

Company registration number 06133979

Circle Anglia Treasury Limited

Report of the Board and Financial Statements

Year ended 31 March 2013

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Circle Anglia Treasury Limited

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Circle Anglia Treasury Limited

Directors and Advisors

Directors	Mark Rogers Calum Mercer (resigned 06 September 2012) Andrew Doylend (resigned 31 July 2013) Sarah Trota Deborah Upton Rosemary Boot (appointed 22 August 2012)
Secretary	Deborah Upton
Registered office	Circle House 1-3 Highbury Station Road London N1 1SE www.circle.org.uk
Company registration number	06133979
Auditor	KPMG LLP Chartered Accountants 1 Forest Gate Brighton Road Crawley RH11 9PT

Circle Anglia Treasury Limited

Report of the Board of Directors

The directors present their report, together with the audited financial statements of Circle Anglia Treasury Limited ('the Company') for the year ended 31 March 2013. The Company is a member of Circle Housing Group.

Principal activity

The Company was incorporated on 1 March 2007 as a subsidiary company of Circle Anglia Limited, a Registered Provider. It commenced trading from 1 April 2007 and acts as the Group borrowing vehicle for the Circle Housing Group, entering into loan arrangements and hedging activities on behalf of the Group, on lending funds to Group members and making investments as directed by Group members.

All borrowings and hedging liabilities of CAT are guaranteed on a joint and several basis by the registered providers in the Group, namely, Circle 33 Housing Trust, Old Ford Housing Association, South Anglia Housing Association, Wherry Housing Association, Roddons Housing Association, Mole Valley Housing Association, Mercian Housing Association, Merton Priory Homes and Russet Homes (the 'Guarantors'). The guarantee liabilities are secured by fixed charges over properties owned by the Guarantors.

Business review

The profit and loss account shows a £13,531 profit for the year before taxation (2012: £108,670).

In March 2012, Circle Anglia Treasury Limited made an investment of £50 million in a 5.20% bond issued by Circle Anglia Social Housing Plc. The bond was issued at a discounted price of £99.66/£100. The value of the discount is being amortised through the profit and loss account over the duration of the investment. As at 28 March 2013, the market value of the investment was £57.2 million (2012: £50.0 million).

The Company benefits from the Centralised Treasury service with policies and procedures approved by the Board. These cover funding, banking relationships, interest rate exposures, cash management and the investment of surplus cash.

Financial risk management

Risk Management Objectives and Policies

The Circle Housing Group's Corporate Finance function is responsible for the treasury management activities and control of associated risks. Its activities are governed by the Treasury Risk Management Policy approved by the Management Board, which is responsible for treasury issues in all of the Circle Housing Group legal entities. The Corporate Finance function does not operate as a profit centre.

Interest Rate Risk / Hedging

The Company's current strategy is to mitigate the risk of breaching covenants due to movements in interest and inflation rates. The Company currently borrows funds on a fixed and variable rate basis from various lenders and then on-lends these funds to Circle 33 Housing Association, Old Ford Housing Association, Wherry Housing Association, South Anglia Housing Association, Roddons Housing Association, Mole Valley Housing Association, Mercian Housing Association, Merton Priory Homes and Russet Homes – on a similar interest rate basis. To mitigate interest rate risk, the Company undertakes various hedging activities and uses a combination of embedded and free-standing instruments to hedge against adverse movements in interest rates and inflation.

Circle Anglia Treasury Limited

Report of the Board of Directors (continued)

Financial risk management (continued)

Credit Risk

All of the Company's financing proceeds are immediately on-lent to the Guarantor Group. This credit risk is mitigated through a number of factors, including the housing asset security which stands behind the loans to the Guarantor Group, the overall creditworthiness of the members of the Guarantor Group, the guarantees which have been issued to the Company by the Guarantor Group, and the contractual protections in the loan agreements themselves.

It should be noted that the Circle Housing Group, which includes the Company, benefits from an Investment Grade credit rating from Moody's Investor Services.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Company has appropriate detailed health and safety policies and provides staff training and education on health and safety matters.

Equal opportunities

The Company has a policy of equal opportunities in all matters. The policy complies with all aspects of best practice.

Circle Anglia Treasury Limited

Board Statement on the effectiveness of the System of Internal Control

The Group Management Board acknowledges its ultimate responsibility for ensuring that the Group and its Partners has in place a system of controls that is appropriate to the various business environments in which it operates and for the review of the effectiveness of that system during the year. These internal controls are designed to identify and manage rather than eliminate risks which may prevent the Company from achieving its objectives.

The system is designed to give reasonable rather than absolute assurance with respect to

- the reliability of information used within the organisation or for publication,
- the maintenance of proper accounting and management records, and
- the safeguarding of assets against unauthorised use or disposition

The process followed to identify, evaluate and manage significant risks faced by the Company is ongoing, has been in place during the past financial year and is reported regularly to the Group Management Board. The risk management and control processes are not a separate annual exercise but are a continuous function and embedded across the Group by documenting and collating evidence to support good practice and compliance.

Internal assurance activities

Staff and line managers review their own risks with support from the Risk and Resilience Team. This is designed to promote accountability by all staff and not to rely upon functions such as Risk management to monitor potential risks. The system is supportive and designed to instil a greater understanding of risk and assurance to all employees. A range of assurance activities take place across the business and members of the Executive Director Board and Managing Directors make a statement to evidence that this has happened.

Internal audits

Circle Housing Group's internal auditors are used to ensure a robust risk management approach is applied across the Group in order to reduce the risks to an acceptable level for the Board. It is important to stress that internal audit are not responsible for the design and construction of control systems but undertake an objective role in order to review them appropriately at a later date. The in house internal auditor undertakes this responsibility on behalf of Circle Housing Group and is supported by Grant Thornton, an external resource. This ensures an objective review, audit and follow up process. Value has been added to the internal audit function due to continued support and presence of the in house internal auditor. Audit activities have clear risk based terms of reference which are regularly reviewed and updated with relevant business and regulatory requirements.

External audit assurance

Circle's objectives and strategies as well as the related business risks are made clear to external auditors so they can gain an understanding of the overall structure and governance of the Company.

Risk Management and Governance

Risk management activities highlight and mitigate undesirable events from occurring. Clear lines of responsibility are established throughout the Group for coordinating risk management activities and reporting on key risks identified and considered by the board. Risk is managed at strategic, operational and project levels.

Circle Anglia Treasury Limited

Board Statement on the effectiveness of the System of Internal Control (continued)

Conclusion

The Board acknowledges that their responsibility applies to the complete range of risks and controls within the Company's activities and to ensuring that necessary remedial action is put into operation

On behalf of the Group Management Board, the Group Audit and Risk Committee has reviewed the annual reports of the Group Chief Executive and those of the Internal Audit and Risk Management functions

The Committee has considered the effectiveness of the system of internal control in existence in the Company for the year ended 31 March 2013 and up to the date of the signing of the financial statements. No weaknesses were found in internal controls which resulted in material losses, contingencies, or uncertainties which require disclosure

Circle Anglia Treasury Limited

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing 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)

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 judgments 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

The directors who held office at the date of approval of this Director's Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor

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

By order of the Board



D Upton
Secretary

Date 17/9/2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIRCLE ANGLIA TREASURY LIMITED

We have audited the financial statements of Circle Anglia Treasury Limited for the year ended 31 March 2013 set out on pages 10 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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



Harry Mears (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Forest Gate
Brighton Road
Crawley
RH11 9PT

Date

24 September 2013

Circle Anglia Treasury Limited

**Profit and loss account
for the year ended 31 March 2013**

	Note	2013 £000	2012 £000
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
Administration costs		-	-
Operating profit		-	-
Interest receivable	6	84,008	72,429
Interest payable and other finance costs	7	(83,716)	(72,320)
Gift aid		(278)	-
Profit before taxation		14	109
Tax on profit on ordinary activities	8	(3)	(29)
Profit for the year	17	11	80

The results included in the profit and loss account relate wholly to continuing activities

There were no recognised gains or losses other than the profit for the year, consequently a statement of total recognised gains and losses has not been prepared

Circle Anglia Treasury Limited

Balance sheet as at 31 March 2013

Company registration number 06133979

	Note	2013 £000	2012 £000
Current assets			
Cash at bank and in hand	9	4,440	13,640
Investments	10	71,046	71,157
Debtors	11	1,762,257	1,739,234
		1,837,743	1,824,031
Creditors: Amounts falling due within one year	12	(34,644)	(34,153)
Total assets less current liabilities		1,803,099	1,789,878
Creditors: amounts falling due after one year	13	(1,802,990)	(1,789,780)
Net assets		109	98
Share capital and reserves:			
Share capital	16	-	-
Profit and loss account	17	109	98
Equity shareholder's funds	18	109	98

The financial statements were approved by the Board of Directors on 17/09/2013 and signed on its behalf by



Rosemary Boot
Director



Deborah Upton
Director

Circle Anglia Treasury Limited

Notes to the financial statements for the year ended 31 March 2013

1. Legal status

Circle Anglia Treasury Limited is a company limited by shares, incorporated under the Companies Act 2006

2. Accounting policies

At the date of these financial statements the Directors have carried out a detailed and comprehensive review of the business and its future prospects. In particular, they have considered the forecast future performance, anticipated cash flows and the available facilities contained in the banking arrangements. In the opinion of the Directors, the Company is expected to be able to continue trading within the current arrangements and consequently the financial statements are presented on the going concern basis.

A summary of the more important accounting policies, which have been consistently applied, are set out below -

(a) Basis of preparation

The financial statements are prepared under the historical cost convention, on an accruals basis.

(b) Cash flow statement

Under FRS 1 (revised 1996) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking and its cash flows appear in a consolidated cash flow statement in the financial statements of the ultimate parent company which are available to the public.

(c) Investments

Investments are held at cost less any provision for impairment.

(d) Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

(e) Deferred tax

Full provision is made for timing differences which have arisen at the balance sheet date where material. Amounts recognised in respect of deferred tax are discounted. As at 31 March 2013 discounted deferred tax assets / liabilities are not material and hence no provision is made in the financial statements.

(f) Finance costs

Loan origination fees in respect of the issue of new loan arrangements whose draw down is certain, are deferred and written off to the profit and loss account over the expected life of the loan. Loan origination fees in respect of the refinancing of existing debts or in respect of undrawn facilities whose draw down is uncertain, are deferred and written off to the profit and loss account over the expected life of the loan.

Circle Anglia Treasury Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

3. Profit and loss account

During the year, the Company recharged interest paid on loans to the Guarantor Group. Audit fees are paid by the Parent Company, Circle Anglia Limited.

4. Employees

All employees acting on behalf of the Company are employed by Circle Anglia Limited. All employment costs are carried by Circle Anglia Limited.

5. Board of Directors' remuneration

The Directors of Circle Anglia Treasury Limited are employed and remunerated by Circle Anglia Limited. Full accounting disclosures on Directors' remuneration are therefore included in the Circle Anglia Limited financial statements.

6. Interest receivable

	2013 £000	2012 £000
Interest receivable from the Funding Group (intercompany)	79,960	70,822
Interest from investments	4,048	1,607
	84,008	72,429

7. Interest payable and other finance costs

	2013 £000	2012 £000
Interest payable on bank loans	18,384	20,847
Interest payable to Circle Anglia Social Housing Plc	39,934	28,022
Loan arrangement fees amortised	1,075	1,119
Interest payable on hedging activities	24,323	22,332
	83,716	72,320

Circle Anglia Treasury Limited

**Notes to the financial statements
for the year ended 31 March 2013 (continued)**

8. Tax on profit on ordinary activities

	2013 £000	2012 £000
Analysis of charge in the year		
Current tax on income for the year	3	29
Deferred tax – origination of timing differences	-	-
Tax on profit on ordinary activities	3	29

The tax assessed for the year is equal to (2012 equal) the standard rate of corporation tax in the UK at 24% (2012 26%)

	2013 £000	2012 £000
Current year tax reconciliation		
Profit for the year before taxation	14	109
UK corporation tax rate of 24% (2012 26%)	3	29
Current tax charge for the year	3	29

9. Cash at bank and in hand

	2013 £000	2012 £000
Money Market deposits	3,750	12,950
Deposits – Collateral	690	690
	4,440	13,640

The collateral deposits represented a cash deposit that the hedging counterparty requires where the mark to market value of the outstanding derivatives exceeds the credit support threshold provided within the individual ISDA agreements and any other form of collateral in place

Circle Anglia Treasury Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

10. Investments

In November 2008, Circle Anglia Treasury Limited made an investment of £25 million in a 7.25% bond issued by Circle Anglia Social Housing Plc. During 2011, £19 million of this investment was sold. As at 28 March 2013 the market value of the remaining investment was £8.8 million (2012: £7.81 million).

In November 2010, Circle Anglia Treasury Limited made an investment of £12.22 million (with premium of £3.2 million in addition) in a 7.25% bond issued by Circle Anglia Social Housing Plc. As at 28 March 2013 the market value of this investment was £17.9 million (2012: £15.9 million).

The premium on the November 2010 investment is being amortised over the duration of the investment.

In March 2012, Circle Anglia Treasury Limited made an investment of £50 million in a 5.20% bond issued by Circle Anglia Social Housing Plc. The bond was issued at a discounted price of £99.66/£100. The value of the discount is being amortised through the profit and loss account over the duration of the investment. As at 28 March 2013, the market value of the investment was £57.2 million (2012: £50.0 million).

	2013 £000	2012 £000
CASH plc 12/11/2038 7.25% (semi annual coupon)	6,000	6,000
CASH plc 12/11/2038 7.25% (semi annual coupon)	12,220	12,220
Bond premium	2,990	3,107
CASH plc 02/03/2044 5.20% (semi annual coupon)	49,836	49,830
	71,046	71,157

11. Debtors

	2013 £000	2012 £000
Loans to Funding Group	1,740,768	1,716,197
Other debtors	3,680	4,651
Amounts due from Group undertakings	17,809	18,386
	1,762,257	1,739,234

12. Creditors: amounts falling due within one year

	2013 £000	2012 £000
Other creditors	29,055	30,595
Bank loans and borrowings (note 14)	3,249	861
Corporation tax	3	29
Amounts due to Group undertakings	2,337	2,668
	34,644	34,153

Circle Anglia Treasury Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

13. Creditors: amounts falling due after more than one year

	2013 £000	2012 £000
Bank loans and borrowings (note 14)	1,066,411	1,032,864
Loan from Circle Anglia Social Housing Plc	634,179	634,152
Bond premium loaned from Circle Anglia Social Housing Plc	26,914	27,967
Loans from Funding Group	75,486	94,797
	<u>1,802,990</u>	<u>1,789,780</u>

14. Debt analysis

	2013 £000	2012 £000
Housing and non housing loans advanced to fellow subsidiaries		
Due within one year		
Bank loans	3,680	1,280
Less loan arrangements fees	(431)	(419)
	<u>3,249</u>	<u>861</u>
Due after more than one year		
Bank loans	1,075,995	1,042,798
Less loan arrangement fees	(9,584)	(9,934)
	<u>1,066,411</u>	<u>1,032,864</u>
	<u>1,069,660</u>	<u>1,033,725</u>

	2013 £000	2012 £000
The gross amount of bank loans are repayable as follows		
Due within one year	3,680	1,280
Due within one to two years	3,680	3,680
Due within two to five years	14,665	13,697
Due after five years	1,057,650	1,025,421
	<u>1,079,675</u>	<u>1,044,078</u>

All of the above loans are drawn from total committed bank facilities of £1,624.0 million (2012 £1,624.0 million) provided by various banks and other institutions and are repayable at various dates through to 2046

Under the facilities all loans are secured by fixed charges over the completed housing properties of the participating Group members and a series of cross guarantees

Interest is payable at rates varying between 0.72% and 8.37%. The weighted average rate of interest chargeable was 3.64% (2012 4.56%)

Circle Anglia Treasury Limited

Notes to the financial statements for the year ended 31 March 2013 (continued)

15. Related party transactions

As 100% of the Company's voting rights are controlled within the Group headed by Circle Anglia Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties)

16. Equity share capital

	2013 No	2012 No
Authorised share capital		
Ordinary shares of £1 each	100	100
Issued share capital		
Ordinary shares of £1 each	100	100

17. Profit and loss account

	2013 £000	2012 £000
As at 1 April	98	18
Retained profit for the year	11	80
As at 31 March	109	98

18. Reconciliation of movement in shareholders' funds

	2013 £000	2012 £000
Profit for the financial year	11	80
Opening shareholders' funds	98	18
Closing shareholders' funds	109	98

19. Ultimate parent undertaking

The Company is a wholly owned subsidiary of Circle Anglia Limited, which is incorporated in the UK. The largest Group in which the results of the Company are consolidated is that headed by Circle Anglia Limited. No other Group financial statements include the results of the Company. The consolidated financial statements of the Group are available to the public and may be obtained from the Company's registered office at 1-3 Highbury Station Road, London, N1 1SE.