



Mutual Societies Annual Return Form (AR30)

For societies registered under the Co-operative and Community Benefit Societies Act 2014

Society name:

ANCHO Ltd

Important information you should read before completing this form

You must use this form if you are a:

- registered society (previously referred to as an 'industrial and provident society')
- co-operative society
- community benefit society

registered under the Co-operative and Community Benefit Societies Act 2014.

You must submit this form and the society's accounts within 7 months of the end of your financial year. Failure to submit is an offence for which the society may be prosecuted.

Please note:

- we have an information note that may assist you in completing this application
- any personal details you give on the form will be placed on the society's public file.
- it is important you give accurate and complete information and disclose all relevant information. If you do not, it may take us longer to process your annual return.

Please keep a copy of the form and supporting documents for future reference.

Terms in this form

'FCA', 'PRA', 'us' and 'we' refer to the Financial Conduct Authority or Prudential Regulation Authority.

'You' refers to the person signing the form on behalf of the society.

'The 2014 Act' is the Co-operative and Community Benefit Societies Act 2014



Mutual Societies Annual Return Form (AR30)

For societies registered under the Co-operative and Community Benefit Societies Act 2014

Filling in the form

1 If you are using your computer to complete the form:

- use the TAB key to move from question to question and press SHIFT TAB to move back to the previous question; and
- print the completed form and arrange for it to be signed by all relevant individuals.

2 If you are filling in the form by hand:

- use black ink;
- write clearly; and
- arrange for it to be signed and dated by all relevant individuals.

3 If you make a mistake, cross it out and initial the changes; do not use correction fluid.

4 If you:

- leave a question blank;
- do not get the form signed; or
- do not attach the required supporting information

without telling us why, we will treat the application as incomplete. This will increase the time taken to assess your application.

5 If there is not enough space on the form, you may use separate sheets of paper. Clearly mark each separate sheet of paper with the relevant question number. Any separate sheets should be signed by the signatories to the form.

6 Email a scanned copy of the signed form and supporting documents to

mutualsannrtns@fca.org.uk

or send it by post to:

Mutuals Team
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
LONDON
E14 5HS

7. Please make sure you include:

- this form
- a set of printed accounts – signed by two members and the secretary (3 signatures in total)
- an audit report or accountant's report where required; and
- any supporting documents.

1

Details of society

1.1 Details of the society

Register number	2559R (S)
Registered office address	ANCHO Ltd Sovereign House, Academy Road Irvine
Postcode	KA12 8RL

1.2 Year end date (dd/mm/yyyy)

See Note 1.2

3	1	/	0	3	/	2	0	1	8
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Committee of management

If you are a club you do not need to give a year of birth in questions 1.3-1.6.

The names of the members of the Committee at the date on which the return is signed should be entered below in BLOCK CAPITALS.

1.3 Details of Chairman

Name	Jacqueline Browne
Address	52 Loudoun Crescent Kilwinning
Postcode	KA13 6TS
Year of birth	1970
Business occupation and other directorships	Paralegal, East Ayrshire Council

1.4 Details of Treasurer

Name	
Address	
Postcode	
Year of birth	
Business occupation and other directorships	

1.5 Details of Secretary

Name	Margaret Lightbody
Address	4 Balta Crescent Glasgow
Postcode	G72 8TS
Year of birth	1963
Business occupation and other directorships	Interim Director, ANCHO

1.6 Details of Members of the Committee

Name	Address	Year of birth	Business occupation and other directorships
Sonya Campbell-Perry	1 The Granary Seven Acres Mill Kilwinning KA13 7RG	1975	Head of Customer Services, Glasgow Caledonian University
John Rodgers	24 Rannoch Place irvie KA12 9NQ	1945	Retired
Lesley Shepherd	11 Spallander Road Troon KA10 7JY	1970	Adult Literacies Development Worker, South Ayrshire Council
David Carse	79 Candleriggs Flat 6-1 Glasgow G1 1NP	1980	Chief Executive, GCU Students' Association
Ruth Burley	20 Woodlands Road Sorn KA5 6HZ	1990	Solicitor, South Ayrshire Council
Melaine Barbour	5 Pattle Place Alloway KA7 4PS	1971	Solicitor, North Ayrshire Council

Please use separate sheets of paper if you need more space, following the instructions provided in section 5 above.

Please indicate how many separate sheets of paper you have used

1

Please continue, answering all questions.

1.7 Are any members of the society's committee disqualified as directors under the Company Director Disqualification Act 1986?

- ☒ No
☐ Yes

1.8 Does the society carry out any activity which is regulated under the Financial Services and Markets Act 2000? (e.g. accepting deposits in a form other than withdrawable shares; offering insurance products; undertaking residential mortgage business). If 'yes' please state the society's Financial Services Register firm reference number

- ☒ No
☐ Yes

Financial Services Register firm reference number

1.9 Is the society a subsidiary of another society?

- ☒ No
☐ Yes

1.10 Does the society have one or more subsidiaries?

- ☒ No
☐ Yes

1.11 Is the society currently accepted by the HM Revenue and Customs as a charity for tax purposes?

- ☐ No
☒ Yes

Please confirm you have attached a copy of the letter from HM Revenue and Customs confirming charitable tax status:

- ☒ Yes

1.12 Is this society a charity registered with the Office of the Scottish Charity Regulator (OSCR)?

- ☐ No
☒ Yes ▶ provide your Scottish Charity number below

1.13 Is the society registered with one of the following (please tick)?

- ☐ Homes and Communities Agency
☐ The Welsh Ministers
☒ Scottish Housing Regulator

If so, please provide your register number

All societies must answer the following questions:

- if a **bona fide co-operative society** go to question 1.14
- if **existing for the benefit of the community** go to question 1.19

Bona fide co-operative society

1.14 How did members benefit from the business, industry or trade of the society during the year?

N/A

1.15 Is membership of the society required to obtain the benefits offered by it?

☐ Yes

☐ No

1.16 In what way did members participate in an ongoing basis in the society's primary business during the year?

N/A

1.17 How did members democratically control the society?

N/A

1.18 How did the society use any surplus/profit?

If the society distributed the surplus/profit to members please explain how this was done.

N/A

Please use separate sheets of paper if you need more space (see section 5 above)

Please indicate how many separate sheets of paper you have used.

Continue to 2.1

Community benefit society**1.19 Who are the community the society benefited?**

Tenants, factored owners and residents of North Ayrshire

1.20 How did the society benefit that community during the year?

Providing management and maintenance of housing stock, financial inclusion and financial assistance if required

1.21 How did the society use any surplus/profit?

Invested in housing stock - planned maintenance

Please use separate sheets of paper if you need more space (see section 5 above).
Please indicate how many separate sheets of paper you have used.

N/A

Continue to 2.1

2 Statistics

Account details

2.1 You must enter the figures below

See notes for help on items E-T. Enter NIL where applicable

A	Members at beginning of year	70
B	Members ceased during year	24
C	Members admitted during year	4
D	Members at end of year	50
E	Turnover for year	2,998,605
F	Total of income and expenditure (receipts and payments added together)	674,750
G	Net surplus/(deficit) for year	462,843
H	Fixed assets	19,221,353
I	Current assets	975,642
J	Total assets (equal to amount in row O, below)	20,196,995
K	Current liabilities	730,931
L	Share capital	50
M	Long-term liabilities	7,083,789
N	Reserves	12,382,225
O	Total liabilities, share capital & reserves (K+L+M+N) (equal to amount in J above)	20,196,995
All societies (excluding clubs) must complete boxes P-T		
P	Investments in other registered societies	Nil
Q	Loans from members	Nil
R	Loans from Employees' Superannuation Schemes	Nil
S	Dividends on sales	Nil
T	Share interest	Nil

2.2 Names of subsidiaries as defined in sections 100 and 101 of the Co-operative and Community Benefit Societies Act 2014

None

2.3 Names of subsidiaries not dealt with in group accounts (if any) and reasons for exclusions (as approved by the FCA)

The society must have written authority from us to exclude a subsidiary from group accounts

None

3

The audit

3.1 Type of audit used for the attached accounts.

If the society has used a full professional audit or an accountant's report then the report must be prepared by a registered auditor.

- ☒ Full professional audit ▶ Continue to section 4
- ☐ Accountant's report ▶ Complete questions 3.2 and 3.3
- ☐ Lay audit ▶ Complete questions 3.2 and 3.3
- ☐ Unaudited ▶ Complete questions 3.2 and 3.3

3.2 Do the society's registered rules allow the society not to undertake a full professional audit?

- ☐ No
- ☐ Yes

3.3 Has the membership passed at a general meeting a resolution allowing the society not to undertake a full professional audit for the year of account in question? (In accordance with section 84 of the Co-operative and Community Benefit Societies Act 2014)

- ☐ No
- ☐ Yes

4 Accounts and signature

Accounts

- 4.1 Date on which the accounts and balance sheet will be/were laid before the AGM (dd/mm/yyyy)

2	9	/	0	8	/	2	0	1	8
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- 4.2 Has your society produced accounts to the minimum standard required?

☒ Yes ▶ you must confirm that you have attached the accounts and the audit/accountant's report bearing the original signatures of the auditor (if required by law), the secretary and the two committee members. ☒ Attached

☐ No ▶ you must produce accounts to the minimum standard required, see notes for details.

Signature – all societies to complete

- 4.3 The Secretary of the society must sign and date below

I certify that the information in this form is correct to the best of my knowledge and belief.

Name	Margaret Lightbody
Signature	
Phone number	01294 313121
Email	mail@ancho.co.uk
Date	29th October 2018

1.6 Details of Members of the Committee (Continued)

Name	Address	Year of birth	Business occupation and other directorships
Etta Mounce	81 Hunter Drive Irvine KA12 9BP	1953	Classroom Assistant, North Ayrshire Council
Anne Sproat	35 James Crescent Irvine KA12 0UL	1945	Retired



Scott-Moncrieff
business advisers and accountants

ANCHO LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2018

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 2018

The Board of Management

Jacqueline Browne	Chair
Sonya Campbell - Perry	Vice Chair
Lesley Shepherd	
David Carse	
Ruth Burley	
Melanie Barbour	
Anne Sproat	(appointed 23/08/2017)
Etta Mounce	(appointed 23/08/2017)
John Rodgers	(resigned 11/05/2017, reappointed 27/07/2017)
Thomas Long	(resigned 21/02/2018)
Margaret Gallagher	(appointed 23/08/2017, resigned 25/01/2018)
Gavin Paterson	(resigned 14/12/2017)
Kirsty Sweeney	(resigned 23/08/2017)
Colin Cameron	(resigned 11/05/2017)

Executive Officer(s)

Mags Lightbody	Interim Director and Secretary (from 10/04/17)
Keith Henderson	Acting Head of Services
Paul Andrews	Maintenance Co-ordinator
Elaine Gibson	Director (resigned 08/06/17)
Liz Docherty	Head of Finance (resigned 08/06/17)

Registered Office

Sovereign House
Academy Road
Irvine
KA12 8RL

Solicitors

T C Young
7 West George Street
Glasgow
G2 1BA

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 2018

The Board of Management presents its report and the Financial Statements for the year ended 31 March 2018.

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.

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.

ANCHO is still a strong and resilient social business. However, the operating and financial environment continue to be challenging, especially for small housing associations. We have remained self-aware and proactive in making important strategic decisions that build on our strengths and maximise opportunities, whilst identifying and responding to threats. This ensures that ANCHO continues to be a resilient and successful organisation.

In 2017, the Scottish Housing Regulator (SHR) sought assurance from ANCHO on a number of governance issues, including its handling of conflicts of interests and notifiable events. As a result of its investigations into these issues, we identified a number of weaknesses in our governance and financial management and we agreed to conduct a comprehensive review of our governance and financial management against the SHR Regulatory Standards.

In June 2017, both the long standing Director and Assistant Director left the organisation. The Board of Management appointed an Interim Director to lead the organisation along with an external Finance Agent. Since then, a major programme of positive transformation and change has been developed and advanced to improve governance and ensure excellent customer services and good quality homes to meet local housing need.

ANCHO LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

Review of Business (cont'd)

Activities in year (cont'd)

Our key strategic activity over 2017/18 was developing and delivering the partnership business case that would support ANCHO forming a constitutional partnership with Cairn Housing Association Limited (Cairn) and the positive changes this would bring for ANCHO's tenants and our business. The partnership, if delivered will secure the following:

- Rent guarantee of increases based on the Consumer Price Index only for 5 years;
- £8.7m of investment in homes and environment over first 5 years;
- Ability to meet government energy efficiency standards by 2020 deadline;
- £100,000 to promote community development activity;
- Current tenancy rights protected;
- Continued ANCHO local identity;
- Local office based in Irvine;
- ANCHO will remain a registered housing association and charity but will be part of Cairn Group. Cairn is also a registered housing association and charity; and
- Local Management Board with delegated local decision-making powers.

ANCHO are committed to ensuring its properties are maintained to a high standard and recognises its obligations to provide major repairs to its properties to ensure that is the case. This year and linked to our partnership plans with Cairn Housing Association Limited (Cairn), we updated our stock condition survey and life cycle costing exercise information to establish investment need for our homes. This was a key output in 2017/18 to shape the business case for partnership and one of the key desired outcomes of increasing and accelerating investment in our homes.

During the year, the following investment programme was delivered:

- 122 properties were rewired;
- 82 properties had new windows and external doors fitted;
- 76 heating systems were replaced;
- 10 properties received new kitchens;
- 4 properties received new bathrooms; and
- 2 door entry systems were replaced (impacting 17 properties).

We continue to act as the property factor for 197 homeowners in the area.

During the year, rent collection levels improved to 99.7%, despite the impact of welfare reform and universal credit roll out. Our days to re-let empty houses dipped slightly to 10.5 days, impacted by a change in our repairs and maintenance contractor. A strong focus is now on improving performance whilst ensuring great customer service.

Our Wider Role projects received grant awards totalling £116,279 (a decrease of £30,148 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 and 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.

ANCHO LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

Financial Review

The Association made a surplus in the year of £462,843 (2017: £621,824). £876,028 was spent on component replacements for our social housing units which have been capitalised.

Turnover of £3 million (of which £2.8 million relates to the income from the letting of properties at affordable rents) was in line with the prior year. Rent increases during 2017/18 were 2%.

Future Plans

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

2018/19 will hopefully see the partnership go live with ANCHO becoming a subsidiary of Cairn in Autumn 2018 subject to all necessary approvals and consents. The rewarding work can then begin of delivering core tenants promises of increased and accelerated investment supported by new borrowing from Cairn and more affordable rents all delivered by a local and responsive ANCHO as part of a bigger, stronger Cairn Housing Association Group. We will also require to carefully plan service and system integration activity to embed ANCHO into Cairn, whilst ensuring that this does not disrupt services or distract from delivery of what was promised to our tenants.

A significant governance and financial management improvement plan was agreed in 2017/18 with the vast majority of planned actively completed quickly. It has been agreed with SHR that remaining governance improvements are planned to reflect ANCHO as part of Cairn Housing Association Group should the proposed constitutional partnership proceed.

A new ANCHO operating model has been approved to reshape the staff structure to reflect new values and culture that will support a strong focus on excellent customer service and improved performance, supported by effective and efficient corporate and back office support from Cairn Group post partnership. Populating the new local structure and embedding new ways of working and thinking will be a core task over 2018/19. We have also committed to a further review of the existing estate caretaking service during the year to redefine how the service operates to add value and improve our estates.

We will also continue to ensure that our expanded Better Off North Ayrshire project and other wider role activities meets the objectives of our project funders in terms of outcomes 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 management.

ANCHO LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2018

Risks and uncertainties (cont'd)

Whilst ANCHO has not developed new housing locally, the potential to do this as part of the Cairn Group exists in the future. This is especially the case in North Ayrshire where the local Council is developing its own strategic plans for clearance and demolition of its high rise blocks in Irvine that will need to be supported by a major rehousing strategy. Close engagement will be needed with the Council for Cairn/ ANCHO to play an active part in new build provision to support their plans. Cairn/ ANCHO will also have the skills and resources to adequately manage what will be new and higher risk development activity for both organisations.

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

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

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

The members of the Board of Management and Executive Officers are listed at the front of the financial statements.

Each member of the Board of Management holds one fully paid share of £1 in the Association with the exception of Co-optees. The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the Board of Management.

The members of the Board of Management are also Trustees of the Charity for the purposes of Charity Law. Members of the Board of Management are appointed by the members at the Association's Annual General Meeting.

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 its income and expenditure for the year ended on that date. In preparing those financial statements, the Board are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Association.

The Board is 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.

**REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2018**

Statement of Internal Financial Controls

The Board of Management acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association or for publication;
- that transactions are properly authorised and recorded;
- the maintenance of proper accounting records; and
- the safeguarding of assets (against unauthorised use or disposition).

It is the Board's responsibility to establish and maintain the systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial mis-statement or loss. The key elements of the Associations' systems include ensuring that:

- Formal policies and procedures are in place, including the ongoing documentation of key systems and rules in relation to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets.
- Experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures are established to maintain standards of performance.
- Forecasts and budgets are prepared regularly which allow the management team and the Board to monitor the key business risks and financial objectives, and progress being made towards achieving the financial plans set for the year and the medium term; monthly management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate.
- Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.
- All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the governing body.
- The Board receives reports from management and the external auditor to provide reasonable assurance that control procedures are in place and are being followed; and
- Formal procedures have been established for instituting appropriate action to correct weaknesses identified through the reports from the external auditor.

The Board has reviewed the effectiveness of the system of internal financial control in existence in the Association for the period ended 31 March 2018. No weaknesses were found in internal financial controls which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

Charitable Donations

During the year the Association made charitable donations amounting to £1,204 (2017: £1,435).

Internal Audit

The Association does not have an internal audit function but is part of Millennium Benchmarking Group and share best practice on a regular basis on all areas of performance.

Related Party Transactions

Related party transactions are disclosed at note 26.

ANCHO LIMITED

**REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2018**

Statement as to Disclosure of Information to the Auditor

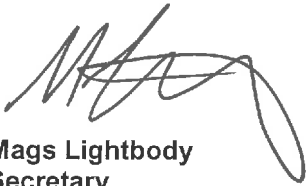
To the knowledge and belief of each of the persons who are members of the Board of Management at the time the report is approved:

- 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 audit information, and to establish that the Association's auditor is aware of the information.

Auditor

Scott-Moncrieff was appointed external auditor during the year. Scott-Moncrieff will be proposed for re-appointment at the AGM.

Approved by the Board of Management and signed on its behalf by:-



Mags Lightbody
Secretary

Dated: 26 July 2018

ANCHO LIMITED

**REPORT BY THE AUDITOR TO THE BOARD OF MANAGEMENT OF ANCHO LIMITED ON
CORPORATE GOVERNANCE MATTERS
FOR THE YEAR ENDED 31 MARCH 2018**

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

Scott-Moncrieff
Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Dated: 26 July 2018

ANCHO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANCHO LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Opinion

We have audited the financial statements of ANCHO Limited (the Association) for the year ended 31 March 2018 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 2018 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 2018

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 2018

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. 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

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: 26 July 2018

ANCHO LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 £	Restated 2017 £
Turnover	4	2,998,605	3,020,176
Operating expenditure	4	(2,323,855)	(2,271,273)
Operating surplus	4, 10	674,750	748,903
(Loss)/gain on disposal of property, plant and equipment	8	(11,492)	42,651
Interest receivable and other income	9a	227	7,153
Interest payable and similar charges	9b	(200,642)	(176,883)
		(211,907)	(127,079)
Surplus for the year		462,843	621,824
Other Comprehensive Income			
Actuarial gain/(loss) in respect of the Pension Scheme	20	896,000	(721,000)
Total Comprehensive Income		1,358,843	(99,176)

The notes form part of these financial statements

ANCHO LIMITED

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

	Share Capital £	Revenue Reserve £	Total £
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>

**STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2017**

	Share Capital £	Revenue Reserve £	Total £
Balance at 1 April 2016 restated	109	11,122,523	11,122,632
Total comprehensive income	-	(99,176)	(99,176)
Shares issued during the year	3	-	3
Shares cancelled in the year	(7)	-	(7)
Transfer	(35)	35	-
Balance at 31 March 2017 restated	<u>70</u>	<u>11,023,382</u>	<u>11,023,452</u>

The notes form part of these financial statements

ANCHO LIMITED

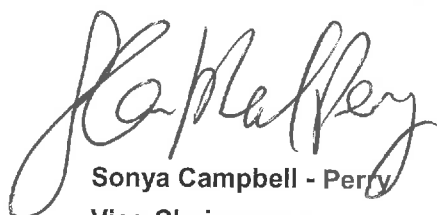
**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	£	2018 £	£	Restated 2017 £
Tangible fixed assets					
Housing properties	12a		18,693,350		18,369,311
Other Fixed Assets	12a		80,503		80,477
Investments	12b		447,500		447,500
			<u>19,221,353</u>		<u>18,897,288</u>
Current Assets					
Debtors	14	236,271		319,453	
Cash and cash equivalents	15	739,371		1,194,519	
		<u>975,642</u>		<u>1,513,972</u>	
Creditors: amounts falling due within one year	16	(730,931)		(690,783)	
Net current assets			<u>244,711</u>		<u>823,189</u>
Total assets less current liabilities			<u>19,466,064</u>		<u>19,720,477</u>
Creditors: amounts falling due after more than one year	17		(6,754,789)		(7,578,025)
Pension liability	20		(329,000)		(1,119,000)
Net Assets			<u>12,382,275</u>		<u>11,023,452</u>
Capital and reserves					
Share capital	21		50		70
Revenue reserve	22		12,382,225		11,023,382
			<u>12,382,275</u>		<u>11,023,452</u>

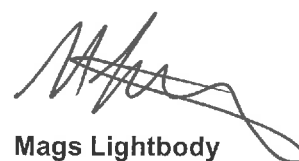
The Financial Statements were approved by the Board of Management on 26 July 2018 and signed on their behalf by:



Jacqueline Browne
Chair



Sonya Campbell - Perry
Vice-Chairperson



Mags Lightbody
Secretary

The notes form part of these financial statements

ANCHO LIMITED

**STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 £	Restated 2017 £
Net cash inflow from operating activities	25	1,373,359	1,356,622
Cash flows from investing activities			
Purchase of property, plant and equipment		(884,186)	(1,131,270)
Social housing grant receivable		-	26,580
Proceeds on disposal of property, plant and equipment		12,600	179,563
Interest receivable		227	7,153
		<u>(871,359)</u>	<u>(917,974)</u>
Cash flows from financing activities			
Interest paid		(168,642)	(163,883)
Repayment of borrowings		(788,510)	(462,632)
Share capital issued		4	3
		<u>(957,148)</u>	<u>(626,512)</u>
Net charges in cash and cash equivalents		(455,148)	(187,864)
Cash and cash equivalents at 1 April	15	1,194,519	1,382,383
Cash and cash equivalents at 31 March	15	739,371	1,194,519

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

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. The effect of events relating to the year ended 31 March 2018, which occurred before the date of approval of the financial statements by the Board of Management have been included in the statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2018 and of the results for the year ended on that date.

Going concern

The Board of Management anticipates that a surplus will be generated in the years to 31 March 2019 and 31 March 2020. 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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	-	25 years
Windows	-	20 years	Radiators	-	20 years	Boilers	-	15 years
Bathrooms	-	25 years	Kitchens	-	15 years	Land	-	Not 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, Fittings	20% reducing balance
Office Equipment and IT	25% reducing balance
Community Link Project Offices	2% of cost

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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 2018

4. Particulars of Turnover, operating expenditure and operating surpluses

	2018			Restated 2017	
	Turnover £	Operating expenditure £	Operating surplus £	Turnover £	Operating surplus £
Social lettings (Note 5a)	2,747,487	2,165,574	581,913	2,710,414	674,109
Other activities (Note 5b)	251,118	158,281	92,837	309,762	74,794
	<u>2,998,605</u>	<u>2,323,855</u>	<u>674,750</u>	<u>3,020,176</u>	<u>748,903</u>

ANCHO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

5a. Particulars of turnover, operating expenditure and operating surplus from social letting activities

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2018 Total £	Restated 2017 Total £
Revenue from lettings					
Rent receivable net of service charges	2,754,483	-	-	2,754,483	2,716,100
Service charges	-	-	-	-	-
Gross income from rent and service charges	<u>2,754,483</u>			<u>2,754,483</u>	<u>2,716,100</u>
Less: Rent losses from voids	(7,528)	-	-	(7,528)	(6,218)
Net rent receivable	<u>2,746,955</u>			<u>2,746,955</u>	<u>2,709,882</u>
Release of deferred government capital grants	532	-	-	532	532
Other revenue grants	-	-	-	-	-
Total turnover from social letting activities	<u>2,747,487</u>			<u>2,747,487</u>	<u>2,710,414</u>
Expenditure on social letting activities					
Management and maintenance administration costs	1,061,844	-	-	1,061,844	896,899
Service charges	-	-	-	-	-
Planned cyclical maintenance including major repairs	208,100	-	-	208,100	107,796
Reactive maintenance costs	358,014	-	-	358,014	420,775
Bad debts – rents and service charges	9,719	-	-	9,719	21,962
Depreciation of social housing *	527,897	-	-	527,897	588,873
Operating expenditure on social letting activities	<u>2,165,574</u>			<u>2,165,574</u>	<u>2,036,305</u>
Operating surplus on letting activities, 2018	<u>581,913</u>			<u>581,913</u>	
Operating surplus on letting activities, 2017	<u>674,109</u>				<u>674,109</u>

* This includes the loss on disposal components of £90,429.

ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

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

	Grants from Scottish Ministers £	Other Revenue Grants £	Big Lottery Grants £	Other Income £	Total Turnover £	Operating costs £	Other Operating costs £	Operating Surplus/ (Deficit) 2018 £	Restated Operating Surplus/ (Deficit) 2017 £
Wider Role Activities	116,279	-	-	-	116,279	99,895	-	16,384	(18,280)
Factoring	-	-	-	13,090	13,090	14,599	-	(1,509)	(10,759)
Support Activities – Stage 3	25,998	-	-	-	25,998	27,025	-	(1,027)	753
medical adaptations	-	-	-	53,647	53,647	5,154	-	48,493	43,889
Commercial rent	-	-	-	42,104	42,104	11,608	-	30,496	59,191
Other Activities									
Total from Other Activities 2018	142,277	-	-	108,841	251,118	158,281	-	92,837	-
Total from Other Activities 2017 - restated	115,986	39,123	69,913	84,740	309,762	234,968	-	-	74,794

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

6. Directors' Emoluments

The directors are defined as the members of the Board of Management, the Interim Director (2017: former Director) and any other person reporting directly to the Interim Director (2017: former Director) or the Board of Management. No directors or members of key management other than the Interim Director received emoluments (excluding pension contributions) greater than £60,000 (2017: *only the former director*). No emoluments were paid to any member of the Board of Management during the year (2017: *£nil*).

	2018 £	2017 £
Emoluments (excluding pension contributions) to former Director	45,800	66,937
Pension contributions to former Director	2,939	11,542
Redundancy and compensation payments to key management personnel	22,457	-
Payments to Interim Director including VAT	89,029	-
Payments for Finance Agency Services	13,023	-
Total emoluments and payments paid to key management personnel including NI & VAT where applicable	<u>308,997</u>	<u>264,365</u>
	2018 £	2017 £
Total Emoluments £60,000 - £70,000	<u>1</u>	<u>1</u>

7. Employee Information

	2018 £	Restated 2017 £
Staff costs (including payments to the Interim Director)		
Wages and salaries	530,772	578,459
Social security costs	49,859	54,939
Employers Pension Contributions	75,678	58,293
Movement in Pension Service Costs (note 20)	74,000	15,000
Death In Service/III Health Cover	11,536	5,834
Holiday Pay Accrual	1,579	-
	<u>743,424</u>	<u>712,525</u>

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

	2018 No	2017 No	2018 FTE	2017 FTE
Housing staff	4	3	4	3
Maintenance staff	2	2	2	2
Administrative and Finance staff	4	7	4	6
Wider Action staff	3	5	2	2
Caretaking staff	5	5	5	5
Total	<u>18</u>	<u>22</u>	<u>17</u>	<u>18</u>

ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

8. Gain on sale of property, plant and equipment

	2018 £	2017 £
Sale proceeds (after legal fees)	12,600	179,563
Less: net book value of disposals	(24,092)	(136,912)
	<u>(11,492)</u>	<u>42,651</u>

One property (2017: five properties) was sold under Right to Buy legislation.

9a. Interest receivable and other income

	2018 £	2017 £
Bank interest	<u>227</u>	<u>7,153</u>

9b. Interest payable and similar charges

	2018 £	Restated 2017 £
On bank loans	168,642	163,883
Strathclyde Pension Scheme – finance costs	32,000	13,000
	<u>200,642</u>	<u>176,883</u>

10. Operating surplus for the year

	2018 £	2017 £
Operating surplus is stated after charging:		
Depreciation - charged in respect of property, plant and equipment including loss on disposal of components	527,897	596,487
Gain/(Loss) on disposal of property, plant and equipment	(11,492)	42,651
Operating Lease Rental - office	19,630	19,628
Operating Lease Rental - vans	6,661	6,638
Auditor's Remuneration – external audit (excluding VAT)	5,750	5,833
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 (2017: £nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

12a. Tangible fixed assets

	Housing Properties Held For Letting £	Community Link Project Offices £	Office Equipment & IT £	Furniture & Fittings £	Total £
<u>Cost</u>					
At 1 April 2017					
Additions during the year - Components	20,064,028	73,019	334,510	64,260	20,535,817
Disposals during the year - Components	876,028	8,158	-	-	884,186
Disposals during the year - Properties	(100,407)	(913)	-	-	(101,320)
	(26,315)	-	-	-	(26,315)
At 31 March 2018	<u>20,813,334</u>	<u>80,264</u>	<u>334,510</u>	<u>64,260</u>	<u>21,292,368</u>
<u>Depreciation</u>					
At 1 April 2017					
Provided during the year	1,694,717	16,060	313,697	61,555	2,086,029
Disposals during the year - Components	437,468	1,711	5,203	541	444,923
Disposals during the year - Properties	(9,978)	(236)	-	-	(10,214)
	(2,223)	-	-	-	(2,223)
At 31 March 2018	<u>2,119,984</u>	<u>17,535</u>	<u>318,900</u>	<u>62,096</u>	<u>2,518,515</u>
<u>Net Book Value</u>					
As at 31 March 2017	18,369,311	56,959	20,813	2,705	18,449,788
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 £13,953,959.

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 2018**

12b. Investment Properties	2018	<i>Restated 2017</i>
At 1 April and 31 March	447,500	447,500
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 (2017: 179) investment properties.		
13. Unit Numbers	2018	<i>Restated 2017</i>
Social Housing properties – general needs	672	673
Investment properties - Garage units	179	179
Community Link Project offices	2	2
	853	854
14. Debtors	2018 £	<i>Restated 2017 £</i>
Amounts falling due within one year:		
Rental arrears	181,699	172,709
Less: bad debt provision	(33,905)	(33,905)
	147,794	138,804
Factoring arrears	23,185	22,845
Prepayments and accrued income	65,292	157,804
	236,271	319,453
15. Cash and cash equivalents	2018 £	2017 £
Cash at bank and in hand	80,398	86,324
Balances held in deposit accounts	658,973	1,108,195
	739,371	1,194,519
16. Creditors due within one year	2018 £	<i>Restated 2017 £</i>
Bank loans	448,856	414,662
Trade creditors	46,745	178,555
Rents in advance and homeowner floats	84,064	78,444
Deferred Government capital grants	532	532
Accruals and deferred income	150,734	18,590
	730,931	690,783

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

17. Creditors due after more than one year

	2018 £	Restated 2017 £
Bank loans	6,729,805	7,552,509
Deferred Government capital grants	24,984	25,516
	6,754,789	7,578,025
Bank loans		
Amounts falling due in:		
One year or more but less than two years	470,206	414,662
Two years or more but less than five years	1,462,824	1,243,986
Five years or more	4,796,775	5,893,861
	6,729,805	7,552,509

The Nationwide Building Society holds a standard security on 492 of the Association's 670 housing properties. The loans bear interest at rates between 1.34% and 4.12% and are repayable in 2030 and 2036.

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

18. Deferred Government capital grants

	2018 £	2017 £
<u>Housing grants</u>		
At 1 April	26,048	-
Grants received in year	-	26,580
Released to income in year	(532)	(532)
At 31 March	25,516	26,048
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	22,856	23,388
At 31 March	25,516	26,048

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

19. Financial instruments	2018	<i>Restated</i> 2017
	£	£
Financial assets		
Cash and cash equivalents	739,371	1,194,519
Financial assets measured at amortised cost	214,309	295,882
	953,680	1,490,401
Financial liabilities		
Financial liabilities measured at amortised cost	7,712,340	9,290,516

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

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

No financial assets or financial liabilities are held at fair value, other than the investment properties.

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 2018.

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

	2018	2017
Inflation / Pension Increase Rate	2.3%	2.4%
Salary scale increases per annum	3.5%	4.4%
Discount rate	2.7%	2.7%

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

	2018	2017
Equities	70%	73%
Bonds	18%	12%
Property	11%	10%
Cash	1%	5%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

20. Retirement Benefit Obligations (continued)

	2018 £	Restated 2017 £
Estimated employer asset share	3,994,000	4,092,000
Present value of scheme liabilities	(4,323,000)	(5,211,000)
Present value of unfunded liabilities	-	-
Total value of liabilities	(4,323,000)	(5,211,000)
Net Pension (Liability)	(329,000)	(1,119,000)
Analysis of amount charged to operating surplus		
	2018 £	Restated 2017 £
Service costs	(151,000)	(93,000)
Employers' contributions	77,000	78,000
Total operating charge	(74,000)	(15,000)
Analysis of amount credited to other finance income		
	2018 £	Restated 2017 £
Interest Income on Plan Assets	111,000	119,000
Interest on pension scheme liabilities	(143,000)	(132,000)
Total Net interest	(32,000)	(13,000)
Total defined benefit cost in Total Comprehensive Income	(106,000)	(28,050)
Analysis of recognised Comprehensive Income		
	2018 £	2017 £
Actual return less expected return on pension scheme assets	(287,000)	648,000
Experience gains and losses arising on the scheme liabilities	871,000	-
Changes in financial assumptions underlying the present	324,000	(1,369,000)
Changes in demographic assumptions	(12,000)	-
Value of the scheme assets	-	-
Actual gain/(loss) in pension plan recognised in Other Comprehensive Income	896,000	(721,000)
Movement in pension deficit during the year		
	2018 £	2017 £
Deficit at the beginning of the year	(1,119,000)	(370,000)
Current service cost	(151,000)	(93,000)
Employers contributions	77,000	78,000
Past service costs	-	-
Estimated Benefits paid	-	-
Net returns on assets	(32,000)	(13,000)
Actuarial gain/(loss)	896,000	(721,000)
Deficit at the end of the year	(329,000)	(1,119,000)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

21. Share Capital

	2018	2017
	£	£
Shares of £1 fully paid and issued at beginning of year	70	109
Adjustment	-	(35)
Shares issued during year	4	3
Shares cancelled during the year	(24)	(7)
	<u>50</u>	<u>70</u>
Shares issued at end of year	<u>50</u>	<u>70</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.

	2018	2017
	£	£
Contracted but not provided	<u>148,985</u>	<u>-</u>

The above commitments will be financed by:

	2018	2017
	£	£
Private finance	-	-
Government grants	-	-
Association's own resources	<u>148,985</u>	<u>-</u>
	<u>148,985</u>	<u>-</u>

	2018	2018	Restated	Restated
	Office	Equipment	2017	2017
	£	£	Office	equipment
	£	£	£	£
24. Operating lease commitments				
Total commitment due within:				
Within one year	19,630	2,732	19,630	3,630
Between one and five years	29,445	2,505	49,075	5,237
	<u>49,075</u>	<u>5,237</u>	<u>68,705</u>	<u>8,867</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

25. Statement of Cash Flows

	2018 £	<i>Restated</i> 2017 £
Reconciliation of net cash inflow from operating activities as at 31 March 2018		
Operating Surplus	674,750	748,903
Depreciation	536,029	596,487
Release of deferred government grants	(532)	(532)
Decrease in debtors	83,182	20,315
Increase/(decrease) in creditors	5,954	(23,544)
Shares cancelled during the year	(24)	(7)
SPF – staff costs	74,000	15,000
	<u>1,373,359</u>	<u>1,356,622</u>

26. Related Party Transactions

No member of the Association received any fee or remuneration during the year (2017: £nil). Members of the Board of Management were reimbursed for out of pocket travel and accommodation expenses amounting to £507 (2017: £824).

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 £7,946 (2017: £4,089). The total rent arrears relating to tenant Board members included within debtors at the year end is £nil (2017: £nil). The total prepaid rent relating to tenant Board members included within creditors at the year end is £359 (2017: £153).

The total remuneration (including pension contributions and benefits in kind) paid to Key Management who are deemed to be the Executive Officers as noted on page 3 was £308,997 (2017: £264,365).

27. Prior Year Adjustments

As at 1 April 2016

1) Investment properties

The Association owns 179 garages that have not been recorded in the financial statements. The fair value of these garages has been estimated at £447,500. These should have been recognised as part of the opening Statement of Financial Position as at 1 April 2016. The commercial rent from these investment properties and associated costs are now included in other activities rather than social activities.

2) Riverside accrual

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. This is a contingent liability. A provision of £150,000 had wrongly been recognised in accruals as at 1 April 2016. This has been reversed.

Year end 31 March 2017

3) Accrued housing benefit

Housing benefit of £104,802 which was received in April 2017 was accrued into the 2017 financial statements. This accrual incorrectly reduced the stated rental arrears. This has been adjusted.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

27. Prior Period Adjustments (cont'd)

Year end 31 March 2017 (cont'd)

4) Strathclyde Pension Scheme liability

£15,000 of the movement in the Strathclyde Pension Fund movement in 2016/17 was incorrectly included in interest payable instead of staff costs within management and administration costs. This has been corrected.

5) Deferred Government capital grants

£26,580 of deferred Government capital grants was included in accruals and deferred income and not separately disclosed in creditors as deferred Government capital grants. This has been corrected.

Impact on the financial statements

	Capital and reserves at 1 April 2016 £	Capital and reserves at 1 April 2017 £	Total comprehensive income for the year ended 31 March 2017 £
As previously stated	10,525,132	10,425,952	(99,176)
<u>Prior year adjustment</u>			
Investment properties	447,500	447,500	-
Riverside accrual	150,000	150,000	-
Accrued housing benefit	-	-	-
Strathclyde Pension Scheme liability	-	-	-
Deferred Government capital grants	-	-	-
	<u>11,122,632</u>	<u>11,023,452</u>	<u>(99,176)</u>

28. 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.

29. Post Balance Sheet Events

ANCHO continues to pursue a partnership arrangement with Cairn Housing Association. This was put to a tenant vote on 19 June 2018. There was a 60% turnout and a 94% yes vote.

30. Legislative provisions

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