



ANCHO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2023

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 2023

The Board of Management

Bill Finlay	Chair
Zoe Brawn	
Steven Travers	
Colin Love	
Nigel Fortnum	
Michael Donnelly	
Angus Lamont	
Fiona Callaghan	(appointed 15 November 2022)
Phyllis Rodgers	(appointed 21 January 2023)
Mark Cunningham	(resigned 26 May 2022)

Executive Officers

Jason MacGilp	Chief Executive and Secretary
Derek Adam	Director of Finance and People Services (resigned 30 June 2023)
Morag Boyter	Director of Business Services
Meg Deasley	Director of Property Services
Sean Connor	Director of Customer Services

Registered Office

Sovereign House
Academy Road
Irvine
KA12 8RL

Solicitors

Harper MacLeod
The Ca'd'oro
Glasgow
G2 3PE

External Auditor

Azets Audit Services
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

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 2023

The Board of Management of ANCHO presents its report and the Financial Statements for the year ended 31 March 2023.

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.

Objectives and Strategy

The Association is a Registered Social Landlord and Scottish Charity. The core objectives 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.

Our key strategic objectives are informed by our Vision which is shared with all parts of Cairn Housing Group:

Vision, Values & Mission

Our vision is Great Homes, Great Services, Great People.

Our Values are Customer First, Excellence, Accountability, Respect, One Team.

Our mission is to provide quality, safe, affordable homes and services, with partners in our local communities.

Our objectives are:

- High quality affordable homes and thriving neighbourhoods;
- Customer focussed services, delivered with efficiency and to achieve value for money; and
- Skilled and engaged staff and sound governance.

As part of our continued integration between ANCHO and Cairn we continue the process of further joint working, shared services, shared objectives and business planning. ANCHO's Business Plan is aligned to achieve the Group's objectives whilst delivering locally based services for our communities.

Review of Business

It has been another year of successful delivery of quality services to customers and continued focus to deliver investment in tenants' homes and welfare support in a challenging operating environment.

All staff, board members and our contractor partners are thanked for all their continued efforts.

The remaining Covid operating restrictions were lifted in Spring 2023 and new Scottish Government guidance around Covid was very welcome, though the full financial year ended March 2023 was still impacted by operational restrictions. Over the full year there were still negative impacts on the lives of customers, communities and staff throughout North Ayrshire and the whole country. The pandemic also had negative impacts on our contractors and suppliers and local authority partners with whom we have continued to work positively.

ANCHO LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2023

The lockdown restrictions continued to affect our ability to deliver some elements of the Partnership Promises including kitchen work, but overall the large majority of investment promises have been delivered, with final elements programmed to be delivered in the year 2023/24.

The year has also seen ANCHO, as part of Cairn Housing Group, respond and reorganise service arrangements which has ensured that, despite the restrictions and the hardships all services were still able to be provided to customers within the limits required by the Scottish Government following good practice in health and safety. The welfare of customers and staff safety has been paramount.

Tenant Support, Benefit Claims and Financial Gains

An important focus in the last year, with significant challenges to our tenants in the "cost of living crisis" with high inflation and interest rates, has been the work the ANCHO and Cairn teams have sought in external funding to support the welfare and wellbeing of customers in North Ayrshire. Examples of Support include:

Our combined total financial gains in funding for both Cairn and ANCHO this year was £1,216,185, with Cairn generating £967,463 and ANCHO generating £248,721 to directly benefit tenants including maximising social security payments. This marks an increase in financial gains of over 50% for both organisations this year. Year-on-year gains have steadily been increasing, and a comparison of our figures to the year immediately prior to the pandemic highlights the impact the pandemic has had on tenants' finances. In the year 2019/20, our total gains were £513,370.

Over the past year ANCHO's Welfare Benefits service has provided advice on 190 cases resulting in gains of £248,721; this is an increase on the previous year where there were 111 cases assisted and gains were £130,075 and shows that the service is becoming more well-known and accessed by customers.

Fuel Support Fund - HEAT

Cairn and ANCHO were successful in securing £264,000 to assist customers struggling with rising utility bills due to the energy and fuel crisis. In partnership with HEAT, Cairn and ANCHO delivered a service to ensure tenants affected by fuel poverty were provided with support. This included HEAT providing our tenants with a voucher to 'top up' their meter. This was a one-off payment however due to severe financial hardship some of our tenants were referred on more than one occasion. HEAT also offered a triage service to provide individual advice, with over a third of ANCHO tenants receiving assistance with payment of £136 per household.

SFHA Fuel Support Fund - Round 3

In December 2022 ANCHO received a further £35,000 to host '2 Cost of Living Roadshows' and provide home packs to 150 ANCHO tenants. The packs were tailored for tenants' individual needs and were intended to help keep tenants and their families warm whilst reducing their energy consumption.

As at 31st March 2023 we had successfully completed two roadshows and distributed 152 home packs to ANCHO Tenants.

Fuel Bank Foundation

ANCHO are now a referral partner for the Fuel Bank Foundation which offers emergency financial support to those in fuel crisis. Fuel Bank Foundation provides emergency financial support through a network of partners, such as housing associations. We identify people who cannot afford to pre-pay for their fuel or energy, and who are in "fuel crisis".

Activities in the year

The organisation has continued to show itself to be flexible, resilient and determined to respond positively and continue to deliver our strategic objectives and service obligations to customers. We thank all staff, board members and our contractor partners for all their continued efforts.

ANCHO LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2023

The last 12 months has again shown the benefit of the combination of experience, skills and capacity across ANCHO and the Cairn Housing Group.

Partnership promises delivered

In 2018 ANCHO formed a constitutional partnership with Cairn Housing Association Limited (Cairn) thus securing positive improvements for ANCHO's tenants and our business. Cairn is also a registered social landlord and Scottish charity. Along with Cairn's commercial subsidiary, Pentland Community Enterprises Limited, this forms the Cairn Housing Group. We have completed the fifth year of a five-year programme of investment in North Ayrshire by Cairn Group as part of the original Tenants Promises for the partnership. The Partnership with Cairn has continued to deliver the original promises:

- a rent guarantee of increases based on the Consumer Price Index only for the first 5 years and implementation of a group rent policy thereafter;
- £8.7m of investment in homes and environmental works, to be completed during 2023/24;
- the ability to meet government energy efficiency standards;
- £100,000 to promote community development activity and environmental improvements;
- current tenancy rights are protected;
- a continued local office based in Irvine;

During the last year 2022/23, although Covid restrictions and Brexit-related supply problems delayed some elements, £550K was invested by Cairn Group in ANCHO homes, including delivery of the following investment programme:-

- Kitchens, 112 homes, £496,710
- Bathrooms, 5 homes, £13,550
- Rewiring, 1 home, £3,226
- Roofing, 1 home, £2,796
- External wall insulation, 8 homes, £9,632
- External doors 4 homes, £7,259
- Windows, 2 homes, £3,237
- Boilers, 2 homes, £3,450

The continued investment programme in ANCHO properties in Irvine will see the remaining investment promises delivered during the year 2023/24 by the Cairn Housing Group.

The Cairn Development team is continuing to work positively with North Ayrshire Council to seek to bring forward a new build development scheme in Irvine to further meet local housing needs as well as continued work to meet housing need with our existing homes.

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

During the year, a significant focus was on tenant welfare and support including tenancy sustainment advice and maximising benefits entitlement. ANCHO's performance on rent collection levels was also sustained at 100% (as per Annual Return on Charter). Current tenant arrears at the end of March were £61,931 (2.03%). Performance has been solid throughout the year and remains comfortably within our 4% target.

The impact of UK Government welfare reform and universal credit roll out and the pressures of Covid have had a significant impact on service delivery and in some performance areas. Our performance on average re-let time for empty properties at the end of March was 16.7 days, which was above the 12 day target. Void rent loss was 0.34% which is a good overall performance.

ANCHO LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2023

Repairs

Our repairs service was also affected by Covid restrictions, but year-end performance was a very good average of 1.44 hours for emergency work and 4.2 days for non-urgent work. With an integrated approach by teams across the Cairn Housing Group, including IT systems support, customer service arrangements were able to be delivered remotely with hybrid working arrangements for staff. We have continued to work with our partners R&J Ltd as our main response repairs contractors covering ANCHO properties and customers.

Small Steps

In 2022-23 ANCHO were awarded a one-year extended funding bid for the Small Steps project which was originally a 3 year funded project from 2019-22. The extension year brought in additional funding of £45,354 to employ a full-time community support worker who provided counselling and group therapy session to those experiencing mental health challenges and trauma. A total of 43 customers engaged with and benefited from the project.

Investing in Communities Fund 2023-26 – ‘KANDO’ Project

Continuing our success in community support, and building on the previous successful Small Steps project, the new ‘KANDO’ project was recently awarded £280,000 funding from Scottish Government over a 3-year period 2023/26. The project will see us working in partnership to identify young people aged 14-19yrs who have become disengaged from mainstream education. We will work with the young people to help them overcome the obstacles which they are facing and to achieve positive outcomes. We are pleased to have identified a new partner in CEIS (Community Enterprise in Scotland) and look forward to developing the new project together. CEIS are very active in the local community, and especially in the area of employability and training.

The ‘KANDO’ project will work in conjunction with other statutory bodies such as schools or social work to identify young people suitable for the project. We will support the young people to realise and reach their potential. By working with local community groups we will open up opportunities so that when a young person reaches school leaving age, and they are looking to enter into further education or the employment market, they will be equipped with practical skills, evidence of their achievements, references, and most importantly a renewed desire to succeed.

Partnership Working – Contractors Easter Egg Appeal

Even the smaller initiatives can provide some joy and support to our customers. The ANCHO team launched an Easter Egg Appeal this spring to support tenants with the cost of living crisis and spread a bit of Easter joy to our younger residents. Over 800 chocolate eggs were kindly donated by our contractors for our younger residents, with surplus supplies donated in the community.

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

There has been continued positive work on integration with Cairn Housing Group to embed the constitutional partnership with Cairn Housing Association Limited, including support from Cairn in Business Services, HR, IT/Systems support, financial systems, governance and other corporate support and joint working. The Group-wide Executive Management Team has responsibility for staff and services across ANCHO and Cairn.

Financial Review

Turnover of £3.2 million (of which £3.05 million relates to the income from the letting of properties at affordable rents) was £147k higher than the year to 31 March 2022.

The Association made a surplus in the year of £630,936 (2022: £395,510). This includes a £900k provision to repair the ‘Riverbank’ (see note 20) and £1.1m gain from exiting the Strathclyde Pension Fund.

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REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2023

£549,769 (2022: £1,395,705) was spent on component replacements for our affordable housing units which have been capitalised. The actuarial gain in respect of the Pension Scheme in the year was £nil (2022: loss of £602,000) resulting in total comprehensive income in the year of £630,936 (2022: £997,510).

The Association reduced its overall borrowing by £493,311 during 2022/23, with bank debt falling by £493,311 and no movement in borrowings from Cairn Housing Association.

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, affordable rents, continued focus on quality of local services and working with Cairn to ensure the delivery of the planned investment programme.

We will also continue to ensure that our 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.

We will continue our positive partnership working with North Ayrshire council and other partner agencies, including detailed plans to bring forward a new build development scheme in Irvine.

We will also seek out more engagement with local customers and encourage greater involvement and engagement in services and local initiatives and encourage involvement in the local customer panel. ANCHO had their annual 'fun day' event on 14th July 2023, which included lots of activities for children, based locally in the Redburn Community Centre in Irvine.

The ANCHO Board is continuing its positive joint work with the Cairn Board, including joint governing body meetings. The ANCHO Board has confirmed its commitment to working towards a full integration and merger of ANCHO and Cairn, in a full transfer of engagement. This will achieve operational efficiencies, secure local services and ensure continued investment in ANCHO's stock. This is subject to full consultation with ANCHO's tenants with a tenant ballot, due diligence work and related approvals.

Risks and uncertainties

The social, economic and health impact of the Covid-19 pandemic continues to be significant and the risks on employment, health, income and service delivery and on the local and national economy are being closely managed.

Prudent treasury management by the Cairn Group in managing cash flows to meet the delivery of the accelerated investment programme whilst preserving financial loan covenants and required financial performance ratios are carefully monitored.

In addition to Covid and the negative impact of Brexit on labour and materials supply, we will also continue to manage key external risks such as: wider economic pressures across the UK, including rising inflation and interest rates; welfare reform; Fire safety changes; new Zero Carbon targets and requirements by Scottish Government.

The risks are managed through our Group Risk Register and associated controls which are applicable to the whole Cairn Housing Group.

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.

ANCHO LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2023

Governance

ANCHO Limited is a 100% owned 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 to support the Cairn Housing Group Business Plan and to meet local needs. 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 Advisors page of the financial statements. ANCHO is a member of the Scottish Federation of Housing Associations and ensures positive working relationships with our Regulators, (SHR and OSCR), North Ayrshire Council 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 the Executive Team.

Governance arrangements at ANCHO include a Group Audit & Performance Committee, a Group Remuneration Committee and various task/finish Working Groups. We continue to encourage local tenants to join to become more involved through opportunities like customer panels and ANCHO customers are encouraged to apply for membership of the Board.

Statement of the Board of Management's Responsibilities

The Board of Management is responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require 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 these 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;
- 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 the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 as issued by the Scottish Housing Regulator. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

ANCHO LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2023

Statement of Internal Financial Control

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

The system of internal financial control 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 timeous 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.
- (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 has reviewed the system of internal financial control in the Association during the year ended 31 March 2023. No weaknesses were found in internal financial control which could result in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the auditors' report on the financial statements.

ANCHO LIMITED

**REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2023**

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

The auditor, Azets Audit Services, will be proposed for re-appointment at the AGM.

The Report of the Board of Management (incorporating the Strategic Report) has been approved by the Board of Management and signed on its behalf by:



Jason MacGillp
Secretary

Date: 14 SEPTEMBER 2023

ANCHO LIMITED

REPORT BY THE AUDITOR TO THE BOARD OF MANAGEMENT OF ANCHO LIMITED ON INTERNAL FINANCIAL CONTROL FOR THE YEAR ENDED 31 MARCH 2023

In addition to our audit of the Financial Statements, we have reviewed your statement on page 7 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial control 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 on 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 Control on page 7 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 control 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 control contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial control.



Azets Audit Services
Statutory Auditor
Chartered Accountants
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Date: 14 SEPTEMBER 2023

Azets Audit Services is eligible for appointment as auditor of the Association by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

ANCHO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANCHO LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Opinion

We have audited the financial statements of ANCHO Limited (the 'Association') for the year ended 31 March 2023 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 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 2023 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 requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 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 UK, including the FRC'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 opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

ANCHO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANCHO LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Other information

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 in relation to which the Co-operative and Community Benefit Societies Act 2014 requires 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 6 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 is 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 2023

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

The extent to which the audit was considered capable of detecting irregularities including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the FRC's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the Association, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the Association is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the Association that were contrary to applicable laws and regulations, including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Association through discussions with the Board of Management members and the senior management team, and from our knowledge and experience of the RSL sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Association, including the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator and taxation, data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of the senior management team and the Board of Management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

ANCHO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANCHO LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

Auditor's responsibilities for the audit of the financial statements (continued)

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of the Board of Management and relevant sub-committees;
- enquiring of the senior management team and the Board of Management as to actual and potential litigation and claims;
- reviewing legal and professional fees paid in the year for indication of any actual and potential litigation and claims; and
- reviewing correspondence with HMRC, the Scottish Housing Regulator, OSCR and the Association's legal advisors.

We assessed the susceptibility of the Association's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of the senior management team and the Board of Management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected, and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

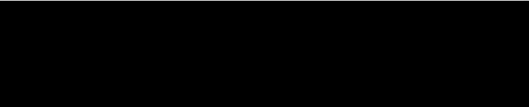
Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

ANCHO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANCHO LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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.



Azets Audit Services
Statutory Auditor
Chartered Accountants
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Date: 14 SEPTEMBER 2023

Azets Audit Services is eligible for appointment as auditor of the Association by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

ANCHO LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023**

	Note	£	2023 £	£	2022 £
Turnover	4		3,237,138		3,090,911
Operating expenditure	4		(2,593,599)		(2,289,853)
Operating expenditure – exceptional	4		(900,000)		-
Operating (deficit)/surplus	4, 10		(256,461)		801,058
Interest receivable and other income	8	2,324		273	
Interest payable and similar charges	9	(253,721)		(153,701)	
Surplus on exit from DB Pension Scheme	19	1,138,794		-	
Loss on revaluation of Investment properties	12b	-		(252,120)	
			<u>887,397</u>		<u>(405,548)</u>
Surplus for the year			630,936		395,510
Other Comprehensive Income					
Actuarial gain in respect of the Pension Scheme	19		-		602,000
Total Comprehensive Income			630,936		997,510

The results for the year relate wholly to continuing activities.

The financial statements were approved by the Board of Management on ~~14~~ **SEPTEMBER 2023** and signed on their behalf by:

Bill Finlay
Chair

Jason MacGilp
Secretary

Colin Love
Board member

The notes form part of these financial statements.

ANCHO LIMITED**STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2023**

	Share Capital £	Revenue Reserve £	Total £
Balance at 1 April 2022	57	15,842,804	15,842,861
Total comprehensive income	-	630,936	630,936
Shares issued during the year	1	-	1
Shares cancelled in the year	(3)	-	(3)
Balance at 31 March 2023	<u>55</u>	<u>16,473,740</u>	<u>16,473,795</u>

**STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2022**

	Share Capital £	Revenue Reserve £	Total £
Balance at 1 April 2021	58	14,845,294	14,845,352
Total comprehensive income	-	997,510	997,510
Shares issued during the year	2	-	2
Shares cancelled in the year	(3)	-	(3)
Balance at 31 March 2022	<u>57</u>	<u>15,842,804</u>	<u>15,842,861</u>

The notes form part of these financial statements.

ANCHO LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2023

	Note	£	2023 £	£	2022 £
Tangible fixed assets					
Housing properties	12a		22,257,932		22,313,009
Other Fixed Assets	12a		68,671		72,210
Investment properties	12b		335,000		335,000
			<u>22,661,603</u>		<u>22,720,219</u>
Current Assets					
Stock		8,147		-	
Debtors	14	136,030		138,938	
Cash and cash equivalents	15	1,402,939		787,176	
		<u>1,547,116</u>		<u>926,114</u>	
Creditors: amounts falling due within one year	16	(1,072,239)		(1,538,189)	
Net current liabilities			<u>474,877</u>		<u>(612,075)</u>
Total assets less current liabilities			<u>23,136,480</u>		<u>22,108,144</u>
Creditors: amounts falling due after more than one year	17		(5,762,685)		(6,265,283)
Pension liability	19		-		-
Provision	20		<u>(900,000)</u>		<u></u>
Net Assets			<u><u>16,473,795</u></u>		<u><u>15,842,861</u></u>
Capital and reserves					
Share capital	21		55		57
Revenue reserve	22		16,473,740		15,842,804
			<u><u>16,473,795</u></u>		<u><u>15,842,861</u></u>

The financial statements were approved by the Board of Management on 14 SEPTEMBER 2023 and signed on their behalf by:

[Redacted Signature]

Bill Finlay
Chair

[Redacted Signature]

Jason MacGilp
Secretary

[Redacted Signature]

Colin Love
Board member

The notes form part of these financial statements.

ANCHO LIMITED

**STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MARCH 2023**

	Note	2023 £	2022 £
Net cash inflow from operating activities	25	1,910,239	2,379,025
Cash flows from investing activities			
Purchase of property, plant, and equipment		(549,769)	(1,399,812)
Interest receivable		2,324	273
		(547,445)	(1,399,539)
Cash flows from financing activities			
Interest paid		(253,721)	(142,701)
Loan drawdown		-	-
Repayment of borrowings		(493,311)	(488,697)
Share capital issued		1	2
		(747,031)	(631,396)
Net change in cash and cash equivalents		615,763	348,090
Cash and cash equivalents at 1 April	15	787,176	439,086
Cash and cash equivalents at 31 March	15	1,402,939	787,176

Analysis of changes in net debt

	At 1 April 2022 £	Cash flows £	Other non-cash changes £	At 31 March 2023 £
Cash and cash equivalents				
Cash	252,477	165,439	-	417,916
Cash equivalents	534,699	450,324	-	985,023
	787,176	615,763	-	1,402,939
Borrowings				
Debt due within one year	(496,393)	-	(8,755)	(505,148)
Debt due after one year	(6,242,427)	493,311	8,755	(5,740,361)
	(6,738,820)	493,311	-	(6,245,509)
Total	(5,951,644)	1,109,074	-	(4,842,570)

The notes form part of these financial statements.

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 2019 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2018. 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.

The effect of events relating to the year ended 31 March 2023, 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 2023 and of the results for the year ended on that date.

Going concern

The Board of Management has a reasonable expectation that the Association has adequate resources, based on a review of long-term forecasts to continue in operational existence for the foreseeable future and continue to adopt the going concern basis of accounting in preparing the 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.

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 in 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 2023**

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	60 years	Roof	60 years	Doors and windows	25 years
Bathrooms	25 years	Radiators	30 years	Boilers	25 years
EWI	25 years	LD2	25 years	Rewires	30 years
Kitchens	20 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 and fittings	20% reducing balance
Office equipment and IT	25% reducing balance
Community Link Project Offices	In line with housing 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.

Provisions

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

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

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period in which it arises.

2. Principal accounting policies (cont'd)

Stocks

Stock held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

Debtors

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

Rental arrears

Rental arrears represent amounts due by tenants for rental of affordable 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.

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 withdrew from the centralised Strathclyde Pension Fund on 31 December 2022. The surplus at that time was repaid to ANCHO.

From the 1st January 2023, the Association operates a defined contribution scheme with Aviva.

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 2023****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 members of the Board of Management consider the following to be critical judgements in preparing the financial statements:

- The categorisation of housing properties as property, plant, and equipment in line with the requirements of the SORP;
- The amount disclosed as 'operating surplus' is representative of activities that would normally be regarded as 'operating'; and
- The identification of a cash-generating unit for impairment purposes.

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

Estimate**Basis of estimation**

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. ANCHO exited the scheme on 31 December 2022.

The valuation of investment properties

The investment properties are held at market value.

The valuation of the riverbank provision

The provision is the expected costs of repairing the riverbank based on an estimate provided by an independent 3rd party civil engineering firm.

ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

4. Particulars of Turnover, operating expenditure and operating (deficit)/surplus

	2023		2022	
	Turnover	Operating expenditure	Operating expenditure - exceptional	Operating (deficit)/surplus
	£	£	£	£
Affordable lettings (Note 5a)	3,049,347	(2,478,956)	-	732,827
Other activities (Note 5b)	187,791	(114,643)	-	68,231
	<u>3,237,138</u>	<u>(2,593,599)</u>	<u>(900,000)</u>	<u>801,058</u>

ANCHO LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

5a. Particulars of turnover, operating expenditure and operating (deficit)/surplus from affordable letting activities	General Needs Housing		Supported Housing Accommodation		Shared Ownership Accommodation		2023 Total £	2022 Total £
	£	£	£	£	£	£		
Revenue from lettings								
Rent receivable net of service charges	3,060,150	-	-	-	-	-	3,060,150	2,968,100
Service charges	-	-	-	-	-	-	-	-
Gross income from rent and service charges	<u>3,060,150</u>						<u>3,060,150</u>	<u>2,968,100</u>
Less: Rent losses from voids	(11,335)	-	-	-	-	-	(11,335)	(9,464)
Net rent receivable	<u>3,048,815</u>						<u>3,048,815</u>	<u>2,958,636</u>
Release of deferred government capital grants	532	-	-	-	-	-	532	532
Other revenue grants	-	-	-	-	-	-	-	-
Total turnover from affordable letting activities	<u>3,049,347</u>						<u>3,049,347</u>	<u>2,959,168</u>
Expenditure on affordable letting activities								
Management and maintenance administration costs	1,088,358	-	-	-	-	-	1,088,358	853,842
Service charges	-	-	-	-	-	-	-	-
Planned cyclical maintenance including major repairs	166,942	-	-	-	-	-	166,942	93,226
Reactive maintenance costs	596,071	-	-	-	-	-	596,071	518,830
Bad debts – rents and service charges	22,739	-	-	-	-	-	22,739	26,381
Depreciation of affordable housing *	604,846	-	-	-	-	-	604,846	734,062
Exceptional expenditure – Riverside works	<u>900,000</u>						<u>900,000</u>	<u>-</u>
Operating expenditure on affordable letting activities	<u>3,378,956</u>						<u>3,378,956</u>	<u>2,226,341</u>
Operating (deficit)/surplus on letting activities 2023	<u>(329,609)</u>						<u>(329,609)</u>	
Operating surplus on letting activities 2022	<u>732,827</u>							<u>732,827</u>

*includes £51,751 (2022: £203,784) in respect of the loss on disposed components.

ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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

	Grants from Scottish Ministers & Big Lottery Fund £	Other Revenue Grants £	Other Income £	Total Turnover £	Operating costs £	Other Operating costs £	Operating Surplus/ (Deficit) 2023 £	Operating Surplus/ (Deficit) 2022 £
Wider Role Activities	84,354	-	-	84,354	-	(73,352)	11,002	341
Factoring	-	-	13,578	13,578	-	(7,429)	6,149	7,151
Support Activities – Stage 3	32,991	-	-	32,991	-	(33,862)	(871)	9,466
medical adaptations	-	-	52,593	52,593	-	-	52,593	51,273
Commercial rent	-	-	4,275	4,275	-	-	4,275	-
Other Activities	-	-	-	-	-	-	-	-
Total from Other Activities 2023	117,345	-	70,446	187,791	-	(114,643)	73,148	
Total from Other Activities 2022	68,712	-	63,031	131,743	-	(63,512)		68,231

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

6. Directors' Emoluments

The directors are defined as the members of the Board of Management, Chief Executive or any other person reporting directly to the 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 (2022: *none*). No emoluments were paid to any member of the Board of Management during the year (2022: *£nil*).

The Executive officers are remunerated through Cairn Housing Association Limited.

7. Employee Information

	2023	2022
Staff costs	£	£
Wages and salaries	243,510	254,396
Social security costs	29,334	26,189
Employers Pension Contributions	27,277	34,147
Movement in Pension Service Costs (note 19)	-	71,000
Death In Service/III Health Cover	5,995	-
Holiday Pay Accrual	36	3,820
Recharge from Cairn Housing Association	561,589	179,417
	867,741	568,969

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

	2023 No	2022 No	2023 FTE	2022 FTE
Housing staff	3	4	3	4
Maintenance staff	1	2	1	2
Caretaking staff	2	2	2	2
Total	6	8	6	8

New employees are employed by Cairn Housing Association Limited, and their payroll costs are recharged to ANCHO.

ANCHO LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023****8. Interest receivable and other income**

	2023	2022
	£	£
Bank interest	2,324	273

9. Interest payable and similar charges

	2023	2022
	£	£
On bank loans	202,621	91,461
On loan from parent	51,100	51,240
Strathclyde Pension Scheme – finance costs (note 19)	-	11,000
	253,721	153,701

10. Operating (deficit)/surplus for the year

	2023	2022
	£	£
Operating surplus is stated after charging:		
Depreciation – charged in respect of property, plant and equipment including loss on disposal of components	608,385	738,809
Operating Lease Rental - office	19,630	19,630
Operating Lease Rental – photocopiers	-	1,640
Auditor's Remuneration – external audit (excluding VAT)	13,600	11,350
Auditor's Remuneration – non audit services	415	550

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 (2022: *£nil*).

ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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 2022	26,312,194	82,911	35,760	71,396	26,502,261
Additions during the year - Components	549,769	-	-	-	549,769
Disposals during the year - Components	(81,822)	-	-	-	(81,822)
At 31 March 2023	<u>26,780,141</u>	<u>82,911</u>	<u>35,760</u>	<u>71,396</u>	<u>26,970,208</u>
<u>Depreciation</u>					
At 1 April 2022	3,999,185	23,790	30,820	63,247	4,117,042
Provided during the year	553,095	1,887	1,235	417	556,634
Disposals during the year - Components	(30,071)	-	-	-	(30,071)
At 31 March 2023	<u>4,522,209</u>	<u>25,677</u>	<u>32,055</u>	<u>63,664</u>	<u>4,643,605</u>
<u>Net Book Value</u>					
As at 31 March 2022	<u>22,257,932</u>	<u>57,234</u>	<u>3,705</u>	<u>7,732</u>	<u>22,326,603</u>
As at 31 March 2023	<u>22,313,009</u>	<u>59,121</u>	<u>4,940</u>	<u>8,149</u>	<u>22,385,219</u>

All land and housing properties are freehold.

The Association's Lenders have standard securities over 492 of the affordable housing units with a carrying value of £17,237,440 (2022: £17,261,794)

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

Included in housing properties held for letting is land with a carrying value of £3,005,657 (2022: £3,005,657).

ANCHO LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

12b. Investment properties	2023	2022
	£	£
At 1 April	335,000	587,120
Loss on revaluation	-	(252,120)
At 31 March	335,000	335,000

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 (2022: 179) investment properties. The minimum lease payments receivable in respect of leases in relation to investment properties are due within one year. This amounted to £52,593 (2022: £51,273). The garages were revalued on a fair value basis as at 31 March 2022 by Jones Lang LaSalle Limited. This is still considered the fair value as at 31 March 2023.

13. Unit Numbers	2023	2022
	no	no
Affordable Housing properties – general needs	672	672
Investment properties - Garage units	179	179
Community Link Project offices	2	2
	853	853

14. Debtors	2023	2022
Amounts falling due within one year:		
Rental arrears	92,320	109,472
Less: bad debt provision	(63,135)	(64,662)
	29,185	44,810
Prepayments and accrued income	63,128	57,125
Other debtors	43,717	37,003
	136,030	138,938

15. Cash and cash equivalents	2023	2022
	£	£
Cash at bank and in hand	417,916	252,477
Balances held in deposit accounts	985,023	534,699
	1,402,939	787,176

16. Creditors due within one year	2023	2022
	£	£
Bank loans	505,148	496,393
Trade creditors	59,807	384,848
Amounts due to parent	174,972	397,152
Rents in advance and homeowner floats	174,017	169,947
Deferred Government capital grants	532	532
Other creditors	18,742	20
Other taxation and social security	-	1,383
Accruals and deferred income	139,021	87,914
	1,072,239	1,538,189

ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

17. Creditors due after more than one year

	2023 £	2022 £
Bank loans	4,280,361	4,782,427
Loan from parent	1,460,000	1,460,000
Deferred Government capital grants	22,324	22,856
	<u>5,762,685</u>	<u>6,265,283</u>
Bank loans		
Amounts falling due in:		
One year or more but less than two years	535,560	505,148
Two years or more but less than five years	1,579,363	1,571,605
Five years or more	2,165,438	2,705,674
	<u>4,280,361</u>	<u>4,782,427</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 SONIA + 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 25th 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

	2023 £	2022 £
<u>Housing grants</u>		
At 1 April	23,388	23,920
Grants received in year	-	-
Released to income in year	(532)	(532)
	<u>22,856</u>	<u>23,388</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	20,196	20,728
	<u>22,856</u>	<u>23,388</u>
At 31 March		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

19. Retirement Benefit Obligations

On 31 December 2022 the Association withdrew from the Strathclyde Pension Fund administered by Glasgow Council.

On exiting the Pension Scheme, the Association received a pay out of £1.16m. As part of the exit, settlement payments were made to staff of £21k.

	2023	2022
Inflation / Pension Increase Rate	n/a	3.15%
Salary scale increases per annum	n/a	3.85%
Discount rate	n/a	2.75%

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

	2023	2022
Equities	n/a	61%
Bonds	n/a	26%
Property	n/a	11%
Cash	n/a	2%

	2023 £	2022 £
Estimated employer asset share	-	5,178,000
Present value of scheme liabilities	-	(5,178,000)
Present value of unfunded liabilities	-	-
Total value of liabilities	-	(5,178,000)
Net pension liability	-	-

Analysis of amount charged to operating surplus	2023 £	2022 £
Service costs	-	(105,000)
Employers' contributions	-	34,000
Total operating charge	-	(71,000)

Analysis of amount credited to other finance income	2023 £	2022 £
Interest Income on Plan Assets	-	102,000
Interest on pension scheme liabilities	-	(113,000)
Total Net interest	-	(11,000)
Total defined benefit cost in Total Comprehensive Income	-	(82,000)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

19. Retirement Benefit Obligations (continued)

Analysis of recognised Comprehensive Income	2023	2022
	£	£
Actual return less expected return on pension scheme assets	-	119,000
Experience gains and losses arising on the scheme liabilities	-	(12,000)
Changes in financial assumptions underlying the present	-	463,000
Changes in demographic assumptions	-	32,000
Actuarial gain/(loss) in pension plan recognised in Other Comprehensive Income	-	602,000
Movement in pension deficit during the year	2023	2022
	£	£
Deficit at the beginning of the year	-	(520,000)
Current service cost	-	(105,000)
Employers' contributions	-	34,000
Net returns on assets	-	(11,000)
Actuarial gain/(loss)	-	602,000
Deficit at the end of the year	-	-

20. Provision - Riverbank

ANCHO is the owner of a 207m stretch of the riverbank (into the middle of the riverbed) of the River Annick, behind Annick Drive, North Ayrshire. The gabion retaining structure is in poor condition due to extensive corrosion and the riverbank has experienced significant erosion affecting the stability of the fences and garden structures of the residential units along Annick Drive. There are 24 houses whose gardens back onto the land owned by ANCHO, of which ANCHO owns 1. The remaining 23 houses are privately owned and were disposed of via Right to Buy prior to the land coming into ANCHO's ownership. This land was transferred to ANCHO as part of the original stock transfer from Scottish Homes (in 1999).

This had been recognised as a contingent liability in the PY financial statements.

However, it is now expected that the works will commence in the next 12-18 months. This is a complicated project and there are various options available as to the extent of work that could be performed to address the issue. The extent of the work carried out will determine how long the restoration will last. There are options available that are expected to last up to 30 years whilst a more extensive and expensive project could provide a solution that would last up to 150 years. The Association has been advised by 3rd party advisors that a budget of £800k - £1m will be required to cover the cost of providing the shorter-term solution and thus a provision of £900k (the mid-point) has been recognised as at 31 March 2023 as this is considered the minimum cost to the Association of restoring the Riverbank.

The preference of the Board would be to undertake works that provide a longer-term solution (150 years) however for this work to take place, the Association would need financial support from the Scottish Government and relevant agencies via grant funding. The Association will engage with these parties in respect of securing this funding that would cover the additional cost of a longer-term solution. As this additional cost is dependent on securing the funding, this cost has not been incorporated into the year-end provision and is considered a contingent liability as at 31 March 2023.

ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

21. Share Capital

	2023 £	2022 £
Shares of £1 fully paid and issued at beginning of year	57	58
Shares issued during year	1	2
Shares cancelled during the year	(3)	(3)
	<u>55</u>	<u>57</u>
Shares issued at end of year	<u>55</u>	<u>57</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.

23. Capital commitments

	2023 £	2022 £
Contracted but not provided	500,000	725,000
	<u>500,000</u>	<u>725,000</u>

The above commitments will be financed by:

	£	£
Reserves	500,000	725,000
	<u>500,000</u>	<u>725,000</u>

24. Operating lease commitments

	2023 Office £	2023 Equipment £	2022 Office £	2022 Equipment £
Total commitment due within:				
Within one year	19,630	-	19,630	410
	<u>19,630</u>	<u>-</u>	<u>19,630</u>	<u>410</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

25. Statement of Cash Flows

	2023 £	2022 £
Reconciliation of net cash inflow from operating activities as at 31 March 2023		
Surplus for the year	630,936	395,510
Depreciation (including loss on disposal of components)	608,385	738,809
Release of deferred government grants	(532)	(532)
Increase in stock	(8,147)	-
Decrease in debtors	2,908	117,770
Increase/(decrease) in creditors	(474,705)	650,923
SPF – staff costs	-	71,000
Loss on revaluation of investment properties	-	252,120
Increase in provisions	900,000	-
<u>Adjustments for investing and financing activities</u>		
Interest payable	253,721	153,701
Interest receivable	(2,324)	(273)
Shares cancelled during the year	(3)	(3)
	1,910,239	2,379,025

26. Related Party Transactions

Committee Members

No member of the Association received any fee or remuneration during the year (2022: £nil). Members of the Board of Management were reimbursed for out of pocket travel and accommodation expenses amounting to £nil (2022: £64).

The total rent payable in the year relating to tenant Board members is £nil (2022: £nil).

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 £nil (2022: nil).

Management Charges

During the year, Cairn Housing Association Limited charged ANCHO management charges of £nil (2022: £50,000).

Payroll Recharges

During the year, Cairn Housing Association Limited recharged payroll costs to ANCHO of £561,589 (2022: £179,417).

Other Recharges

During the year, Cairn Housing Association Limited recharged other admin costs to ANCHO of £201,233 (2022: £19,243)

26. Related Party Transactions (continued)

Loan and other balances

During the year ANCHO received loans of £nil from Cairn Housing Association Limited. At the year end the total loan outstanding was £1,460,000 (2022: £1,460,000). Interest is charged on the loan at 3.5% per annum and totalled £51,100 (2022: £51,240). Repayment is due on the 25th anniversary of the date of the first advance which was 27 September 2018.

At the year end, there is also £183,394 (2022: £397,152) remaining payable to Cairn Housing Association Limited in respect of recharges of expenditure incurred on behalf of the Association.

27. Legislative provisions

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