SANCTUARY TREASURY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

Company Number: 06805064

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Directors and advisors at date of approval of the Financial Statements

Directors
Luigi Belli
Ed Lunt
Craig Moule

Company secretary
Nicole Seymour

Registered office
Sanctuary House
Chamber Court
Castle Street
Worcester
WR1 3ZQ

Independent statutory auditor
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Internal auditor
PricewaterhouseCoopers LLP
One Chamberlain Square
Birmingham
B3 3AX

Banker
Barclays Bank PLC
Barclays Corporate
Social Housing Team
Level 27
1 Churchill Place
London
E14 5HP

Legal advisor
Gowling WLG (UK) LLP
Two Snowhill
Birmingham
B4 6WR

Registered Number
Company Number: 06805064

Strategic Report for the year ended 31 March 2023

Principal activities

The principal activity of Sanctuary Treasury Limited (the Company) is to act as an onward lender of bond monies, raised via the debt capital markets by its subsidiary Sanctuary Capital PLC, and loan monies, from other providers, to entities within the Sanctuary Group (the Group), of which the Company is a part.

Review of the business and future developments

The Directors are satisfied with the results for the year, a profit of £58,000 (2022: £52,000), and expect future performance to continue on the same basis.

As at 31 March 2023, Sanctuary Treasury Limited (the Company) had £1,973,328,000 (2022: £1,872,073,000) on-lent in loans to fellow Group subsidiaries.

Interest received from fellow Group subsidiaries is used to make interest payments on bonds issued by Sanctuary Capital PLC and loans from other providers. At the end of the life of the bonds and loans, the principal paid by the Group subsidiaries will repay the balances owed.

On 19 July 2022 the Company’s subsidiary, Sanctuary Capital PLC, issued a £150 million tap of its existing bond at a coupon of 2.375 per cent due 2050, demonstrating the confidence investors have in the Group and its long-term strategic aims. The proceeds will be on-lent by the Company to support the Group’s investment plans to enhance current stock, develop new affordable homes, and deliver services in line with the Group’s social purpose of providing housing and care to those in need.

Based on a detailed assessment of the cash flow forecasts of the Group, including the Company's borrowers, which have been updated to cover a period of at least 12 months from the date of approval of these financial statements and have been subjected to a number of plausible downside scenarios, the Directors are confident in the ability of the borrowers to continue to meet their obligations in line with existing agreements.

Key performance indicators

The Company has no specific key performance indicators. The Company is part of the Group and is therefore subject to Group financial management and monitoring of performance.

Strategic Report for the year ended 31 March 2023 continued

Financial risk management

The Company's operations expose it to a variety of financial risks that include the effects of interest rate risk, liquidity risk and credit risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of debt finance and related finance costs.

Interest rate risk
In order to ensure the stability of cash outflows and hence manage interest rate risk, the Company has a policy of matching interest payable on its borrowing to the interest rates receivable on its loan debtors. At 31 March 2023, 91.3% (2022: 92.9%) of the Company's debt was on fixed rate terms. There is no intention to repay any debt prior to maturity; therefore any movement in the market value of debt due to changes in interest rates is not deemed material to the ongoing operations of the Company.

Liquidity risk
The Company either invests or on-lends loans it has itself borrowed, thus the entity has assets to fully offset its liabilities and interest receivable to offset its interest payable.

Credit risk
Attached to the intercompany borrowings is a financial guarantee from Sanctuary Housing Association, Sanctuary Scotland Housing Association Limited and Sanctuary Affordable Housing Limited, who draw down monies from the Company, which is secured by first legal mortgages over property assets with a value in excess of total borrowings. All of these borrowers have signed up and agreed to the guarantee and security agreement with Sanctuary Capital PLC and other beneficial loan providers under the security trust structure.

Results and Gift Aid payments

The results of the Company for the year ended 31 March 2023 are set out on page 11. The Directors have approved a Gift Aid payment to the ultimate parent undertaking of £72,000 (2022: £64,000). The Directors do not recommend the payment of a dividend (2022: £nil).

By order of the Board.

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Craig Moule
Director

21 September 2023

Directors' Report for the year ended 31 March 2023

The Directors present their annual report and audited financial statements for the year ended 31 March 2023.

Incorporation

The Company was incorporated on 29 January 2009 under the Companies Act 2006 number 06805064.

The Company's parent undertaking is Sanctuary Housing Association and the Company forms part of the Sanctuary Group of entities (the Group).

Directors

The Directors of the Company who have served during the year and to the date the financial statements were signed were:

Luigi Belli
Ed Lunt
Craig Moule (Chairperson)

Company Secretary

Nicole Seymour

Going concern

The Directors confirm that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Company continues to adopt the going concern basis in its financial statements. Further details are given in note 1.

Directors' Report for the year ended 31 March 2023 continued

Statement of Directors' responsibilities in respect of the Strategic Report, Directors Report and the Financial Statements

The Directors are responsible for preparing the Strategic 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 101 Reduced Disclosure Framework.

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

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

- they have taken all the steps that they ought to have taken 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.

Independent statutory auditor

KPMG LLP has indicated its willingness to continue in office and a resolution concerning the appointment of the auditor will be proposed at the next Annual General Meeting.

By order of the Board.

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Craig Moule
Director

21 September 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANCTUARY TREASURY LIMITED

Opinion

We have audited the financial statements of Sanctuary Treasury Limited ("the Company") for the year ended 31 March 2023 which comprise the Profit and Loss account, the Balance Sheet and the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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

Identifying and responding to risks of material misstatement due to fraud

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 directors, internal audit and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANCTUARY TREASURY LIMITED CONTINUED

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

As required by auditing standards, and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company does not operate in an industry that would create an inherent revenue risk, the revenue transactions do not contain estimates, there is no history of significant or a high number of audit misstatements in relation to revenue and management is not incentivised on revenue directly.

We did not identify any additional fraud risks.

We performed procedures including:
- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

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 (as required by auditing standards) and discussed with the Directors 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, taxation legislation and pensions 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. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the committee 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.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANCTUARY TREASURY LIMITED CONTINUED

Strategic report and directors' report

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the Directors' report 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 Strategic Report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have 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 6, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANCTUARY TREASURY LIMITED CONTINUED

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.

Sarah Tannock-Kitchen (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
Date: 22 September 2023

Profit and Loss Account for the year ended 31 March 2023

	Notes	2023 £'000	2022 £'000
Turnover		72	64
Operating profit	2	**72**	**64**
Interest receivable and similar income	3	80,906	74,015
Interest payable and similar expenses	4	(80,906)	(74,015)
Profit before tax		**72**	**64**
Tax on profit	5	(14)	(12)
Profit for the financial year		**58**	**52**

There are no differences between the profit before tax and the profit for the years stated above and their historical cost equivalents.

The profit for the current and prior years relate wholly to continuing activities.

There are no recognised gains and losses other than those included in the Profit and Loss Account above, therefore no Other Comprehensive Income Statement has been presented.

The notes on pages 14 to 24 form part of these financial statements.

Balance Sheet as at 31 March 2023

	Notes	2023 £'000	2022 £'000
Fixed assets			
Investment in subsidiaries	6	50	50
Current assets			
Debtors: amounts falling due within one year	7	118,841	30,269
Debtors: amounts falling due after more than one year	7	1,875,220	1,860,316
Cash at bank and in hand		40,251	169
		2,034,312	**1,890,754**
Creditors: amounts falling due within one year	8	(118,675)	(30,002)
Net current assets		**1,915,637**	**1,860,752**
Total assets less current liabilities		**1,915,687**	**1,860,802**
Creditors: amounts falling due after more than one year	9	(1,915,687)	(1,860,802)
Net assets		**-**	**-**
Reserves			
Profit and loss account		-	-
Total shareholders' funds		**-**	**-**

The notes on pages 14 to 24 form part of these financial statements.

The financial statements were approved by the Board of Directors on 21 September 2023 and signed on its behalf by:

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Craig Moule
Director

Statement of Changes in Equity for the year ended 31 March 2023

	Profit and loss £'000	Total £'000
At 1 April 2021	-	-
Comprehensive income		
Profit for the financial year	52	52
Total comprehensive income	**52**	**52**
Transactions with owners		
Gift aid	(64)	(64)
Tax credit on gift aid	12	12
Total transactions with owners	**(52)**	**(52)**
At 31 March 2022	**-**	**-**
At 1 April 2022	-	-
Comprehensive income		
Profit for the financial year	58	58
Total comprehensive income	**58**	**58**
Transactions with owners		
Gift aid	(72)	(72)
Tax credit on gift aid	14	14
Total transactions with owners	**(58)**	**(58)**
At 31 March 2023	**-**	**-**

The notes on pages 14 to 24 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2023

1. Principal accounting policies

Sanctuary Treasury Limited is a company incorporated and domiciled in the UK.

The Company is classified as a financial institution.

Basis of accounting

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").*

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards (IFRS) but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, Sanctuary Housing Association includes the Company in its consolidated financial statements. The consolidated financial statements of Sanctuary Housing Association are prepared in accordance with UK-adopted international accounting standards (IFRS), are available to the public and may be obtained from Chamber Court, Castle Street, Worcester, WR1 3ZQ.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- disclosures in respect of transactions with wholly owned subsidiaries of the Group;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel; and
- disclosures of transactions with a management entity that provides key management personnel services to the Company.

As the Company is classified as a financial institution under FRS 101, it cannot claim the exemption for disclosures required by IFRS 13 *Fair Value Measurement* or for the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

In accordance with section 400 of the Companies Act 2006, consolidated accounts have not been prepared as the Company is a wholly owned subsidiary of Sanctuary Housing Association, a housing association incorporated in England, which prepares consolidated financial statements to include the results of the Company and its subsidiaries.

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

Going concern

The Company's principal activities, together with factors likely to affect its future performance, are set out on page 3.

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

Notes to the financial statements for the year ended 31 March 2023 continued

1. Principal accounting policies (continued)

Going concern (continued)

The Directors have prepared a going concern assessment, based on consideration of cash flow forecasts, for a period of at least 12 months from the date of approval of these financial statements (the going concern assessment period), taking account of a number of plausible downside scenarios. In forming their view the Directors have taken into consideration the borrowing structure (guarantee and security) in place with Sanctuary Housing Association, Sanctuary Scotland Housing Association Limited and Sanctuary Affordable Housing Limited.

Sanctuary Housing Association has provided a letter of support to the Board of its immediate subsidiaries Sanctuary Scotland Housing Association and Sanctuary Affordable Housing Limited to confirm that it intends, should the need arise, to provide financial and/or other support to these Associations, including, if required, not seeking repayment of amounts currently made available, for a period of at least 12 months from the date of these financial statements. Based on these considerations it has been concluded that the Company will have sufficient funds to meet its liabilities as they fall due for the period of assessment.

As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and have therefore prepared the financial statements on a going concern basis.

Investments

Investments in subsidiaries are recorded at cost, less any impairment for permanent diminutions in value.

Turnover

Where professional expenses are incurred by the Company, they are recharged proportionately to the relevant borrowing entities increased by an additional 5% reimbursement charge. This is included in turnover in the Profit and Loss Account.

Corporation tax

Tax on the profit or loss for the year comprises current 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 at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Gift Aid

Where Gift Aid payments are made to the Company's parent undertaking, Sanctuary Housing Association, these are treated as a distribution of reserves.

Notes to the financial statements for the year ended 31 March 2023 continued

1. Principal accounting policies (continued)

Premium and discount amortisation

Premiums and discounts will be amortised on an effective interest rate basis over the life of the bond to which they relate.

Financial Instruments

Classification and subsequent measurement

a) Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All of the Company’s financial assets are measured at amortised cost.

b) Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities not classified as FVPL are measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

All of the Company’s financial liabilities are measured at amortised cost.

Expected Credit Losses

Expected Credit Losses (ECLs) are a probability-weighted estimate of credit losses. ECL allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Assets measured at amortised cost are subject to a twelve-month ECL allowance. Twelve month probabilities of default (PD) are based on historical credit loss data supplied by the rating agency Moody’s. Due to the low credit risk and the significant reduction in the loss given default (LGD) from the security held in place for the Company’s assets no impairment allowance is recognised.

Notes to the financial statements for the year ended 31 March 2023 continued

2. Operating profit

All of the Directors receive salaries in their capacity as employees of the ultimate parent undertaking, Sanctuary Housing Association. Consequently, any expenses payable are also borne by the ultimate parent undertaking as they are incidental to their services provided to other Sanctuary Group companies. Expenses borne by the ultimate parent undertaking in respect of the Directors are negligible.

The Company has no employees (2022: none).

The statutory auditor remuneration attributable to the Company of £4,000 (2022: £4,000) is also borne by Sanctuary Housing Association and not recharged. There were no non-audit services in the year.

3. Interest receivable and similar income

	2023 £'000	2022 £'000
Bank interest	232	23
Intercompany interest receivable	81,249	74,990
Premium amortisation	(1,400)	(1,337)
Bond discount	825	339
	80,906	**74,015**

4. Interest payable and similar expenses

	2023 £'000	2022 £'000
Bank interest	24,876	20,909
Intercompany interest payable	56,605	54,104
Premium amortisation	(1,400)	(1,337)
Bond discount	825	339
	80,906	**74,015**

Notes to the financial statements for the year ended 31 March 2023 continued

5. Tax on profit

(a) Analysis of tax charge in year:

	2023 £'000	2022 £'000
Current tax:		
UK corporation tax on profits of the year	14	12

(b) Factors affecting the tax charge in year:

The tax charge for the year is the same as (2022: the same as) the standard rate of corporation tax in the UK of 19% (2022: 19%). See below:

	2023 £'000	2022 £'000
Profit before taxation	72	64
Profit multiplied by the main rate of corporation tax in the UK of 19% (2022: 19%)	14	12
	14	12

The Company has no unutilised tax losses carried forward.

Whilst the tax charge is £14,000 (2022: £12,000), due to the charitable allowance of gift aid the overall expectant tax charge payable to HMRC will be £nil (2022: £nil).

(c) Profit and loss account reserve

	2023 £'000	2022 £'000
At 1 April	-	-
Profit for the year	58	52
Gift aid paid in respect of current year	(72)	(64)
Current tax credit on gift aid paid	14	12
At 31 March	-	-

(d) Factors affecting future tax charge

The Finance Act 2021 was substantively enacted on 24 May 2021. Following enactment, the rate of corporation tax will remain at 19 per cent for 2022/2023 but will increase to a main rate of 25 per cent for profits over £250,000 from April 2023. Companies with profits below £50,000 will be subject to a small profits rate of 19 per cent, while profits between £50,000 and £250,000 will be subject to corporation tax at the main rate reduced by a marginal relief, providing a gradual increase in the effective corporation tax rate.

Notes to the financial statements for the year ended 31 March 2023 continued

6. Investments in subsidiaries

	£'000
As at 31 March 2023 and 2022	50

The Directors believe that the carrying value of the investment is supported by the underlying net assets.

The investment relates to the 100% share capital of Sanctuary Capital PLC.

Sanctuary Capital PLC is registered at Sanctuary House, Chamber Court, Castle Street, Worcester, WR1 3ZQ.

7. Debtors

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Amounts owed by Group undertakings - interest	20,257	17,880
Amounts owed by Group undertakings - loans	98,108	11,757
Accrued interest receivable	476	632
	118,841	**30,269**
Amounts falling due after more than one year:		
Amounts owed by Group undertakings - loans	**1,875,220**	**1,860,316**
Total debtors	**1,994,061**	**1,890,585**

Of the amounts disclosed as owed by Group undertakings £nil (2022: £nil) is trading in nature and non-interest bearing. Loans incur interest at rates between 1.79% and 7.34% (2022: between 1.46% and 7.34%).

8. Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Bank loans and overdraft	97,454	9,961
Amounts owed to Group undertakings - trading	-	356
Amounts owed to Group undertakings - borrowings	350	1,172
Amounts owed to Group undertakings – accrued interest	16,775	14,777
Accrued interest	4,096	3,736
	118,675	**30,002**

The interest rate of the Company's loans and borrowings is between 1.79% and 7.34% (2022: between 1.46% and 7.34%).

Amounts owed to Group undertakings which are deemed to be trading are repayable on demand and are non-interest bearing.

Notes to the financial statements for the year ended 31 March 2023 continued

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

	2023 £'000	2022 £'000
Senior notes and debenture stock	75,000	75,000
Bank loans and overdraft	506,149	558,296
Amounts owed to Group undertakings - borrowings	1,334,538	1,227,506
	1,915,687	**1,860,802**

The weighted average interest rate of the Company's loans and borrowings is 4.17% (2022: 3.91%).

The borrowings are due as follows:

	2023 £'000	2022 £'000
Due within one year	97,804	11,133
Due in more than one but less than two years	11,498	100,207
Due in more than two years but less than five years	102,320	74,924
Due in more than five years	1,801,869	1,685,671
	2,013,491	**1,871,935**

£1,988,009,000 (2022: £1,802,715,000) of the total balance is secured by a fixed charge over Group housing stock. Of the amounts disclosed as due in more than five years £155,979,000 (2022: £166,426,000) is payable by instalments and £1,645,890,000 (2022: £1,519,245,000) is non-instalment debt.

10. Financial instruments and risk management

Financial risk management objectives and policies

The Group's Treasury function is responsible for the management of funds and control of the associated risks. Other financial risks, for example arrears, are the responsibility of other teams within the Group's finance function. Treasury and finance activities are governed in accordance with the Board approved policy and the management of associated risks is reviewed and approved by the Group Audit and Risk Committee. There is further explanation of the Group's approach to risk management in the Strategic Report of the Board and Operating and Financial Review within the Group's Financial Statements.

Where financial instruments are measured in the Balance Sheet at fair value, disclosure of fair value measurements by level is required, in accordance with the following fair value measurement hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Notes to the financial statements for the year ended 31 March 2023 continued

10. Financial instruments and risk management (continued)

The Company's financial instruments include:

Financial assets

Financial assets at amortised cost

	2023 £'000	2022 £'000
Amounts due from subsidiary undertakings	1,973,328	1,872,073
Cash at bank and in hand	40,251	169
	2,013,579	**1,872,242**

Current and non-current debtors totalled £1,994,061,000 at 31 March 2023 (2022: £1,890,585,000). The remaining balances of £20,733,000 (2022: £18,512,000) are not considered to fall within the definition of a financial asset.

Financial liabilities

As at 31 March the Company's financial liability balances were as follows:

Financial liabilities at amortised cost - current

	2023 £'000	2022 £'000
Debt finance excluding set up costs	97,298	9,906
Amounts due to subsidiary undertakings	350	1,528
	97,648	**11,434**

Debt finance consists of loans and mortgages and is presented after excluding set up costs. A balance of £20,871,000 (2022: £18,513,000) relating to accrued interest is not included above as not considered to fall within the definition of a financial liability.

Financial liabilities at amortised cost – non-current

	2023 £'000	2022 £'000
Debt finance excluding set up costs	580,682	632,809
Amounts due to subsidiary undertakings (note 9)	1,334,538	1,227,506
	1,915,220	**1,860,315**

Debt finance consists of loans and mortgages, senior notes and debenture stock, and it is presented before set up costs. Total current and non-current other financial liabilities, excluding set up costs, at 31 March 2023 were £2,012,868,000 (2022: £1,871,749,000) for the Company.

Valuation

Senior notes and debenture stock, bank loans, mortgages and bonds are measured at book value. However, fair value can be calculated and these are disclosed below.

Analysis of risks

a) Interest rate risk and exposure

Interest rate risk is defined as the risk that interest rates may change in the future materially affecting the Company's liabilities and cash flows. The interest rate exposure of the Company net debt at 31 March 2023 was:

	£'000	%
Fixed rate financial liabilities	1,837,383	91.3
Floating rate financial liabilities	176,108	8.7
	2,013,491	**100.0**

Notes to the financial statements for the year ended 31 March 2023 continued

10. Financial instruments and risk management (continued)

Analysis of risks (continued)

The weighted average interest rate of the Company's fixed rate financial liabilities is 4.07% (2022: 4.09%) The weighted average interest rate of the Company's total financial liabilities is 4.17% (2022: 3.91%). The Company operates an interest rate policy designed to minimise interest cost and reduce volatility in cash flow and debt service costs.

The Company's cash flow interest rate risk relates to:

- variable rate financial instruments which are subject to rate changes – a 10% increase in interest rates would result in an additional charge to the Profit and Loss Account of £904,000 (2022: £211,000).
- fixed rate financial instruments where benefits of interest rate reductions are lost – a 0.25% rate reduction would result in a lost benefit of £4,617,000 (2022: £4,264,000).

A comparison of the book value to fair value of the Company's long-term borrowings at 31 March 2023 is set out below.

	2023 Book Value £'000	2023 Fair Value £'000
Senior notes and debenture stock	75,000	63,883
Bank loans and overdraft	506,149	455,206
Amounts owed to Group companies	1,334,538	1,223,829
	1,915,687	**1,742,918**

The following methods and assumptions have been applied in determining the value of the financial instruments in the table above;

(i) The book value of loans with a maturity of less than one year is assumed to equate to their carrying value.
(ii) The fair value of loans greater than one year is established by utilising discounted cash flow valuation models or listed market prices where available.

The variance between the fair value and the book value of the Company's long-term borrowings is driven by the discount rates and weighted average life of the fixed rate financial liabilities, which is 19.8 years (2022: 20.1 years).

Interest rate risk applies to debt finance.

b) Liquidity risk

Liquidity risk is the risk that the Company will fail to be able to access liquid funds - either through:

- lack of available facilities; or
- lack of secured, but available, facilities; or
- lack of identification of need to draw on available facilities.

The Treasury function ensures the above risks are managed by preparing cash forecasts on a daily and longer term basis to ensure that short and longer term requirements are known. The forecasts are cautious in the approach and are constantly updated to allow for sensitivity in assumptions. These are reported to the Group Finance Director on a weekly basis. The forecasts identify when drawdowns on existing facilities are required and when existing facilities expire. Further facilities are negotiated and secured well in advance of them being needed for drawdown.

Notes to the financial statements for the year ended 31 March 2023 continued

10. Financial instruments and risk management (continued)

Analysis of risks (continued)

The Treasury function also manages a database of the Company's stock in order to identify unencumbered stock for security of new facilities. A programme of valuations is maintained to ensure that optimum value as security is gained from the Company's stock. These systems ensure that facilities are available to the Company which are secured and available to draw on as required.

The Company's liquidity policy is to maintain sufficient liquid resources to cover cash flow requirements and fluctuations in funding to enable the Company to meet its financial obligations.

The Company has not defaulted on any of its loan arrangements in the year.

Liquidity risk applies to cash and all payables balances.

Contractual cash flows for all financial liabilities

The following is an analysis of the anticipated contractual cash flows including interest and finance charges payable for the Company's financial liabilities on an undiscounted basis. For the purpose of this table, debt is defined as bank loans, mortgages and deferred finance. Interest is calculated based on debt held at 31 March. Floating rate interest is estimated using the prevailing interest rate at the reporting date.

At 31 March 2023	**Debt**	**Interest on debt**	**Total**
	£'000	**£'000**	**£000**
Due less than one year	(97,327)	(84,535)	(181,862)
Between one and two years	(11,072)	(83,661)	(94,733)
Between two and three years	(16,046)	(81,231)	(97,277)
Between three and four years	(64,823)	(80,242)	(145,065)
Between four and five years	(20,047)	(76,283)	(96,330)
Greater than five years	(1,813,694)	(1,072,501)	(2,886,195)
Gross contractual cash flows	**(2,023,009)**	**(1,478,453)**	**(3,501,462)**

At 31 March 2022	**Debt**	**Interest on debt**	**Total**
	£'000	**£'000**	**£'000**
Due less than one year	(9,906)	(76,610)	(86,516)
Between one and two years	(98,927)	(74,794)	(173,721)
Between two and three years	(12,671)	(74,792)	(87,463)
Between three and four years	(17,646)	(72,886)	(90,532)
Between four and five years	(40,423)	(71,984)	(112,407)
Greater than five years	(1,658,142)	(1,035,921)	(2,694,063)
Gross contractual cash flows	**(1,837,715)**	**(1,406,987)**	**(3,244,702)**

c) Credit risk

Credit risk applies to all debtor balances and to debt finance. Risk relates to financial risk.

Financial

The Company manages credit risk by carrying out monthly credit checks on all counterparties from which the Company either sources funds or places deposits. The financial credit risk is mitigated to some extent by the existence of borrowing facilities with such counterparties. It is the Company's policy not to take or place funds with any financial institution which is not accepted as a counterparty in the Company's Financial Regulations. Such counterparties are approved by the Board but only on the achievement of the desired credit agency rating.

Notes to the financial statements for the year ended 31 March 2023 continued

10. Financial instruments and risk management (continued)

Analysis of risks (continued)

The maximum credit risk at 31 March 2023 and 2022 was as follows:

	2023 £'000	2022 £'000
Amounts due from Group undertakings	1,973,328	1,872,073
Cash and cash equivalents	40,251	169
	2,013,579	**1,872,242**

d) Concentration risk

Concentration risk is defined as the risk associated with a reliance on transactions that carry a similar risk profile.

Management determines concentrations of risk through its standard risk management procedures, as detailed in the Board's Report and Operating and Financial Review.

e) Collateral held

The Company does not hold any significant collateral.

11. Called up share capital

The Company is limited by guarantee and has no authorised or issued share capital.

12. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is Sanctuary Housing Association being the smallest and largest group to consolidate these financial statements, registered in England as a Registered Society (Number 19059R) and with the Regulator of Social Housing (Number L0247). A copy of the Group financial statements can be obtained from Sanctuary Housing Association, Chamber Court, Castle Street, Worcester WR1 3ZQ.

13. Post balance sheet events

There are no post balance sheet events to report.