



Scott-Moncrieff
business advisers and accountants

ANCHO LIMITED

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2019

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

ANCHO LIMITED

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

The Board of Management

Sonya Campbell – Perry	Chair
Jacqueline Browne	Vice Chair
Lesley Shepherd	
Ruth Burley	
Etta Mounce	
John Rodgers	
Michael Allan	(appointed 24 May 2018)
Jane Valentine	(appointed 29 August 2018)
Zoe Brawn	(appointed 29 August 2018)
Sian Hughes	(appointed 29 August 2018)
Mary Black	(appointed 13 June 2019)
Claire Platts	(appointed 29 August 2018, resigned 5 March 2019)
Anne Sproat	(resigned 22 January 2019)
David Carse	(resigned 31 December 2018)
Melanie Barbour	(resigned 13 December 2018)

Executive Officer(s)

Jason MacGilp	Chief Executive and Secretary (appointed 1 November 2018)
Mags Lightbody	Interim Director and Secretary (resigned 31 October 2018)

Registered Office

Sovereign House
Academy Road
Irvine
KA12 8RL

Solicitors

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

External Auditor

Scott-Moncrieff
25 Bothwell Street
Glasgow
G2 6NL

Bankers

Royal Bank of Scotland
Kirkstane House
139 St. Vincent Street
Glasgow
G2 5JF

ANCHO LIMITED

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ANCHO LIMITED

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

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

Objectives and Strategy

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

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

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

Legal Status

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

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

Review of Business

Activities in year

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

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

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

ANCHO LIMITED

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

Review of Business (cont'd)

Activities in year (cont'd)

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

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

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

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

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

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

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

ANCHO LIMITED

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

Financial Review

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

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

Future Plans

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

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

Risks and uncertainties

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

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

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

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

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

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

ANCHO LIMITED

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

Key Performance Indicators

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

Governance

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

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

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

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

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

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

Statement of the Board of Management's Responsibilities

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

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

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

ANCHO LIMITED

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

Statement of Internal Financial Controls

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

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

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

- (a) An appropriate control environment has been created by careful recruitment and training of staff and provision of comprehensive guidance on the standards and controls to be applied throughout the Association. A comprehensive programme of internal audit covering over time all the Association's main activities is on-going. Reports are made to the Group Audit & Performance Committee with appropriate action taken where necessary;
- (b) Management information systems have been developed to provide accurate and 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; and
- (e) The Board of Management monitors the operation of the internal financial control system by considering regular reports from management and the external and internal auditors and ensures appropriate corrective action is taken to address any reported weaknesses.

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

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

Charitable Donations

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

ANCHO LIMITED

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

Disclosure of information to the auditor

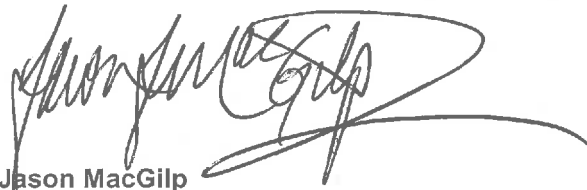
To the knowledge and belief of each of the persons who are members of the Board of Management at the time the report is approved:

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

Auditor

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

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



Jason MacGillp
Secretary

Dated: 1 August 2019

ANCHO LIMITED

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

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

Basis of Opinion

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

Opinion

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

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

Scott-Moncrieff

Scott-Moncrieff

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

Chartered Accountants

25 Bothwell Street

Glasgow

G2 6NL

Dated: 1 August 2019

ANCHO LIMITED

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

Opinion

We have audited the financial statements of ANCHO Limited (the 'Association') for the year ended 31 March 2019 which comprise the Statement of Comprehensive Income, the Statement of Changes in Capital and Reserves, the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

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

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

ANCHO LIMITED

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board of Management

As explained more fully in the Statement of the Board of Management's Responsibilities set out on page 4, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Management either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

ANCHO LIMITED

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

Auditor's responsibilities for the audit of the financial statements

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014.

Our audit work has been undertaken so that we might state to the Association's members, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Scott-Moncrieff

Scott-Moncrieff, Statutory Auditor

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

Chartered Accountants
25 Bothwell Street
Glasgow
G2 6NL

Date: 1 August 2019

ANCHO LIMITED

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

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

The notes form part of these financial statements

ANCHO LIMITED

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

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

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

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

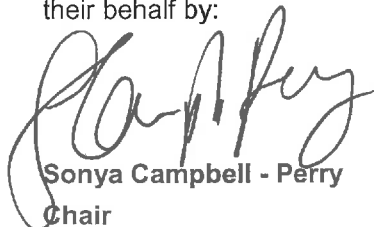
The notes form part of these financial statements

ANCHO LIMITED

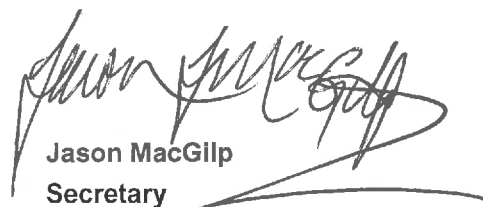
**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

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

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


Sonya Campbell - Perry
Chair


Jacqueline Browne
Vice-Chairperson


Jason MacGillp
Secretary

The notes form part of these financial statements

ANCHO LIMITED

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

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

The notes form part of these financial statements

ANCHO LIMITED

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

1. General Information

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with the requirements of the Determination of Housing Requirements 2014 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2014. The principal accounting policies are set out below.

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

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

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

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

2. Principal accounting policies

Basis of accounting

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

Going concern

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

Turnover

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

2. Principal accounting policies (cont'd)

Apportionment of management expenses

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

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

Interest receivable

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

Interest payable

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

Fixed assets - Housing properties

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

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

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

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

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

ANCHO LIMITED

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

2. Principal accounting policies (cont'd)

Depreciation

1. Housing properties

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

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

2. Other fixed assets

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

The following rates have been used:-

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

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

3. Investment properties

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

2. Principal accounting policies (cont'd)

Debtors

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

Rental arrears

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

Cash and cash equivalents

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

Creditors

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

Financial instruments

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

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

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

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

2. Principal accounting policies (cont'd)

Government capital grants

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

Government revenue grants

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

Non-government grants

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

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

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

Pension

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

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

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

Loans

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

Operating leases

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

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

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

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

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

ANCHO LIMITED

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

4. Particulars of Turnover, operating expenditure and operating surpluses

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

ANCHO LIMITED

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

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

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

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

ANCHO LIMITED

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

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

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

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

6. Directors' Emoluments

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

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

7. Employee Information

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

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

	2019 No	2018 No	2019 FTE	2018 FTE
Housing staff	7	4	7	4
Maintenance staff	2	2	2	2
Administrative and Finance staff	2	4	2	4
Wider Action staff	5	3	5	2
Caretaking staff	4	5	3	5
Total	20	18	19	17

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

8. Gain on sale of property, plant and equipment

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

9a. Interest receivable and other income

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

9b. Interest payable and similar charges

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

10. Operating surplus for the year

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

11. Taxation

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

ANCHO LIMITED

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

12a. Tangible fixed assets

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

All land and housing properties are freehold.

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

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

ANCHO LIMITED

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

12b. Investment properties	2019	2018
	£	£
At 1 April	447,500	447,500
Revaluation during the year	139,620	-
At 31 March	<u>587,120</u>	<u>447,500</u>
Investment properties are garages leased to 3rd parties. The turnover and operating expenditure in relation to these properties is disclosed in Note 5b. There are 179 (2018: 179) investment properties. The garages were revalued during the year by Jones Lang LaSalle.		
13. Unit Numbers	2019	2018
	£	£
Social Housing properties – general needs	672	672
Investment properties - Garage units	179	179
Community Link Project offices	2	2
	<u>853</u>	<u>853</u>
14. Debtors	2019	2018
	£	£
Amounts falling due within one year:		
Rental arrears	183,550	181,699
Less: bad debt provision	(66,163)	(33,905)
	<u>117,387</u>	<u>147,794</u>
Factoring arrears	10,599	23,185
Prepayments and accrued income	40,354	65,292
Other debtors	166,733	-
	<u>335,073</u>	<u>236,271</u>
15. Cash and cash equivalents	2019	2018
	£	£
Cash at bank and in hand	99,213	80,398
Balances held in deposit accounts	272,906	658,973
	<u>372,119</u>	<u>739,371</u>
16. Creditors due within one year	2019	2018
	£	£
Bank loans	470,206	448,856
Trade creditors	205,464	46,745
Rents in advance and homeowner floats	58,661	84,064
Deferred Government capital grants	532	532
Accruals and deferred income	101,922	150,734
	<u>836,785</u>	<u>730,931</u>

ANCHO LIMITED

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

17. Creditors due after more than one year

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

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

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

The loan from Cairn Housing Association Limited is a fixed interest rate loan and is repayable on the 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

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

ANCHO LIMITED

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

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

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

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

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

20. Retirement Benefit Obligations

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

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

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

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

	2019	2018
Equities	64%	70%
Bonds	24%	18%
Property	10%	11%
Cash	2%	1%

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

	Males	Females
Current pensioners	21.4 years	23.7 years
Future pensioners	23.4 years	25.8 years

ANCHO LIMITED

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

20. Retirement Benefit Obligations (continued)

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

Analysis of amount charged to operating surplus

	2019	2018
	£	£
Service costs	(231,000)	(151,000)
Employers' contributions	80,000	77,000
Total operating charge	(151,000)	(74,000)

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

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

Analysis of recognised Comprehensive Income

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

Movement in pension deficit during the year

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

ANCHO LIMITED

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

21. Share Capital

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

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

The above commitments will be financed by:

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

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

ANCHO LIMITED

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

25. Statement of Cash Flows

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

26. Related Party Transactions

Committee Members

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

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

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

Key Management Personnel

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

Finance Agency Costs

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

Management Charges

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

Loan

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

27. Contingent liability

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

28. Legislative provisions

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