



Anchor Trust

Annual Report & Financial Statements

For the year ending 31 March 2018



WEDNESDAY



A7CD70W1
A20 15/08/2018 #185
COMPANIES HOUSE

ing for the year ahead

CONTENTS

1	Chair and Chief Executive's Statements	3
2	Operating and Financial Review, including Strategic Report	7
3	Corporate Governance Report	19
4	Board, Directors and Advisors	27
5	Directors' Report	29
6	Independent Auditor's Report	33
7	Financial Statements	37
	Consolidated Statement of Comprehensive Income	38
	Consolidated Statement of Changes in Equity	39
	Company Statement of Changes in Equity	39
	Consolidated Statement of Financial Position	40
	Company Statement of Financial Position	41
	Consolidated Statement of Cash Flows	42
	Notes to the Financial Statements	43
8	The Board and Executive Management Board	77



1 CHAIR AND CHIEF EXECUTIVE'S STATEMENT

OVER 50 YEARS
of experience as a not-for-profit
provider of services to older
people...

CHAIR'S STATEMENT

The constant evolution that has enabled us to celebrate providing services to older people for half a century remains core to our success in 2017/18.

Issues around ageing, social care and a lack of supply of housing for all ages have never been more high profile. Anchor has been a significant voice in policy debates and in influencing a more joined-up approach to these interconnected issues.

We continue to face a challenging public funding environment for services, coupled with the impact of a slowdown in the housing market on older people selling property in order to move into our care homes or retirement housing. At the same time, long-term reform of the funding system for individuals in need of care has faced further delays and remains uncertain.

These external factors require us to have a clear awareness of the risks they create, to monitor those risks carefully and to have plans in place to mitigate them. The breadth of our offering, ongoing focus on efficiency and the strong underlying demand for our services have positioned us well to navigate these challenges.

Indeed, it is our ambition to do more, driven by the needs and aspirations of the growing number of older people, which led us to enter into merger discussions with Hanover following their approach to us. We announced in May 2018 proposals for the two organisations to come together to form the Anchor Hanover Group.

A new, bigger organisation built from two specialist providers for older people has the potential to provide the best value-for-money services for our customers now and in the future. It would also enable us to offer better career options for colleagues and help us attract and retain great people.

Crucially, a single, bigger organisation could build more properties for older people than would be possible if we were to remain as separate organisations. This could include social rented, shared ownership and outright sale new homes.

In our existing care and housing services, both demand from potential customers and satisfaction among existing customers are strong. Our performance in the latest independent Your Care Rating survey of care home residents was above average and represented our fifth consecutive annual increase in score.

In 2017/18 we maintained the highest ratings for viability and governance from the housing regulator. Compliance in our care services is strong, with 78.6% of our homes now rated either good or outstanding with the Care Quality Commission. We were also delighted to be named residential care provider of the year at the 2018 *Health Investor Awards*.

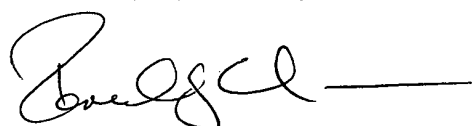
The increasing recognition of the value of both care homes and retirement housing in preventing the need for more costly NHS interventions is welcome. The government's decision to rethink proposals for capping housing benefit for people in retirement housing was very positive and reflects the increasingly joined-up perspective. We look forward to continuing to work with colleagues in Westminster and Whitehall on the details to ensure the revised approach secures existing services and supports providers to build more.

We are grateful to colleagues and customers who helped raise awareness of the issues with stakeholders. We would also like to thank the many members of the Customer Council, topic forums, Customer Panel and the LGBT+ group, for their work to ensure the people we serve are influencing what we do and how we do it.

Our Customer Impact Report, published on our website in May, is a valuable summary of this work. It details the growing role of both corporate and individual volunteers, to whom we express our thanks.

As I come to the end of my tenure as Chair I would like to place on record my personal thanks to the Board and Executive alike for their immense contribution they have made to Anchor's success.

Fifty years after the organisation was created, there has never been a greater need for Anchor's services. As the organisation embarks on an important new stage, it is well-positioned to meet the needs and expectations of the older people of today and tomorrow.



Pamela Chesters CBE
Chair



CHIEF EXECUTIVE'S STATEMENT

Careful cost management enabled us to deliver a net surplus of £11.0m for the year to reinvest into our housing, care and support services for older people.

We are committed to providing high-quality services. We were therefore pleased to be able to invest £41.3m in the year into planned works at our existing services.

This included delivering 480 new kitchens and 1,035 new bathrooms. The investment, despite the ongoing rent cut for social housing, is reflected in the high levels of occupancy (99.2%) in our rented housing.

The second phases of our retirement villages at Hampshire Lakes and Bishopstoke Park, both in Hampshire, were launched and we also have new developments in Princes Risborough, Buckinghamshire, and Haywards Heath in West Sussex. We added 30 units of social housing through our programme of scheme manager flat conversions.

Looking to the future, we have ambitions to develop more new services in a variety of tenures to meet the needs of older people across the income spectrum. In the context of the changing profile of our customers, and in particular our desire to support people to retain their independence as they live longer, we are looking at what works well and where improvements could be made.

The introduction of new technology in our care homes and growing use of internal social media to improve communication are helping to drive more cost-effective ways of working. The proposed merger provides further opportunities to drive down the cost of doing business, and follows several years of efficiency savings.

It is important to recognise though that people will always be central to the delivery of our services. We are continuing to focus on initiatives that demonstrate to colleagues that we value and recognise them, for example through our Valuing You website which brings together the wide variety of benefits available to colleagues.

We will also continue to highlight the strength of our training and qualifications along with our established career development pathway and programmes. These include myFUTURE, focused on developing the best customer-facing talent and giving them tools and training to move into management roles.

There is a limit to what can be achieved in terms of efficiency savings without impacting on the quality of service. We continue to engage with

government with a view to developing a sustainable long-term funding arrangement for social care that secures services for the growing number of older people.

Increasing longevity is something to celebrate and we are keen to ensure our services evolve to reflect our ageing population. We are also increasingly informing debate about how wider society must change.

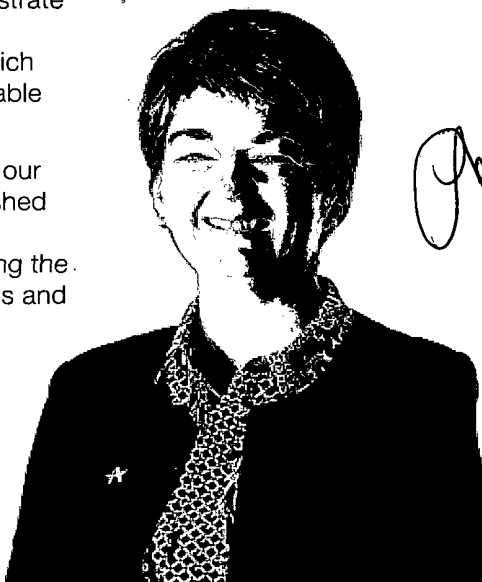
We worked with customers on our award-winning Standing Up 4 Sitting Down campaign urging retailers to make seating available for older people. Sainsbury's, Argos and Yorkshire Building Society are among the many retailers who have backed the campaign, after we championed the issue of a lack of seating in shops on behalf of our customers.

Thank you to our colleagues across the organisation who work so hard to deliver happy living to the older people we serve, many of whom have been recognised through regional and national awards and through testimonials from customers and their families.

We are also grateful to suppliers, and to those who generously funded parties in Anchor locations across England to mark our 50th anniversary. As well as celebrating our past, the events were an opportunity to look to the future.

The proposed new organisation has the potential to build on the decades of experience at both Hanover and Anchor to deliver the next generation of specialist housing and care.

I wish to express particular thanks to Board members for the important work they have done, especially in preparation for the proposed merger. Finally, on behalf of colleagues, I would like to thank Pam for her insight, focus and commitment as our Chair and wish her well as she completes her term of office.



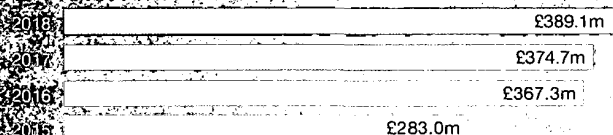
A handwritten signature in dark ink, appearing to read 'Jane Ashcroft'.

Jane Ashcroft CBE
Chief Executive

KEY PERFORMANCE INDICATORS

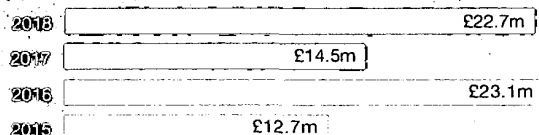
TURNOVER

£389.1m ↑



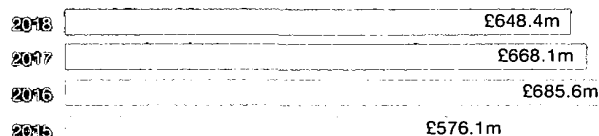
OPERATING SURPLUS

£22.7m ↑



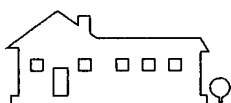
NET BOOK VALUE OF HOUSING & CARE PROPERTIES

£648.4m ↓



TOTAL ASSETS LESS CURRENT LIABILITIES

£742.3m ↓



Mature care homes occupancy
2017: 92.2%

2018: **89.8%** ↓
Target 92.4%
from last year



Customer satisfaction: Rented
2017: 90.0%

2018: **92.7%** ↑
Target 91.0%
from last year



Colleague engagement
2017: 75.7%

2018: **77.0%** ↑
Target 75.0%
from last year



Your Care Rating
2017: 896

2018: **897** ↑
out of 1,000
from last year

Rented occupancy
2017: 99.1%

2018: **99.2%** ↑
Target 99.1%
from last year

Leasehold
2017: 78.0%

2018: **73.4%** ↓
Target 75.0%
from last year



2 OPERATING AND FINANCIAL REVIEW

INCLUDING STRATEGIC REPORT

Providing housing, care
and support to more than

34,000

people across the country...

Capital investment in
existing properties

£41.3m

Bathrooms replaced
or refurbished

1,035

Kitchens replaced
or refurbished

480

WE UNDERSTAND THE KEY THEMES ACROSS THE SECTORS IN WHICH WE OPERATE:

To be effective we must ensure that we understand the different needs of customers in our different services, and the effect of external factors on each of the sectors in which we operate.

OPERATING AND INCLUDING STRATEGIC

This section includes the requirements of the Strategic Report: principal activities, the business model, review of the year's performance, key performance indicators, key risk disclosures and future developments.

Anchor is England's largest not-for-profit provider of housing and care for older people. We provide homes to more than 34,000 older people in over 1,000 locations and employ more than 9,000 people in rented and leasehold retirement properties, residential care homes, specialist dementia care homes and retirement villages. However, we are not content to stand still and are committed to growing the business by using our financial strength to offer 'happy living for the years ahead' to more older people across a range of services, tenures and price points.

Growth in our business continues to be delivered through a combination of development and acquisition. Our expertise and financial strength allows us to take advantage of opportunities when they arise and manage risks as they emerge.

Demand remains strong

→ Demand for our services remains strong with the number of people aged 65 and over in England projected to increase by more than 20% over 10 years and by nearly 60% over 25 years. This will be coupled with an increase in ill health, frailty and isolation. We have a waiting list of more than 16,000 people for rented housing, and occupancy levels in mature care homes of 89.8%.

Supply remains weak


→ There continues to be a lack of supply for all tenures and all age groups in many parts of the country, with demand for additional supply unmet. An increase of good-quality older people's housing will enable better utilisation of the housing stock overall, and drive better wellbeing outcomes for older people. We completed 198 new homes in 'independent living' locations and retirement villages during the year, and 30 properties to let through the conversion of former scheme manager flats.

FINANCIAL REVIEW REPORT

We put the customer at the centre of everything we do and our ambition is to be recognised by customers as the best provider of housing and care services. Our ambition is underpinned by Anchor's vision and values; we treat our colleagues and our customers as individuals, and build meaningful, long-term relationships based on happiness, openness and respect. We remain committed to five values that all colleagues must demonstrate:

- **Personal accountability** - we take responsibility and pride in always doing a brilliant job and improving everything we can

- **Reliable** - we keep our promises by doing what we said we'd do, when we said we'd do it
- **Respectful** - we care, show kindness for all and encourage the sharing of different perspectives and ideas because that's how we learn
- **Honest** - each of us has a voice, a responsibility to use it and a right to be listened to and receive a response
- **Straightforward** - we have honest conversations about real issues in order to make a difference. We keep things simple, easy to understand and do

 UNITS	Year ending 31 March 2017	Growth through development	Other	Disposals	Year ending 31 March 2018
Care (rooms)	6,080	–	2	–	6,082
Rented properties	22,390	30	–	(1)	22,419
Leasehold properties	6,628	60	–	(65)	6,623

Income is under pressure

- In rented housing, income continues to reduce as the result of the 1% per annum rent cut for four years from April 2016 (with a one year deferral for supported housing). Confirmation that rent inflation would be calculated using the rent formula of Consumer Price Index (CPI) +1% from 2020 was very welcome, as was the decision not to apply the Local Housing Allowance (LHA) cap on Housing Benefit to older people using our services. However, we remain alert to other proposals which could exert downward pressure on income.
- In care homes, funding for social care is the responsibility of local authorities, within a policy framework set centrally. Pressure on our income for customers who meet the means test for financial support has increased. This can result in reductions in placements and an increasing gap between the cost of care delivery and the fees received. Uncertainty continues around the approach to social care funding, including means testing and caps on the maximum amount which any individual could be required to pay for their own care.
- The housing market is affected by economic and social drivers. In some parts of the country we have seen a slower sales process for properties other than the "first time buyer"

sector, and as older buyers, usually downsizing, are at the "top" of the ladder this affects the speed of sales, but does not reduce the overall disparity between demand and supply, and therefore our ability to sell our retirement village and independent living apartments.

Costs are increasing

- The costs of operating in our sectors continue to increase. The introduction of the National Living Wage has reduced the profitability for many providers and over time could reach a level where services are unviable and have to close. Anchor remains committed to paying our customer-facing colleagues more than the minimum National Living Wage, but reductions in capacity in the wider sector are not helpful.
- The costs of development and construction are vulnerable to the adverse impact of an unfavourable Brexit scenario, and ongoing uncertainty about the UK's future relationship with Europe.
- We work to mitigate the impact of cost inflation and uncertainty by a process of continuous improvement to drive down our cost base and offer improved value for money to our customers and stakeholders.

Our commitment to achieving our plan remains as strong as ever, and we have the financial and organisational strength to deliver on those plans, but we recognise that there are unprecedented challenges and opportunities facing our industry and the customers we serve.

The demand for specialist housing and care will accelerate. We have to think innovatively about how to meet this demand. It requires a very different approach to ensure that our homes, care and support meet the very different needs and aspirations of the future.

Anchor is therefore proposing to merge with Hanover Housing by way of a transfer of engagements of Hanover Housing into Anchor Trust, to become a new organisation – The Anchor Hanover Group. Our combined track record and experience, as well as a shared commitment to placing older people at the heart of our decisions, means there is a strong fit and it provides us with still greater financial strength to:

- Improve services
- Use technology well to improve lives
- Influence and improve care and support locally in the communities we serve
- Shape national policy and debates on older people
- Build many more homes of different tenures and price points
- Improve the quality of our existing homes
- Remain an employer of choice

The Anchor Hanover Group would develop a new business plan. However, in the meantime, Anchor remains committed to pursuing its existing objectives.

Financial highlights

For the year ending 31 March 2018, Anchor's operating surplus before exceptional costs and amortisation of goodwill was £25.8m, an increase of £3.1m compared to the previous year.

The surplus for the year was £11.0m, an increase of £0.4m compared to the previous year, the prior year number having benefited from a gain on disposal of £7.1m whilst the gain for 2018 was £0.3m. The year included a final £3.1m amortisation of goodwill following the acquisition of two care home businesses in 2015 (2017: £7.4m), and an impairment charge of £0.5m (2017: £1.9m).

Anchor is a not-for-profit organisation and therefore its entire surplus is reinvested in the business for the long-term benefit of the organisation and its customers.

Existing business

Retirement housing to let

The performance of retirement housing to let continues to be strong with an operating surplus before exceptional costs and amortisation of goodwill of £30.8m (2017: £32.2m). The year was the second in which there was a 1% reduction in rents charged to customers in accordance with the change to the rent formula set out in the Emergency Budget of 2015. The financial impact of this was partially mitigated by continuing high occupancy rates (2018: 99.2%, 2017: 99.1%) and continuous improvement in respect of overhead costs, further explained in the Value for money section on page 15. Operating margins decreased from 20.9% to 19.9%.

We invested £41.7m in works to existing housing rental assets over the year, including £33.7m in major works, such as bathrooms and kitchens. This investment underpins the strong demand for our rented housing. As well as high levels of occupancy, we have more than 16,000 people on waiting lists and our average re-let time is around 18 days.

Residential care homes

Care home performance improved significantly year-on-year with an operating surplus before exceptional costs and amortisation of goodwill for residential care homes of £1.2m, £7.9m higher than the prior year. This was delivered by a strong performance in fee rates and cost control. We invested £4.8m in revenue repairs and £7.6m in capital works across our portfolio of care homes, for which we continue to enjoy strong demand.

Occupancy across all our care homes was 87.6% at the end of the financial year (2017: 89.3%); in mature homes, occupancy was 89.8% (2017: 92.4%).

Home care

Anchor provides home care to customers in 10 of its own housing locations; it does not offer its services more widely. There was an operating loss before exceptional costs and amortisation of goodwill of £0.2m (2017: surplus £0.1m), principally the result of investment in services that have yet to reach operational maturity.

Development

We completed construction of two independent living developments during the year, comprising 198 new homes. Consumer interest remains high although there has been some impact on the rate of sale arising from the general slowing down of the housing market. Nonetheless, we closed the year having sold 60 new units, generating a contribution of £2.8m (2017: 82 units, £5.0m).

We have a pipeline of development locations that, once complete, will provide 436 new homes for older people.

SERVICE £M

	Operating surplus before exceptional costs and amortisation Year ending March 2018	Operating margin before exceptional costs and amortisation Year ending March 2018	Operating surplus before exceptional costs and amortisation Year ending March 2017	Operating margin before exceptional costs and amortisation Year ending March 2017
Retirement housing to let	30.8	19.9%	32.2	20.9%
Residential care homes	1.2	0.6%	(6.7)	(3.7%)
Home care	(0.2)	(8.8%)	0.1	(6.5%)
Non-social housing activities	1.9	4.9%	4.2	11.5%
Central overheads and income	(7.9)	N/A	(7.2)	N/A
Overall	25.8	6.6%	22.6	6.0%

Financial results for the year

Operating surplus before exceptional costs and amortisation of goodwill was £25.8m, £3.2m higher than the previous year. Operating margin before exceptional costs and amortisation of goodwill improved to 6.6% (2017: 6.0%). The performance of the operating business was strong, and whilst support costs increased from £7.2m to £7.9m, this still represented just 2.0% of turnover. Our commitment to delivering value for money is explored in more detail on page 15.

The surplus for the year was £11.0m, an increase of £0.4m over the previous year, with the prior year having benefited from a gain on disposal of £7.1m. The balance sheet position continues to be strong with total assets less current liabilities of £742.3m at the year end (2017: £758.3m), and a net asset value of £335.2m (2017: £307.9m). There were undrawn borrowing facilities totalling £91.3m on total facilities of £380.8m as at 31 March 2018.

Financial review

A summary of Anchor's financial results, from all activities, over the past five years is set out below:

YEAR ENDING 31 MARCH

	2018 Total £m	2017 Total £m	2016 Total £m	2015^ Total £m	2014^ Total £m
Turnover	389.1	374.7	367.3	283.0	265.8
Operating surplus before exceptional costs and goodwill amortisation	25.8	22.6	30.5	12.7	18.3
Operating margin before exceptional costs and goodwill amortisation	6.6%	6.0%	8.3%	4.5%	6.9%
Exceptional costs	–	(0.7)	(3.1)	–	–
Goodwill amortisation	(3.1)	(7.4)	(4.3)	–	–
Operating surplus	22.7	14.5	23.1	12.7	18.3
Surplus for the year	11.0	10.6	12.3	9.3	12.1

^ Not restated under FRS 102, Housing SORP 2014 and Accounting Direction 2015.

Turnover

In the year ending 31 March 2018, turnover was £389.1m, an increase of £14.4m or 3.8% over the prior year.

In retirement housing to let, demand for properties remained strong with occupancy at the year end of 99.2% (2017: 99.1%). The high occupancy translates into an average number of void properties during the year of 173, an improvement of 20% on the prior year, and an average re-let time of 18 days (2017: 23 days). The number of people on the waiting list for properties is more than 16,000. The high occupancy and efficient re-let process resulted in turnover of £155.2m (2017: £153.6m). The impact of the 1% reduction in rent equated to an adverse variance of £0.9m on the prior year.

Care home revenues represented 49.3% of Anchor's total income at £191.9m, up £11.3m or 6.2% compared to the previous year. Occupancy across all care homes was 87.6% (2017: 89.3%) and in mature homes it was 89.8% at the year end (2017: 92.2%). Fee rates were on average 3.7% higher than the prior year.

Turnover from other activities was £42.0m (2017: £40.5m), principally reflecting sales of retirement housing in our village and independent living developments.

Operating surplus

Anchor's operating surplus before exceptional costs and goodwill amortisation was £25.7m (2017: £22.6m). Surplus for the year was £11.0m (2017: £10.6m), including the final £3.1m of goodwill amortisation relating to the acquisition of two care home businesses in 2016 (2017: £7.4m) and an impairment charge £0.5m (2017: £1.8m).

The operating surplus for retirement housing to let was £30.8m (2017: £32.2m). The impact of the 1% reduction in rent charged to customers was £0.9m.

Residential care homes made an operating deficit of £1.9m, an improvement of £12.2m on the prior year. Mature care homes, being those that have operated for at least one financial year prior to the year ended 31 March 2018, contributed a surplus of £0.2m (2017: £1.7m), offset by deficits of £2.2m from newly developed care homes incurred whilst they are building up their occupancy.

Capital expenditure

Total capital expenditure on major works to our existing properties was £41.3m (2017: £39.0m), and £12.8m was spent of revenue planned repairs and maintenance (2017: £13.5m), a total investment of £54.1m in these assets.

There were no major disposals during the year, compared to the sale of two retirement housing scheme property sales and one nursing home sale in the prior year that generated a surplus of £7.1m.

CAPITAL INVESTMENT AND EXPENDITURE ON MAJOR WORKS

	Note	Retirement housing £m	Residential care homes £m	Properties under construction £m	Other fixed assets £m	2018 Total £m	2017 Total £m
New care home	13.1	–	–	0.3	–	0.3	5.2
Capital expenditure on existing properties	13.1	33.7	7.6	–	–	41.3	39.0
Capital expenditure on offices and equipment	13.9	–	–	–	2.1	2.1	2.1
I&E planned maintenance	4.3	8.0	4.8	–	–	12.8	13.5
Total		41.7	12.4	0.3	2.1	56.5	59.8

Financial position at year end

A summary of Anchor's statement of financial position over the past five years is set out below:

YEAR ENDING 31 MARCH					
	2018 Total £m	2017 Total £m	2016 Total £m	2015 [^] Total £m	2014 [^] Total £m
Goodwill	-	3.1	10.5	-	0.1
Housing properties at cost less depreciation	648.4	668.1	685.6	576.1	537.7
Housing properties – net book value	648.4	668.1	685.6	576.1	537.7
Other tangible fixed assets	8.9	13.3	14.6	11.3	4.3
Investments	1.3	1.7	2.3	2.5	3.1
Net current assets / (liabilities)	83.8	72.1	55.7	(3.3)	49.8
Total assets less current liabilities	742.3	758.3	768.7	586.6	595.0

[^] Not restated under FRS 102, Housing SORP 2014 and Accounting Direction 2015.

At 31 March 2018, Anchor's total assets less current liabilities totalled £742.3m (2017: £758.3m), of which £334.7m was represented by the accumulated Income and Expenditure Reserve (2017: £307.8m). The Income and Expenditure Reserve increased by £11.0m, with the surplus generated during the year and by £15.9m due to the actuarial gain following the annual valuation (performed in accordance with FRS 102) of Anchor's defined benefit pension scheme.

The development of new housing and ongoing investment in our estate was partially offset by an increase in depreciation which resulted in the net book value of housing properties decreasing to £648.4m (2017: £668.1m). Within net current assets, Anchor's properties for sale analysed in note 15 of the financial statements, increased to £89.0m (2017: £80.1m). This comprised £49.3m properties ready for resale and £39.6m work in progress (2017: £21.6m ready, £58.5m work in progress). There was an impairment charge of £0.5m during the year (2017: £1.9m).

Cash and short-term deposits increased to £57.2m (2017: £44.3m), due to the cash generation of the business combined with receipts from new developments.

Cash flow

£70.2m of cash was generated from operating activities during the year, an increase of £8.2m on the prior year: the movement is fully analysed in note 29 of the financial statements. The cash flow was driven by an operating surplus of £22.7m (2017: £14.5m) which, after allowing for depreciation, amortisation of government grants and other non-cash expenditure, was reduced by a £5.5m (2017: £5.4m) scheduled payment towards Anchor's pension scheme deficit, and an increase in working capital of £16.2m (2017: increase £15.8m).

Cash inflows from property sales were in line with the prior year at £30.8m (2017: £30.9m) despite the cyclical nature of the completion of developments.

Cash investment in the development of housing properties totalled £44.0m (2017: £49.3m), and there were disposal proceeds of £2.0m (2017: £9.4m).

Cash at bank was £57.2m (2017: £44.3m), a net increase in cash of £12.9m (2017: increase of £1.1m), with the cash generated by operating activities broadly offsetting capital investment during the year. Consequently net debt was £254.8m at the year end (2017: £274.1m), a net decrease of £19.3m, as cash generated from operations and property sales was used to finance the development programme with no further drawings, and scheduled loan repayments we made.

Investment in new developments

During 2018, development investment of £0.3m (2017: £5.2m) was added to fixed assets – properties under construction as outlined in note 13.1 of the financial statements.

Anchor continues to seek suitable sites on which to build care homes, retirement villages and independent living housing schemes, and a number of such sites are progressing through various stages of property development and construction. We also remain open to further acquisitions of care homes that meet our strict criteria, and are exploring alternative models with different tenures which will meet the needs of our customers now and in the future.

Pensions

The Anchor Trust Final Salary Pension Scheme was closed on 1 April 2011 to further contributions and no new entrants have been admitted since 2003. The service costs, after finance income, were £0.8m (2017: £1.1m). There was an actuarial gain of £15.9m (2017: £1.0m loss). Anchor has previously agreed with the trustees of the scheme to make additional payments towards the pension deficit; this payment amounted to £5.5m (2017: £5.4m) after costs in this financial year, and payments will increase by 3.0% per annum until April 2020.

The long-term liability of the scheme is reviewed on an annual basis. At the year end, the scheme's FRS 102 deficit was £0.6m (2017: £21.4m). This is attributable to an increase of £9.0m in the scheme's assets combined with a decrease of £11.9m in the value of the scheme's liabilities.

Treasury

Anchor's treasury activities are managed to ensure sufficient cash is in place to fund operations and to reduce the impact of adverse movements in interest rates and the financial markets.

A treasury strategy is in place to support delivery of the Group's objectives, and its operational and long-term plans are supported by financial budgets and forecasts. The treasury strategy, and the policy that supports it, is approved annually by the Board.

Cash flow requirements are monitored through a rolling forecasting process. Anchor's policy is to minimise cash held by repaying debt as early as practicable, while ensuring sufficient access to funding to cover investment and development plans, and working capital. This is achieved by the use of forecasts covering short, medium and long-term cash flows, and the use of short-term investment and revolving facilities.

The rolling forecasting process incorporates stress testing to ensure that the net debt position is sufficiently robust to withstand predictable and unpredictable shocks.

During the year, surplus cash was held predominantly in a cash liquidity fund. A total of 20.8% of drawn borrowings were at fixed rates of interest at the year end (2017: 23.4%) for an average term of seven years (2017: eight years). During the year, Anchor entered into an interest rate swap to protect a further 16.9% of its net floating rate exposure. The instrument will apply to a reducing balance until its expiry in 2022. The financial position of the swap at the year end was a £0.5m asset.

Net debt (including finance lease obligations) at 31 March 2018 was £254.8m (2017: £274.1m), with £70.2m of cash generated from operations used to finance capital expenditure; there were no further drawings on facilities during the year, and £11.1m of principal repayments.

Anchor remains compliant with its financial covenants, which are primarily based on interest cover and gearing. These covenants have been met with considerable headroom, due to low interest rates payable (as LIBOR has decreased) and a strong trading performance.

Anchor has access to undrawn committed borrowing facilities of £91.3m (2017: £91.3m). Net debt (excluding finance lease obligations) at 31 March 2018 was £232.3m, and gearing including finance lease obligations was 39.2% (2017: £251.2m, 41.7%). These facilities together with substantial unencumbered assets, as shown in the Statement of Financial Position, ensure Anchor remains in a strong position to fund future growth plans and investment opportunities.

Tax and legal structure

Anchor has a non-charitable trading subsidiary company, Anchor 2020 Limited, which is used to procure design and construction services for the Group and manage the professional fees on new development projects.

Anchor has a second non-charitable trading subsidiary company, Anchor Lifestyle Developments Limited, which is used to operate non-charitable activities, principally the development of independent living properties for resale.

Anchor Carehomes Limited is a non-charitable trading subsidiary company which comprises the trade and assets of the 24 former 'Ideal Carehomes' acquired in 2015.

Surpluses from all these subsidiaries are gift-aided to Anchor Trust, for the benefit of Anchor Trust's charitable activities.

Viability report

Anchor reviews its Long-term Planning Model (LTPM) on an annual basis, and this model forms the basis of the 30-year Financial Forecast Return that is submitted to the Regulator of Social Housing (RSH) every year. The Board has considered the assumptions for the key drivers of the business and the impact that they have on Anchor's turnover, operating costs and cash flow. The projections for the year ending 31 March 2019 are in line with the approved budget, and assumptions up to 2020 are in accordance with the five-year Business Plan originally approved in 2015 and updated in February 2017. The assumptions reference appropriate external guidance and benchmarks where available.

Projections in future years are inherently less certain and therefore the Board has determined that five years to 2023 is an appropriate period for the viability statement. In assessing Anchor's viability, the Board reviewed the outcome of stress-tests against the key drivers in the LTPM. These included scenarios for further reductions in rental income post 2020,

the impact of welfare reform on working age older people, reductions in the care home fees paid by private individuals and local authorities, reducing housing and homes occupancy, salary inflation driven by the National Living Wage, a collapse in the housing market, and combinations of the above to create a 'perfect storm'.

During the past year, welcome clarity has been provided on the rent settlement formula beyond 2020 and the Local Housing Allowance cap. However, uncertainties remain, in particular in respect of the terms under which the UK will leave the EU and the potential implications for the country and the sectors in which Anchor operates. The ongoing pressures in respect of funding and operating costs are modelled and considered on a regular basis. Based on the assessment of the stress-tested model, the Board considers that Anchor will be able to continue to operate and meet its liabilities as they fall due over the period ending 31 March 2023.

Value for money

Governance

Anchor's commitment to value for money is an integral part of our strategy, and the Board consistently challenges the organisation to find ways of providing quality services to our customers in more economic, effective and efficient ways. We continue to offer different services at a range of price points within our markets, across a range of care needs and tenures, and endeavour to find appropriate external benchmarks for the differing strands of our business.

Anchor's five-year Business Plan has four key strategic objectives which are reflected throughout the organisation in its financial plans and budgets, business cases, and corporate and personal objectives. These objectives are for Anchor to offer the best customer service, to be the best place to work, to be the best run company, and to deliver growth.

Our definition of 'best run company' is central to our delivery of value for money, requiring us to:

- Consistently challenge the support service operation to ensure we deliver value for money to our customers and ensure the continued viability of Anchor
- Utilise and invest in technology to improve the efficiency of services and reduce costs
- Streamline processes for customers and colleagues, whilst retaining appropriate controls
- Create a step-change in performance, measuring ourselves against the best operators within and outside our sector
- Deliver the financial plan

Oversight

Anchor has a robust methodology for monitoring and validating savings delivered by the business in order to differentiate between different tiers of saving:

Tier 1: Actual savings against prevailing costs

- A year on year difference in price per unit for a commodity, multiplied by the current year volume.
- A usage saving between current and prior year volume, at consistent pricing, that is attributable to more efficient processes requiring less of the commodity.

Tier 2: Cost avoidance

- A reduction achieved in the asking price of the commodity due to procurement activity for which there was no equivalent spend in the prior year.
- The successful avoidance through procurement activity of a supplier-proposed price increase.

Tier 3: Budget savings

- A reported saving when there is a reduction in the price of the commodity in the current year compared to an estimate set in the budgeting process.

All savings are validated by the finance function, with further sign off by the Head of Procurement for values up to £0.5m, and by the Finance Director for value of £0.5m and above. Validated savings for the year ended 31 March 2018 totalled £3.4m tier 1, £0.9m tier 2 and £0.1m tier 3; further savings of £2.7m have been targeted for the coming year.

The Board regularly reviews Anchor's value for money performance in comparison to the sector by way of the information provided by the RSH Global Accounts and the new Sector Scorecard. The Board can draw on a range of skills, backgrounds and experiences in order to challenge the organisation on delivering value whilst maintaining an appropriate quality of service.

The Board sets targets for value for money in the annual budget and business planning process, by reference to previous performance and external benchmarks where available. The Board monitors performance against the targets on a quarterly basis through value for money

reports, management accounts and a dashboard of key performance indicators.

Key performance indicators (KPIs)

Our KPIs are designed to measure success against the four objectives in the Business Plan, including improved value for money. The KPIs are set by the Board annually, and reviewed by our Operating and Management Boards on a monthly basis and by our Board once a quarter.

We benchmark our non-financial KPIs and are targeting upper quartile performance by the end of our current five-year Business Plan cycle in 2020.

BEST RUN COMPANY

	2018 Actual %	2018 Target %	2017 Actual %
Health and safety			
Gas safety checks	99.9	100.0	99.8
Lift safety checks	98.9	100.0	99.4
Fixed electrical wiring inspections	98.2	100.0	95.1
RIDDOR incidents	32 incidents	48 incidents	32 incidents
CQC Performance (percentage rated good or outstanding)*	78.6	70.0	73.0

*Based on current national statistics, 80% is upper quartile.

BEST PLACE TO WORK

	2018 Actual %	2018 Target %	2017 Actual %	Benchmark %	ref
Colleague engagement	77.0	75.0	75.7		
Statutory training	91.8	90.0	91.5		
Sickness absence	3.8	4.0	2.9	5.0% care homes 3.5% housing	1
Voluntary turnover	17.0	15.0	14.1	24.8	2

BEST CUSTOMER SERVICE

	2018 Actual %	2018 Target %	2017 Actual %	Benchmark %	ref
Customer satisfaction - care homes	94.0	95.0	96.9		
Customer satisfaction - leasehold	73.4	78.0	78.0	84.9	3
Customer satisfaction - rented	92.7	91.0	90.0		
Your Care Rating	897/1,000	N/A	896/1,000	878/1,000	4
Mature homes occupancy	89.8	92.4	92.2	91.8	5
Rented occupancy	99.2	99.1	99.1	95.7	6

1. CIPD survey 2016 (in connection with Simply Health)
2. Skills for Care
3. Survey of 20 providers annual reports 2017

4. Average overall rating of all care homes taking part in the survey (2017 report)
5. Colliers International Healthcare Market Review 2017
6. SDR statistical data 2017

GROWTH

	2018 Actual	2018 Target	2017 Actual
Leasehold units sold	60	141	82

We recognise that benchmarking our organisation is challenging due to the diverse nature of our activities, and our specialism in respect of older people's services. Nonetheless, we benchmark our costs for maintenance

and management costs against data published by the RSH, and other agencies where available, targeting year-on-year improvements.

MAINTENANCE COST PER UNIT

	2018	2017	2016	Benchmark	ref
Retirement housing to let	£840	£923	£927	£999	1
Residential care homes	£1,161	£1,054	£934	N/A	
Weighted average	£908	£951	£928	N/A	

1. RSH publication: Global Accounts 2017

MANAGEMENT COSTS PER UNIT

	2018	2017	2016	Benchmark	ref
Retirement housing to let	£1,016	£1,034	£973	£957	1
Residential care homes	£3,621	£4,018	£3,694	N/A	
Weighted average	£1,572	£1,672	£1,487	N/A	

1. RSH publication: Global Accounts 2017

Detailed information about Anchor's value for money can be found in the report available here:
www.anchor.org.uk/anchor-and-you/value-for-money

Regulator metrics

We welcome the introduction of new metrics for the year ending 31 March 2018, and our results are shown in the table below with comparators, where available.

REGULATOR METRICS

Metric	2018			2017		
	Retirement housing to let	Care homes	Total	Retirement housing to let	Care homes	Total
1 Reinvestment			6.4%			6.6%
2A New supply delivered (Social housing units)			0.1%			0.3%
2B New supply delivered (Non-social housing units)			0.6%			0.3%
3 Gearing			39.2%			41.7%
4 EBITDA MRI interest cover			434.6%			392.8%
5 Headline social housing cost per unit	£5,371	£29,351	£10,489	£5,337	£29,367	£10,469
6A Operating margin (Social housing)	19.9%	-1.0%	8.3%	20.9%	-7.8%	5.4%
6B Operating margin (Overall)			5.8%			4.1%
7 Return on capital employed			3.1%			2.0%

Charitable purpose

Each year Anchor's Board reviews the organisation's aims, objectives and activities to ensure that the organisation remains focused on its charitable purpose, namely to relieve the effects of ageing.

We have regard to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing our aims and objectives, and in planning future activities. The Board believes that the provision of specialist retirement housing and residential care to older people, generally those more than 65 years old, delivers a valuable public benefit.

Our services are available to customers, who are aged 55 or over, across England. Beyond this, there are no restrictions on who is able to benefit from Anchor's activities based on sexuality, ethnicity, disability, religion or gender.

Statement of compliance

In preparing this report, the Board has followed the principles set out in the Statement of Recommended Practice: Accounting by Registered Social Housing Providers (Housing SORP).

Anchor is committed to ensuring compliance with all relevant legislation. Anchor's policies and procedures meet legal compliance and, supported by our internal policies and procedures, we will in many cases go beyond minimum statutory requirements. Adherence to legislation is monitored by a number of specialist functional teams and guidance is also provided by the Policy Team. Areas of non-compliance are reported by exception.

The Regulator of Social Housing's Governance and Financial Viability Standard April 2015 requires that 'Registered providers shall assess their compliance with the Governance and Financial Viability Standard at least once a year. Registered providers' Boards shall certify in their annual accounts their compliance with this Governance and Financial Viability Standard'. We undertake an internal self-assessment exercise against the regulatory framework which is reported to our Audit & Risk Committee and confirmed to the Board. The assessment confirms our compliance with the regulatory framework and allows us to determine how we can further improve on our delivery of the standards. Through this mechanism, the Board has assessed that it is compliant with the Governance and Financial Viability standard.

In approving the report, the directors are also approving the Strategic Report in their capacity as Directors of the Company.

The Report of the Board and the Strategic Report were approved by the Board on 25 July 2018 and signed on its behalf by:

Pamela Chesters CBE
Chair

Stephen Jack OBE
Director



CORPORATE GOVERNANCE REPORT



We have

120 CARE HOMES

throughout England offering everything
from supportive residential care to
specialist dementia care...

CORPORATE GOVERNANCE REPORT

Overview of Anchor's corporate governance

Anchor is a private company limited by guarantee, a housing association and a registered charity. Since 2010, all housing associations are required to be governed in accordance with an appropriate code of governance and Anchor has elected to be governed by the Financial Reporting Council (FRC) UK Corporate Governance Code 2016 (UK Code). In 2010, Anchor's Board adopted the UK Code and each year is required to undertake a self-assessment of its compliance with the UK Code. Anchor chose to adopt the UK Code because its requirements set high standards in relation to Board leadership and effectiveness, and because of the breadth of services which Anchor operates across the housing and care sectors. Anchor's assessment of compliance concluded that in the year ending 31 March 2018 it has complied with the key provisions of the UK Code.

The table below summarises the provisions of the UK Code that are not applicable or are relevant only to listed companies.

C1.3 Annual and half yearly Financial Statements

D1.1 In designing schemes of performance-related remuneration for executive directors, the remuneration committee should follow the provisions in Schedule A to this Code. Schemes should include provisions that would enable the company to recover sums paid or withhold the payment of any sum, and specify the circumstances in which it would be appropriate to do so

D2.4 Shareholders should be invited specifically to approve all new long-term incentive schemes (as defined in the Listing Rules 26) and significant changes to existing schemes, save in the circumstances permitted by the Listing Rules

E1.1 The chairman should ensure that the views of shareholders are communicated to the Board as a whole

E1.2 The Board should state in the Annual Report the steps they have taken to develop an understanding of the views of major shareholders about the company

Anchor is also monitored and supervised by external regulators including the Regulator of Social Housing (RSH), the Care Quality Commission (CQC) and the Charity Commission. The RSH applies a detailed regulatory framework and each year publishes details of Anchor's compliance with its governance and financial viability standard. Following an in-depth assessment by the regulator, Anchor has retained its G1/V1 ratings. This is the highest possible regulatory rating, and it means that the RSH is satisfied that Anchor has effective governance arrangements and manages its resources effectively to ensure its financial viability is maintained. The CQC inspects all registered care services in accordance with the national standards, and details of Anchor's ratings compared with other providers are included in KPIs considered by the Board. Anchor is in the top quartile for CQC ratings. As a values-led organisation, Anchor Trust aims to encourage and support equality, diversity and inclusion in all that it does as an employer and as a provider of housing and care services.

The Board and its committees

Anchor's Board is made up entirely of Non-Executive Directors (NEDs) all of whom are independent. As at 31 March 2018, the Board comprised six members, led by Chair Pamela Chesters CBE. NEDs serve for an initial term of three years with no automatic reappointment. After the first three-year term, NEDs are eligible for reappointment for a further three-year term subject to a satisfactory appraisal. NEDs normally serve two terms. During the year, June Andrews resigned and Rima Makarem retired from the Board.

The Board controls Anchor's strategic direction and reviews its operating and financial performance. In accordance with the UK Code, there is a formal schedule of matters reserved specifically to the Board, which ensures it takes all major strategy, governance, financial planning and investment, and policy decisions. The appointment of the Chief Executive and the approval of standing orders and delegations of authority are all matters reserved for the Board.

The Board regularly reviews its schedule of matters reserved and the terms of reference for its committees to ensure they reflect best practice.

The Board has the following four committees: Audit & Risk (A&RC), Executive Remuneration (ERC), Nominations, and Service Quality (SQC).

The members of each committee of the Board are appointed by the Board on the recommendation of the Nominations Committee. Each committee has authority to act in accordance with its terms of reference, taking into account statutory and regulatory requirements, and best practice.

Performance evaluation

The Board understands the value of effective governance and during the year, it undertook a facilitated self-assessment which concluded that overall, the Board was performing well and governance arrangements were appropriate. Some minor improvements were identified. The Board also reviewed the formal procedures for the management of its meetings and determined that these were satisfactory and it was supplied with timely and relevant information to enable it to discharge its duties.

In addition to the external evaluation of the Board, the A&RC has undertaken a self-assessment of its effectiveness and has also reviewed the adequacy of its terms of reference. The assessment concluded that members of the A&RC understood what is expected of them, in terms of how the committee supports the Board, and that they are properly informed of risks and controls.

The Service Quality and Executive Remuneration committees also undertook self assessments.

Board meetings

The Board met eight times during the year. Alongside the formal agenda items, most meetings also include a themed business or strategy presentation from senior colleagues. Topics covered at these presentations included:

- Capital allocation model
- Asset management strategy
- IT strategy
- New models for retirement housing

At the end of each meeting sufficient time is also allowed for the Chair to meet privately with the Senior Independent Director (Stephen Jack) and other Board members.

Attendance at Board and committee meetings during the year was as follows:

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

	Board 8 meetings	Audit & Risk Committee 4 meetings	Executive Remuneration Committee 4 meetings	Nominations Committee 4 meetings	Service Quality Committee 4 meetings
Mark Allan*	7/8	0/1	///	///	///
June Andrews	6/6	///	///	///	4/4
Pamela Chesters	8/8	///	4/4	4/4	3/4
Alun Griffiths	8/8	///	4/4	4/4	///
Stephen Jack	8/8	4/4	4/4	4/4	///
Richard Jones	7/8	4/4	///	///	4/4
Rima Makarem	6/6	1/3	///	///	3/3
Richard Petty	8/8	3/4	///	///	///

* Mark Allan re-joined the A&RC in March 2018 after an agreed sabbatical period.

In addition to attending Board meetings, each member of the Board undertakes regular visits to Anchor locations during the year and shares their feedback with the rest of the Board and the Chief Executive.

Induction and Board evaluation

Anchor has a formal induction programme for NEDs which is tailored to meet the needs of new appointees. Induction includes meetings with the Chief Executive, the Chair and senior executives to discuss Anchor's future plans and to understand the risks and operating environment of the business. It also includes visits to existing and new developments, as well as discussions with colleagues and customers. Sector information is also provided on a regular basis. The training and development needs of each NED are regularly reviewed and agreed by the Chair.

The performance of each Board member is evaluated annually by the Chair. The Senior Independent Director leads an evaluation of the Chair. The Board considers that all directors continue to demonstrate their independence.

Audit & Risk Committee (A&RC)

The A&RC is chaired by Stephen Jack and the other members during and at the end of the year were: Richard Jones, Rima Makarem (until 31 December 2017), Richard Petty and Mark Allan. At least one member of the committee is required to have had significant, recent and relevant financial experience. The Board is satisfied that Stephen Jack met this requirement.

The primary role of the A&RC is to provide the Board with assurance on:

- The integrity of the financial reporting and the external audit process
- The maintenance of a sound system of internal control and risk management, including internal audit

The committee met on four occasions timed to coincide with Anchor's external financial reporting cycle. The Chair of the A&RC updates the Board on the work of the committee at each Board meeting which follows a meeting of the A&RC.

Members of the Executive Board (EB), Anchor's Head of Business Assurance and Risk which is an outsourced function with KPMG (who has a reporting line to the Chair of the A&RC), together with senior representatives of the external auditors attended meetings by invitation. At each meeting there was an opportunity for internal and external auditors to discuss matters with the committee without any members of the EB being present, and to consider revisions to the risk management framework and the risk register.

Report on the A&RC's activities for the financial year 2017/18

Business assurance

Anchor utilises an outsourced business assurance (internal audit) function provided by KPMG.

During the year the Business Assurance Team undertook a range of audits. A&RC considers all audits and is provided with updates on agreed recommendations.

External audit

BDO LLP was re-appointed as auditors at the AGM on 28 September 2017. The A&RC is confident of the independence and the objectivity BDO bring to the effectiveness of the external audit process. This is based upon BDO's robust internal processes, their continuing challenge, their focused reporting, and discussions with both management and the committee.

During the year the external auditors provided additional non-audit services to Anchor which are reported elsewhere in the annual report and accounts.

In accordance with its remit, the A&RC reviewed and approved:

- The auditor's plans for the audit of Anchor's financial statements for 2017/18
- The terms of engagement for the audit, proposed audit fee and associated expenses
- The content of the formal audit letter provided by the auditors and management's response, including the significant audit risks, the audit response and issues that arose in the audit and their resolution

Financial reporting

During the year the A&RC reviewed a wide range of accounting and financial issues including the annual financial statements prior to submission to the Board.

Whistle-blowing

Anchor's whistle-blowing policy sets out the arrangements for colleagues to raise concerns or complaints to management and senior executives without fear of recrimination. Any matters raised are reported to the A&RC. Where appropriate, the committee brings matters raised to the attention of the Service Quality Committee and, if necessary, the Board which decides how the matter will be handled, including whether or not it should be referred to an outside agency. In the year ending 31 March 2018, there were no matters reported to the A&RC which it felt were sufficiently serious to raise with the Board.

Fraud

The A&RC also receives regular reports of any fraudulent activity perpetrated against the organisation or its customers, and reviews the measures in place for dealing with fraudulent activity and ensuring that appropriate external agencies are notified. The A&RC defines serious fraudulent activity as anything with a value in excess of £5,000 or which involves a member of the Board or Anchor's EB.

During the year the A&RC received no reports of serious fraudulent activity against the organisation. The A&RC was satisfied that appropriate external agencies had been notified of any fraudulent activity directed by third parties against customers that came to Anchor's attention, and that management responded proactively to the instances identified.

Executive Remuneration Committee (ERC)

The ERC is chaired by Alun Griffiths, and consists entirely of independent NEDs with the other members being Pamela Chesters and Stephen Jack. The ERC's responsibilities are to ensure appropriate remuneration policies are in place for the members of the EB, taking into account remuneration across Anchor's workforce, as well as external comparators, and to determine the individual elements and total reward for all EB roles.

Remuneration is structured in such a way that it attracts, motivates and retains talented individuals, whilst focusing them to achieve specific targets in order to deliver Anchor's objectives and deliver value to stakeholders. No members of the EB are present when the ERC considers matters relating to them.

The ERC meets four times throughout the year, with any additional meetings agreed by exception.

In recognition of the challenges facing Anchor in the sectors in which it operates, an extensive benchmarking analysis was completed by independent executive remuneration advisers Kepler-Mercer. As a result, one member of the EB was awarded a pay increase as part of the annual review process. The salaries of other EB members and the Chief Executive did not increase, as was the case for the previous financial year.

The bonus scheme requires participants to meet 95% of their target before any bonus payments are made and to meet very demanding targets before the maximum bonus can be paid. The assessment of organisational performance for the year ending 31 March 2018 took account of Anchor's profitability, cash management and levels of customer satisfaction. This resulted in a base award of 19.5% for the EB (prior year: 8.75%). As a consequence of this and a personal performance against objectives multiplier, the Chief Executive received a final bonus of 29.2% of salary (£89,647.74). The total bonus pool of EB was £266,873.49.

Remuneration review

The reward framework comprises base salary, benefits (pension, life assurance and company car) and a bonus paid to the extent that in-year targets are achieved. This framework was not reviewed during the year, and as noted above, base pay was not adjusted. As noted in our report last year, Anchor is a housing association and a registered charity but the highest degree of complexity, risk and compliance, and the majority of the workforce, now sit within our care business, and consequently the care sector is an important comparator.

Executive directors may hold positions in other companies as non-executive directors and retain their fees. Jane Ashcroft is a Non-Executive Director of Dignity plc, and in accordance with Anchor policy she retained fees for the year of £46,850 (2017: £46,850). The insight resulting from her work with a FTSE 250-listed company is beneficial to Jane's role as Chief Executive, and she manages her time to ensure that the impact for Anchor is minimised, including using her own time, as agreed with the Board.

Nominations Committee

The Nominations Committee is chaired by Pamela Chesters, unless the committee is dealing with the appointment of a successor to the Chair. At the year end, the members were Pamela Chesters, Alun Griffiths and Stephen Jack. The committee reviews the structure and composition of the Board, and identifies and nominates for approval candidates to fill Board vacancies. When considering succession planning, the committee takes into account the need for relevant skills, experience, knowledge, ability, gender and ethnicity at Board level. The terms and conditions of appointment of all NEDs are available for inspection at the Company's registered office during normal business hours and at the AGM. During the year the committee:

- Reviewed the size, structure and composition of the Board
- Considered succession plans for the NEDs

In carrying out its activities, the committee has access to such information and advice both from within Anchor and externally, at the expense of Anchor, as it deems necessary. Recruitment services are sought from appropriate recruitment agencies, which have no other connection with Anchor, in relation to Board and EB appointments.

Service Quality Committee (SQC)

The SQC is chaired by Richard Jones with the other members during the year being June Andrews, Pamela Chesters and Rima Makarem (until 31 December 2017). The Housing Operations Director and Care Services Director attend each meeting, as does the Head of Care Quality. The SQC receives regular feedback from the Head of Health and Safety with whom there is a very strong link, and from the Governance and Safeguarding Board, which meets on a regular basis.

The committee focuses upon the performance of services across the organisation in relation to customer outcomes and ensures that the voice of the customer is listened to and acted upon. The work of the committee is reported to and formally reviewed by the Board.

During the year, the committee analysed reports from CQC inspections, noting key themes and ensuring that appropriate lessons were learned. The SQC ensured that Anchor had the processes in place to recruit competent staff and conduct the necessary training to ensure adherence to the guidelines at care and housing level.

Anchor's approach to risk management

The effective management of risk is essential to Anchor. There is inherent risk and uncertainty in the sectors in which Anchor operates, and therefore risk awareness and management is an integral part of management practice and culture, informing the organisation's values, processes and ways of working.

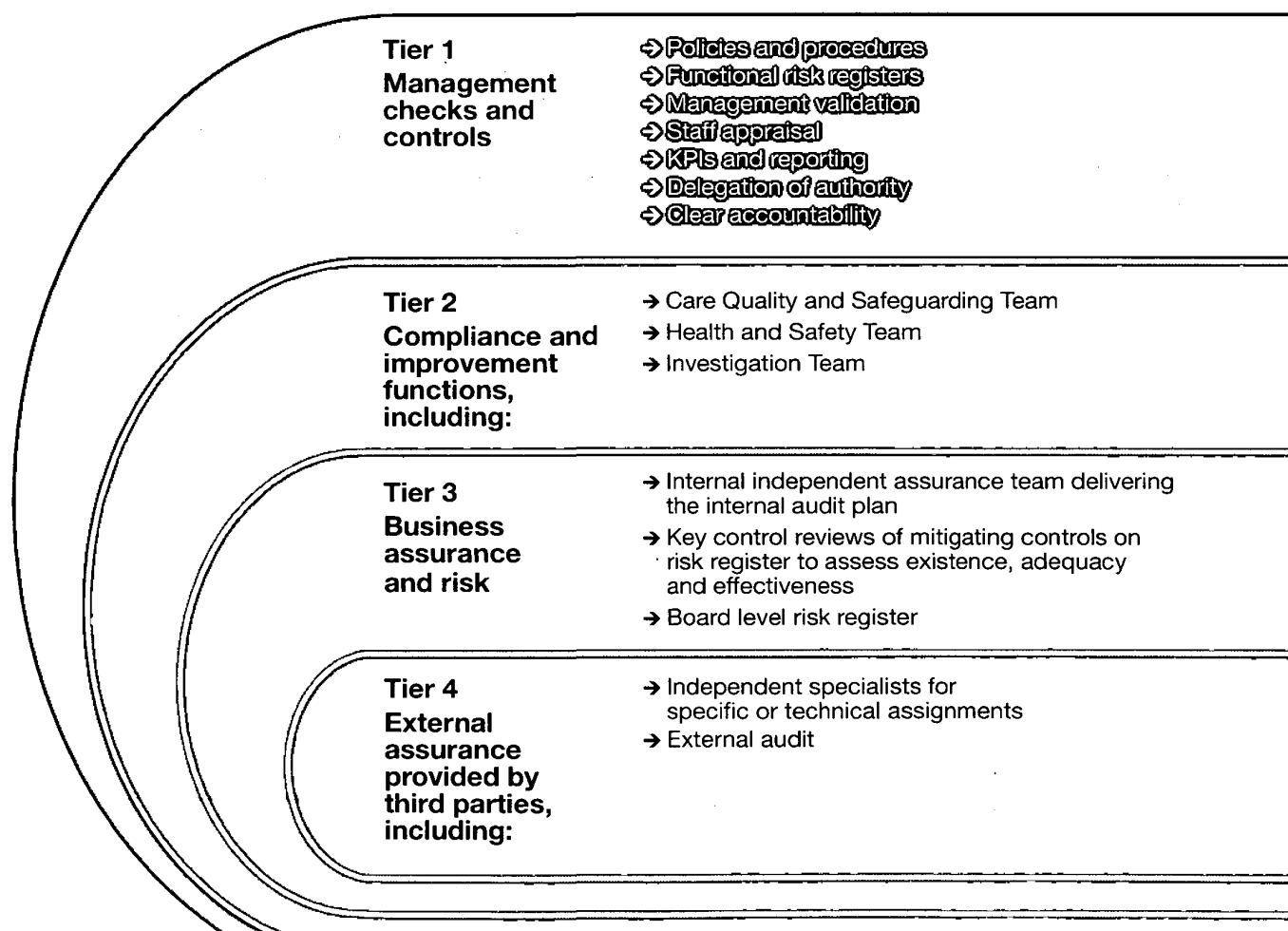
The A&RC reviews the structure and content of the risk register at each of its meetings and during the year, an enhanced risk management strategy and approach to risk was approved. Overall responsibility for risk management rests with Anchor's Board, which reviews risk on a regular basis and ensures that the aggregate level of net risk is acceptable in light of our strategic aims and objectives.

This is supported by a clear risk management strategy, covering the following areas:

- Roles and responsibilities of key committees and stakeholders to ensure an effective risk management framework is in operation
- Methods for defining, identifying, measuring and recording key risks to Anchor's objectives
- Anchor's response to risk, considering risk appetite at both an individual and aggregate risk level
- Approach to incidents and risk events

The Board level risk register currently comprises 21 principal risks under the broad headings of Customers, Finance, People, Legislative, Regulatory, Strategic and Public Trust. New and emerging risks are included in the register as they arise; this happens both organically as issues arise and through structured conversations held on a monthly basis between heads of function and business assurance, and between the executive and directors.

Anchor utilises a 'Four-tier Assurance Framework' in managing significant risks and uncertainties. This outlines how assurance is provided to management, and the key sources of assurance used:






Principal risks and uncertainties



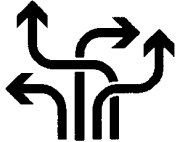

The directors have undertaken a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity.

The following tables outline the way in which these key risks are managed:

KEY RISKS

Risk area	Description and alignment of strategy	Mitigation
Customers 	<p>Delivering the best service to our customers is of paramount importance, ensuring that we continue to deliver the highest possible standards of quality care and housing.</p> <p>The needs of customers (both existing and potential) continue to increase in complexity, leading to greater challenges in areas of safeguarding and care delivery.</p> <p>As a result of poor asset planning and delivery, there is a risk that properties are not safe or suitable for customers. The successful management of Anchor's estate is essential in delivering excellent service to our customers.</p>	<ul style="list-style-type: none"> → Mobile health and safety checks → Mandatory safeguarding training → Medication management project → Property compliance and development of an asset management 'offer' → Significant investment in people, processes and systems to deliver a step-change in property management → An updated asset management strategy is being finalised
Finance 	<p>Anchor's objective to be the best run company is reliant on strong financial management and control, ensuring that we continue to deliver value for money to both current and future customers.</p> <p>Key risks and uncertainties in this area include poor financial management, where covenants may be breached, impacting on our ability to re-finance. Poor management of cash creates a risk that the business may not be able to operate effectively and viability will be affected.</p> <p>Due to the age of Anchor's assets, there is a risk that the investment required to maintain Decent Homes Standard is not sustainable leading to closures/sale of stock, etc.</p>	<ul style="list-style-type: none"> → Extensive financial forecasting and monitoring through KPIs → Flexible and responsive funding arrangements in place → Frequent stress testing of forecasts
People 	<p>Anchor's goal is to remain the employer of choice in the care and housing sectors. This will be achieved through recruiting and retaining the most talented, engaged and caring people in the sector.</p> <p>As a result of a reducing labour market that is willing to work in the care sector, there is a risk we cannot staff our care homes appropriately, leading to service failures and reputational damage. As a result of poor practice and controls, there is a risk that we will not retain individuals suitable to work in our services.</p>	<ul style="list-style-type: none"> → Providing development opportunities for people throughout Anchor as well as monitoring salaries and overall reward packages in comparison to the sector → Our annual colleague engagement survey, updated on a sample basis each quarter, focuses management on key issues impacting colleagues → Regular monitoring of key employee statistics, such as turnover and absence, and a career framework for operational colleagues

KEY RISKS

Risk area	Description and alignment of strategy	Mitigation
Legislative 	<p>As a result of Brexit, there is a risk that Anchor's financial stability will be impacted, resulting in financial difficulties.</p> <p>The introduction of the National Living Wage creates a risk that Anchor's care homes cost base becomes unviable and services can no longer continue.</p> <p>As a result of government budget pressures, there is a risk that state funding will reduce - making Anchor's services unviable.</p>	<ul style="list-style-type: none"> → Ongoing review of care home portfolio → Influencing and lobbying work → Working in conjunction with other providers to raise awareness
Regulatory 	<p>Poor controls and processes on data protection create the risk that a serious data breach may occur resulting in fines/reputational damage.</p> <p>Lack of appropriate system controls and safeguards creates a higher risk of cyber breach, resulting in business continuity incidents/reputational damage.</p> <p>Lack of appropriate processes, controls and expertise in regard to construction design management, creates a risk that works are not delivered correctly, resulting in penalties, customer harm and reputational damage.</p>	<ul style="list-style-type: none"> → General Data Protection Regulation (GDPR) implementation programme and mandatory training → Cyber security plan developed → Remedial works plan
Strategic 	<p>Declining condition of the secondary housing market creates a risk that we will not be able to sell sufficient properties to deliver the Business Plan, causing financial issues and reputational damage.</p> <p>Limited availability of retirement housing to transfer in creates a risk that we will not be able to achieve the 50/50 balance of housing and care, increasing financial risk to the business.</p> <p>Reliance on suppliers for technology carries an inherent risk that Anchor can't achieve its digital aims in the Business Plan, resulting in a higher cost base/outdated ways of working.</p> <p>As a result of significant merger activity, there is a risk that core business performance reduces, leading to service failures, reputational damage and financial issues.</p>	<ul style="list-style-type: none"> → Various sales and marketing tactics, ongoing reviewing and smoothing of development pipeline → Anchor and Hanover potential merger → Right sourcing programme → Open communication and engagement programme post merger announcement
Public trust 	<p>Failure to embed Anchor's values and behaviours creates a risk that the culture of the organisation fails, with negative impacts for colleagues, customers and the organisation's reputation.</p>	<ul style="list-style-type: none"> → Organisational culture considered in all internal audit assessments → Annual and quarterly colleague engagement surveys and "You said, we did" activity undertaken → Placed in Top 100 Sunday Times Best Not-For-Profit Organisations to Work For 2017 → Winner of 2017-18 RateMyApprenticeship Award

4 BOARD, DIRECTORS AND ADVISORS



Retirement properties for rent
offering affordable housing options—
at more than

50 LOCATIONS
across the country...

BOARD, DIRECTORS AND ADVISORS

Patron

HRH Princess Alexandra

The Board*

Chair

Pamela Chesters CBE

Board Members

Mark Allan

Professor June Andrews OBE (resigned 31 March 2018)

Alun Griffiths

Stephen Jack OBE

Richard Jones CBE

Rima Makarem (retired 31 December 2017)

Richard Petty

Executive Board**

Chief Executive

Jane Ashcroft CBE

Executive Members

Mark Curran

Mark Greaves

Sue Ingrouille (resigned 30 April 2017)

Sarah Jones

Howard Nankivell

Company Secretary

Mary Keane

Registered Office

The Heal's Building
Suites A&B, 3rd Floor
22-24 Torrington Place
London
WC1E 7HJ

External Auditors

BDO LLP

Bankers

Lloyds Banking Group PLC

Investment Managers

Schroder Investment Management Limited

Solicitors

Eversheds LLP

Treasury Advisors

Traderisks Limited

* Members are classified as Directors for the purposes of the Companies Act 2006

** Members of the Executive Board are not classified as Directors for the purposes of the Companies Act 2006

DIRECTORS' REPORT



More than

developments across the
country offering retirement
properties for sale...

DIRECTORS' REPORT

Legal status

Anchor Trust is a company limited by guarantee (number 3147851). It is registered under the Housing Act 1996 (registration number LH4095) and is also a registered charity (registration number 1052183).

Review of the business

A review of the business is provided in the statements of the Chair and Chief Executive, and the Report of the Board including the Strategic Report.

Directors

The directors at 31 March 2018 and the date of approval of the financial statements are listed on page 28. The directors may from time to time appoint one or more directors. In line with the UK Corporate Governance Code 2016, directors do not normally serve for longer than six years.

Directors' conflicts of interest

Anchor has procedures in place for managing conflicts of interest. Should a director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with Anchor, they are required to notify the Company Secretary.

Employment

- Equality and diversity

Anchor is committed to an active equal opportunities policy from recruitment and selection, through training and development, performance reviews and promotion, to retirement. It is Anchor's policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion.

Anchor's Lesbian, Gay, Bisexual and Trans (LGBT+) Group is open to all customers and acts as a sounding board on LGBT+ issues and policies for Anchor. We also have an Equality, Diversity and Inclusion Topic Forum as part of our customer engagement strategy.

- Colleagues with disabilities

Anchor's policy is that people with disabilities should have full and fair consideration for all vacancies. Anchor interviews people with disabilities for any vacancy where they fulfil the minimum criteria. Anchor also endeavours to retain colleagues in the workforce if they become disabled during employment. Anchor will actively retrain and adjust their environment where possible to allow them to maximise their potential.

Health and safety

Anchor is committed to providing a safe and healthy environment for all of its employees and others affected by its activities.

Donations

Neither Anchor nor any of its subsidiaries made any charitable donations or political donations, or incurred any political expenditure during the period.

Creditor payment policy

It is Anchor's policy to settle the terms of payment with any suppliers when agreeing the terms of each transaction; to ensure that those suppliers are aware of the terms of payment; and to abide by them. Generally, Anchor pays its creditors 30 days following the end of the month of receipt of a valid invoice. At the end of the year, there were 30 days (2017: 33 days) worth of purchases in trade creditors.

Post year end events

The Boards of Anchor Trust and Hanover Housing Association approved, in principle, a merger at their respective board meetings in April 2018. Both organisations are working together to form a new group that, if ultimately approved, will be formed before 31 March 2019. The conversion of Anchor Trust into a Community Benefit Society is a prerequisite to the merger, and this is anticipated to take place before the end of the 2018 calendar year.

Going concern

After making enquiries and examining major areas which could give rise to significant financial exposure, the directors are satisfied that no material or significant exposures exist other than as reflected in these financial statements and that Anchor has adequate resources to continue its operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing these financial statements.

Auditor

BDO LLP has expressed its willingness to continue in office as auditor to Anchor. A resolution proposing the reappointment of BDO LLP will be made at the AGM.

Disclosure of information to auditors

At the time of approval of this report:

- So far as the directors are aware, there is no relevant audit information of which Anchor's auditor is unaware
- The directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information (as defined by Section 418(2) of the Companies Act 2006) and to establish that Anchor's auditor is aware of that information
- The directors consider that the annual report is fair, balanced and understandable and provides the information necessary to assess the Group's position and performance, business model and strategy

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 surplus or deficit 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 and Statements of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume 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, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered providers of Social Housing 2015. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to present and detect fraud and other irregularities.

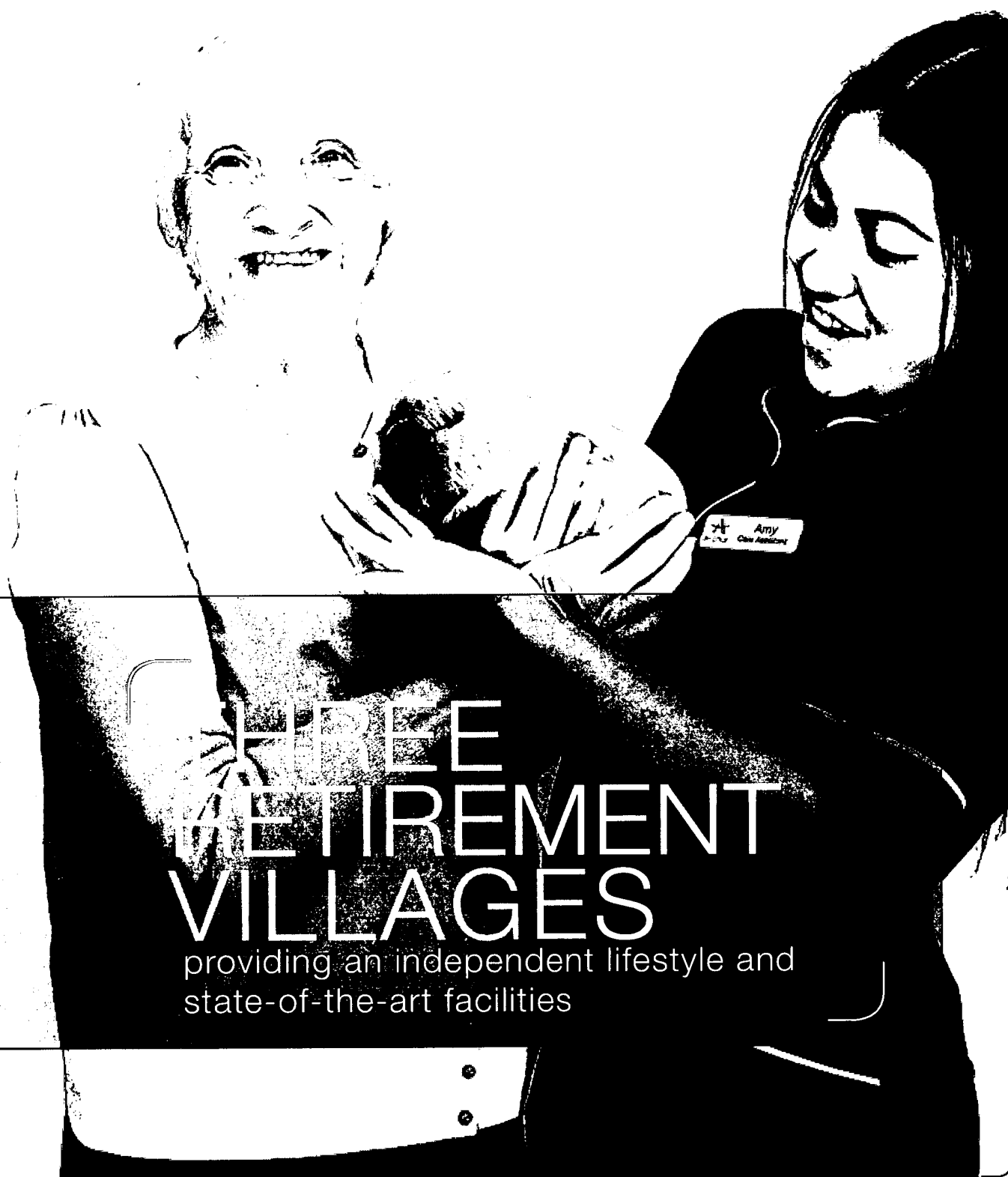
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each director confirms that, so far as he/she is aware, there is no relevant audit information of which the Company's auditors are unaware and that each director has taken all steps that he/she ought to have taken as director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board.


Mary Keane
Company Secretary
25 July 2018

6 INDEPENDENT AUDITOR'S REPORT



THREE RETIREMENT VILLAGES

providing an independent lifestyle and
state-of-the-art facilities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANCHOR TRUST LIMITED

Opinion

We have audited the financial statements of Anchor Trust Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 March 2018 which comprise the consolidated and Parent Company statement of comprehensive income, the consolidated and Parent Company statement of financial position, the consolidated and Parent Company statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2018 and of the Group's and the Parent Company's surplus or the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent Company

in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report [set out on page 25] that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation [set out on page 25] in the annual report that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement [set out on page 31] in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; or
- the directors' explanation [set out on page 15] in the annual report as to how they have assessed the prospects of the company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS

Carrying value of work in progress

As described in note 3 (accounting policies) and note 13.1 (housing properties) and note 15 (stock), the Group carries housing properties at cost less accumulated depreciation and impairment losses and properties for resale at the lower of cost and net realisable value.

Work in progress

Given the significance of the development programme and the level of stock held within the Group, judgement is required to assess whether stock is held at the lower of cost and net realisable value, taking into account changes in demand and management's expectations for future sales.

As at 31 March 2018, the Group held housing properties of £647m (2017: £668m) and properties for resale of £89m (2017: £80m).

How We Addressed the Key Audit Matter

To assess whether the carrying value of work in progress was appropriate we:

- reviewed management's forecast sales prices and costs to complete by comparing to updated valuations and recent sales post year end;
- checked a sample of properties sold after 31 March 2018 to completion statement and bank receipt to confirm that net realisable value was greater than cost
- reviewed the latest valuations and underlying assumptions for a sample of schemes that were held for resale at year end to confirm that expected net realisable value was greater than cost.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be £14m (2017 - £13m) which represents 2% of gross assets (2017 - 2% of gross assets).

We also apply a specific materiality level for all items comprising operating profit (including related disclosures) as that term is defined for the purposes of the entities lending covenants. This therefore involves adjusting operating profit for depreciation, amortisation open market sales and gift aid receipts. The specific materiality level that we applied was £4m (2017: £3m).

We used gross assets and adjusted operating profit as our chosen benchmarks to determine materiality and for specific materiality as these are considered to be the areas of the financial statements of greatest interest to the principal users of the financial statements and the areas which will have greatest impact on investor and lender decisions.

Materiality for the parent company was set at £11m (2017 - £12m) which represents 2% of gross assets (2017 - 2% of gross assets).

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial

statements as a whole. Performance materiality was set at 75% (2017 - 73%) of materiality or specific materiality depending on the financial statement area being audited. In setting the level of performance materiality, we considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit Committee that misstatements in excess of £0.15m (2017: £0.2m), which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting component in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgement in the financial results.

Classification of components

A full scope statutory audit was carried out for each subsidiary that we considered to be a significant component of the Group.

Audit work on all components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for Group/consolidation purposes. Individual component audits were carried out using component materialities of between 0.05-0.15% of overall financial statement materiality.

Other information

The directors are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information including the Strategic Report (included within the Operating and Financial Review) and the Statement of Corporate Governance and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable [set out on page 32]** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting [set out on page 22]** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by Companies Act 2006 to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company; or
- the Parent Company 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.

Responsibilities of the directors

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements [set out on pages 30-32], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and the Parent 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 the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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 and the Housing and Regeneration Act 2008. 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.



Philip Cliftlands, Senior Statutory Auditor
For and on behalf of BDO LLP
London
27 July 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

7 FINANCIAL STATEMENTS



9,000

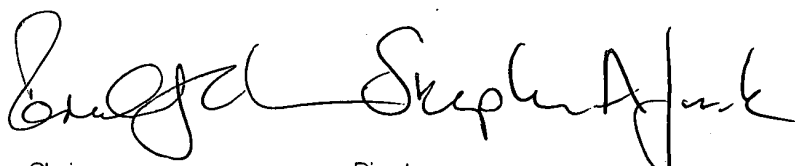
trained team members with
one aim – to bring older
people happy living for the
years ahead...

Consolidated Statement of Comprehensive Income

for the year ending 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover	4	389,062	374,709
Operating costs	4	(366,410)	(359,441)
Operating surplus before exceptional items		22,652	15,268
Exceptional items	6	–	(735)
Operating surplus	5	22,652	14,533
Gain on disposal of fixed assets	13	338	7,065
Interest receivable and other income	9	2,022	2,262
Interest payable and financing costs	10	(13,518)	(12,305)
Surplus on ordinary activities before tax		11,494	11,555
Tax on surplus on ordinary activities	11	(513)	(1,002)
Surplus for the year		10,981	10,553
Remeasurements - actuarial gain / (loss) in respect of pension scheme	26	15,889	(994)
Movement in fair value of hedged instruments		462	–
Total comprehensive income for the year		27,332	9,559

The financial statements on pages 37 to 76 were approved by the Board on 25 July 2018 and signed on its behalf by:



Chair
Pamela Chesters CBE

Director
Stephen Jack OBE

The Company's results relate wholly to continuing activities.

The accompanying accounting policies and notes on pages 43 to 76 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ending 31 March 2018

	Income & Expenditure Reserve £'000	Restricted Reserves £'000	Cash Flow Hedge Reserve £'000	Total £'000
Balance as at 1 April 2016	298,249	356	–	298,605
Surplus for the year	10,553	1	–	10,554
Utilisation of restricted reserves	–	(235)	–	(235)
Actuarial gain in respect of pension schemes	(994)	–	–	(994)
Balance as at 31 March 2017	307,808	122	–	307,930
Surplus for the year	10,981	1	–	10,982
Utilisation of restricted reserves	–	(19)	–	(19)
Actuarial gain in respect of pension schemes	15,889	–	–	15,889
Movement in fair value of hedged financial instrument	–	–	462	462
Balance as at 31 March 2018	334,678	104	462	335,244

Company Statement of Changes in Equity

for the year ending 31 March 2018

	Income & Expenditure Reserve £'000	Restricted Reserves £'000	Cash Flow Hedge Reserve £'000	Total £'000
Balance as at 1 April 2016	311,332	356	–	311,688
Surplus for the year	23,735	1	–	23,736
Utilisation of restricted reserves	–	(235)	–	(235)
Actuarial gain in respect of pension schemes	(994)	–	–	(994)
Balance as at 31 March 2017	334,073	122	–	334,195
Surplus for the year	14,085	1	–	14,086
Utilisation of restricted reserves	–	(19)	–	(19)
Actuarial gain in respect of pension schemes	15,889	–	–	15,889
Movement in fair value of hedged financial instrument	–	–	462	462
Balance as at 31 March 2018	364,047	104	462	364,613

Consolidated Statement of Financial Position

as at 31 March 2018

	Note	£'000	2018 £'000	£'000	2017 £'000
Fixed Assets					
Goodwill	12	–		3,078	
Tangible fixed assets: housing	13	648,377		668,142	
Tangible fixed assets: other	13	8,852		13,259	
Investments	14	1,346		1,706	
			658,575		686,185
Current Assets					
Stock: properties held for sale	15	88,979		80,087	
Stock: raw material and other consumables	15	144		145	
Trade and other debtors: amounts due within one year	16	25,873		22,548	
Trade and other debtors: amounts due after more than one year	17	20,328		21,317	
Short-term deposits and investments	18	115		5,113	
Cash and cash equivalents		57,241		44,253	
		192,680		173,463	
Creditors: amounts falling due within one year	19	(108,924)		(101,315)	
Net current assets			83,756		72,148
Total assets less current liabilities			742,331		758,333
Creditors: amounts falling due after more than one year	20		(405,010)		(427,396)
Provisions for liabilities and charges					
Provisions for liabilities and charges	21		(1,518)		(1,588)
Pension liability	26		(559)		(21,419)
Total net assets			335,244		307,930
Reserves					
Income and expenditure reserve			334,678		307,808
Restricted reserves			104		122
Cash flow hedge reserve			462		–
Total reserves			335,244		307,930

The financial statements on pages 37 to 76 were approved by the Board on 25 July 2018 and signed on its behalf by:

Chair
Pamela Chesters CBE

Director
Stephen Jack OBE

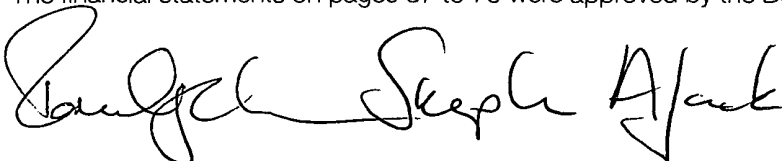
Company Statement of Financial Position

as at 31 March 2018

	Note	£'000	2018 £'000	£'000	2017 £'000
Fixed Assets					
Tangible fixed assets: housing	13	562,845		577,179	
Tangible fixed assets: other	13	8,852		13,259	
Investments	14	1,346		1,706	
Investments in subsidiary undertakings	14	33,682		71,106	
			606,725		663,250
Current Assets					
Stock: properties held for sale	15	644		1,254	
Stock: raw material and other consumables	15	108		109	
Trade and other debtors: amounts due within one year	16	19,628		21,038	
Trade and other debtors: amounts due after more than one year	17	172,521		149,499	
Short-term deposits and investments	18	115		5,113	
Cash and cash equivalents		49,264		36,537	
		242,280		213,550	
Creditors: amounts falling due within one year	19	(89,079)		(80,881)	
Net current assets			153,201		132,669
Total assets less current liabilities			759,926		795,919
Creditors: amounts falling due after more than one year	20		(394,203)		(439,707)
Provisions for liabilities					
Provisions for liabilities and charges	21		(551)		(598)
Pension liability	26		(559)		(21,419)
Total net assets			364,613		334,195
Reserves					
Income and expenditure reserve			364,047		334,073
Restricted reserves			104		122
Cashflow hedge reserve			462		-
Total reserves			364,613		334,195

The company surplus for the year was £14,085,000.

The financial statements on pages 37 to 76 were approved by the Board on 25 July 2018 and signed on its behalf by:



Chair
Pamela Chesters CBE

Director
Stephen Jack OBE

Consolidated Statement of Cash Flows

for the year ending 31 March 2018

	Note	2018 £'000	2017 £'000
Net cash generated from operating activities	29	70,213	61,953
Cash flow from investing activities			
Purchase of tangible fixed assets		(44,028)	(49,316)
Proceeds from sale of tangible fixed assets		1,974	9,358
Purchase of subsidiary companies		–	34
Grants received		125	–
Transfer of capital grant to other registered social housing providers		–	(8,375)
Receipts from sale of investments		246	462
Interest received		2,022	2,262
		(39,661)	(45,575)
Cash flow from financing activities			
Interest paid		(9,078)	(9,731)
Interest element of finance lease rental payments		(2,026)	(1,997)
Repayments of borrowings		(11,103)	(3,132)
Capital element of finance lease rental payments		(355)	(388)
Transfer to deposits		4,998	(18)
		(17,564)	(15,266)
Net change in cash and cash equivalents		12,988	1,112
Cash and cash equivalents at 1 April		44,253	43,141
Cash and cash equivalents at 31 March		57,241	44,253

The accompanying accounting policies and notes on pages 43 to 76 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ending 31 March 2018

1. Basis of accounting

The financial statements are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: (SORP) Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

Disclosure exemptions

In preparing the financial statement of Anchor Trust, advantage has been taken of the following disclosure exemptions available under FRS 102 and section 408 of the Companies Act 2006:

- No Statement of Comprehensive Income for the parent company has been presented;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

2. Basis of consolidation

The Group financial statements comprise those of Anchor Trust and its subsidiary undertakings.

3. Principal accounting policies

i Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

ii Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

→ Significant management judgements

The following are the significant management judgements made in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Capitalisation of property development costs

Distinguishing the point at which a project is more likely than not to continue and allowing capitalisation of associated development costs requires judgement. After capitalisation, management monitors the asset and considers whether changes indicate that impairment is required. The total amount capitalised in the year was £325,000 relating to care homes under construction.

Impairment of social housing properties

The Group have to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP. Details of judgements and estimates are set out fully in the accounting policy and note 13.10.

→ Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utilisation of certain software and IT equipment and changes to Decent Homes Standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2018 was £807,868,000.

Goodwill

Management has estimated the useful economic life arising from the acquisition of residential healthcare business at two years, being the average length of stay of residents across the acquired care homes. Accumulated amortisation at 31 March 2018 was £14,774,000.

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 26). The liability as at 31 March 2018 was £559,000.

Assets held for sale

Stock includes properties for sale under market sale and shared ownership programmes. In addition, the Group holds work in progress on schemes where properties are being developed for sale. The value of each asset is assessed for impairment by review against its selling price less costs to complete and sell and each scheme in progress against expected proceeds less costs to be incurred.

Hedge accounting effectiveness

A prospective test is performed at hedge inception and at each reporting date, under the critical terms method, and using a hypothetical derivative set up so that it matches the Hedging Instrument, but in the opposite direction.

The strength of the statistical relationship between the hedging instrument and hedged item is measured by comparing the mark-to-market movement of the hedging instrument to that of the hypothetical derivative under specific sensitivities of the interest rate curve. As the market value represents the present value of all future swap cashflows, a strong correlation between changes in market value of swap and hypothetical swap implies that the hedge is expected to be highly effective.

iii Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of Anchor Trust and entities controlled by the Group and its subsidiaries. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the year are included in total comprehensive income from the effective date of acquisition using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

iv Turnover and revenue recognition

Turnover is net of voids and Value Added Tax and includes:

- Rents and service charges from social housing lettings and leasehold management
- Residential care home charges
- Home care charges
- Revenue grants

- Sales of leasehold properties
- Supporting People contract income

Turnover has been analysed in accordance with the requirements of the Accounting Direction for Private Registered Providers of Social Housing 2015 (see note 4).

Charges for services provided and Supporting People income are recognised as income when Anchor Trust has provided the service concerned. Grants made as contributions to revenue expenditure are credited to income in the period in which the related expenditure is incurred.

Income from the sale of leasehold properties is recognised as turnover at the point of legal completion of the sale.

Voids represent rent losses arising from vacant accommodation and the amount is shown in note 4.3, as required by the Accounting Direction for Private Registered Providers of Social Housing 2015.

v Interest payable

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- a) interest on borrowings specifically financing the development programme after deduction of social housing grant received in advance; or
- b) a fair amount of interest on borrowings of Anchor Trust as a whole after deduction of social housing grant received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to income and expenditure in the year.

vi Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

vii Pensions

In respect of defined benefit pensions, the pension costs charged against income are based on an actuarial method and actuarial assumptions.

As the scheme was closed to further accrual as at 31 March 2011, the anticipated pension costs are primarily the scheme expenses and there is no remaining service life of employees assumed for the scheme.

The Group participates in a funded multi-employer defined benefit scheme, the Growth Fund. It has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The charge to the income and expenditure represents the employer contribution payable to the scheme for the accounting period.

Contributions payable from Anchor Trust to the Growth Fund under the terms of its funding agreement for past deficits are recognised as a liability in the financial statements.

viii Taxation

Tax on the surplus or deficit for the year comprises current and deferred tax. Tax is recognised in the income and expenditure reserve 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 rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the Group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense / (income) is presented either in income and expenditure, other comprehensive income or equity depending on the transaction that resulted in the tax expense / (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

ix Leases**→ As Lessee**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

→ As Lessor

Upon completion of properties, the development costs incurred under a Private Finance Initiative (PFI) contract are converted to a finance lease debtor. This debtor represents the total amount outstanding under the lease agreements less unearned income. Finance lease income, having been allocated to accounting periods to give a constant periodic rate of return on the net investment, is included in turnover.

x Housing properties

Housing properties are properties held for the provision of social retirement housing, residential care or to otherwise provide social benefit. Retirement housing and residential care home properties are stated at cost less accumulated depreciation and impairment losses.

Shared Ownership for the Elderly (SOE) schemes are held at the outstanding interest in the properties less social housing grant retained and depreciation. The outstanding interest in SOE schemes is stated at cost, plus cost of equity subsequently repurchased by Anchor Trust. Proceeds from first tranche disposals are accounted for in the income and expenditure account in the year in which the disposal occurs.

Cost for housing properties includes the cost of acquiring land and buildings, construction costs including internal equipment and fittings, interest charges incurred during the development period and

expenditure incurred in respect of improvements and extension of existing properties to the extent that it enhances the economic benefit derived from the assets.

The costs of housing properties are split between the structure and those major components which require periodic replacement. Replacement or restoration of such major components is capitalised and depreciated over the average estimated useful life which has been set taking into account professional advice, the Group's asset management strategy and the requirements of the Decent Homes Standard. The lives attributable to assets capitalised in this way range from four to 50 years.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when ready for letting.

xi Depreciation of housing properties

The Group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight-line basis, over its useful economic life.

The asset lives used are as follows:

- Housing properties and residential care homes: between 25 and 50 years except where the economic life of the property is dependent on a revenue support agreement in which case the life used is the initial term of that agreement.

For individual components, the asset lives used are as follows:

→ Bathrooms:	10 years
→ Kitchens:	10 years
→ Windows:	15 years
→ Alarms:	10 years
→ Boilers:	10 years
→ Call systems:	14 years
→ External doors:	15 years
→ Electrical wiring:	25 years
→ Fire safety systems:	15 years
→ Central heating:	10 years
→ Laundry rooms:	10 years
→ Lifts:	25 years
→ Plumbing:	25 years
→ Security systems:	10 years
→ Air conditioning:	13 years
→ SOE schemes:	99 years

- Freehold land is not depreciated.

Leasehold properties are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

xii Government grants

Government grants include grants receivable from the Regulator for Social Housing (RSH), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Social housing grants due from such agencies or received in advance are included as a current asset or liability.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the RSH. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income within comprehensive income.

xiii Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

xiv Other tangible fixed assets

All other tangible fixed assets are included at cost less depreciation.

Depreciation is provided on a straight-line basis on the cost of the asset less the estimated residual value on all tangible fixed assets except land.

The asset lives used are as follows:

→ Motor vehicles	four years
→ Computer equipment	two to four years
→ Office equipment and fittings	four years

xv Impairment

Housing properties are assessed for impairment indicators annually. Where indicators are identified an assessment for impairment is undertaken comparing

the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, which is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure in income and expenditure. Where an asset is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

xvi Investments

All investments are stated at market value at the balance sheet date. Investments that are intended to be held to generate returns for use on a continuing basis in the activities of Anchor Trust are classified as fixed assets.

Investments held as part of short-term treasury management for a planned expenditure purpose are classified as current assets.

xvii Restricted reserves

Restricted reserves are funds received, the use of which is restricted by general law or by the terms on which the funds were given. These include funds where the donor has made a donation to be spent for a particular purpose or in a particular geographical area.

Restricted reserves represent unspent funds received for specific purposes from external organisations and are only expendable in respect of the projects for which they are received.

xviii Stock

Stock comprises properties available for resale and goods for consumption.

Goods for consumption are held at cost, which is considered to be a reasonable approximation to the lower of cost and net realisable value.

Completed properties and properties under construction for open market sales are recognised at the lower of cost and net realisable value. Cost comprises materials and direct overheads attributable to the development. Net realisable value is assessed using publicly available information and internal forecasts of future sales price after allowing for all further costs of completion and disposal.

xix Positive goodwill

Where the fair value consideration for an acquired business exceeds the fair value of its separable net assets, the difference is treated as purchased goodwill and is capitalised and amortised through the income and expenditure account over its estimated economic life. The estimated useful economic life of goodwill is two years.

xx Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in section 11 of FRS 102 are accounted for under an amortised historical cost model.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit.

xxi Derivative instruments and hedge accounting

The Group holds floating rate loans which expose the Group to interest rate risk, to mitigate against this risk the Group uses an interest rate swap. This instrument is measured at fair value at each reporting date. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group has designated the swap against existing floating rate debt. To the extent the hedge is effective movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any movement in fair value relating to ineffectiveness other than Group or counter party credit risk are recognised within comprehensive income.

xxii Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

xxiii Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs and are measured subsequently at amortised cost using the effective interest method.

xxiv Provision for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. It is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Anchor Trust closes retirement housing and care homes that are not financially viable in the ordinary course of business and provision is made accordingly for the expected costs of closure.

xxv Exceptional costs

Exceptional costs are those items that, in the directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance. Details of these items are provided in the relevant notes.

4. Particulars of turnover, operating costs and operating surplus

4.1 Analysis of turnover, operating costs and operating surplus / (deficit) before exceptional items

	Social housing lettings £'000	Home care £'000	Non-social housing activities £'000	Central overheads and income £'000	2018 Total £'000	2017 Total £'000
Turnover	347,092	2,424	38,357	1,189	389,062	374,709
Operating costs	(318,176)	(2,637)	(36,459)	(9,138)	(366,410)	(359,441)
Operating surplus / (deficit)	28,916	(213)	1,898	(7,949)	22,652	15,268

Social housing lettings comprise income from retirement housing and from residential care homes (see note 4.3).

Home care income comprises income from care services delivered into customers' homes.

Anchor Trust's costs relating to administration, offices and other support functions are allocated to Anchor Trust's businesses, being social housing lettings, home care and non-social housing activities. The amounts allocated were £37,495,000 (2017: £36,707,000), £486,000 (2017: £305,000) and £4,399,000 (2017: £3,068,000) respectively. Anchor Trust, which operates the regulated retirement housing to let and residential care home businesses, also transacts with other group companies, which are not regulated, and these transactions are described in note 32.

Central overheads and income includes within turnover £61,950 (2017: £144,000) of grant funding from the Workforce Development Fund. This grant has been fully expended in the year on the provision of mandatory training in health and social care to care colleagues, where there were 309 new registrations for training and 149 completed qualifications.

4.2 Particulars of turnover from non-social housing activities

	2018 £'000	2017 £'000
Leasehold management	6,024	4,690
Sales of leasehold properties	30,810	30,948
Other activities	1,523	1,371
Total	38,357	37,009

All turnover has been derived from activities within the United Kingdom.

4.3 Particulars of income and expenditure from social housing lettings

	Retirement housing to let £'000	Residential care homes £'000	Total 2018 £'000	Total 2017 £'000
Income				
Rent receivable net of identifiable service charges	90,299	190,483	280,782	270,019
Charges for support services	636	–	636	1,085
Service charge income	50,551	–	50,551	49,372
Net rental income	141,486	190,483	331,969	320,476
Amortised government grants	9,461	374	9,835	10,207
Other revenue grants	14	–	14	287
Other income from social housing lettings	4,246	1,028	5,274	3,286
Turnover from social housing lettings	155,207	191,885	347,092	334,256
Expenditure				
Management	22,775	22,025	44,800	47,591
Service charge costs	42,431	138,270	180,701	174,245
Routine maintenance	10,846	2,307	13,153	13,649
Planned maintenance	7,979	4,757	12,736	13,431
Bad debts	490	(110)	380	448
Lease charges	(22)	316	294	465
Depreciation of housing properties	38,222	20,934	59,156	56,114
Impairment of housing properties	284	199	483	1,854
Depreciation of other assets	1,385	1,790	3,175	759
Amortisation of goodwill	–	3,073	3,073	7,377
Other costs	85	140	225	271
Operating costs on social housing lettings	124,475	193,701	318,176	316,204
Operating surplus / (deficit) on social housing lettings	30,732	(1,816)	28,916	18,052
Prior year surplus / (deficit) on social housing lettings	32,152	(14,100)	18,052	

The value of void losses was £1,052,000 (2017: £1,542,000).

4.4 Accommodation in management and development

	Retirement housing leasehold units	Retirement housing units to let	Residential care homes units
Unit numbers available as at 1 April 2017	6,628	22,390	6,080
Additions	60	30	2
Disposals / De-registered	(65)	(1)	–
Unit numbers available as at 31 March 2018	6,623	22,419	6,082

5. Operating surplus

The operating surplus is arrived at after charging:

	2018 £'000	2017 £'000
Depreciation of housing properties	59,156	56,114
Impairment of housing properties	483	1,854
Depreciation of other tangible fixed assets	6,490	3,436
Amortisation of positive goodwill	3,078	7,377
Operating lease rentals - land and buildings	1,574	1,647
Auditor's remuneration (excluding VAT)		
In their capacity as auditor	107	107
In respect of other services:		
Corporate advice	125	–
Total non-audit services	125	–

6. Exceptional items

The exceptional items arising are as follows:

	2018 £'000	2017 £'000
Refinancing costs	–	735
Total exceptional items included in operating surplus	–	735

Refinancing costs relate to the new facilities agreed in the prior period and the restatement of the existing facility from Barclays Bank.

7. Directors' emoluments

The directors are defined as the members of the Board and members of the Executive Management Board. Members of the Board are defined as directors for the purposes of the Companies Act 2006. Members of the Executive Management Board are not classified as directors under the Companies Act 2006.

	2018 £'000	2017 £'000
Payments to Board members during the year	204	185
Total aggregate remuneration payable in respect of the Executive Management Board was:		
Emoluments (excluding benefits in kind)	1,403	1,399
Benefits in kind	42	41
Pension contributions	100	129
Compensation paid in respect of loss of office	66	52
	1,611	1,621
Payments to the highest paid director:		
Total emoluments, excluding pension contributions	485	433
Defined benefit pension scheme:		
Accrued pension of the highest paid director	50	47

The highest paid director was the Chief Executive who received a base salary of £306,488 (2017: £306,488) and a bonus for the year of 29.2% of base salary (2017: 8.7%). The Chief Executive is entitled to a car allowance and during the year changed from a car to a car allowance. The value of the car allocated, as a benefit in kind, was £9,026 plus an additional £5,813 for a one-off early settlement charge on the vehicle, totalling £14,839 (2017: £13,816) and the balancing amount was paid as an allowance of £9,127 (2017: £4,931), in accordance with Anchor Trust's policy.

The Chief Executive was an ordinary member of the Anchor Trust defined benefit scheme before it was closed to further contributions on 1 April 2011 and is an ordinary member of the Anchor Trust defined contribution scheme. Employer's contribution in respect of the Chief Executive's pension in the year was £80,796 (2017: £80,796 plus Employer's National Insurance at 13.8% totalling £91,946) all of which was taken as cash (2017: same).

8. Employee costs and numbers

8.1 Employee costs:

	2018 £'000	2017 £'000
Wages and salaries	143,907	141,922
Social security costs	9,998	9,964
Pension costs	5,446	3,079
	159,351	154,965

8.2 The average number of employees, including part-time staff, during the year was:

	2018 Number	2017 Number
Office staff	733	704
Operational staff	8,536	8,528
	9,269	9,232

8.3 The full-time equivalent number of employees during the year was:

	2018 Number	2017 Number
Office staff	661	630
Operational staff	6,499	6,539
	7,160	7,169

Full-time equivalents are calculated based on a standard working week of 37.5 hours.

The full-time equivalent number of employees (including directors) whose total aggregate remuneration (including pension contributions and compensation payable in respect of loss of office) fell within the following bands was:

	2018 Number	2017 Number
£60,001 to £70,000	43	41
£70,001 to £80,000	11	14
£80,001 to £90,000	5	5
£90,001 to £100,000	3	7
£100,001 to £110,000	3	6
£110,001 to £120,000	6	–
£120,001 to £130,000	–	3
£130,001 to £140,000	1	1
£140,001 to £150,000	2	–
£150,001 to £160,000	1	1
£160,001 to £170,000	–	1
£180,001 to £190,000	1	–
£190,001 to £200,000	–	1
£200,001 to £210,000	2	2
£230,001 to £240,000	1	1
£270,001 to £280,000	1	–
£430,001 to £440,000	–	1
£500,000 to £510,000	1	–

9. Interest receivable and other income

	2018 £'000	2017 £'000
Interest receivable and similar income	1,796	1,996
Income from other investments	226	266
	2,022	2,262

10. Interest payable and financing costs

	2018 £'000	2017 £'000
Loans and bank overdrafts	10,617	8,725
Other interest payable	353	801
Net interest on net defined benefit liability	522	782
Finance lease interest	2,026	1,997
	13,518	12,305
Financing cost/(gain) charged through Other Comprehensive Income:		
Change in fair value of hedged financial instruments	(462)	–

11. Tax on surplus on ordinary activities

Group:

	2018 £'000	2017 £'000
Current tax		
UK corporation tax at 19% (2017: 20%)	–	–
Total current tax	–	–
Deferred tax		
Origination and reversal of timing differences	513	1,002
Total deferred tax	513	1,002
Total tax	513	1,002

	Current tax £'000	2018 Deferred tax £'000	Total tax £'000	Current tax £'000	2017 Deferred tax £'000	Total tax £'000
Recognised in income and expenditure reserve	–	513	513	–	1,002	1,002
Total tax	–	513	513	–	1,002	1,002

Reconciliation of effective tax rate

The tax assessed for the period is lower (2017: lower) than the standard rate of corporation tax in the United Kingdom of 19% (2017: 20%). The differences are explained below:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	11,494	11,555
Tax on profit on ordinary activities at 19% (2017: 20%)	2,184	2,311
Effects of:		
Fixed asset permanent differences	1,759	1,427
Fixed asset timing differences	(439)	253
Short-term timing differences	–	317
Other timing differences	–	56
Expenses not deductible for tax purposes	(8,457)	5
Recognition of deferred tax on unrelieved tax losses	(42)	–
Utilisation of tax losses not previously recognised for deferred tax	–	(38)
Adjustments to deferred tax in respect of prior periods	2	2,156
Origination/reversal of timing differences	368	416
Effect of changes in tax rate	–	71
Qualifying charitable donations	(213)	–
Income not taxable	(2,643)	(4,925)
Dividends received from subsidiary companies	7,994	226
Difference between tax and accounting value of asset transferred	–	(1,273)
Total tax charge	513	1,002

Factors affecting tax charge for future periods

Reductions in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) were substantively enacted on 15 September 2016.

Company:

Anchor Trust is exempt from UK corporation tax on activities which fall under its charitable objects.

Current tax for the year is £nil (2017: £nil), deferred tax is £nil (2017: £nil) and total tax is £nil (2017: £nil).

12. Goodwill - Group

	Ideal Carehomes Group Limited £'000	R&J Investments Limited £'000	Total £'000
Cost			
At 1 April 2017	14,749	25	14,774
Adjustments	–	–	–
At 31 March 2018	14,749	25	14,774
Amortisation			
At 1 April 2017	11,676	20	11,696
Charge for the year	3,073	5	3,078
At 31 March 2018	14,749	25	14,774
Net book value at 31 March 2018	–	–	–
Net book value at 1 April 2017	3,073	5	3,078

Company

There is no goodwill in the Company (2017: £nil).

13. Tangible fixed assets

13.1 Housing properties - Group

	Retirement housing £'000	Residential care homes £'000	Properties under construction £'000	Shared ownership schemes £'000	Total housing properties £'000
Cost					
At 1 April 2017	950,716	440,997	4,170	3,642	1,399,525
Additions:					
Works to existing properties	33,691	7,623	325	–	41,639
Transfers	(39)	158	(194)	–	(75)
Disposals	(7,522)	(3,058)	–	–	(10,580)
At 31 March 2018	976,846	445,720	4,301	3,642	1,430,509
Depreciation					
At 1 April 2017	569,408	161,975	–	–	731,383
Depreciation charged in the year	38,222	20,934	–	–	59,156
Impairment charge in the year	284	199	–	–	483
Transfers	–	(76)	–	–	(76)
Released on disposal	(6,271)	(2,543)	–	–	(8,814)
At 31 March 2018	601,643	180,489	–	–	782,132
Net book value at 31 March 2018	375,203	265,231	4,301	3,642	648,377
Net book value at 31 March 2017	381,308	279,022	4,170	3,642	668,142

13.2 Housing properties - Company

	Retirement housing £'000	Residential care homes £'000	Properties under construction £'000	Shared ownership schemes £'000	Total housing properties £'000
Cost					
At 1 April 2017	950,002	338,817	4,170	3,642	1,296,631
Additions:					
Works to existing properties	33,691	6,810	325	–	40,826
Transfers	(39)	158	(194)	–	(75)
Disposals	(7,522)	(3,058)	–	–	(10,580)
At 31 March 2018	976,132	342,727	4,301	3,642	1,326,802
Depreciation					
At 1 April 2017	569,408	150,044	–	–	719,452
Depreciation charged in the year	38,222	14,690	–	–	52,912
Impairment charge in the year	284	199	–	–	483
Transfers	–	(76)	–	–	(76)
Released on disposal	(6,271)	(2,543)	–	–	(8,814)
At 31 March 2018	601,643	162,314	–	–	763,957
Net book value at 31 March 2018	374,489	180,413	4,301	3,642	562,845
Net book value at 31 March 2017	380,594	188,773	4,170	3,642	577,179

13.3 Housing properties held under finance leases - Group and Company

The balances for residential care homes include five (2017: five) residential care homes held under finance leases at gross cost £22,433,000 (2017: £22,433,000) with accumulated depreciation of £10,788,000 (2017: £9,977,000). The depreciation charge during the year was £811,000 (2017: £529,000).

13.4 Finance costs - Group and Company

	2018 £'000	2017 £'000
Aggregate amount of finance costs included in the cost of housing properties	329	329

13.5 Housing properties book value net of depreciation

The net book value of housing properties at the balance sheet date comprises:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Freehold land and buildings	585,817	603,614	505,466	518,262
Long leasehold land and buildings	62,560	64,528	57,379	58,917
	648,377	668,142	562,845	577,179

13.6 Expenditure works to housing properties

	Note	Group		Company	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Total expenditure works to housing properties					
of which:					
Improvement works capitalised		41,314	38,949	40,501	38,949
Amounts charged to income and expenditure (planned maintenance)	4.3	12,736	13,431	12,212	13,431
		54,050	52,380	52,713	52,380

13.7 Gain / (loss) on disposal of fixed assets

	2018 £'000	2017 £'000
Disposal proceeds	2,196	11,416
Carrying value of property disposals	(1,775)	(1,541)
Capital grant recycled (note 20)	–	(752)
Other disposal costs	(83)	(2,058)
	338	7,065

13.8 Social housing assistance - Group and Company

Total accumulated social housing grant received or receivable at 31 March:	2018 £'000	2017 £'000
Capital grant	499,065	498,940
	499,065	498,940

13.9 Tangible fixed assets - other

	Group		
	Motor Vehicles £'000	Office equipment and fittings £'000	Total £'000
Cost			
At 1 April 2017	102	32,811	32,913
Additions	–	2,095	2,095
Transfers	–	73	73
Disposals	–	(493)	(493)
At 31 March 2018	102	34,486	34,588
Depreciation			
At 1 April 2017	45	19,609	19,654
Charged in the year	29	6,461	6,490
Transfers	–	76	76
Released on disposal	–	(484)	(484)
At 31 March 2018	74	25,662	25,736
Net book value at 31 March 2018	28	8,824	8,852
Net book value at 31 March 2017	57	13,202	13,259

	Company		
	Motor Vehicles £'000	Office equipment and fittings £'000	Total £'000
Cost			
At 1 April 2017	83	32,768	32,851
Additions	–	2,095	2,095
Transfers	–	73	73
Disposals	–	(493)	(493)
At 31 March 2018	83	34,443	34,526
Depreciation			
At 1 April 2017	26	19,566	19,592
Charged in the year	29	6,461	6,490
Transfers	–	76	76
Released on disposal	–	(484)	(484)
At 31 March 2018	55	25,619	25,674
Net book value at 31 March 2018	28	8,824	8,852
Net book value at 31 March 2017	57	13,202	13,259

13.10 Impairment of land and buildings

The Group considers individual schemes to be separate Cash Generating Units (CGUs) when assessing for impairment, in accordance with the requirements of FRS 102 and the Housing SORP 2014.

The Directors have identified four properties where local operational issues have led to ongoing lower occupancy. It is the view of management that this constitutes a potential permanent indicator of impairment and as such an impairment review of the four affected assets was undertaken as required by FRS 102. The review concluded that an impairment charge of £483,012 was required for the year (2017: £1,853,985).

When carrying out the impairment review of a CGU, the recoverable amount of a CGU is assessed as the higher of the value in use and the fair value less costs to sell. Value in use is calculated based on the future cash inflows and outflows to be derived from the continuing use of the CGU and from its ultimate disposal discounted at a rate equivalent to the cost of capital of the Group.

14. Fixed asset investments

14.1 Fixed asset investments - Group and Company

	£'000
Market value at 1 April 2017	1,706
Realised investment loss	(114)
Disposals at market value	(246)
Market value at 31 March 2018	1,346
Historical cost at 31 March 2018 (2017: £784,000)	540

14.2 Fixed asset investments - subsidiary undertakings

	Company £'000
Cost at 1 April 2017	71,106
Additions	8,122
Written off	(45,546)
Cost at 31 March 2018	33,682

As required by statute, the financial statements consolidate the results of the companies detailed in the table below, which were subsidiaries of Anchor Trust at the end of the year. Anchor Trust either owns 100% of the issued share capital or has the sole right to nominate directors and thereby exercises control over them. All of the subsidiaries are non-regulated companies and are registered in England and Wales. The registered office is the same for all of the group entities.

Anchor Trust is the ultimate parent undertaking.

The table below sets out principal group entities as at 31 March 2018:

Company	Nature of business	Share capital
Anchor Lifestyle Developments Limited ¹	Residential care homes and housing development	£1
Anchor 2020 Limited ¹	Design and construction services	£1
Anchor Retirement Living Limited ¹	Dormant	£1
Anchor Trust Trading Limited ¹	Dormant	£1,000
AMSA Retirement Homes Limited ¹	Dormant	£100
Rain Healthcare Services Limited ¹	Dormant	£1,000
Anchor Carehomes (Four) Limited ¹	Residential care home operator	£1
Anchor Carehomes Group Limited ¹	Management services	£8,122,525
Anchor Carehomes (Five) Limited ²	Dormant	£1
Anchor Carehomes (Number Two) Limited ³	Dormant	£1
Anchor Carehomes (Number One) Limited ³	Dormant	£1
Anchor Carehomes Limited ²	Residential care home operator	£13,539,652
Anchor Carehomes (North East) Limited ⁴	Residential care home operator	£1
Anchor Carehomes (North West) Limited ⁴	Residential care home operator	£1
Anchor Carehomes (Hyde) Limited ⁴	Residential care home operator	£1
Anchor Carehomes (Leeds) Limited ⁴	Residential care home operator	£1
R&J Investments Limited ¹	Intermediate holding company	£1
Carefore Homes Limited ⁵	Dormant	£1
Cavendish Healthcare (UK) Limited ⁵	Residential care home operator	£1

1 - Denotes a wholly-owned subsidiary of Anchor Trust

2 - Denotes an indirect subsidiary - these entities are wholly owned subsidiaries of Anchor Carehomes Group Limited

3 - Denotes an indirect subsidiary - these entities are wholly owned subsidiaries of Anchor Carehomes (Five) Limited

4 - Denotes an indirect subsidiary - these entities are wholly owned subsidiaries of Anchor Carehomes Limited

5 - Denotes an indirect subsidiary - these entities are wholly owned subsidiaries of R&J Investments Limited

15. Stock

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Properties for resale	88,979	80,087	644	1,254
Raw materials and consumables	144	145	108	109

Properties held for resale includes £49,339,000 (2017: £21,591,000) properties ready for resale and £39,640,000 (2017: £58,496,000) work in progress.

Stocks of raw materials and consumables relate to catering supplies within residential care homes.

16. Debtors: amounts falling due within one year

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Rent and service charges receivable	12,591	7,299	7,069	5,548
Less: Provision for bad and doubtful debts	(2,458)	(2,356)	(1,321)	(2,356)
	10,133	4,943	5,748	3,192
Trade debtors	927	825	977	939
Prepayments	8,476	10,818	6,965	11,059
Other debtors and accrued income	6,337	5,962	5,938	5,848
	25,873	22,548	19,628	21,038

17. Debtors: amounts falling due after more than one year

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Finance debtor	17,026	17,608	17,026	17,608
Amounts due from subsidiary undertakings	–	–	154,257	130,782
Deferred tax (note 25)	2,064	2,600	–	–
Amounts due from related companies	236	569	236	569
Derivative financial instruments (note 28)	462	–	462	–
Other debtors	540	540	540	540
	20,328	21,317	172,521	149,499

Upon completion of properties, the development costs incurred under a PFI contract have been converted to a finance debtor in line with the Group's accounting policy.

Amounts due from related companies comprise amounts due from Burnbank House Limited, a company registered in England and Wales, of which Anchor Trust owns 25% of the company's share capital. Anchor Trust made a loan of £1,480,446 (2017: £1,480,446) to Burnbank House Limited under a drawdown facility granted on 9 August 2000 for the financing of the construction of an office building, Burnbank House. There is a written agreement between Burnbank House Limited and Anchor Trust that this loan will only be repayable from the proceeds of the sale of Burnbank House. If there is a shortfall, there is no obligation for Burnbank House Limited to meet it and Anchor Trust has no recourse in any other form. A provision of £1,244,466 (2017: £911,766) has been made against the debt for the estimated shortfall between the value of the property and the loan balance.

Transactions with Burnbank House Limited are as follows. Interest receivable for 2018: £111,000 (2017: £222,000) and rent payable for 2018: £113,000 (2017: £113,000).

18. Short-term deposits and investments - Group and Company

	2018 £'000	2017 £'000
Money market fund investments	115	5,113
	115	5,113

19. Creditors: amounts falling due within one year

	Note	Group		Company	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade creditors		18,605	16,382	15,227	14,136
Rents received in advance		5,390	5,408	5,390	5,408
Surpluses carried forward on variable service charge schemes		4,246	6,071	4,246	6,071
Recycled capital grant fund	20.3	4,315	2,904	4,315	2,904
Deferred capital grant	20.2	9,447	10,344	9,447	10,344
Debt	22	4,955	3,510	4,055	1,710
Obligations under finance leases	24	634	420	634	420
Other taxation and social security		2,042	2,371	1,996	2,105
Other creditors		6,435	8,552	6,449	8,309
Accruals and deferred income		52,855	45,353	37,320	29,474
		108,924	101,315	89,079	80,881

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

	Note	Group		Company	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Recycled capital grant fund		756	2,273	756	2,273
Deferred capital grant		82,588	91,282	82,588	91,282
Debt	22	284,590	297,139	264,065	267,739
Obligations under finance leases	24	21,934	22,503	21,934	22,503
Loan stock		359	359	359	359
Major repairs sinking funds for leasehold schemes		11,564	10,825	11,564	10,825
Amounts due to subsidiary undertakings		–	–	9,718	41,709
Other creditors		3,219	3,015	3,219	3,017
		405,010	427,396	394,203	439,707

20.1 Major repairs sinking funds for leasehold schemes

Major repairs sinking funds are maintained for most leasehold retirement estates to provide for repairs of a long-term nature. Contributions are normally received from leasehold customers on the resale of properties by reference to the length of occupation and original purchase price of the property. Some leasehold customers contribute through the service charge.

20.2 Deferred capital grant - Group and Company

	2018 £'000	2017 £'000
Fund at 1 April	101,626	112,764
Grant received in the year	158	–
Released to income in the year	(9,874)	(10,386)
Grants recycled from the recycled capital grant fund	125	(752)
Fund at 31 March	92,035	101,626
Falling due within one year	9,447	10,344
Falling due after more than one year	82,588	91,282
	92,035	101,626

20.3 Recycled capital grant fund - Group and Company

	2018 £'000	2017 £'000
Fund at 1 April	5,177	12,767
Grants recycled	–	752
Withdrawals	(125)	–
Interest accrued	19	33
	5,071	13,552
Transferred to other registered social housing providers	–	(8,375)
Fund at 31 March	5,071	5,177
Falling due within one year	4,315	2,904
Falling due after more than one year	756	2,273
	5,071	5,177

The total recycled capital grant fund balance would be repayable to Homes England in the event that it is not utilised.

21. Provisions for liabilities and charges

	Group			
	Deferred Taxation (note 25) £'000	Growth Scheme Obligation (note 26.2) £'000	2018 £'000	2017 £'000
Balance at 1 April	990	598	1,588	4,975
Utilised in the year	(23)	(47)	(70)	(3,387)
Balance at 31 March	967	551	1,518	1,588

	Company			
		Growth Scheme Obligation (note 26.2) £'000	2018 £'000	2017 £'000
Balance at 1 April		598	598	1,235
Utilised in the year		(47)	(47)	(637)
Balance at 31 March		551	551	598

The Growth Scheme Obligation is referred to in note 26.1. The provision is based on the net present value of payments agreed at the year end.

22. Debt analysis - Group and Company

Borrowings

		Group		Company	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Fixed rates	Interest rate				
Orchardbrook Limited	11.615%	28,315	28,415	28,315	28,415
Banks	Between 5.080% - 6.345%	31,425	41,200	10,000	10,000
Local authorities	Between 11.600% - 16.500%	72	87	72	87
Other	Between 0.000% - 3.000%	466	466	466	466
		60,278	70,168	38,853	38,968
Variable rates	Interest rate				
Banks	0.250% - 1.250% above LIBOR	229,267	230,268	229,267	230,268
Orchardbrook Limited	Currently 1.540%	–	213	–	213
		229,267	230,481	229,267	230,481
Total housing loans		289,545	300,649	268,120	269,449

Security

All loans are secured by charges on certain of Anchor Trust's housing properties.

The total net book value net of attributable amortised capital grant of housing properties used to secure liabilities to third parties is £259,366,000 (2017: £260,170,000).

Based on the lenders' earliest repayment dates, borrowings are repayable as follows:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
In one year or less	4,955	3,510	4,055	1,710
Between one and two years	4,761	5,166	3,761	3,266
Between two and five years	14,488	18,668	11,488	12,468
In five years or more	265,341	273,305	248,816	252,004
Total	289,545	300,649	268,120	269,449

23. Operating lease commitments - Group and Company

Anchor Trust leases a number of properties and motor vehicles under operating leases. The Group and Company's future minimum lease payments are as follows:

	Properties £'000	Motor vehicles £'000	2018 £'000	2017 £'000
Operating leases which expire:				
In one year or less	703	502	1,205	1,196
Between two and five years	2,885	929	3,814	4,045
In five years or more	9,292	–	9,292	11,074
Total	12,880	1,431	14,311	16,315

24. Obligations under finance leases - Group and Company

Finance leases relate to properties used by the Group and Company. Obligations under finance leases are payable as follows:

	Gross obligations £'000	Future finance charges £'000	2018 Net obligations £'000	2017 Net obligations £'000
In one year or less	2,577	1,943	634	420
Between two and five years	10,556	6,435	4,121	3,333
In five years or more	33,266	15,453	17,813	19,170
Total	46,399	23,831	22,568	22,923

25. Deferred taxation

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Decelerated capital allowances	(1,322)	(1,821)	–	–	(1,322)	(1,821)
Short-term timing differences	(4)	(4)	–	–	(4)	(4)
Unrelieved tax losses	(738)	(775)	–	–	(738)	(775)
Revaluation of tangible fixed assets	–	–	967	990	967	990
Net tax (assets) / liabilities	(2,064)	(2,600)	967	990	(1,097)	(1,610)

The Group has unrelieved tax losses of £9,042,000 (2017: £9,681,000) that are available indefinitely for offset against its future taxable profits.

The net deferred tax asset expected to reverse in the year ending 31 March 2018 is £622,000. This primarily relates to the reversal of timing differences on capital allowances and the utilisation of tax losses.

Company

The Company deferred tax asset is £nil (2017: £nil) and the Company deferred tax liability is £nil (2017: £nil).

26. Pension obligations - Group and Company

Anchor Trust operates two pension schemes for its employees and also participates in a further multi-employer scheme.

26.1 Defined contribution scheme

A defined contribution scheme was opened on 1 January 2003. The pension cost for this scheme, which represents contributions payable by the Group, was £5,446,000 (2017: £3,079,000).

26.2 The Pensions Trust - The Growth Plan

Anchor Trust participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

Anchor Trust has agreed to make additional deficit payments to the Growth Plan operated by the Pensions Trust at the rate of £84,996 per year for the next seven years. Using the discount rate based on the Anchor Trust's cost of capital, a liability with a net present value of £551,000 (2017: £598,000) is recognised within provisions for this contractual obligation.

	£'000
At 1 April 2017	598
Unwinding of the discount factor (interest expense)	36
Deficit contribution paid	(83)
At 31 March 2018	551

26.3 Defined benefit scheme

Members of staff employed prior to 1 January 2003 were eligible to join a group life assurance and pension scheme which provides benefits based on final pensionable salary. The assets of the scheme are held separately by an independent fund manager, The Pensions Trust. After consultation with members, the defined benefit scheme was closed to future contributions from existing members as at 1 April 2011. From 1 April 2014 Anchor is contributing £5,052,000 per year into the scheme, increasing by 3% per annum until April 2020.

The total group charge for the year was £361,000 (2017: £333,000). The contributions were determined on the basis of actuarial advice using the projected unit method and relate entirely to current service costs. Before the scheme closed, Anchor Trust paid contributions at 12.5% of pensionable salaries.

The last full valuation was carried out at 30 September 2015. The next valuation is due to be carried out on data as at 30 September 2018.

Anchor applies the provisions of FRS 102 in preparing these accounts.

A valuation for the purposes of FRS 102 was prepared as at 31 March 2018 by a qualified independent actuary. The assumptions used by the actuary are:

	At 31 March 2018 % per annum	At 31 March 2017 % per annum	At 31 March 2016 % per annum
Discount rate	2.55	2.60	3.50
Inflation rate (RPI)	3.20	3.30	3.00
Inflation rate (CPI)	2.20	2.30	2.00
Rate of increase in salaries	4.20	4.30	4.00
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	3.20	3.30	3.00
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.25	2.35	2.10
Allowance for revaluation of deferred pensions of CPI or 3% p.a. if less	1.90	1.95	1.80
Allowance for revaluation of deferred pensions of CPI or 2.5% p.a. if less	1.70	1.75	1.70
Mortality in retirement	97% S2PA CMI_16 [1.25% m; 1% f]	89% S2PA CMI_15 [1.25% m; 1% f]	89% S2PA CMI_15 [1.25% m; 1% f]
Allowance for commutation of pension for cash at retirement	75% of Post A Day using notional factors	75% of Post A Day using notional factors	75% of Post A Day using notional factors

The mortality assumptions adopted at 31 March 2018 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2017	22.4
Female retiring in 2017	24.0
Male retiring in 2037	23.8
Female retiring in 2037	25.3

The assets in the scheme were

	Market value at 31 March 2018 £'000	Market value at 31 March 2017 £'000	Market value at 31 March 2016 £'000
Equity type	102,970	128,676	103,390
Bonds	88,819	55,302	44,385
Property	12,759	11,821	11,685
Other	874	632	815
Total assets	205,422	196,431	160,275

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	Market value at 31 March 2018 £'000	Market value at 31 March 2017 £'000	Market value at 31 March 2016 £'000
Fair value of scheme assets	205,422	196,431	160,275
Present value of defined benefit obligation	205,981	217,850	185,271
Deficit in the scheme to be recognised	(559)	(21,419)	(24,996)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ending 31 March 2018 £'000	Year ending 31 March 2017 £'000
Defined benefit obligation at start of year	217,850	185,271
Expenses	361	333
Interest expense	5,565	6,375
Actuarial (gains) / losses	(9,797)	32,490
Benefits paid & expenses	(7,998)	(6,619)
Defined benefit obligation at end of year	205,981	217,850

Reconciliation of opening and closing balances of the fair value of scheme assets

	Year ending 31 March 2018 £'000	Year ending 31 March 2017 £'000
Fair value of scheme assets at start of year	196,431	160,275
Interest income	5,079	5,593
Actuarial gains	6,092	31,496
Contributions by the sponsoring employer	5,818	5,686
Benefits paid & expenses	(7,998)	(6,619)
Fair value of scheme assets at the end of year	205,422	196,431

Defined benefit costs recognised in income or expenditure

	2018 £'000	2017 £'000
Expenses	361	333
Net interest cost	486	782
Defined benefit costs recognised in income and expenditure account	847	1,115

Defined benefit costs recognised in other comprehensive income

	2018 £'000	2017 £'000
Return on scheme assets (excluding amounts included in net interest cost) - gain	6,092	31,496
Experience gains and losses arising on the scheme liabilities - gain	2,299	3,202
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities - gain / (loss)	7,498	(35,692)
Total amount recognised in other comprehensive income - gain / (loss)	15,889	(994)

Reconciliation to the balance sheet - Group

	2018 £'000	2017 £'000
Net assets		
Net assets excluding pension liability	335,803	329,349
Pension liability	(559)	(21,419)
Net assets including pension liability	335,244	307,930
Reserves		
Revenue reserve excluding pension liability	335,237	329,227
Pension liability	(559)	(21,419)
Revenue reserve including pension liability	334,678	307,808

27. Share capital

Anchor Trust is a company limited by guarantee and as such has no share capital.

28. Financial assets and liabilities

The Board policy on financial instruments is explained in the Board Report as are references to financial risks.

The Group's financial instruments may be analysed as follows:

	2018 £'000	2017 £'000
Financial assets		
Financial assets measured at historical cost		
Rent and service charges receivable	12,591	7,299
Trade debtors	927	825
Other debtors	6,337	5,962
Derivative financial instruments	462	–
Investments in short-term deposits	115	5,113
Cash and cash equivalents	57,241	44,253
Total financial assets	77,673	63,452
Financial liabilities		
Financial liabilities measured at amortised cost		
Loans payable	289,545	300,649
Financial liabilities measured at historical cost		
Trade creditors	18,605	16,382
Other creditors	10,013	11,926
Finance leases	22,568	22,923
Total financial liabilities	340,731	351,880

Hedge of variable interest rate risk arising from bank loan liabilities

The Group has one derivative financial instrument, a stand-alone interest rate swap with a nominal value of £48,956,873 (2017: £nil) as at the reporting date.

The derivative is accounted for as a hedge of variable rate interest risks, in accordance with FRS 102, and had a fair value of £461,598 (2017: £nil) at the reporting date. The value is carried as an asset when the fair value is positive and a liability when the fair value is negative. Movements in fair value adjustments are recognised in other comprehensive income as far as they relate to the effective part of the swap and presented in a separate cash flow hedge reserve.

29. Reconciliation of operating surplus to net cash flow from operating activities

	2018 £'000	2017 £'000
Operating surplus for the year	22,652	14,533
Depreciation of tangible fixed assets	65,646	59,550
Impairment charge	483	1,854
Movement in restricted reserves	(18)	(234)
Amortisation of positive goodwill	3,078	7,377
Difference between pension charge and cash contributions	(5,457)	(5,353)
(Increase) in stock	(8,889)	(14,610)
Decrease / (increase) in debtors	(2,872)	5,099
Decrease in creditors	(4,410)	(6,263)
Net cash inflow from operating activities	70,213	61,953

30. Capital commitments - Group and Company

	2018 £'000	2017 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	65	542
Capital expenditure that has been authorised by the Board but has not yet been contracted for	49,778	48,165
	49,843	48,707

In addition, expenditure on developing housing properties for resale of £8,728,000 (2017: £34,276,000) has been contracted for but not provided for in the financial statements and a further £116,451,000 (2017: £67,955,000) has been authorised by the Board but not yet contracted for.

All of this anticipated expenditure is expected to be covered by existing cash and agreed banking facilities.

31. Contingent assets and liabilities - Group and Company

The Group and Company had no contingent assets or liabilities at 31 March 2018 (2017: same).

32. Transactions with related parties

Anchor Trust, a regulated entity, allocates overheads and charges interest on amounts loaned to four non-regulated entities within the Group. The overhead allocation is mainly in respect of an administration charge for finance, information technology, asset management and marketing services.

The table shows the overhead allocation and net interest charge to the each of the four entities:

	Management fees		Interest	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Anchor 2020 Limited	190	191	–	9
Anchor Lifestyle Developments Limited	293	280	1,124	892
Cavendish Healthcare (UK) Limited	–	24	–	110
Anchor Carehomes Group Limited	600	95	956	918
	1,083	590	2,080	1,929

Anchor 2020 Limited provides design and build services to two other group entities. The table below shows the charges made during the year to each entity:

	2018 £'000	2017 £'000
Anchor Trust	444	312
Anchor Lifestyle Developments Limited	34,057	40,910
	34,501	41,222

Cavendish Healthcare (UK) Limited charged interest on amounts loaned to Anchor following the sale of its trade and assets on 30 September 2016. The total interest charge during the year was £193,000 (2017: £300,000).

The table below shows the amounts owed to/(from) Anchor Trust (to)/from other group companies as at 31 March 2018. All these companies are 100% owned by Anchor Trust.

	2018 £'000	2017 £'000
Anchor 2020 Limited	(9,718)	(4,447)
Anchor Lifestyle Developments Limited	84,832	70,194
Cavendish Healthcare (UK) Limited	–	(37,260)
Anchor Carehomes Group Limited	69,405	60,588
	144,519	89,075

Transactions with Burnbank House Limited are described in note 17.

Anchor Trust has a £265,000,000 revolving credit facility with a syndicate of three banks including The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd has provided £75,000,000 of this facility. Stephen Jack, a Non-Executive Director of Anchor Trust, is also a Non-Executive Director of MUFG Securities EMEA plc. Both The Bank of Tokyo-Mitsubishi UFJ Ltd and MUFG Securities EMEA plc are subsidiaries of Mitsubishi UFJ Financial Group. As at 31 March 2018, Anchor had drawn down £107,267,000 (2017: £107,267,000) from this facility and the total interest payable under the terms of this facility were £2,135,000 (2017: £2,302,000).

During the year, one member of the Executive Board had relationships with organisations with which Anchor Trust has immaterial transactions. Jane Ashcroft is a Non-Executive Director at Care England Limited, ARCO Limited and National Housing Federation, which had transactions with Anchor totalling £77,100 (2017: £35,000), £nil (2017: £58) and £142,664 (2017: £4,710) respectively.

Richard Petty was appointed as a Non Executive Director of Anchor Trust. Richard is also a Director of Jones Lang LaSalle Limited, an organisation with which Anchor had transactions totalling £11,100 (2017: £10,266) during the year.

There are no other related party transactions in the year to 31 March 2018 (2017: £nil).

33. Legislative provisions

Anchor Trust is registered under the following Acts:

	Registration Number
Companies Act 2006	3147851
Charities Act 1993	1052183
Housing Act 1996	LH4095

34. Post year end events - Group and Company

The Boards of Anchor Trust and Hanover Housing Association approved, in principle, a merger at their respective board meetings in April 2018. Both organisations are working together to form a new group that, if ultimately approved, will be formed before 31 March 2019. The conversion of Anchor Trust into a Community Benefit Society is a prerequisite to the merger, and this is anticipated to take place before the end of the 2018 calendar year.

8 THE BOARD AND EXECUTIVE MANAGEMENT BOARD



Care and housing for older people
is our business. But it's also our

PACSTOCK

And unlike many other large
providers, it's all we do.

THE BOARD



Pamela Chesters CBE

Chair

Pamela joined the Board in April 2013 and took up the role of Chair of Anchor from September 2013. She is also a Non-Executive Director at the Ministry of Housing, Communities and Local Government and a member of the governing body of The University of St Andrews where she chairs its Audit and Risk Committee.

She has previously chaired: Central London Community Healthcare NHS Trust, Action for Children, Royal Free

Hampstead NHS Trust, PRIME and English Churches Housing Group, and was on the board of Riverside.

Pamela was a councillor at the London Borough of Camden from 1990 to 2000, including two years as Leader of the Opposition. In her executive roles, she was London Mayor Boris Johnson's Advisor for Health & Families between 2009 and 2012. Prior to that, she spent nearly 20 years at British Petroleum Company, most recently as CEO of Duckhams Oils.



Stephen Jack OBE

Vice Chair

Stephen is a chartered accountant. As an executive he held senior finance roles in a number of international financial services organisations including Dresdner Kleinwort Benson, ING Barings, and Collins Stewart Tullett plc. His non-executive roles span a number of different sectors. Stephen was Trustee and then Chair, from 2007 to 2015, of the Independent Living Fund,

a non-departmental public body which provided support to severely disabled people across the UK. He joined the Board of the Cambridge Building Society as a Non-Executive Director in April 2014 and became a Trustee of the Royal Mencap Society in May 2014. In September 2015, he joined the board of MUFG Securities EMEA plc as an independent Non-Executive Director. In December 2016 he became a Trustee of Golden Lane Housing.



Mark Allan

Trustee Director

Mark has been Chief Executive of St Modwen Properties plc, the UK's leading property regeneration specialist and a constituent of the FTSE 250 index, since November 2016. Immediately prior to taking up this role, Mark spent 17 years at Unite

Students, the UK's leading student accommodation provider, including 10 years as Chief Executive and three as Chief Financial Officer. He is a member of both the Institute of Chartered Accountants in England and Wales and the Royal Institute of Chartered Surveyors.



Alun Griffiths

Trustee Director

Alun holds non-executive directorships with Severfield plc, Ramboll Group A/S, The Port of London Authority and The McLean Group.

Alun retired from WS Atkins plc, the leading engineering and project management consultancy, in July 2014 where he was a main board director and Group HR Director.



Richard Jones CBE

Trustee Director

Richard is an independent consultant having worked in a range of executive roles. He was a director with NHS England, responsible for the Area Team in Lancashire. Richard has worked in central and local government and was Executive Director of Adult and Community Services for Lancashire County Council. Richard qualified as a

social worker and has held senior roles in a number of organisations. He has experience of commissioning both health and care services.

Richard was President of the Association of Directors of Adult Social Services, and is Chair of Shared Lives and a Trustee of Action on Hearing Loss. He was awarded a CBE for services to adult social care in 2011.



Richard Petty

Trustee Director

Richard Petty is the Lead Director for Residential Advisory at JLL, one of the largest firms of chartered surveyors and property consultants in the world. Richard has 30 years' professional experience, the last 21 years of which have been devoted to the affordable housing sector.

He is recognised nationally as one of the leading valuers and property advisors to registered providers, their funders and investors.

Richard is also Chair of Dolphin Living Limited, the not-for-profit registered provider subsidiary of Dolphin Square Foundation, and is a regular speaker at conferences in the sector.

THE EXECUTIVE MANAGEMENT BOARD



Jane Ashcroft CBE

Chief Executive

Jane joined Anchor in 1999 from BUPA, which had acquired Care First plc where she was Personnel Director. She was appointed Chief Executive of Anchor on 9 March 2010. Prior to joining Care First, Jane held HR and governance roles with Bromford Housing Group and Midlands Electricity plc.

Jane is a Trustee of The Silver Line, a helpline for older people and a Non-Executive Director of Dignity plc.

She is Vice Chair of Associated Retirement Community Operators, representing the growing market for retirement village provision in the UK. Jane is also Vice Chair of the National Housing Federation which represents housing associations in England.

Jane is a Fellow of the Institute of Chartered Secretaries and a Member of the Chartered Institute of Personnel and Development. She was awarded a CBE in the 2013 New Year Honours for services to older people.



Howard Nankivell

Housing Operations Director

Howard joined Anchor in October 2009 bringing with him over 20 years of sales, marketing and customer service experience from a number of different market sectors. Most of his experience is from the travel and hospitality industry, where he held UK and EMEA Marketing Director roles at both Marriott International and the Hilton Group, and

worked closely with the operational teams to deliver an exceptional customer experience and create exciting new resort developments.

Howard was also the Head of Business Development at Direct Wines where he was responsible for creating and developing a wide portfolio of wine club brands, including Laithwaites and the Sunday Times Wine Club.


Mark Greaves

Care Services Director

Mark joined Anchor in September 2015 as part of the acquisition process of Ideal Carehomes where he had built up the business in the role of Managing Director. Mark has over 30 years' experience in social care, having held Board level roles in both the public and private sector, including the statutory role of Director of Adult Social Services with Kirklees Metropolitan Council.

Mark's experience includes regulation with the former SSI/Audit Commission's

Joint Review Team, international development work in Romania funded by DfID and contributions to national policy through ADASS. He is also a board member of Care England, the largest representative body for providers of adult social care.

Mark holds an MBA based on the management of residential care for older people and has provided independent advice to a number of statutory bodies on the organisation and effectiveness of their provision of care services for older people.


Sarah Jones

Finance Director

Sarah joined Anchor as Finance Director in September 2014 from leading office supplies distributors Spicers Ltd., where she was Chief Financial Officer. Sarah, a Chartered Management Accountant,

has held a variety of roles in finance, including Director of Finance in the UK & Republic of Ireland at Carpetright plc and senior roles at HMV and The Burton Group/Arcadia. Sarah is also a Trustee of Arthritis Action.


Mark Curran

Development Director

Mark joined Anchor in December 2016 from the ExtraCare Charitable Trust where he had spent the previous 12 years spearheading ExtraCare's Village Programme as Development Director - building 14 new large retirement villages with a further four villages on site.

Prior to that, Mark worked for 25 years in the private sector for a number of large international groups - including Cable & Wireless, Foster Wheeler and Fives Group - building process plants all around the world. Mark brings to Anchor his extensive development and project management experience.

Accessibility

This document can be made available in large print, Braille, audio or electronic formats and other languages on request.

Contact our Customer Centre on 0800 731 2020.

આ પત્રિકા બીજી ભાષાઓમાં મેળવી શકાય છે. અંગ્રેજી બોલતી કોઈ વ્યક્તિને કહો કે 0800 731 2020 પર ફોન કરીને તેની નકલ માટે વિનંતી કરે.

यह दस्तावेज़ दूसरी भाषाओं में भी मिल सकता है. एक प्रति पाने के लिये, कृपया अंग्रेज़ी बोलने वाले किसी व्यक्ति से कहिये कि 0800 731 2020 नंबर डायल करें.

এ দলিল অন্যান্য ভাষায় পাওয়া যাবে। ইংরেজী বলতে পারেন এমন কাউকে 0800 731 2020 এ নাম্বারে টেলিফোন করে একটি সংখ্যার জন্য অনুরোধ করতে বনুন।

ਇਹ ਦਸਤਾਵੇਜ਼ ਦੂਸਰੀਆਂ ਬੋਲੀਆਂ ਵਿੱਚ ਵੀ ਉਪਲਬੱਧ ਕੀਤਾ ਜਾ ਸਕਦਾ ਹੈ। ਕਾਪੀ ਲੈਣ ਲਈ ਬੇਨਤੀ ਕਰਨ ਵਾਸਤੇ ਅੰਗ੍ਰੇਜ਼ੀ ਬੋਲਣ ਵਾਲੇ ਕਿਸੇ ਵਿਅਕਤੀ ਨੂੰ 0800 731 2020 ਤੇ ਟੈਲੀਫੋਨ ਕਰਨ ਲਈ ਕਹੋ।

یہ ڈاکیومنٹ دیگر زبانوں میں بھی مہیا کیا جاسکتا ہے۔ اس کی کاپی کی درخواست کرنے کے لیے انگریزی بولنے والے کسی شخص سے کہیں کہ وہ 0800 731 2020 پر فون کرے۔

Możemy udostępnić ten dokument w innych językach. Aby zamówić wersję w innym języku, poproś kogoś, kto zna język angielski, aby zadzwonił pod numer 0800 731 2020.

这份信息手册可以被制作成其他语言的版本。

找一位会讲英文的人致电 0800 731 2020 索取一份复制件。

Thanks

Many thanks to all the Anchor customers and colleagues featured in this document.



Anchor, The Heal's Building, Suites A&B, 3rd Floor,
22-24 Torrington Place, London WC1E 7HJ
Tel: 020 7759 9100 www.anchor.org.uk

Company Number: 3147851

Registered Charity Number: 1052183 (England and Wales)

Housing Association Number: LH4095