

Company registration number 06133979

Circle Anglia Treasury Limited

Report of the Board and Financial Statements

Year ended 31 March 2014



Circle Anglia Treasury Limited

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Circle Anglia Treasury Limited

Directors and Advisors

Directors	Mark Rogers Calum Mercer Andrew Doylend Sarah Trota Deborah Upton Rosemary Boot Robert Kerse Sasha Harrison Michael Ward Francesco Elia	(resigned 06 September 2012) (resigned 31 July 2013) (resigned 08 October 2013) (appointed 08 October 2013) (appointed 08 October 2013) (appointed 08 October 2013) (appointed 08 October 2013; resigned 30 May 2014)
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Secretary	Deborah Upton
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Registered office	Circle House 1-3 Highbury Station Road London N1 1SE www.circle.org.uk
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Company registration number	06133979
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Auditor	KPMG LLP Chartered Accountants 1 Forest Gate Brighton Road Crawley RH11 9PT
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Solicitors	Devonshires 30 Finsbury Circus London EC2M 7DT
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Bankers	National Westminster Bank plc Birmingham City Centre Branch 1 St Phillips Place Birmingham B3 2PP
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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 2014. 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 Circle Anglia Treasury Limited are guaranteed on a joint and several basis by the registered providers in the Group, namely, Circle Thirty Three 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 £15,955 profit for the year before taxation (2013: £13,531).

During the financial year, Circle Anglia Treasury Limited sold its remaining investment in the 7.25% bond issued by Circle Anglia Social Housing Plc. £2.426 million of this investment was sold on 25 November 2013 at a price of £142.97 generating a net profit of £1.042 million. £15.794 million of the investment was sold on 14 February 2014 at a price of £142.81 generating a net profit of £3.869 million. Gift aid payments have been made from the profit generated to Circle 33 Housing Trust, Mercian Housing Association and Circle Care and Support Limited.

As at 31 March 2014 the Group had over £900 million (2013: £800 million) in available property security and have ring-fenced a substantial proportion of this security, to protect the Group against possible falls in interest rates and property values, but still leaving significant financial capacity.

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 Trust, 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

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: 12 August 2014

Registered address:
Circle House
1-3 Highbury Station Road
London N1 1SE

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 2014 set out on pages 8 to 16. 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 5, 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 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 2014 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;
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime, take advantage of the small companies exemption in preparing the directors' report and take advantage of the small companies exemption from the requirement to prepare a strategic report.



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:

8 September 2014

Circle Anglia Treasury Limited

**Profit and loss account
for the year ended 31 March 2014**

	<i>Note</i>	2014 £000	2013 £000
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
Administration expenses		-	-
Operating profit		-	-
Interest receivable and other income	6	85,520	84,008
Interest payable and similar charges	7	(82,240)	(83,716)
Profit on sale of fixed asset investment		4,911	-
Gift aid		(8,175)	(278)
Profit on ordinary activities before taxation		16	14
Tax on profit on ordinary activities	8	(4)	(3)
Profit for the year	18	12	11

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.

The notes on pages 10 to 16 form part of these financial statements.

Circle Anglia Treasury Limited

Balance sheet as at 31 March 2014

Company registration number 06133979

	Note	2014 £000	2013 £000*
Current assets			
Cash at bank and in hand	9	18,099	4,440
Investments	10	49,841	71,046
Debtors due within one year	11	20,644	22,357
		<u>88,584</u>	<u>97,843</u>
Creditors: amounts falling due within one year	12	<u>(20,537)</u>	<u>(22,292)</u>
Net current assets		68,047	75,551
Debtors: amounts falling due after more than one year		1,745,480	1,727,548
Creditors: amounts falling due after more than one year	13	<u>(1,813,406)</u>	<u>(1,802,990)</u>
Net assets		<u>121</u>	<u>109</u>
Share capital and reserves			
Share capital	17	-	-
Profit and loss account	18	<u>121</u>	<u>109</u>
Equity shareholder's funds	19	<u>121</u>	<u>109</u>

* 2013 has been reanalysed in line with the loan agreements to present the element of intercompany on-lending between Circle Anglia Treasury Ltd and the Guarantor Group due after one year.

The financial statements were approved by the Board of Directors on 12 August 2014 and signed on its behalf by:



Mark Rogers
Director



Robert Kerse
Director

Circle Anglia Treasury Limited

Notes to the financial statements for the year ended 31 March 2014

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 2014 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 2014 (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

	2014	2013
	£000	£000
Interest receivable from the Funding Group (intercompany)	82,037	79,960
Interest from investments	3,483	4,048
	<u>85,520</u>	<u>84,008</u>

7. Interest payable and other finance costs

	2014	2013
	£000	£000
Interest payable on bank loans	17,743	18,384
Interest payable to Circle Anglia Social Housing Plc	39,858	39,934
Loan arrangement fees amortised	1,100	1,075
Interest payable on hedging activities	23,539	24,323
	<u>82,240</u>	<u>83,716</u>

Circle Anglia Treasury Limited

**Notes to the financial statements
for the year ended 31 March 2014 (continued)**

8. Tax on profit on ordinary activities

Factors affecting the current tax charge for the year

The current tax charge for the year is equal (2013: equal) to the standard rate of corporation tax in the UK – 23% (2013: 24%). Any differences are explained below.

	2014	2013
	£000	£000
Analysis of charge / (credit) in the year		
UK corporation tax at 23% (2013: 24%)	4	3
Tax charge / (credit)	4	3
	2014	2013
	£000	£000
Current year tax reconciliation		
Profit on ordinary activities before taxation	16	14
UK corporation tax at 23% (2013: 24%)	4	3
Current tax charge for the year	4	3

9. Cash at bank and in hand

	2014	2013
	£000	£000
Money Market deposits	17,409	3,750
Deposits - Collateral	690	690
	18,099	4,440

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 2014 (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 of which £19 million was sold during 2011. In November 2010, Circle Anglia Treasury Limited made an investment of £12.22 million (with additional premium of £3.2 million) in a 7.25% bond issued by Circle Anglia Social Housing Plc.

On 25 November 2013, Circle Anglia Treasury Limited sold £2.426 million of its investment in the 7.25% bond issued by Circle Anglia Social Housing Plc at a price of £142.97 generating a net profit of £1.042 million. On 14 February 2014, Circle Anglia Treasury Limited sold its remaining holding of £15.794 million in the 7.25% bond at a price of £142.81 generating a net profit of £3.869 million.

Gift aid payments have been made from the profits generated on the bond sales, including a £2.893 million payment to Circle 33 Housing Trust. The gift aid payment to Circle 33 Housing Trust offset the premium on the November 2010 investment which has now been released through the Income and Expenditure account.

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 31 March 2014, the market value of the investment was £57.2 million (2013: £57.2 million).

	2014 £000	2013 £000*
CASH Plc: 12/11/2038 7.25% (semi annual coupon)	-	6,000
CASH Plc: 12/11/2038 7.25% (semi annual coupon)	-	12,220
CASH Plc: 03/03/2044 5.20% (semi annual coupon)	50,000	50,000
Bond premium / (discount)	(159)	2,826
	<u>49,841</u>	<u>71,046</u>

11. Debtors: Amounts falling due within one year

	2014 £000	2013 £000*
Loans to Funding Group	3,243	3,205
Amounts due from group undertakings	14,948	15,472
Other debtors	2,453	3,680
	<u>20,644</u>	<u>22,357</u>

12. Debtors: Amounts falling due after more than one year

	2014 £000	2013 £000*
Loans to Funding Group	1,745,480	1,727,548
	<u>1,745,480</u>	<u>1,727,548</u>

Circle Anglia Treasury Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

13. Creditors: amounts falling due within one year

	2014 £000	2013 £000*
Other creditors	17,285	19,040
Bank loans and borrowings (Note 14)	3,248	3,249
Corporation tax	4	3
	<u>20,537</u>	<u>22,292</u>

* The 2013 figures in notes 10, 11, 12 and 13 have been reanalysed in line with the loan agreements to present the element of intercompany on-lending between Circle Anglia Treasury Ltd and the Guarantor Group due after one year.

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

	2014 £000	2013 £000*
Bank loans and borrowings (Note 14)	1,086,450	1,066,411
Loans from Circle Anglia Social Housing Plc	635,000	635,000
Bond premium loaned from Circle Anglia Social Housing Plc	25,067	26,093
Loans from Funding Group	66,889	75,486
	<u>1,813,406</u>	<u>1,802,990</u>

* 2013 has been reanalysed for comparability as above

15. Debt analysis

	2014 £000	2013 £000
Housing and non-housing loans advanced to fellow subsidiaries		
Due within one year:		
Bank loans	3,680	3,680
Less: loan arrangement fees	(432)	(431)
	<u>3,248</u>	<u>3,249</u>
Due after more than one year:		
Bank loans	1,095,678	1,075,995
Less: loan arrangement fees	(9,228)	(9,584)
	<u>1,086,450</u>	<u>1,066,411</u>
	<u>1,089,698</u>	<u>1,069,660</u>

Circle Anglia Treasury Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

15. Debt analysis (continued)

	2014 £000	2013 £000
The gross amount of bank loans are repayable as follows:		
Due within one year:	3,680	3,680
Between one and two years	5,800	3,680
Between two and five years	22,786	14,665
After five years	1,067,092	1,057,650
	<u>1,099,358</u>	<u>1,079,675</u>

All of the above loans are drawn from total committed bank facilities of £1,620.0 million (2013: £1,624.0 million) provided by various banks and other institutions and are repayable at various dates through to 2046. 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 above debt does not include £635 million which represents the bond issue through Circle Anglia Social Housing Plc that was placed in November 2008, further tapped in November 2010 for an additional £110 million and a new bond placed in March 2012 for £250 million.

Interest is payable at rates varying between 0.73% and 8.36%. The weighted average rate of interest chargeable was 3.82% (2013: 3.64%).

16. 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).

17. Equity share capital

	2014 £	2013 £
Authorised share capital		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Issued share capital		
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

Circle Anglia Treasury Limited

Notes to the financial statements for the year ended 31 March 2014 (continued)

18. Profit and loss account

	2014	2013
	£000	£000
As at 1 April 2013	109	98
Retained profit for the financial year	12	11
As at 31 March 2014	121	109

19. Reconciliation of movement in shareholders' funds

	2014	2013
	£000	£000
Retained profit for the financial year	12	11
Opening shareholders' funds	109	98
	121	109

20. 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.