA

9. Debtors

	2021 £'000	2020 £'000
Amount owed by Group undertakings	175,000	175,495
	<u>175,000</u>	<u>175,495</u>
Amounts falling due in more than one year	175,000	175,000
Amounts falling due within one year	-	495
	<u>175,000</u>	<u>175,495</u>

Amounts due from group undertakings falling due within one year are trading balances, repayable on demand and non-interest bearing.

Amounts due from group undertakings falling due in more than one year are repayable in line with the long-term creditor in note 12 and are interest bearing.

10. Cash at Bank and in Hand

	2021 £'000	2020 £'000
Cash at bank	20	11
	<u>20</u>	<u>11</u>

11. Creditors – Amounts falling due within one year

	2021 £'000	2020 £'000
Accruals	8	9
Amounts due to Group undertakings	49	534
	<u>57</u>	<u>543</u>

Amounts due to group undertakings are unpaid share capital and interest payable, repayable on demand and non-interest bearing.

12. Creditors – Amounts falling due after more than one year

	2021 £'000	2020 £'000
Housing loans	175,000	175,000
	<u>175,000</u>	<u>175,000</u>
Analysis of debt:		
Repayable other than by instalments in more than five years	<u>175,000</u>	<u>175,000</u>

12. Creditors – Amounts falling due after more than one year (continued)

The repayment profile of the Company's gross undiscounted liabilities including interest is as follows:

	On demand £'000	Less than 12 months £'000	1 to 5 years £'000	More than 5 years £'000	Total £'000
31 March 2021					
Amounts due to Sovereign Housing Capital plc		9,994	39,977	309,922	359,893
	-	9,994	39,977	309,922	359,893
31 March 2020					
Amounts due to Sovereign Housing Capital plc	-	9,994	39,977	319,917	369,888
	-	9,994	39,977	319,917	369,888

The Company has a total loan facility of £175m. This comprises a single fixed rate loan of £175m held with Sovereign Housing Capital plc. Interest is charged at a rate of 5.71%. Sovereign Housing Capital plc issued a bond of £175m which is on-lent to the Company. The bond issue is secured on property assets held within the Group.

13. Capital and Reserves

	2021 £'000	2020 £'000
Authorised 12,500 ordinary shares of £1 each	13	13
Issued and fully paid	13	13

Each share has equal voting rights.

The profit and loss account shows the accumulated gains and losses for the Company.

14. Related Party Transactions

As the Company is a wholly owned subsidiary of Sovereign Housing Association Limited, the Company has taken advantage of the exemption contained in FRS 102 Section 33 and has therefore not disclosed transactions or balances with other wholly owned subsidiaries which form part of the Group (or investees of the group qualifying as related parties).

There are no other related party transactions to be reported.

15. Parent Undertaking

The Company's ultimate Parent Undertaking is Sovereign Housing Association Limited, which is registered in England in the United Kingdom under the Co-operative and Community Benefit Societies Act 2014. The results of the Company are consolidated with those of the Association and its subsidiaries and the consolidated financial statements are contained in the financial statements for the Association which are available from the Association's registered office at Sovereign House, Basing View, Basingstoke, Hampshire RG21 4FA.

16. Estimates and Judgements

Discounted items

Assets and liabilities with cash flow implications of more than one year are initially recognised in the accounts at fair value which is arrived at by applying a discount rate that reflects the level of risk relevant to those items.

Judgement on the risk level and rate is informed by expert opinion and items with similar risk profile. Discounted items include long term debtor and financial instrument.

Debtors

Debtor balances are reviewed, and a provision applied if it is believed there is a risk to recoverability. Management do not believe there is such a risk arising from amounts due to the Company having analysed the Group position in relation to possible uncertainties arising from Covid-19.