



Scott-Moncrieff  
business advisers and accountants

ANCHO LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2019

SIGNATURES REDACTED

Financial Conduct Authority 2559 R (S)  
Scottish Housing Regulator Registration No. 306  
Charity Reference SC036082  
Registered property factor PF000346

## **ANCHO LIMITED**

### **THE BOARD OF MANAGEMENT, EXECUTIVE OFFICERS AND ADVISERS FOR THE YEAR ENDED 31 MARCH 2019**

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#### **The Board of Management**

Sonya Campbell – Perry

Chair

Jacqueline Browne

Vice Chair

Lesley Shepherd

Ruth Burley

Etta Mounce

John Rodgers

Michael Allan

(appointed 24 May 2018)

Jane Valentine

(appointed 29 August 2018)

Zoe Brawn

(appointed 29 August 2018)

Sian Hughes

(appointed 29 August 2018)

Mary Black

(appointed 13 June 2019)

Claire Platts

(appointed 29 August 2018, resigned 5 March 2019)

Anne Sproat

(resigned 22 January 2019)

David Carse

(resigned 31 December 2018)

Melanie Barbour

(resigned 13 December 2018)

#### **Executive Officer(s)**

Jason MacGillp

Chief Executive and Secretary (appointed 1 November 2018)

Mags Lightbody

Interim Director and Secretary (resigned 31 October 2018)

#### **Registered Office**

Sovereign House

Academy Road

Irvine

KA12 8RL

#### **Solicitors**

Harper MacLeod

The Ca'd'oro

Glasgow

G2 3PE

#### **External Auditor**

Scott-Moncrieff

25 Bothwell Street

Glasgow

G2 6NL

#### **Bankers**

Royal Bank of Scotland

Kirkstane House

139 St. Vincent Street

Glasgow

G2 5JF

**ANCHO LIMITED**

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## **ANCHO LIMITED**

### **REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019**

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The Board of Management presents its report and the Financial Statements for the year ended 31 March 2019.

#### **Objectives and Strategy**

The Association is a Registered Social Landlord and Scottish Charity. The core objects as set out in our Rules are to provide for the relief of those in need by reason of age, ill-health, disability, financial hardship or other disadvantage through the provision, construction, improvement and management of land and accommodation and the provision of care.

ANCHO exists to provide homes and help create communities where people want to live. Our current key strategic objectives are:

- To provide excellent services which meet the needs and expectations of our tenants and other customers;
- To invest in and maintain ANCHO's properties and services towards achieving excellent standards for current and future customers;
- To ensure that our activities and our relationships with others lead towards excellent neighbourhoods within the communities we serve; and
- To promote the development of our Board and staff towards excellent communication, leadership and direction.

#### **Legal Status**

The Association is registered as a non-profit making Association under the Co-operative and Community Benefit Societies Act 2014 No.2559 R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC036082.

ANCHO became a subsidiary of Cairn Housing Association Limited on 1 November 2018.

#### **Review of Business**

##### ***Activities in year***

The Association's overall aim is to help sustain the regeneration of North Ayrshire through the provision of quality housing and services, which will meet the diverse needs and aspirations of our customers.

From 1 November 2018, ANCHO formed a constitutional partnership with Cairn Housing Association Limited (Cairn) thus securing positive changes for ANCHO's tenants and our business. Cairn is also a registered social landlord and Scottish charity. The partnership, will deliver the following:

- a rent guarantee of increases based on the Consumer Price Index only for the next 5 years;
- £8.7m of investment in homes and environmental works over the first 5 years;
- the ability to meet government energy efficiency standards by the 2020 deadline;
- £100,000 to promote community development activity;
- current tenancy rights are protected;
- a continued ANCHO local identity;
- a local office based in Irvine;
- Local Management Board with delegated local decision-making powers; and
- ANCHO is still a registered housing association and charity, but is now part of Cairn Housing Group. A review of governance and constitutional arrangements will take place over the next two years.

## ANCHO LIMITED

### REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019

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#### Review of Business (cont'd)

##### *Activities in year (cont'd)*

During the year, the following investment programme was delivered, which is a key element of the Cairn-ANCHO partnership:

- 150 properties were rewired;
- 76 properties had external wall insulation;
- 141 properties had new windows and/or external doors fitted;
- 58 properties received roof replacements; and
- 53 properties received new kitchens.

We continue to act as the property factor for 195 homeowners in the area.

During the year, rent collection levels improved to 101.5%, despite the impact of welfare reform and universal credit roll out. Our days to re-let empty houses dipped slightly to 7.7 days. A strong focus is now on improving performance whilst ensuring great customer service.

Our Wider Role projects received grant awards totalling £218,371 (an increase of £102,092 from last year). Our most significant involvement is through Better Off North Ayrshire. This project is led by North Ayrshire Council and funded by the European Social Fund (via Scottish Government) and the Big Lottery Fund. It provides a range of support services for people who live in North Ayrshire. Our Better Off Workers help lone parents, people out of work or on low incomes to improve their financial circumstances. We also operate our Small Steps Project funded by the Scottish Government's People and Communities Fund. This aims to increase confidence and self-esteem by delivering holistic and bespoke assistance to customers such as one-to-one and group counselling sessions to reduce levels of loneliness, depression and isolation.

We also continue to provide a core funded caretaking and handyman service to help improve the environment and assist vulnerable tenants.

Good progress has been made in the Transition and Integration Plan to embed the constitutional partnership with Cairn Housing Association Limited, including Business Services, HR, IT/Systems support, financial systems, governance and other corporate support and joint working

## **ANCHO LIMITED**

### **REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019**

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#### ***Financial Review***

Turnover of £3.2 million (of which £2.8 million relates to the income from the letting of properties at affordable rents) was £200k higher than 2018 due to the rental increase in the year and the £102k increase in wider role grant income

The Association made a surplus in the year of £711,007 (2018: £462,843) which included a gain on the revaluation of investment properties (garages) of £139,620 (2018: £nil). £1,991,456 was spent on component replacements for our social housing units which have been capitalised.

#### **Future Plans**

ANCHO's focus will continue to be on delivering the objectives and targets agreed within the Cairn Group Business Plan and ensuring that it achieves value for money and improvement in all areas of operation.

We will also continue to ensure that our experienced Better Off North Ayrshire project and other wider role activities meets the objectives of our project funders in terms of customers and delivers the maximum benefit for customers accessing these much needed and often life changing services.

#### **Risks and uncertainties**

Strong governance will be essential at both ANCHO and Cairn Group levels to ensure all of the business case assumptions and tenant promises that supported the constitutional partnership are delivered over the next 5 years.

Prudent treasury management to manage cash flow to meet the delivery of the accelerated investment programme whilst preserving financial loan covenants and required financial performance ratios will also require careful monitoring.

Whilst ANCHO has not developed new housing locally, the potential to do this as part of the Cairn Group exists in the future.

We will also continue to manage key external risks such as:

- Inflation, pay and interest rates;
- Welfare reform;
- Fire safety changes; and
- Pension liabilities.

The risks are managed through our corporate risk register and associated controls which are applicable to the whole group.

## **ANCHO LIMITED**

### **REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019**

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#### **Key Performance Indicators**

ANCHO continues to closely monitor key performance indicators, including those required under the Annual report on The Scottish Social Housing Charter. We also pay particular attention to key financial indicators on gearing and interest cover to ensure ongoing financial stability and to meet our lending covenants.

#### **Governance**

ANCHO Limited is a 100% subsidiary of Cairn Housing Association Limited.

ANCHO Limited has a Board of Management elected by the shareholding members of the Association at the AGM each year. The Board directs the strategy, sets policies, oversees the overall direction and monitors the business plan of the Association.

The Board also ensures appropriate levels of assurance and strategic risk management, including external advice where appropriate, and compliance with regulatory standards. The members of the Board of Management are currently unpaid, other than expenses.

We review the Board Succession & Development Plan each year, following annual personal development meetings, to ensure the appropriate level and mix of skills and experience and keeping up to date with regulatory requirements and best practice standards. Resignations and retirements are noted on the Board of Management Executive Officers and Advisers' page of the accounts. ANCHO is a member of the Scottish Federation of Housing Associations and ensures positive working relationships with our Regulators (SHR and OSCR), local authorities and other partners.

ANCHO is committed to continuous improvement and the Board sets challenging business targets, which are regularly monitored and reviewed by the Board and Senior Management Team.

Governance arrangements at ANCHO include a Group Audit & Performance Committee, a Group Remuneration Committee and a Group Customer Panel working with the Association to provide an additional level of scrutiny and to support improvement activities.

#### **Statement of the Board of Management's Responsibilities**

Housing Association legislation requires the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for that period. In preparing those financial statements the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board of Management, advised by the Senior Management Team, is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **ANCHO LIMITED**

### **REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2019**

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#### **Statement of Internal Financial Controls**

The Board of Management is responsible for the Association's system of internal financial control.

Internal financial controls are those procedures established by the senior management team, and reviewed by the Group Audit & Performance Committee, in order to provide reasonable assurance on the safeguarding of assets and the maintenance of proper accounting records and the reliability of financial information used within the Association or for publication. Such a system of controls can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The approach adopted by the Board of Management to provide effective financial control can be summarised as follows:

- (a) An appropriate control environment has been created by careful recruitment and training of staff and provision of comprehensive guidance on the standards and controls to be applied throughout the Association. A comprehensive programme of internal audit covering over time all the Association's main activities is on-going. Reports are made to the Group Audit & Performance Committee with appropriate action taken where necessary;
- (b) Management information systems have been developed to provide accurate and timely data on all aspects of the business. Management accounts comparing actual results against budget are presented to the Board of Management quarterly;
- (c) Major business risks and their financial implications are assessed by reference to established criteria;
- (d) The financial implications of major business risks are controlled by means of delegated authorities, which reserve significant matters to the Board of Management for decision, segregation of duties in appropriate areas and physical controls over assets and access to records as detailed in the Association's Financial Regulations; and
- (e) The Board of Management monitors the operation of the internal financial control system by considering regular reports from management and the external and internal auditors and ensures appropriate corrective action is taken to address any reported weaknesses.

While retaining overall responsibility for internal financial control, the Board of Management has delegated the day to day administration of the Association to the executive officers.

The Board of Management confirms it is satisfied with the effectiveness of the Association's system of internal financial control as it operated during the year under review.

#### **Charitable Donations**

During the year the Association made charitable donations of £129 (2018: £1,204).



**ANCHO LIMITED**

**REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)  
FOR THE YEAR ENDED 31 MARCH 2019**

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**Disclosure of information to the auditor**

To the knowledge and belief of each of the persons who are members of the Board of Management at the time the report is approved:

- So far as the Board members are aware, there is no relevant information of which the Association's auditor is unaware; and
- He/she has taken all the steps that he/she ought to have taken as a Board member in order to make himself/herself aware of any relevant information, and to establish that the Association's auditor is aware of the information.

**Auditor**

A resolution to re-appoint the Auditor, Scott-Moncrieff, will be proposed at the Annual General Meeting.

The Report of the Board of Management (incorporating the Strategic Report) has been approved by the Board of Management:

**Jason MacGill -  
Secretary**

Dated: 1 August 2019

**ANCHO LIMITED**

**REPORT BY THE AUDITOR TO THE BOARD OF MANAGEMENT OF ANCHO LIMITED ON INTERNAL FINANCIAL CONTROLS  
FOR THE YEAR ENDED 31 MARCH 2019**

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In addition to our audit of the Financial Statements, we have reviewed your statement on page 5 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

**Basis of Opinion**

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non-compliance.

**Opinion**

In our opinion the Statement on Internal Financial Controls on page 5 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through our enquiry of certain members of the Board of Management and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Board of Management's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial controls contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls.

**Scott-Moncrieff**

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

**Chartered Accountants**

25 Bothwell Street

Glasgow

G2 6NL

Dated: 1 August 2019

## **ANCHO LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANCHO LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

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#### **Opinion**

We have audited the financial statements of ANCHO Limited (the 'Association') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Changes in Capital and Reserves, the Statement of Financial Position, the Statement of Cash Flows and the 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 Association's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

#### **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 Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our 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 audit opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the Board of Management's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of Management has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **ANCHO LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANCHO LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

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#### **Other information**

The Board of Management is responsible for the other information. The 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 and, except to the extent otherwise explicitly stated in our report, 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 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.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

#### **Responsibilities of the Board of Management**

As explained more fully in the Statement of the Board of Management's Responsibilities set out on page 4, the Board of Management is 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 Board of Management 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 Board of Management are responsible for assessing the Association'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 Board of Management either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

**ANCHO LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANCHO LIMITED ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

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**Auditor's responsibilities for the audit of the financial statements**

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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](http://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 Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014.

Our audit work has been undertaken so that we might state to the Association's members, as a body, 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 Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Scott-Moncrieff, Statutory Auditor**  
**Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006**  
Chartered Accountants  
25 Bothwell Street  
Glasgow  
G2 6NL

Date: 1 August 2019

**ANCHO LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2019**

|  | Note  | 2019<br>£      | 2018<br>£        |
|--|-------|----------------|------------------|
| Turnover   | 4     | 3,175,252      | 2,998,605        |
| Operating expenditure                                  | 4     | (2,449,976)    | (2,323,855)      |
| Operating surplus                                      | 4, 10 | 725,276        | 674,750          |
| (Loss) on disposal of property, plant and equipment    | 8     | -              | (11,492)         |
| Interest receivable and other income                   | 9a    | 5,133          | 227              |
| Interest payable and similar charges                   | 9b    | (159,022)      | (200,642)        |
| Revaluation gain on investment properties              | 12b   | 139,620        | -                |
|  |       | (14,269)       | (211,907)        |
| <b>Surplus for the year</b>                            |       | <b>711,007</b> | <b>462,843</b>   |
| <b>Other Comprehensive Income</b>                      |       |                |                  |
| Actuarial (loss)/gain in respect of the Pension Scheme | 20    | (222,000)      | 896,000          |
| <b>Total Comprehensive Income</b>                      |       | <b>489,007</b> | <b>1,358,843</b> |

The notes form part of these financial statements

ANCHO LIMITED

STATEMENT OF CHANGES IN CAPITAL AND RESERVES  
FOR THE YEAR ENDED 31 MARCH 2019

|                               | Share<br>Capital<br>£ | Revenue<br>Reserve<br>£ | Total<br>£        |
|-------------------------------|-----------------------|-------------------------|-------------------|
| Balance at 1 April 2018       | 50                    | 12,382,225              | 12,382,275        |
| Total comprehensive income    | -                     | 489,007                 | 489,007           |
| Shares issued during the year | 5                     | -                       | 5                 |
| Shares cancelled in the year  | (3)                   | -                       | (3)               |
| Balance at 31 March 2019      | <u>52</u>             | <u>12,871,232</u>       | <u>12,871,284</u> |

STATEMENT OF CHANGES IN CAPITAL AND RESERVES  
FOR THE YEAR ENDED 31 MARCH 2018

|                                  | Share<br>Capital<br>£ | Revenue<br>Reserve<br>£ | Total<br>£        |
|----------------------------------|-----------------------|-------------------------|-------------------|
| Balance at 1 April 2017 restated | 70                    | 11,023,382              | 11,023,452        |
| Total comprehensive income       | -                     | 1,358,843               | 1,358,843         |
| Shares issued during the year    | 4                     | -                       | 4                 |
| Shares cancelled in the year     | (24)                  | -                       | (24)              |
| Balance at 31 March 2018         | <u>50</u>             | <u>12,382,225</u>       | <u>12,382,275</u> |

The notes form part of these financial statements

ANCHO LIMITED

STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2019

|  | Note | £                | 2019<br>£                | £                | 2018<br>£                |
|--|------|------------------|--------------------------|------------------|--------------------------|
| <b>Tangible fixed assets</b>                                   |      |                  |                          |                  |                          |
| Housing properties   | 12a  |                  | 20,020,365               |                  | 18,693,350               |
| Other Fixed Assets   | 12a  |                  | 77,955                   |                  | 80,503                   |
| Investment properties  | 12b  |                  | 587,120                  |                  | 447,500                  |
|  |      |                  | <u>20,685,440</u>        |                  | <u>19,221,353</u>        |
| <b>Current Assets</b>  |      |                  |                          |                  |                          |
| Debtors  | 14   | 335,073          |                          | 236,271          |                          |
| Cash and cash equivalents                                      | 15   | 372,119          |                          | 739,371          |                          |
|  |      | <u>707,192</u>   |                          | <u>975,642</u>   |                          |
| <b>Creditors: amounts falling due within one year</b>          | 16   | <u>(836,785)</u> |                          | <u>(730,931)</u> |                          |
| <b>Net current assets</b>                                      |      |                  | <u>(129,593)</u>         |                  | <u>244,711</u>           |
| <b>Total assets less current liabilities</b>                   |      |                  | <u>20,555,847</u>        |                  | <u>19,466,064</u>        |
| <b>Creditors: amounts falling due after more than one year</b> | 17   |                  | <u>(6,972,563)</u>       |                  | <u>(6,754,789)</u>       |
| Pension liability  | 20   |                  | <u>(712,000)</u>         |                  | <u>(329,000)</u>         |
| <b>Net Assets</b>  |      |                  | <u><u>12,871,284</u></u> |                  | <u><u>12,382,275</u></u> |
| <b>Capital and reserves</b>                                    |      |                  |                          |                  |                          |
| Share capital  | 21   |                  | 52                       |                  | 50                       |
| Revenue reserve  | 22   |                  | 12,871,232               |                  | 12,382,225               |
|  |      |                  | <u><u>12,871,284</u></u> |                  | <u><u>12,382,275</u></u> |

The Financial Statements were approved by the Board of Management on 1 August 2019 and signed on their behalf by:

Sonya Campbell - Perry  
Chair

Jacqueline Browne  
Vice-Chairperson

Jason MacGilp  
Secretary

The notes form part of these financial statements



**ANCHO LIMITED**

**STATEMENT OF CASHFLOWS  
FOR THE YEAR ENDED 31 MARCH 2019**

|   | Note        | 2019<br>£          | 2018<br>£        |
|---|-------------|--------------------|------------------|
| <b>Net cash inflow from operating activities</b>      | 25          | <b>1,532,032</b>   | <b>1,373,359</b> |
| <b>Cash flows from investing activities</b>           |             |                    |                  |
| Purchase of property, plant and equipment             | (1,995,056) | (884,186)          |                  |
| Proceeds on disposal of property, plant and equipment | -           | 12,600             |                  |
| Interest receivable                                   | 5,133       | 227                |                  |
|   |             | <b>(1,989,923)</b> | <b>(871,359)</b> |
| <b>Cash flows from financing activities</b>           |             |                    |                  |
| Interest paid   | (149,022)   | (168,642)          |                  |
| Loan drawdown   | 700,000     | -                  |                  |
| Repayment of borrowings                               | (460,344)   | (788,510)          |                  |
| Share capital issued                                  | 5           | 4                  |                  |
|   |             | <b>90,639</b>      | <b>(957,148)</b> |
| <b>Net charges in cash and cash equivalents</b>       |             | <b>(367,252)</b>   | <b>(455,148)</b> |
| Cash and cash equivalents at 1 April                  | 15          | <b>739,371</b>     | <b>1,194,519</b> |
| Cash and cash equivalents at 31 March                 | 15          | <b>372,119</b>     | <b>739,371</b>   |

The notes form part of these financial statements

## **ANCHO LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

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#### **1. General Information**

The financial statements have been prepared in accordance with 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) and comply with the requirements of the Determination of Housing Requirements 2014 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2014. The principal accounting policies are set out below.

The preparation of these financial statements in compliance with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise judgment in applying the Association's accounting policies (note 3).

These financial statements represent the results of the Association only, are presented in £GBP and are rounded to the nearest whole pound.

The Association is a Co-operative and Community Benefit Society limited by shares and incorporated in Scotland. The Association is a registered social landlord (306) and a registered charity (SC036082). The registered address is Sovereign House, Academy Road, Irvine, KA12 8RL.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities.

#### **2. Principal accounting policies**

##### **Basis of accounting**

The financial statements are prepared on the historical cost basis of accounting subject to the revaluation of certain fixed assets and in accordance with applicable accounting standards and statements of recommended practice.

##### **Going concern**

The Board of Management anticipates that a surplus will be generated in the years to 31 March 2020 and 31 March 2021. The Association has a healthy cash position and thus the Board of Management is satisfied that there are sufficient resources in place to continue operating for the foreseeable future. Thus the Board of Management continues to adopt the going concern basis of accounting in preparing the annual financial statements.

##### **Turnover**

Turnover represents rental and service charge income, factoring service income and fees or revenue grants receivable from local authorities and from the Scottish Government.

## **ANCHO LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

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#### **2. Principal accounting policies (cont'd)**

##### **Apportionment of management expenses**

Direct employee, administration and operating expenditure have been apportioned to the relevant sections of the Statement of Comprehensive Income on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

The costs of cyclical and major repairs are charged to the Statement of Comprehensive Income in the year which they are incurred.

##### **Interest receivable**

Interest income is recognised in the Statement of Comprehensive Income on an accruals basis.

##### **Interest payable**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

##### **Fixed assets - Housing properties**

Housing properties are stated at cost less accumulated depreciation. The cost of such properties includes the following:

1. Cost of acquiring land and buildings;
2. Cost of construction; and
3. Development expenditure including administration costs.

Works to existing properties will generally be capitalised under the following circumstances:

- (i) Where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or
- (ii) Where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed asset in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property.

Works to existing properties which fail to meet the above criteria are charged to the Statement of Comprehensive Income. All costs and grants relating to the share of property sold are removed from the financial statements at the date of sale. Any grants received that cannot be repaid from the proceeds of sale are abated.

## ANCHO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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#### 2. Principal accounting policies (cont'd)

##### Depreciation

##### 1. Housing properties

Housing properties are reviewed for impairment if events or circumstances indicate that the carrying value is higher than the recoverable amount. Each housing unit has been split between its major component parts. Each major component is depreciated on a straight line basis over its expected economic useful life. The following major components and useful lives have been identified by the Association:

|           |          |           |          |                   |                    |
|-----------|----------|-----------|----------|-------------------|--------------------|
| Buildings | 50 years | Roof      | 40 years | Doors and windows | 25 years           |
| Bathrooms | 25 years | Radiators | 20 years | Boilers           | 15 years           |
| Rewires   | 30 years | Kitchens  | 15 years | Land              | Not<br>depreciated |

##### 2. Other fixed assets

Depreciation is charged on other fixed assets so as to write off the asset cost less any recoverable value over its anticipated useful life.

The following rates have been used:-

|   |                                      |
|---|--------------------------------------|
| Furniture and fittings, office equipment and IT | 20% reducing balance                 |
| office equipment and IT                         | 25% reducing balance                 |
| Community Link Project Offices                  | Income with holding properties above |

A full year's depreciation is charged in the year of purchase. No charge is made in the year of disposal.

##### 3. Investment properties

The investment properties are garages owned and rented out by the Association and are held at market value and no depreciation is therefore charged.

## **ANCHO LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

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#### **2. Principal accounting policies (cont'd)**

##### **Debtors**

Short term debtors are measured at transaction price, less any impairment.

##### **Rental arrears**

Rental arrears represent amounts due by tenants for rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in note 14.

##### **Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

##### **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 rate method.

##### **Financial Instruments**

The Association only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans from banks.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Association has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

## **ANCHO LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

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#### **2. Principal accounting policies (cont'd)**

##### **Government capital grants**

Government capital grants, at amounts approved by The Scottish Government or local authorities, are paid directly to the Association as required to meet its liabilities during the development process. This is treated as a deferred Government capital grant and is released to income over the useful life of the assets it relates to on completion of the development phase. The accrual model requires the Association to recognise income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

##### **Government revenue grants**

Government revenue grants are recognised using the accrual model which means the Association recognises the grant in income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

##### **Non-government grants**

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the grants are received or receivable.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

##### **Pension**

The Association participates in the centralised Strathclyde Pensions Trust defined benefits pension scheme and retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the scheme. Payments are made to the Trust in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating employers taken as a whole.

The expected cost to the Association of pensions is charged to Total Comprehensive Income so as to spread the cost of pensions over the service lives of the employees in the scheme taken as a whole.

The difference between the fair value of the assets held in the Association's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Association's Statement of Financial Position as a pension scheme liability.

##### **Loans**

Mortgage loans are advanced by Private Lenders under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments that have been given approval by the Scottish Government.

##### **Operating leases**

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

## ANCHO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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#### 3. Judgements in applying policies and key sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The Board of Management is satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

| <u>Estimate</u>  | <u>Basis of estimation</u>  |
|--|---|
| Valuation of housing properties                                  | Housing Properties are held at deemed cost which is based on an existing use valuation at the date of transition to FRS 102 of 1 April 2014.  |
| Useful lives of property and other fixed assets                  | The useful lives of housing properties and other fixed assets are based on the knowledge of senior management at the Association, with reference to expected asset life cycles.   |
| The main components of housing properties and their useful lives | The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members and based on costing models.   |
| Recoverable amount of rental and other trade receivables         | Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account. |
| The obligations under the Strathclyde Pension Scheme             | This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.   |
| The valuation of investment properties                           | The investment properties are held at fair value based on the knowledge of senior management at the Association, with reference to the valuation of similar properties.   |

ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

4. Particulars of Turnover, operating expenditure and operating surpluses

|                            | 2019             |                  |                | 2018             |                  |                |
|----------------------------|------------------|------------------|----------------|------------------|------------------|----------------|
|                            | Turnover         | Operating        | Operating      | Turnover         | Operating        | Operating      |
|                            | £                | expenditure      | surplus        | £                | expenditure      | surplus        |
|                            |                  | £                | £              |                  | £                | £              |
| Social lettings (Note 5a)  | 2,835,114        | 2,168,843        | 666,271        | 2,747,487        | 2,165,574        | 581,913        |
| Other activities (Note 5b) | 340,138          | 281,133          | 59,005         | 251,118          | 158,281          | 92,837         |
|                            | <u>3,175,252</u> | <u>2,449,976</u> | <u>725,276</u> | <u>2,998,605</u> | <u>2,323,855</u> | <u>674,750</u> |



**ANCHO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

| <b>5a. Particulars of turnover, operating expenditure and operating surplus from social letting activities</b> |  |  |   |                             |                             |
|--|--|--|---|-----------------------------|-----------------------------|
|  | <b>General Needs<br/>Housing<br/>£</b> | <b>Supported<br/>Housing<br/>Accommodation<br/>£</b> | <b>Shared<br/>Ownership<br/>Accommodation<br/>£</b> | <b>2019<br/>Total<br/>£</b> | <b>2018<br/>Total<br/>£</b> |
| <b>Revenue from lettings</b>   |  |  |   |                             |                             |
| Rent receivable net of service charges   | 2,839,282                              | -  | -   | 2,839,282                   | 2,754,483                   |
| Service charges  | -                                      | -  | -   | -                           | -                           |
| <b>Gross income from rent and service charges</b>  | <b>2,839,282</b>                       |  |   | <b>2,839,282</b>            | <b>2,754,483</b>            |
| Less: Rent losses from voids   | (4,700)                                | -  | -   | (4,700)                     | (7,528)                     |
| <b>Net rent receivable</b>   | <b>2,834,582</b>                       |  |   | <b>2,834,582</b>            | <b>2,746,955</b>            |
| Release of deferred government capital grants  | 532                                    | -  | -   | 532                         | 532                         |
| Other revenue grants   | -                                      | -  | -   | -                           | -                           |
| <b>Total turnover from social letting activities</b>   | <b>2,835,114</b>                       |  |   | <b>2,835,114</b>            | <b>2,747,487</b>            |
| <b>Expenditure on social letting activities</b>  |  |  |   |                             |                             |
| Management and maintenance administration costs  | 993,899                                | -  | -   | 993,899                     | 1,061,844                   |
| Service charges  | -                                      | -  | -   | -                           | -                           |
| Planned cyclical maintenance including major repairs   | 33,902                                 | -  | -   | 33,902                      | 208,100                     |
| Reactive maintenance costs   | 444,343                                | -  | -   | 444,343                     | 358,014                     |
| Bad debts – rents and service charges  | 32,258                                 | -  | -   | 32,258                      | 9,719                       |
| Depreciation of social housing *   | 664,441                                | -  | -   | 664,441                     | 527,897                     |
| <b>Operating expenditure on social letting activities</b>  | <b>2,168,843</b>                       |  |   | <b>2,168,843</b>            | <b>2,165,574</b>            |
| <b>Operating surplus on letting activities, 2019</b>   | <b>666,271</b>                         |  |   | <b>666,271</b>              |                             |
| <b>Operating surplus on letting activities, 2018</b>   | <b>581,913</b>                         |  |   | <b>581,913</b>              |                             |

This includes the loss on disposal of components of £164,485.

ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

5b. Particulars of revenue, operating expenditure & surpluses/deficits from other activities

|                                     | Grants<br>from<br>Scottish<br>Ministers &<br>Big Lottery<br>Fund<br>£ | Other<br>Revenue<br>Grants<br>£ | Other<br>Income<br>£ | Total<br>Turnover<br>£ | Operating<br>costs<br>£ | Other<br>Operating<br>costs<br>£ | Operating<br>Surplus/<br>(Deficit)<br>2019<br>£ | Operating<br>Surplus/<br>(Deficit)<br>2018<br>£ |
|-------------------------------------|---|---------------------------------|----------------------|------------------------|-------------------------|----------------------------------|---|---|
| Wider Role Activities               | 218,371   | -                               | -                    | 218,371                | 210,057                 | -                                | 8,314   | 16,384  |
| Factoring                           | -   | -                               | 13,163               | 13,163                 | 34,019                  | -                                | (20,856)  | (1,509)   |
| Support Activities – Stage 3        | 27,981  | -                               | -                    | 27,981                 | 23,332                  | -                                | 4,649   | (1,027)   |
| medical adaptations                 | -   | -                               | 56,850               | 56,850                 | -                       | -                                | 56,850  | 48,493  |
| Commercial rent                     | -   | -                               | 23,773               | 23,773                 | 13,725                  | -                                | 10,048  | 30,496  |
| Other Activities                    | -   | -                               | -                    | -                      | -                       | -                                | -   | -   |
| Total from Other Activities<br>2019 | 246,352   | -                               | 93,786               | 340,138                | 281,133                 | -                                | 59,005  | -   |
| Total from Other Activities<br>2018 | 142,277   | -                               | 108,841              | 251,118                | 158,281                 | -                                | -   | 92,837  |

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

6. Directors' Emoluments

The directors are defined as the members of the Board of Management, the former Interim Director/Current Chief Executive and any other person reporting directly to the former Interim Director/Current Chief Executive. The Chief Executive is remunerated by Cairn Housing Association Limited. No directors or members of the Board of Management received emoluments (excluding pension contributions) greater than £60,000 (2018: only the interim director). No emoluments were paid to any member of the Board of Management during the year (2018: £nil).

|  | 2019<br>£      | 2018<br>£      |
|--|----------------|----------------|
| Emoluments (excluding pension contributions) to the former Director                                | -              | 45,800         |
| Pension contributions to the former Director   | -              | 2,939          |
| Redundancy and compensation payments to key management personnel                                   | -              | 22,457         |
| Payments to the former Interim Director including VAT  | 25,840         | 89,029         |
| Payments for Finance Agency Services   | -              | 13,023         |
| Total emoluments and payments paid to key management personnel including NI & VAT where applicable | <u>148,415</u> | <u>308,997</u> |
|  | 2019<br>£      | 2018<br>£      |
| Total Emoluments (including VAT)<br>£85,000 - £90,000  | <u>-</u>       | <u>1</u>       |

7. Employee Information

|   | 2019<br>£      | 2018<br>£      |
|---|----------------|----------------|
| Staff costs (including payments to the former Interim Director) |                |                |
| Wages and salaries  | 563,425        | 530,772        |
| Social security costs   | 55,145         | 49,859         |
| Employers Pension Contributions                                 | 80,091         | 75,678         |
| Movement in Pension Service Costs (note 20)                     | 151,000        | 74,000         |
| Death In Service/Ill Health Cover                               | 9,546          | 11,536         |
| Holiday Pay Accrual   | 3,058          | 1,579          |
| Agency Costs  | 2,021          | -              |
|   | <u>864,286</u> | <u>743,424</u> |

The average weekly number of persons employed by the Association during the year were as follows:

|                                  | 2019<br>No | 2018<br>No | 2019<br>FTE | 2018<br>FTE |
|----------------------------------|------------|------------|-------------|-------------|
| Housing staff                    | 7          | 4          | 7           | 4           |
| Maintenance staff                | 2          | 2          | 2           | 2           |
| Administrative and Finance staff | 2          | 4          | 2           | 4           |
| Wider Action staff               | 5          | 3          | 5           | 2           |
| Caretaking staff                 | 4          | 5          | 3           | 5           |
| Total                            | <u>20</u>  | <u>18</u>  | <u>19</u>   | <u>17</u>   |

# **ANCHO LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

### **8. Gain on sale of property, plant and equipment**

|                                   | 2019<br>£ | 2018<br>£       |
|-----------------------------------|-----------|-----------------|
| Sale proceeds (after legal fees)  | "         | 12,600          |
| Less: net book value of disposals | "         | (24,092)        |
|                                   | <u>"</u>  | <u>(11,492)</u> |

### **9a. Interest receivable and other income**

|               | 2019<br>£    | 2018<br>£  |
|---------------|--------------|------------|
| Bank interest | <u>5,133</u> | <u>227</u> |

### **9b. Interest payable and similar charges**

|  | 2019<br>£      | 2018<br>£      |
|--|----------------|----------------|
| On bank loans  | 141,733        | 168,642        |
| On loan from parent                                  | 7,289          | -              |
| Strathclyde Pension Scheme – finance costs (note 20) | 10,000         | 32,000         |
|  | <u>159,022</u> | <u>200,642</u> |

### **10. Operating surplus for the year**

|   | 2019<br>£ | 2018<br>£ |
|---|-----------|-----------|
| Operating surplus is stated after charging:   |           |           |
| Depreciation - charged in respect of property, plant and equipment including loss on disposal of components | 664,441   | 527,897   |
| Gain/(Loss) on disposal of property, plant and equipment  | -         | (11,492)  |
| Operating Lease Rental - office   | 22,464    | 19,630    |
| Operating Lease Rental - vans   | 6,782     | 6,661     |
| Auditor's Remuneration – external audit (excluding VAT)   | 8,000     | 7,750     |
| Auditor's Remuneration – non audit services   | -         | -         |

### **11. Taxation**

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities. No tax was due in respect of its other activities in the year (2018: £nil).

ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

12a. Tangible fixed assets

|  | Housing<br>Properties<br>Held For<br>Letting<br>£ | Community<br>Link Project<br>Offices<br>£ | Office<br>Equipment<br>& IT<br>£ | Furniture &<br>Fittings<br>£ | Total<br>£        |
|--|---|---|----------------------------------|------------------------------|-------------------|
| <u>Cost</u>                            |   |   |                                  |                              |                   |
| At 1 April 2018                        | 20,813,334  | 80,264                                    | 334,510                          | 64,260                       | 21,292,368        |
| Additions during the year - Components | 1,991,456   | -   | -                                | 3,600                        | 1,995,056         |
| Disposals during the year- Components  | (190,572)   | -   | (298,750)                        | (2,229)                      | (491,551)         |
| Disposals during the year – Properties | -   | -   | -                                | -                            | -                 |
| At 31 March 2019                       | <u>22,614,218</u>                                 | <u>80,264</u>                             | <u>35,760</u>                    | <u>65,631</u>                | <u>22,795,873</u> |
| <u>Depreciation</u>                    |   |   |                                  |                              |                   |
| At 1 April 2018                        | 2,119,984   | 17,535                                    | 318,900                          | 62,096                       | 2,518,515         |
| Provided during the year               | 499,956   | 1,711                                     | 3,903                            | 534                          | 506,104           |
| Disposals during the year - Components | (26,087)  | -   | (298,750)                        | (2,229)                      | (327,066)         |
| Disposals during the year – Properties | -   | -   | -                                | -                            | -                 |
| At 31 March 2019                       | <u>2,593,853</u>                                  | <u>19,246</u>                             | <u>24,053</u>                    | <u>60,401</u>                | <u>2,697,553</u>  |
| <u>Net Book Value</u>                  |   |   |                                  |                              |                   |
| As at 31 March 2019                    | <u>20,020,365</u>                                 | <u>61,018</u>                             | <u>11,707</u>                    | <u>5,230</u>                 | <u>20,098,320</u> |
| As at 31 March 2018                    | <u>18,693,350</u>                                 | <u>62,729</u>                             | <u>15,610</u>                    | <u>2,164</u>                 | <u>18,773,853</u> |

All land and housing properties are freehold.

The Association's Lenders have standard securities over 492 of the Social Housing units with a carrying value of £15,215,365.

The Association clarifies its cash generating units in terms of the property schemes that it uses for asset management purposes.

**ANCHO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

|                                   |                |                |
|-----------------------------------|----------------|----------------|
| <b>12b. Investment properties</b> | <b>2019</b>    | <b>2018</b>    |
|                                   | £              | £              |
| At 1 April                        | 447,500        | 447,500        |
| Revaluation during the year       | 139,620        | -              |
| At 31 March                       | <u>587,120</u> | <u>447,500</u> |

Investment properties are garages leased to 3rd parties. The turnover and operating expenditure in relation to these properties is disclosed in Note 5b. There are 179 (2018: 179) investment properties. The garages were revalued during the year by Jones Lang LaSalle.

|   |             |             |
|---|-------------|-------------|
| <b>13. Unit Numbers</b>                   | <b>2019</b> | <b>2018</b> |
|   | £           | £           |
| Social Housing properties – general needs | 672         | 672         |
| Investment properties - Garage units      | 179         | 179         |
| Community Link Project offices            | 2           | 2           |
|   | <u>853</u>  | <u>853</u>  |

|                                      |                |                |
|--------------------------------------|----------------|----------------|
| <b>14. Debtors</b>                   | <b>2019</b>    | <b>2018</b>    |
|                                      | £              | £              |
| Amounts falling due within one year: |                |                |
| Rental arrears                       | 183,550        | 181,699        |
| Less: bad debt provision             | (66,163)       | (33,905)       |
|                                      | <u>117,387</u> | <u>147,794</u> |
| Factoring arrears                    | 10,599         | 23,185         |
| Prepayments and accrued income       | 40,354         | 65,292         |
| Other debtors                        | 166,733        | -              |
|                                      | <u>335,073</u> | <u>236,271</u> |

|                                      |                |                |
|--------------------------------------|----------------|----------------|
| <b>15. Cash and cash equivalents</b> | <b>2019</b>    | <b>2018</b>    |
|                                      | £              | £              |
| Cash at bank and in hand             | 99,213         | 80,398         |
| Balances held in deposit accounts    | 272,906        | 658,973        |
|                                      | <u>372,119</u> | <u>739,371</u> |

|  |                |                |
|--|----------------|----------------|
| <b>16. Creditors due within one year</b> | <b>2019</b>    | <b>2018</b>    |
|  | £              | £              |
| Bank loans                               | 470,206        | 448,856        |
| Trade creditors                          | 205,464        | 46,745         |
| Rents in advance and homeowner floats    | 58,661         | 84,064         |
| Deferred Government capital grants       | 532            | 532            |
| Accruals and deferred income             | 101,922        | 150,734        |
|  | <u>836,785</u> | <u>730,931</u> |

ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

17. Creditors due after more than one year

|  | 2019<br>£        | 2018<br>£        |
|--|------------------|------------------|
| Bank loans                                 | 6,248,111        | 6,729,805        |
| Loan from parent                           | 700,000          | -                |
| Deferred Government capital grants         | 24,452           | 24,984           |
|  | <u>6,972,563</u> | <u>6,754,789</u> |
| <b>Bank loans</b>                          |                  |                  |
| Amounts falling due in:                    |                  |                  |
| One year or more but less than two years   | 478,900          | 470,206          |
| Two years or more but less than five years | 1,489,072        | 1,462,824        |
| Five years or more                         | 4,280,139        | 4,796,775        |
|  | <u>6,248,111</u> | <u>6,729,805</u> |

The Nationwide Building Society holds a standard security on 492 of the Association's 672 housing properties. The loan is a variable rate interest loan and is repayable in 2036. Interest is payable at LIBOR + 1.47% per annum.

All of the Association's bank borrowings are repayable on a quarterly basis with the principal being amortised over the term of the loan.

The loan from Cairn Housing Association Limited is a fixed interest rate loan and is repayable on the 25<sup>th</sup> anniversary of the date of the first advance which was 27 September 2018. The interest rate is 3.5% per annum.

18. Deferred Government capital grants

|                                | 2019<br>£     | 2018<br>£     |
|--------------------------------|---------------|---------------|
| <u>Housing grants</u>          |               |               |
| At 1 April                     | 25,516        | 26,048        |
| Grants received in year        | -             | -             |
| Released to income in year     | (532)         | (532)         |
|                                | <u>24,984</u> | <u>25,516</u> |
| At 31 March                    |               |               |
| Split:                         |               |               |
| Due within one year            | 532           | 532           |
| Due between one and two years  | 532           | 532           |
| Due between two and five years | 1,596         | 1,596         |
| Due in five years or more      | 22,324        | 22,856        |
|                                | <u>24,984</u> | <u>25,516</u> |
| At 31 March                    |               |               |

**ANCHO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

| <b>19. Financial Instruments</b>                 | <b>2019</b>      | <b>2018</b>      |
|--|------------------|------------------|
|  | <b>£</b>         | <b>£</b>         |
| <b>Financial assets</b>                          |                  |                  |
| Cash and cash equivalents                        | 372,119          | 739,371          |
| Financial assets measured at amortised cost      | 318,119          | 214,309          |
|  | <u>690,238</u>   | <u>953,680</u>   |
| <b>Financial liabilities</b>                     |                  |                  |
| Financial liabilities measured at amortised cost | <u>7,733,503</u> | <u>7,383,340</u> |

Financial assets measured at amortised cost comprise rental arrears, factoring arrears, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, homeowner floats, accruals.

No financial assets or financial liabilities are held at fair value.

**20. Retirement Benefit Obligations**

The Association contributes to Strathclyde Pension Fund administered by Glasgow Council, a defined benefit scheme, which is externally funded and contracted out of the State Earnings-Related Pension Scheme. The assets of the scheme are held in a separate trustee-administered fund. The pension costs are assessed with the advice of independent qualified actuaries, using the projected unit method. The date of the valuation was 31 March 2019.

The assumptions and other data that have the most significant effect on the determination of the contribution levels of the scheme are as follows:-

|                                   | <b>2019</b> | <b>2018</b> |
|-----------------------------------|-------------|-------------|
| Inflation / Pension Increase Rate | 2.4%        | 2.3%        |
| Salary scale increases per annum  | 3.6%        | 3.5%        |
| Discount rate                     | 2.5%        | 2.7%        |

The estimated split of assets in the scheme and expected rate of return were:-

|          | <b>2019</b> | <b>2018</b> |
|----------|-------------|-------------|
| Equities | 64%         | 70%         |
| Bonds    | 24%         | 18%         |
| Property | 10%         | 11%         |
| Cash     | 2%          | 1%          |

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

|                    | <b>Males</b> | <b>Females</b> |
|--------------------|--------------|----------------|
| Current pensioners | 21.4 years   | 23.7 years     |
| Future pensioners  | 23.4 years   | 25.8 years     |



ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019

20. Retirement Benefit Obligations (continued)

|                                       | 2019<br>£        | 2018<br>£        |
|---------------------------------------|------------------|------------------|
| Estimated employer asset share        | 4,314,000        | 3,994,000        |
| Present value of scheme liabilities   | (5,026,000)      | (4,323,000)      |
| Present value of unfunded liabilities | -                | -                |
| Total value of liabilities            | (5,026,000)      | (4,323,000)      |
| <b>Net Pension (Liability)</b>        | <b>(712,000)</b> | <b>(329,000)</b> |

Analysis of amount charged to operating surplus

|                               | 2019<br>£        | 2018<br>£       |
|-------------------------------|------------------|-----------------|
| Service costs                 | (231,000)        | (151,000)       |
| Employers' contributions      | 80,000           | 77,000          |
| <b>Total operating charge</b> | <b>(151,000)</b> | <b>(74,000)</b> |

The service costs include an estimation of the impact of the McCloud case (£62,000) and GMP equalisation (£9,000).

|   | 2019<br>£        | 2018<br>£        |
|---|------------------|------------------|
| Analysis of amount credited to other finance income             |                  |                  |
| Interest Income on Plan Assets                                  | 109,000          | 111,000          |
| Interest on pension scheme liabilities                          | (119,000)        | (143,000)        |
| Total Net interest  | (10,000)         | (32,000)         |
| <b>Total defined benefit cost in Total Comprehensive Income</b> | <b>(161,000)</b> | <b>(106,000)</b> |

Analysis of recognised Comprehensive Income

|  | 2019<br>£        | 2018<br>£      |
|--|------------------|----------------|
| Actual return less expected return on pension scheme assets                        | 131,000          | (287,000)      |
| Experience gains and losses arising on the scheme liabilities                      | -                | 871,000        |
| Changes in financial assumptions underlying the present                            | (353,000)        | 324,000        |
| Changes in demographic assumptions   | -                | (12,000)       |
| Value of the scheme assets   | -                | -              |
| <b>Actual (loss)/gain in pension plan recognised in Other Comprehensive Income</b> | <b>(222,000)</b> | <b>896,000</b> |

Movement in pension deficit during the year

|                                       | 2018<br>£        | 2018<br>£        |
|---------------------------------------|------------------|------------------|
| Deficit at the beginning of the year  | (329,000)        | (1,119,000)      |
| Current service cost                  | (160,000)        | (151,000)        |
| Employers contributions               | 80,000           | 77,000           |
| Past service costs                    | (71,000)         | -                |
| Estimated Benefits paid               | -                | -                |
| Net returns on assets                 | (10,000)         | (32,000)         |
| Actuarial gain/(loss)                 | (222,000)        | 896,000          |
| <b>Deficit at the end of the year</b> | <b>(712,000)</b> | <b>(329,000)</b> |

# **ANCHO LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019**

### **21. Share Capital**

|   | 2019      | 2018      |
|---|-----------|-----------|
|   | £         | £         |
| Shares of £1 fully paid and issued at beginning of year | 50        | 70        |
| Shares issued during year                               | 5         | 4         |
| Shares cancelled during the year                        | (3)       | (24)      |
| Shares issued at end of year                            | <u>52</u> | <u>50</u> |

Each member of the Association holds one £1 share in the Association. These shares carry no right to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings.

### **22. Revenue reserves**

Revenue reserves represents the cumulative surpluses and deficits.

|                                 | 2019           | 2018           |
|---------------------------------|----------------|----------------|
|                                 | £              | £              |
| Contracted but not provided     | 122,662        | 148,985        |
| Approved but not contracted for | -              | -              |
|                                 | <u>122,662</u> | <u>148,985</u> |

The above commitments will be financed by:

|                             | 2019           | 2018           |
|-----------------------------|----------------|----------------|
|                             | £              | £              |
| Loan from parent            | 122,662        | -              |
| Association's own resources | -              | 148,985        |
|                             | <u>122,662</u> | <u>148,985</u> |

|                                 | 2019          | 2019         | 2018          | 2018         |
|---------------------------------|---------------|--------------|---------------|--------------|
|                                 | Office        | Equipment    | Office        | Equipment    |
|                                 | £             | £            | £             | £            |
| 24. Operating lease commitments |               |              |               |              |
| Total commitment due within:    |               |              |               |              |
| Within one year                 | 19,630        | 2,867        | 19,630        | 2,732        |
| Between one and five years      | 9,815         | -            | 29,445        | 2,505        |
|                                 | <u>29,445</u> | <u>2,867</u> | <u>49,075</u> | <u>5,237</u> |

## ANCHO LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

#### 25. Statement of Cash Flows

|   | 2019<br>£        | 2018<br>£        |
|---|------------------|------------------|
| Reconciliation of net cash inflow from operating activities as at 31 March 2019 |                  |                  |
| Operating Surplus   | 725,276          | 674,750          |
| Depreciation (including loss on disposal of components)                         | 670,589          | 536,029          |
| Release of deferred government grants   | (532)            | (532)            |
| (Increase)/decrease in debtors  | (98,802)         | 83,182           |
| Increase in creditors   | 84,504           | 5,954            |
| Shares cancelled during the year  | (3)              | (24)             |
| SPF – staff costs   | 151,000          | 74,000           |
|   | <u>1,532,032</u> | <u>1,373,359</u> |

#### 26. Related Party Transactions

##### *Committee Members*

No member of the Association received any fee or remuneration during the year (2018: £nil). Members of the Board of Management were reimbursed for out of pocket travel and accommodation expenses amounting to £2,002 (2018: £507).

Some members of the Board of Management are tenants of the Association. The tenancies of these Board Members are on normal terms and the members cannot use their position to their advantage.

The total rent payable in the year relating to tenant Board members is £11,930 (2018: £7,946). The total rent arrears relating to tenant Board members included within debtors at the year end is £308 (2018: nil). These were technical arrears paid in April 2019. The total prepaid rent relating to tenant Board members included within creditors at the year end is £nil (2018: £359).

##### *Key Management Personnel*

The total remuneration (including pension contributions and benefits in kind) paid to Key Management who are deemed to be the Executive Officers as noted was £148,415 (2018: £308,997).

##### *Finance Agency Costs*

During the year, Cairn Housing Association charged ANCHO finance agency fees of £6,332 (2018: £8,023) up until the date of the strategic partnership, 1 November 2018.

##### *Management Charges*

During the year, Cairn Housing Association Limited charged ANCHO management charges of £37,242 (2018: £nil).

##### *Loan*

During the year ANCHO received loans of £700,000 from Cairn Housing Association Limited. Interest is charged on the loan at 3.5% per annum. Repayment is due on the 25<sup>th</sup> anniversary of the date of the first advance which was 27 September 2018.

**ANCHO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2019**

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**27. Contingent liability**

The Association owns a riverbank in Irvine which may require remedial work in the future. The Association is not able to reliably measure the cost of any work and is uncertain as to whether any remedial work will actually be required.

**28. Legislative provisions**

The Association is incorporated in Scotland under the Co-operative and Community Benefit Societies Act 2014.