



ANCHO LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2022

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 2022

The Board of Management

Bill Finlay	Chair (appointed Chair on 10 January 2022)
Zoe Brawn	
Steven Travers	
Colin Love	
Nigel Fortnum	
Michael Donnelly	
Angus Lamont	
Mark Cunningham	(appointed 2 September 2021, resigned 26 May 2022)
Mary Black	(Former Chair - resigned 10 January 2022)
Kerry Arrol	(resigned 28 October 2021)

Executive Officers

Jason MacGilp	Chief Executive and Secretary
Derek Adam	Director of Finance and People Services
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 2022

The Board of Management of ANCHO presents its report and the Financial Statements for the year ended 31 March 2022.

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

Activities in the year

Recent lifting of operating restrictions in Spring 2022 and new Scottish Government guidance around Covid are very welcome, though the full financial year ended March 2022 was still dominated by the impact of, and responses to, the global Covid-19 pandemic. Over the full year, at national and organisational level, this led to major disruption to services, working arrangements and significantly negative impacts on the lives of customers, communities and staff throughout North Ayrshire and the whole country. The pandemic has had the same negative impact on our contractors and suppliers and local authority partners with whom we have continued to work positively.

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 – services were still able to be provided to customers - within limits required by the Scottish Government - and good practice in health and safety. The welfare of customers and staff safety has been paramount.

ANCHO LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2022

Activities in the year (continued)

In the second full year of Covid 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 in the face of these challenges. All staff, board members and our contractor partners are thanked for all their continued efforts. The last 12 months has again shown the benefit of the combination of experience, skills and capacity across ANCHO and the Cairn Housing Group.

From November 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 the commercial subsidiary, Cairn Living, this created the Cairn Housing Group. We are now completing the fourth year of a five-year programme of investment in North Ayrshire by Cairn Group as part of the original Tenants Promises for the partnership. This will deliver the following over the five-year period:

- 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 over the first 5 years;
- 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 2021/22, which was adversely affected by restrictions relating to the Covid-19 lockdown, the following investment programme was delivered, which is a key element of ANCHO being part of Cairn Housing Group.

- Kitchens, 181 homes, £608,000
- Rewiring 11 homes, £30,732
- Roofing, 45 homes, £334,909
- External walls, 11 homes, £130,000
- External doors 13 homes, £18,000
- Boilers, 31 homes, £74,984
- LD2 (fire/heat, 145 homes, £35,000
- EICR Electrical tests, 220 homes, £21,120
- Windows, 15 homes, £23,000
- Doors, 23 homes, £30,794

The continued programme in ANCHO properties in Irvine will see a further £750,000 invested by the Cairn Housing Group.

The Cairn Development team is continuing to work with North Ayrshire Council to bring forward a newbuild development scheme in Irvine.

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 101%% (as per Annual Return on Charter). The impact of UK Government welfare reform and universal credit roll out and the pressures of Covid has had a significant impact on service delivery and in some performance areas. Our performance on re-letting empty houses (14 days average) improved significantly from last year but has still been negatively impacted by the restrictions of the Covid lockdown.

ANCHO LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2022

Activities in the year (continued)

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 largely home-based staff for much of the year. Following an open procurement exercise, our partners R&J Ltd were reappointed as our main response repairs contractors covering ANCHO properties and customers.

Our Small Steps Project funded by the Scottish Government's Investing in Communities Fund provides grant funding aimed 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. The funding has enabled us to employ a part time councillor offering one to one counselling session. Following government guideline these sessions have been carried out by telephone, Microsoft teams or Zoom over the past year. These sessions have proved to be very successful and feedback to date has been very positive. Funding was carried forward allowing us to increase the sessions in the coming years. We can now offer a wider variety of sessions to residents throughout North Ayrshire.

We also continue to provide a core funded caretaking and handyman service to help improve the environment 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. A senior team restructure introduced a combined Group-wide Executive Management Team with responsibilities for services across ANCHO and Cairn, which provide support and leadership to the local ANCHO team.

Financial Review

Turnover of £3.1 million (of which £2.96 million relates to the income from the letting of properties at affordable rents) was £1k lower than 2021.

The Association made a surplus in the year of £395,510 (2021: £866,569). £1,395,705 (2021: £576,819) 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 £602,000 (2021: loss of £113,000) resulting in total comprehensive income in the year of £997,510 (2021: £753,569).

The Association reduced its overall borrowing by £488,697 during 2021/22, with bank debt falling by £488,697 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, 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 partnership working with North Ayrshire council and other partner agencies, including detailed plans to bring forward a newbuild development scheme in Irvine.

ANCHO LIMITED

REPORT OF THE BOARD OF MANAGEMENT (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2022

Future Plans (continued)

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 local customer panels and the ANCHO board.

The ANCHO Board is continuing its joint work with the Cairn Board, including joint governing body meetings. The ANCHO Board has confirmed its commitment to working towards a proposal for full integration of ANCHO and Cairn, in a full transfer of engagements by 2024. This will involve full consultation with ANCHO tenants during 2023.

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

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 and ANCHO Pension liabilities.

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 2022

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 2022

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 2022. 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 2022**

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, have expressed their willingness to continue in office as auditor and will be proposed for reappointment at the Annual General Meeting.

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: 1 September 2022

ANCHO LIMITED

REPORT BY THE AUDITOR TO THE BOARD OF MANAGEMENT OF ANCHO LIMITED ON INTERNAL FINANCIAL CONTROL FOR THE YEAR ENDED 31 MARCH 2022

In addition to our audit of the Financial Statements, we have reviewed your statement on page 6 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 6 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
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Date:

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 2022

Opinion

We have audited the financial statements of ANCHO Limited (the 'Association') for the year ended 31 March 2022 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 2022 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 of Management'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 of Management 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 2022

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 5 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANCHO LIMITED ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

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 2022

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 2022

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:

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 2022**

	Note	£	2022 £	£	2021 £
Turnover	4		3,090,911		3,092,022
Operating expenditure	4		(2,289,853)		(2,067,373)
Operating surplus	4, 10		801,058		1,024,649
Interest receivable and other income	8	273		67	
Interest payable and similar charges	9	(153,701)		(158,147)	
Loss on revaluation of investment properties	12b	(252,120)		-	
			(405,548)		(158,080)
Surplus for the year			395,510		866,569
Other Comprehensive Income					
Actuarial gain/(loss) in respect of the Pension Scheme	19		602,000		(113,000)
Total Comprehensive Income			997,510		753,569

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

ANCHO LIMITED

**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)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2022	57	15,842,804	15,842,861
	<hr/>	<hr/>	<hr/>

*STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2021*

	Share Capital £	Revenue Reserve £	Total £
Balance at 1 April 2020	60	14,091,725	14,091,785
Total comprehensive income	-	753,569	753,569
Shares issued during the year	-	-	-
Shares cancelled in the year	(2)	-	(2)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2021	58	14,845,294	14,845,352
	<hr/>	<hr/>	<hr/>

The notes form part of these financial statements.

ANCHO LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note	£	2022 £	£	2021 £
Tangible fixed assets					
Housing properties	12a		22,313,009		21,651,366
Other Fixed Assets	12a		72,210		72,850
Investment properties	12b		335,000		587,120
			<u>22,720,219</u>		<u>22,311,336</u>
Current Assets					
Debtors	14	138,938		256,708	
Cash and cash equivalents	15	787,176		439,086	
		<u>926,114</u>		<u>695,794</u>	
Creditors: amounts falling due within one year	16	(1,538,189)		(878,405)	
Net current liabilities			<u>(612,075)</u>		<u>(182,611)</u>
Total assets less current liabilities			<u>22,108,144</u>		<u>22,128,725</u>
Creditors: amounts falling due after more than one year	17		(6,265,283)		(6,763,373)
Pension liability	19		-		(520,000)
Net Assets			<u>15,842,861</u>		<u>14,845,352</u>
Capital and reserves					
Share capital	20		57		58
Revenue reserve	21		15,842,804		14,845,294
			<u>15,842,861</u>		<u>14,845,352</u>

The financial statements were approved by the Board of Management on 1 September 2022 and signed on their behalf by:

Bill Finlay
Chair

Jason MacGilp
Secretary

XXXX
Board member

The notes form part of these financial statements.

ANCHO LIMITED

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £	2021 £	
Net cash inflow from operating activities	24	2,379,025	1,204,811	
Cash flows from investing activities				
Purchase of property, plant, and equipment		(1,399,812)	(576,819)	
Interest receivable		273	67	
		<u>(1,399,539)</u>	<u>(576,752)</u>	
Cash flows from financing activities				
Interest paid		(142,701)	(150,147)	
Loan drawdown		-	250,000	
Repayment of borrowings		(488,697)	(478,899)	
Share capital issued		2	-	
		<u>(631,396)</u>	<u>(379,046)</u>	
Net change in cash and cash equivalents		<u>348,090</u>	<u>249,013</u>	
Cash and cash equivalents at 1 April	15	439,086	190,073	
Cash and cash equivalents at 31 March	15	<u><u>787,176</u></u>	<u><u>439,086</u></u>	
Analysis of changes in net debt				
	At 1 April 2021 £	Cash flows £	Other non-cash changes £	At 31 March 2022 £
Cash and cash equivalents				
Cash	211,426	41,051	-	252,477
Cash equivalents	227,660	307,039	-	534,699
	<u>439,086</u>	<u>348,090</u>	<u>-</u>	<u>787,176</u>
Borrowings				
Debt due within one year	(487,532)	-	(8,861)	(496,393)
Debt due after one year	(6,739,985)	488,697	8,861	(6,242,427)
	<u>(7,227,517)</u>	<u>488,697</u>	<u>-</u>	<u>(6,738,820)</u>
Total	<u>(6,788,431)</u>	<u>836,787</u>	<u>-</u>	<u>(5,951,644)</u>

The notes form part of these financial statements.

ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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 2022, 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 2022 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 2023 and 31 March 2024. 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.

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.

ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

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.

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 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 participates in the centralised Strathclyde Pension Fund defined benefit 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 Fund 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.

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:

<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 market value.

ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

4. Particulars of Turnover, operating expenditure and operating surplus

	Turnover	Operating expenditure	2022 Operating surplus	Turnover	Operating Expenditure	2021 Operating Surplus
	£	£	£	£	£	£
Affordable lettings (Note 5a)	2,959,168	(2,226,341)	732,827	2,934,969	(1,988,737)	946,232
Other activities (Note 5b)	131,743	(63,512)	68,231	157,053	(78,636)	78,417
	<u>3,090,911</u>	<u>(2,289,853)</u>	<u>801,058</u>	<u>3,092,022</u>	<u>(2,067,373)</u>	<u>1,024,649</u>

ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

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

	General Needs Housing £	Supported Housing Accommodation £	Shared Ownership Accommodation £	2022 Total £	2021 Total £
Revenue from lettings					
Rent receivable net of service charges	2,968,100	-	-	2,968,100	2,954,851
Service charges	-	-	-	-	-
Gross income from rent and service charges	2,968,100	-	-	2,968,100	2,954,851
Less: Rent losses from voids	(9,464)	-	-	(9,464)	(20,414)
Net rent receivable	2,958,636	-	-	2,958,636	2,934,437
Release of deferred government capital grants	532	-	-	532	532
Other revenue grants	-	-	-	-	-
Total turnover from affordable letting activities	2,959,168	-	-	2,959,168	2,934,969
Expenditure on affordable letting activities					
Management and maintenance administration costs	853,842	-	-	853,842	944,717
Service charges	-	-	-	-	-
Planned cyclical maintenance including major repairs	93,226	-	-	93,226	45,092
Reactive maintenance costs	518,830	-	-	518,830	462,971
Bad debts – rents and service charges	26,381	-	-	26,381	21,979
Depreciation of affordable housing *	734,062	-	-	734,062	513,978
Operating expenditure on affordable letting activities	2,226,341	-	-	2,226,341	1,988,737
Operating surplus on letting activities 2022	732,827	-	-	732,827	
Operating surplus on letting activities 2021	946,232	-	-		946,232

*includes £203,784 (2021: £25,091) in respect of the loss on disposed components.

ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

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) 2022 £	Operating Surplus/ (Deficit) 2021 £
Wider Role Activities	30,791	-	-	30,791	-	(30,450)	341	10,507
Factoring	-	-	11,758	11,758	-	(4,607)	7,151	12,366
Support Activities – Stage 3 medical adaptations	37,921	-	-	37,921	-	(28,455)	9,466	(12,880)
Commercial rent	-	-	51,273	51,273	-	-	51,273	51,767
Other Activities	-	-	-	-	-	-	-	16,657
Total from Other Activities 2022	<u>68,712</u>	<u>-</u>	<u>63,031</u>	<u>131,743</u>	<u>-</u>	<u>(63,512)</u>	<u>68,231</u>	
Total from Other Activities 2021	<u>75,466</u>	<u>-</u>	<u>81,587</u>	<u>157,053</u>	<u>-</u>	<u>78,636</u>		<u>78,417</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

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 (2021: none). No emoluments were paid to any member of the Board of Management during the year (2021: £nil).

The Executive officers are remunerated through Cairn Housing Association Limited. In the prior year, key management personnel also included the former Head of Service who left in 2020/21.

	2022	2021
	£	£
Emoluments (salary and allowances) paid to key management personnel	-	50,351
	<u> </u>	<u> </u>
	2022	2021
	£	£
Total Emoluments		
£70,001 - £80,000	-	1
	<u> </u>	<u> </u>

In addition to this £nil (2021: £25,898) of redundancy costs were paid to this member of staff.

Total pension contributions to the key management were £nil (2021: £7,284). Employer's NI contributions for the key management personnel were £nil (2021: £5,938).

7. Employee Information

	2022	2021
	£	£
Staff costs		
Wages and salaries	254,396	337,192
Social security costs	26,189	34,785
Employers Pension Contributions	34,147	44,694
Movement in Pension Service Costs (note 19)	71,000	52,000
Death In Service/III Health Cover	-	16,574
Holiday Pay Accrual	3,820	2,718
Redundancy Costs	-	25,895
Recharge from Cairn Housing Association	179,417	96,116
Agency Costs	-	30,090
	<u>568,969</u>	<u>640,064</u>

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

	2022 No	2021 No	2022 FTE	2021 FTE
Housing staff	4	6	4	6
Maintenance staff	2	3	2	3
Caretaking staff	2	2	2	2
Total	<u>8</u>	<u>11</u>	<u>8</u>	<u>11</u>

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 2022**

8. Interest receivable and other income

	2022	2021
	£	£
Bank interest	273	67

9. Interest payable and similar charges

	2022	2021
	£	£
On bank loans	91,461	101,132
On loan from parent	51,240	49,015
Strathclyde Pension Scheme – finance costs (note 19)	11,000	8,000
	153,701	158,147

10. Operating surplus for the year

	2022	2021
	£	£
Operating surplus is stated after charging:		
Depreciation – charged in respect of property, plant and equipment including loss on disposal of components	738,809	519,309
Loss on disposal of property, plant and equipment	-	-
Operating Lease Rental - office	19,630	19,794
Operating Lease Rental – photocopiers	1,640	-
Auditor's Remuneration – external audit (excluding VAT)	11,350	9,840
Auditor's Remuneration – non audit services	550	500

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 (2021: £nil).

ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

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 2021	25,183,716	80,264	35,760	71,396	25,371,136
Additions during the year - Components	1,395,705	4,107	-	-	1,399,812
Disposals during the year- Components	(267,227)	(1,460)	-	-	(268,687)
At 31 March 2022	<u>26,312,194</u>	<u>82,911</u>	<u>35,760</u>	<u>71,396</u>	<u>26,502,261</u>
<u>Depreciation</u>					
At 1 April 2021	3,532,350	22,668	29,174	62,728	3,646,920
Provided during the year	530,278	1,889	1,646	519	534,332
Disposals during the year - Components	(63,443)	(767)	-	-	(64,210)
At 31 March 2022	<u>3,999,185</u>	<u>23,790</u>	<u>30,820</u>	<u>63,247</u>	<u>4,117,042</u>
<u>Net Book Value</u>					
As at 31 March 2022	<u>22,313,009</u>	<u>59,121</u>	<u>4,940</u>	<u>8,149</u>	<u>22,385,219</u>
As at 31 March 2021	<u>21,651,366</u>	<u>57,596</u>	<u>6,586</u>	<u>8,668</u>	<u>21,724,216</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 £17,261,794 (2021: £16,839,110)

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 (2021: £3,005,657).

ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

12b. Investment properties	2022	2021
	£	£
At 1 April	587,120	587,120
Loss on revaluation	(252,120)	-
	<u>335,000</u>	<u>587,120</u>
At 31 March	<u>335,000</u>	<u>587,120</u>
Investment properties are garages leased to 3rd parties. The turnover and operating expenditure in relation to these properties is disclosed in Note 5b. There are 179 (2021: 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 £51,273 (2021: £51,767). The garages were revalued on a fair value basis as at 31 March 2022 by Jones Lang LaSalle Limited.		
13. Unit Numbers	2022	2021
	no	no
Affordable Housing properties – general needs	672	672
Investment properties - Garage units	179	179
Community Link Project offices	2	2
	<u>853</u>	<u>853</u>
14. Debtors	2022	2021
Amounts falling due within one year:		
Rental arrears	109,472	127,921
Less: bad debt provision	(64,662)	(97,995)
	<u>44,810</u>	<u>29,926</u>
Factoring arrears	-	26,035
Prepayments and accrued income	57,125	121,362
Other debtors	37,003	79,385
	<u>138,938</u>	<u>256,708</u>
15. Cash and cash equivalents	2022	2021
	£	£
Cash at bank and in hand	252,477	211,426
Balances held in deposit accounts	534,699	227,660
	<u>787,176</u>	<u>439,086</u>
16. Creditors due within one year	2022	2021
	£	£
Bank loans	496,393	487,532
Trade creditors	384,848	51,367
Amounts due to parent	397,152	32,452
Rents in advance and homeowner floats	169,947	147,740
Deferred Government capital grants	532	532
Other creditors	20	-
Other taxation and social security	1,383	-
Accruals and deferred income	87,914	158,782
	<u>1,538,189</u>	<u>878,405</u>

ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

17. Creditors due after more than one year

	2022 £	2021 £
Bank loans	4,782,427	5,279,985
Loan from parent	1,460,000	1,460,000
Deferred Government capital grants	22,856	23,388
	<u>6,265,283</u>	<u>6,763,373</u>
Bank loans		
Amounts falling due in:		
One year or more but less than two years	505,148	496,393
Two years or more but less than five years	1,571,605	1,607,447
Five years or more	2,705,674	3,176,145
	<u>4,782,427</u>	<u>5,279,985</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

	2022 £	2021 £
<u>Housing grants</u>		
At 1 April	23,920	24,452
Grants received in year	-	-
Released to income in year	(532)	(532)
	<u>23,388</u>	<u>23,920</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	20,728	21,260
	<u>23,388</u>	<u>23,920</u>
At 31 March		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

19. 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 2022.

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

	2022	2021
Inflation / Pension Increase Rate	3.15%	2.80%
Salary scale increases per annum	3.85%	3.50%
Discount rate	2.75%	2.05%

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

	2022	2021
Equities	61%	66%
Bonds	26%	23%
Property	11%	9%
Cash	2%	2%

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

	Males	Females
Current pensioners	19.6 years	22.4 years
Future pensioners	21.0 years	24.5 years

	2022	2021
	£	£
Estimated employer asset share	5,178,000	4,962,000
Present value of scheme liabilities	(5,178,000)	(5,482,000)
Present value of unfunded liabilities	-	-
Total value of liabilities	(5,178,000)	(5,482,000)
Net pension liability	-	(520,000)

	2022	2021
	£	£
Analysis of amount charged to operating surplus		
Service costs	(105,000)	(98,000)
Employers' contributions	34,000	46,000
Total operating charge	(71,000)	(52,000)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

19. Retirement Benefit Obligations (continued)

	2022 £	2021 £
Analysis of amount credited to other finance income		
Interest Income on Plan Assets	102,000	97,000
Interest on pension scheme liabilities	(113,000)	(105,000)
Total Net interest	(11,000)	(8,000)
Total defined benefit cost in Total Comprehensive Income	(82,000)	(60,000)
 Analysis of recognised Comprehensive Income	 2022 £	 2021 £
Actual return less expected return on pension scheme assets	119,000	958,000
Experience gains and losses arising on the scheme liabilities	(12,000)	113,000
Changes in financial assumptions underlying the present	463,000	(1,330,000)
Changes in demographic assumptions	32,000	146,000
Actuarial gain/(loss) in pension plan recognised in Other Comprehensive Income	602,000	(113,000)
 Movement in pension deficit during the year	 2022 £	 2021 £
Deficit at the beginning of the year	(520,000)	(347,000)
Current service cost	(105,000)	(98,000)
Employers' contributions	34,000	46,000
Net returns on assets	(11,000)	(8,000)
Actuarial gain/(loss)	602,000	(113,000)
Deficit at the end of the year	-	(520,000)

20. Share Capital

	2022 £	2021 £
Shares of £1 fully paid and issued at beginning of year	58	60
Shares issued during year	2	-
Shares cancelled during the year	(3)	(2)
Shares issued at end of year	57	58

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.

ANCHO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

21. Revenue reserves

Revenue reserves represents the cumulative surpluses and deficits.

	2022 £	2021 £
22. Capital commitments		
Contracted but not provided	725,000	1,600,250
	<u>725,000</u>	<u>1,600,250</u>

The above commitments will be financed by:

	2022 £	2021 £
Loan from parent	725,000	1,600,250
	<u>725,000</u>	<u>1,600,250</u>

	2022 Office £	2022 Equipment £	2021 Office £	2021 Equipment £
23. Operating lease commitments				
Total commitment due within:				
Within one year	19,630	410	19,630	1,366
	<u>19,630</u>	<u>410</u>	<u>19,630</u>	<u>1,366</u>

24. Statement of Cash Flows

	2022 £	2021 £
Reconciliation of net cash inflow from operating activities as at 31 March 2022		
Surplus for the year	395,510	866,569
Depreciation (including loss on disposal of components)	738,809	519,309
Release of deferred government grants	(532)	(532)
Decrease in debtors	117,770	103,245
Increase/(decrease) in creditors	650,923	(493,858)
SPF – staff costs	71,000	52,000
Loss on revaluation of investment properties	252,120	-
<u>Adjustments for investing and financing activities</u>		
Interest payable	153,701	158,147
Interest receivable	(273)	(67)
Shares cancelled during the year	(3)	(2)
	<u>2,379,025</u>	<u>1,204,811</u>

25. Related Party Transactions

Committee Members

No member of the Association received any fee or remuneration during the year (2021: £nil). Members of the Board of Management were reimbursed for out of pocket travel and accommodation expenses amounting to £64 (2021: £nil).

Some members of the Board of Management were tenants of the Association in the prior year. 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 £nil (2021: £3,512).

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 (2021: £89,471).

Management Charges

During the year, Cairn Housing Association Limited charged ANCHO management charges of £50,000 (2021: £50,000).

Payroll Recharges

During the year, Cairn Housing Association Limited recharged payroll costs to ANCHO of £179,417 (2021: £96,116).

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 (2021: £1,460,000). Interest is charged on the loan at 3.5% per annum and totalled £51,240 (2021: £49,015). 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 £397,152 (2021: £32,452) remaining payable to Cairn Housing Association Limited in respect of recharges of expenditure incurred on behalf of the Association.

26. Contingent liability

The Association owns a riverbank in Irvine which may require remedial work in the future. The Association has estimated the potential financial effect of the remedial work to be approximately £400,000. However, the Association is uncertain as to whether any remedial work will actually be required.

27. Legislative provisions

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

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

ANCHO Limited

Dear Sirs

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the Association's financial statements for the year ended 31 March 2022. These enquiries have included inspection of supporting documentation where appropriate and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

GENERAL

1. We have fulfilled our responsibilities as Board members, as set out in the terms of your engagement letter dated 2 February 2022 under the Co-operative and Community Benefit Societies Act 2014 and Part 6 of the Housing (Scotland) Act 2010 for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) for being satisfied that they give a true and fair view and for making accurate representations to you.
2. All the transactions undertaken by the Association have been properly reflected and recorded in the accounting records.
3. All the accounting records have been made available to you for the purpose of your audit. We have provided you with unrestricted access to all appropriate persons within the Association, and with all other records and related information requested, including minutes of all Board meetings.

ADJUSTMENTS & DISCLOSURES

4. The financial statements are free of material misstatements, including omissions.
5. We have reviewed and approved all audit adjustments made in the financial statements. See appendix 1 for details of such audit adjustments.
6. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. See appendix 2 for details of such uncorrected misstatements.
7. We have reviewed and approved all disclosures made in the financial statements and we are not aware of any other matters which require disclosure in order to comply with the requirements of United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), the Determination of Accounting Requirements 2019 as issued by the Scottish Housing Regulator or the Statement of Recommended Practice for Social Housing Providers issued in 2018.

INTERNAL CONTROL AND FRAUD

8. We acknowledge our responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error. We have disclosed to you

the results of our risk assessment that the financial statements may be misstated as a result of fraud.

9. We have disclosed to you all instances of known or suspected fraud affecting the Association involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.
10. We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the Association's financial statements communicated by current or former employees, regulators or others.

ASSETS AND LIABILITIES

11. The Association has satisfactory title to all assets and there are no liens or encumbrances on the Association's assets except for those that are disclosed in the notes to the financial statements.
12. There were no changes in fixed assets during the year ended 31 March 2022 other than those disclosed in the financial statements.
13. We have reviewed the residual values attached to fixed assets and confirm they are still appropriate and reasonable reflections of these assets condition and usage.
14. All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.
15. We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.
16. We confirm that all bank accounts have been disclosed to you and are included within the financial statements.
17. We confirm that the Association has not contracted for any capital expenditure other than as disclosed in the financial statements.

ACCOUNTING ESTIMATES

18. The methods, data and significant assumptions used by us in making accounting estimates, and their related disclosures, are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework.

LOANS AND ARRANGEMENTS

19. The Association has not granted any advances or credits to, or made guarantees on behalf of, Board members other than those disclosed in the financial statements.

LEGAL CLAIMS

20. We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

LAWS AND REGULATIONS

21. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements and disclosures, including non-compliance matters:
 - a. Involving financial impropriety;
 - b. Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Association's financial statements;
 - c. Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be

fundamental to the operations of the Association's operations, its ability to continue in operation, or to avoid material penalties; and

- d. Involving management, or employees who have significant roles in internal control, or others.

- 22. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, other than those already disclosed.

RELATED PARTIES

- 23. Related party relationships and transactions have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and we confirm that such information is complete. We are not aware of any other matters which require disclosure in order to comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 or accounting standards.

SUBSEQUENT EVENTS

- 24. All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

GOING CONCERN

- 25. We believe that the Association's financial statements should be prepared on a going concern basis on the grounds that there are sufficient cash reserves in place and long-term forecasts show that surpluses and positive cashflows will continue to be generated.
- 26. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the Association's ability to continue as a going concern need to be made in the financial statements.

DISCLOSURE OF INFORMATION TO THE AUDITOR

- 27. We acknowledge our legal responsibilities regarding disclosure of information to you as auditor and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.
- 28. Each Board member has taken all the steps that they ought to have taken as a Board member in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

.....
Signed on behalf of the Board of Management by:

Board member

Date:



Appendix 1 – Audit adjustments

SCHEDULE OF AUDIT ADJUSTMENTS				Statement of Financial Position		Statement of Comprehensive Income	
Journals				Increase	Decrease	Decrease	Increase
Total comprehensive income per trial balance							1,412,630
1	Dr	Factoring arrears		8,300			
	Cr	Rents in advance			8,300		
J.09	Being: <i>Reallocation of factor floats to creditors</i>						
2	Dr	Actuarial gain on SPF pension scheme				163,000	
	Cr	SPF pension liability/asset			163,000		
M13	Being: <i>cap on actuarial gain to limit SPF pension asset to nil</i>						
3	Dr	Loss on revaluation				252,120	
	Cr	Investment properties			252,120		
E1.06	Being: <i>loss on revaluation of investment properties</i>						
Total				8,300	423,420	415,120	-
Net effect				-	415,120		415,120
Adjusted total comprehensive income							997,510

Appendix 2 – Uncorrected misstatements

SCHEDULE OF UNCORRECTED MISTATEMENTS				Statement of Financial Position		Statement of Comprehensive Income	
Journals				Increase	Decrease	Decrease	Increase
1	Dr	Bad debts				12,881	
	Cr	Bad debt provision			12,881		
H.08	Being: Under provision for rental arrears bad debts						
2	Dr	Factoring arrears - bad debt provision		6,924			
	Cr	Factoring bad debts					6,924
H.11	Being: Over provision for factoring arrears bad debts						
3	Dr	Office equipment & IT Acc depn		5,761			
	Cr	Office equipment & IT Cost			5,761		
E1.04	Being: correction of trial balance amounts to match FAR						
Total				12,685	18,642	12,881	6,924
Net effect				-	5,957		5,957

