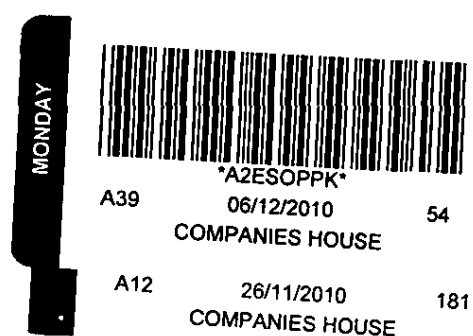


Company registration number 6133979

**Circle Anglia Treasury Limited**

**Report of the Board and Financial Statements**

**Year ended 31 March 2010**



## **Circle Anglia Treasury Limited**

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## **Circle Anglia Treasury Limited**

### **Directors and Advisors**

#### **Directors**

Mark Rogers  
Calum Mercer  
David Williams (Appointed 01-04-2009)  
Andy Doyle (Appointed 01-04-2009)  
Kai Boschmann (Appointed 01-04-2009, Resigned 31-03-2010)  
Sarah Trota (Appointed 01-04-2009)

#### **Secretary**

Angela Firman

#### **Registered office**

Circle Anglia House  
1-3 Highbury Station Road  
London  
N1 1SE

[www.circleanglia.org](http://www.circleanglia.org)

#### **Company registration number**

6133979

#### **Auditors**

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 2010

#### **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 Anglia Group, entering into loan arrangements on behalf of the Group and on lending funds to Group members.

#### **Business review**

The profit and loss account shows a £nil profit for the year (2009: £nil). 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.

#### **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.

**Report of the Board of Directors (continued)**

**Board of Management Statement on the effectiveness of the System of Internal Control**

The Board acknowledge its ultimate responsibility for ensuring that the Group and its Partners have 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 controls are designed to identify and manage rather than eliminate risks which may prevent the organisation from achieving its objectives.

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

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

The process followed to identify, evaluate and manage significant risks faced by the organisation is ongoing, has been in place during the past financial year and is reviewed regularly by the 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.

The Group Management Board has itself, and through the activities of the Group Audit Committee, reviewed the outcome of internal and external audit work, managers' control and risk self-assessments and the business assurance review which encompassed internal and external sources of assurance on key risks faced by the organisation. External sources include Tenant Services Authority reports, Audit Commission assessments and audits.

Key elements of the system of control include ensuring that

- (a) management reports on operational and financial matters and controls are routinely available to the Board. The Group has a well-established risk and control culture whereby operational and financial reports provide a major source of assurance when considering internal controls. Financial reporting has improved this year due to enhanced controls and checks within Accounts Payable and the Reconciliations teams. Management has more effective financial information.
- (b) risk management activities are used to highlight and mitigate undesirable events from occurring. By reviewing, assessing and managing the significant risks the Board ensures that implemented internal controls can achieve the long term business objectives. Risks have been documented with agreed priority ratings and with definition of related current controls and Board monitoring mechanisms. The implementation of improvements to controls identified by the risk mapping process is monitored by management and reported to the Group Audit Committee. 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.
- (c) assignment of responsibility for oversight of audit activities rests with the Group Audit Committee. Audit activities have clear terms of reference which are regularly reviewed and updated with business and regulatory requirements.

**Report of the Board of Directors (continued)**

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

- (d) control and risk self-assessments (CRSA) are undertaken by management. CRSA is a systematic approach designed to meet the needs of the Company which requires risks and controls to be identified and measured. Staff and line managers review their own risks with assistance from the Risk Management team and by building their own control assessment. 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 by all members of the team. In 2009/10 robust pandemic planning ensured that front line services would be maintained if the Group suffered disruption due to the swine flu virus.
- (e) 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. Grant Thornton and the in house internal auditor undertake this responsibility on behalf of Circle Anglia, which ensures an objective review and audit. Value has been added to the internal audit process due to continued support and presence of the in house internal auditor.
- (f) the Company'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.
- (g) internal financial control is mainstreamed into the processes of the Company. The principal financial internal controls are segregation of duties, the employment of qualified staff and advisors and operating sound and well documented budgetary controls. A number of financial controls have been reviewed and reinforced at both group and local level providing clear guidance and effective safeguards for staff.

At present forecasts and budgets are prepared which allow the Board and management to monitor the key business risks and financial objectives and progress towards financial plans set for the year and medium term.

- (h) quality management systems are in place. This will ensure that the final service we provide to our customers always meets or exceeds the performance standards. Popular forms of quality management are accreditations such as Investors in People (IiP), which the Group has achieved and Customer Excellence Service. The Group has also been awarded Gold at the RoSPA Health & Safety awards.
- (i) compliance with other quality schemes and standards are established. The Board can demonstrate intended levels of quality and standards through customer satisfaction reports. Service Level Agreements and work undertaken by the Business Leadership Group also provide strong examples of quality schemes in existence internally within the Group. The Group has undertaken a gap analysis against the new TSA standards which demonstrates that our system of internal control supports the new regulatory framework. Other codes of practice and national standards and achievements are adopted by the Group as appropriate to provide additional assurance to the Board.

## **Circle Anglia Treasury Limited**

### **Report of the Board of Directors (continued)**

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

- (j) the Board receives the reports on all areas of the Company's performance information (including key performance indicators) which is regularly reviewed. The TSA values benchmarking schemes, committees and evidence of a performance management culture which is both led and supported by senior managers
- (k) reports from regulatory and other external bodies are available to the Board
- (l) formal procedures have been established for implementing appropriate action to correct weaknesses identified. Action plans are followed through to deliver robust procedures. An example is the actions that were implemented following a quarterly business assurance exercise concerning controls over cash and near cash items
- (m) it is recognised that the Group does not tolerate fraud and action is taken to reduce the risk of fraud through control systems. Circle Anglia's fraud awareness culture has been enhanced in 2009/10 through mandatory e-Learning training and a Group wide training supplement detailing key responsibilities within our regulatory framework. This work has been heavily supported by the Executive Director Board to drive the message forward in a consistent manner and has been recognised externally by the Training Journal, a national publication
- (n) all significant new initiatives, major commitment and investment projects are subject to formal review and authorisation. A Group wide methodology is in place with training available for staff undertaking new projects. Governance in this area is robust and consistent with monthly meetings of the Project Governance and Investment Group. The appointment of Mears to work with AMS has improved performance levels, however there have been issues with sub contracting and costing which have not yet been resolved to our satisfaction

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 Board, the Group Audit Committee has reviewed the annual reports of the Group Chief Executive and those of the Internal Audit and Risk Management functions. The Committee has regularly reviewed the effectiveness of the system of internal control in existence in the Company for the year ended 31st March 2010 and until July 27th 2010 (date of the Group Management Board meeting at which the Group's statement and accounts are approved). No weaknesses were found in internal controls which resulted in material losses, contingencies, or uncertainties which require disclosure

## **Circle Anglia Treasury Limited**

### **Report of the Board of Directors (continued)**

#### **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.

#### **Disclosure of information to auditors**

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.

#### **Auditors**

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



A Firman  
Company Secretary



## **INDEPENDENT AUDITORS' 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 2010 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 auditors' 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 auditors**

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 APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

### **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 2010 and of its result 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.

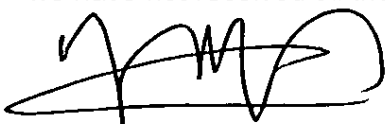
### **Opinion on other matter prescribed by the Companies Act 2006**

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 22 September 2010

**Circle Anglia Treasury Limited****Profit and loss account  
for the year ended 31 March 2010**

	Note	2010 £000	2009 £000
<b>Turnover</b>		-	-
<b>Cost of sales</b>		-	-
<b>Gross profit</b>		-	-
Administration costs		-	-
<b>Operating profit</b>		-	-
Interest receivable	6	57,443	60,774
Interest payable and other finance costs	7	(57,443)	(60,774)
<b>Result before taxation</b>		-	-
Tax on profit on ordinary activities	8	-	-
<b>Result for the year</b>		-	-

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

There were no recognised gains or losses other than the result 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 2010**

Company registration number 6133979

	Note	2010 £000	2009 £000
<b>Current assets</b>			
Cash at bank and in hand	9	6,080	24,725
Investments	10	25,000	25,000
Debtors	11	1,329,219	1,176,230
		<b>1,360,299</b>	<b>1,225,955</b>
<b>Creditors: Amounts falling due within one year</b>	12	<b>(21,975)</b>	<b>(7,088)</b>
<b>Total assets less current liabilities</b>		<b>1,338,324</b>	<b>1,218,867</b>
<b>Creditors: amounts falling due after one year</b>	13	<b>(1,338,324)</b>	<b>(1,218,867)</b>
<b>Net assets</b>		<b>-</b>	<b>-</b>
<b>Share capital and reserves:</b>			
Share capital	16	-	-
Profit and loss account		-	-
<b>Equity shareholder's funds</b>		<b>-</b>	<b>-</b>

The financial statements were approved by the Board of Directors on 6<sup>th</sup> August 2010 and signed on its behalf by



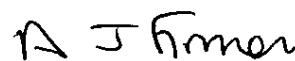
Director

Mark Rogers



Director

David Williams



Secretary

Angela Firman

## **Circle Anglia Treasury Limited**

### **Notes to the financial statements for the year ended 31 March 2010**

#### **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 accounts 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 2010 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 written off directly to the profit and loss account as they are incurred.

## **Circle Anglia Treasury Limited**

### **Notes to the financial statements for the year ended 31 March 2010 (continued)**

#### **3. Profit and loss account**

During the year, the Company recharged interest paid on loans to the Funding Group. Consequently, during this period, the Company made neither a profit nor a loss. 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**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Interest received from the Funding Group (intercompany)	<b>55,392</b>	57,509
Interest from hedging activities	-	2,007
Interest from investments	<b>2,051</b>	1,258
	<b>57,443</b>	60,774

#### **7. Interest payable and other finance costs**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Interest payable on bank loans	<b>17,238</b>	52,341
Interest payable to Circle Anglia Social Housing Plc	<b>19,938</b>	7,711
Loan arrangement fees amortised	<b>239</b>	722
Interest payable on hedging activities	<b>20,028</b>	-
	<b>57,443</b>	60,774

# Circle Anglia Treasury Limited

## Notes to the financial statements for the year ended 31 March 2010 (continued)

### 8. Tax on profit on ordinary activities

The tax assessed for the year is equal to the standard rate of corporation tax in the UK at 28% (2009 28%)

	2010 £000	2009 £000
<b>Analysis of charge in the year</b>		
Current tax on income for the year	-	-
Deferred tax – origination of timing differences	-	-
<b>Tax on profit on ordinary activities</b>	-	-
	2010 £000	2009 £000
<b>Current year tax reconciliation</b>		
Profit for the year before taxation	-	-
UK corporation tax rate of 28% (2009 28%)	-	-
<b>Current tax charge for the year</b>	-	-

### 9. Cash at bank and in hand

	2010 £000	2009 £000
Money Market deposits	4,680	21,900
Money Market deposits – Collateral	1,400	2,825
	<b>6,080</b>	<b>24,725</b>

The collateral deposits represent a cash deposit that the hedging counterparty requires where the mark to market value of the hedging exceeds the credit support threshold provided within the individual ISDA agreements

### 10. Investments

An investment of £25 million was made in a 7 25% bond issued by Circle Anglia Social Housing Plc (2009 £25 million) As at 31 March 2010 the market value of this investment was £29.9 Million (2009 £27.03 million)

**Circle Anglia Treasury Limited****Notes to the financial statements  
for the year ended 31 March 2010 (continued)****11. Debtors**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Loans to Funding Group	<b>1,314,910</b>	1,176,209
Other debtors	<b>3,226</b>	9
Amounts due from Group undertakings	<b>11,083</b>	12
	<b><u>1,329,219</u></b>	<b><u>1,176,230</u></b>

**12. Creditors: amounts falling due within one year**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Other creditors	<b>21,274</b>	7,067
Amounts due to Group undertakings	<b>701</b>	21
	<b><u>21,975</u></b>	<b><u>7,088</u></b>

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

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Bank loans and borrowings (note 14)	<b>1,032,244</b>	941,042
Loan from Circle Anglia Social Housing Plc	<b>275,000</b>	275,000
Loans from Funding Group	<b>31,080</b>	2,825
	<b><u>1,338,324</u></b>	<b><u>1,218,867</u></b>



# Circle Anglia Treasury Limited

## Notes to the financial statements for the year ended 31 March 2010 (continued)

### 14. Debt analysis

	2010 £000	2009 £000
Housing and non housing loans advanced to fellow subsidiaries		
Due within one year		
Bank loans	-	-
Less loan arrangements fees	-	-
	-	-
Due after more than one year		
Bank loans	1,039,910	948,109
Less loan arrangement fees	(7,666)	(7,067)
	<u>1,032,244</u>	<u>941,042</u>
	2010 £000	2009 £000
The gross amount of bank loans are repayable as follows		
Due within one year	-	-
Due within one to two years	-	-
Due within two to five years	7,840	3,200
Due after five years	1,032,070	944,909
	<u>1,039,910</u>	<u>948,109</u>

All of the above loans are drawn from total committed bank facilities of £1,408 million (2009 £1,320.0 million) provided by various banks and other institutions and are repayable at various dates through to 2042

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

The weighted average rate of interest chargeable on bank loans was 3.08% (2009 3.85%)

### 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)

**Circle Anglia Treasury Limited****Notes to the financial statements  
for the year ended 31 March 2010 (continued)****16. Equity share capital**

	<b>2010 No</b>	<b>2009 No</b>
<b>Authorised share capital</b>		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Issued share capital</b>		
Ordinary shares of £1 each	<u>1</u>	<u>1</u>

**17. 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.