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Anchor Trust
Annual Report & Financial Statements

for the year ended 31 March 2012

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Happy living for the years ahead

Contents

Chairman's Statement

We have steered a steady course through an unprecedented storm over the last year The economic and political turmoil has seen significant public sector cuts and left customers and potential customers with less spending power

I am pleased to report that we have emerged well placed to meet the challenges of further economic, political and social change We have taken some tough decisions, including disposing our home care business and closing and transferring a small number of housing schemes to ensure we are fit for the future This has contributed to a surplus which will allow us to make a significant and necessary investment in existing and future services

We have drawn on our 40 years' experience of providing services for older people to lay foundations for the next 40 years We are focused on delivering the joined up services our customers want and offering exceptional value for money and we draw additional strength from Anchor's status as a not-for-profit charitable organisation

I am delighted to welcome to the Board, Rima Makarem and Stephen Jack, both of whom bring a wealth of experience Three of Anchor's eight non-executive Directors are female meaning we are a little ahead of Lord Davies' recommendations on the number of women on boards and we are committed to diversity across our workforce

The effectiveness of the Board was evaluated by independent consultants during the year They found Anchor has "a successful and high-performing board" with particular strengths in teamwork, relationships with the Executive Management Board, governance structure and accountability

In line with our work to join up our services and become increasingly customer-focused Anchor's Customer Services Committee, which is a committee of the Board, during the year extended its membership to leasehold housing customers I am grateful to Barbara Jagger, who retired as chair of the Customer Service Committee this year, for overseeing this and for her commitment and energetic leadership

Finally, I would like to extend my sincere thanks to all of my colleagues who have lived Anchor's values to provide truly outstanding service to our customers

Aman Dalvi
Chairman

Chief Executive's Statement

Anchor has achieved a great deal over the last 12 months despite the extraordinary economic conditions One example is our groundbreaking 117-room care home West Hall, at West Byfleet in Surrey, and we have several other developments planned to deliver our objective of 1 100 new properties by 2015

This is a big investment in new services and we are also spending £1m every week to ensure our existing properties provide the standard of accommodation customers expect Our focus on providing great places to live that offer excellent value for money has helped us to achieve a 90% customer satisfaction rating for the second year running

We have been investing in our people too We introduced Anchor values and behaviours, consistent performance management, and our award-winning The Anchor Way programme to help our people understand where we are going and how we will get there

Our recent colleague survey showed that 88% of Anchor people are clear about what they are expected to achieve in their job and 89% understand how their work contributes to our success – significant improvements in both responses on the previous year Our regional operating model is now well established, allowing teams to deliver joined-up, high-quality services to our customers

Throughout the past year we have been pressing the Government to show it takes older people's issues seriously by appointing a Minister for Older People to attend the Cabinet We were delighted when Liz Kendall was appointed as Shadow Minister for Care and Older People following our campaign Colleagues and customers joined Esther Rantzen and me to hand over our Grey Pride petition with 137,000 signatures to Downing Street The campaign reached a climax with the unanimous support of MPs in a House of Commons debate in June Our work to put older people's issues higher up the agenda continued with Grey Britain, an unprecedented survey to find out what life is really like for people over 65 today

Making older people happy is the essence of Anchor's work A happier and more engaged workforce is helping us to achieve that by providing great care and excellent places to live

Jane Ashcroft
Chief Executive

Overview of the business

Anchor is England's largest not-for-profit provider of housing and care for older people Our passion is giving older people a choice of great places and ways to live – a passion expressed in our proposition "happy living for the years ahead" Driven by this powerful proposition, we provide services ranging from retirement housing for rent to specialist dementia care to almost 40,000 older customers every week We operate from more than 1,000 sites across England and employ more than 9,000 people

The ageing population brings opportunities but also challenges at a time when public funding is being constrained Customers have greater choice over the services they receive and are being given greater control over the funds to pay for them We support continuing efforts by the sector and Government to ensure care services are tailored to each individual's needs and are transforming our organisation to make it easier for older people to buy the services they require We are continuing to join up our services within a single "One Anchor" structure to make it easier for customers, colleagues and stakeholders to engage and allow us to adapt to changing market conditions without diverting from our strategy and established business plan

Anchor's regional operating structure enables us to provide the full breadth of our services to customers across England It also makes our services more accessible to both existing and new customers

Charitable purpose

We review our aims, objectives and activities each year to ensure we remain focused on our charitable purpose In setting and reviewing our aims and objectives and planning future activities, the Board has given careful consideration to the Charity Commission's guidance on public benefit and also to its supplementary public benefit guidance to fee-charging charities In particular, the Board considers how planned activities will contribute to our aims and objectives The Board believes that providing retirement housing and residential care homes to older people, generally those more than 65 years old delivers a valuable public benefit There are no restrictions on who is eligible to benefit from Anchor's activities based on geography, ethnicity or gender

All our profits are reinvested in the business for the benefit of our customers As a charitable trust Anchor does not pay dividends

Retirement housing

More than 30,000 people live in retirement housing owned or managed by Anchor We provide properties to rent at almost 700 locations and our leasehold property management arm provides services to leaseholders at 225 estates Anchor provides extra-care services, where care is provided on site to more than 1,000 of our retirement housing properties The largest of our extra-care housing schemes is at Denham Garden Village, in Buckinghamshire, which includes more than 300 houses, bungalows and apartments together with a range of leisure facilities Similarly, The Laureates, a 62-unit development in Guiseley, near Leeds, provides extra care and a range of health and leisure facilities We have exciting plans to develop Care Retirement Village Communities and retirement housing with on-site care, support and amenities available

Residential care homes

Anchor is one of the largest not-for-profit providers of residential care homes in England and is increasingly developing specialist services for those customers with dementia We operate 97 care homes providing residential, dementia and nursing care across nearly 4,300 rooms West Hall, a 117-room care home in Surrey, is our latest and largest care home development and will open in July 2012

Anchor's business aims, objectives and strategy

Our passion at Anchor is giving older people a choice of great places and ways to live We do this by treating our customers and our colleagues as individuals and by building meaningful, long term relationships based on happiness, openness and respect

We are two years through our five-year Business Plan which extends to 2015 and supports an ambitious business development strategy at a time when there are unprecedented levels of economic, social and regulatory change These changes are having a major impact on the lives of older people, the regulatory framework in which we operate and on our competitors We will continue to focus on services where we are or can be the market leader, which play to our core strengths and values, and in which we can be financially successful

Growth will be achieved with the following objectives at the forefront of Anchor's planning

- We are entirely focused on serving the needs of older people – a rapidly increasing group spanning several generations as people live longer and have increasingly complex needs
- Our affordable housing offer will be continuously improved
- New models of housing for sale and market rent will be built to deliver significant turnover
- At least 90% of Anchor's care services will be rated as excellent
- We will achieve significant reductions in the cost of delivery
- Anchor will become an employer of choice
- Anchor will become synonymous with happy colleagues and happy customers

Through meeting our objectives we will continue to deliver a significant public benefit

The focus in the first two years of the Business Plan has been to develop value for money services and improve processes to enable colleagues to focus on individual relationships During the year the following were achieved

We fully embedded the regional structure for our operations teams, which means we can utilise local knowledge to make Anchor's full range of services accessible to all customers We also made changes to our Customer Centre to make it more accessible to customers

We ensured our branding was consistent so that our customers and colleagues can instantly identify Anchor properties and services

We looked at our existing block contracts for local authority home care and determined that this did not fit with our strategy and so successfully transferred it to another provider

We introduced "The Anchor Way" to our colleagues, which is a visual representation of our business plan to help colleagues understand how they can contribute to the success of the business

The focus for the next three years is to provide new and more cost effective services that our customers demand and to ensure a highly engaged workforce

Anchor's principal risks

The key external risks that influence and could impact on the operational and financial performance of Anchor are

- **Reduced public expenditure**
  Social housing rental income will be impacted by changes to the Supporting People programme and, similarly, care home income will be impacted by local authority adult care funding constraints Pressures from Government to seek greater value for money and reduce expenditure on all services will require Anchor to work closely with local authorities and seek efficiencies across our operations
- **Performance of the housing market**
  Our Business Plan assumes that we will generate surpluses from future sales of our leasehold housing developments which will be used to reinvest in developments and services The proceeds from future sales are sensitive to housing capacity and the economic environment
- **Changing customer buying trends and buying power**
  The "golden generation" of older people with healthy pensions is diminishing Older people increasingly have to tackle the cost of care and the Government continues with its agenda to provide individuals with personal budgets to manage their own care Anchor is sensitive to these changing spending patterns including both the reduction to the funds available to our customers and the impact of our customers managing their own financial affairs
- **Lending availability**
  Anchor is currently comfortably meeting the financial covenants required by its lenders has a strong financial track record and has access to further funds through facilities provided by its bankers However, limited access to new funds at reasonable prices could restrict Anchor's ability to grow, although no such funds are required in the near future
- **Pensions**
  Anchor's defined benefit pension scheme liabilities are currently greater than the market value of the scheme's assets due to reduced investment returns and increasing life expectancy rates Although Anchor has agreed with the trustees of the scheme to make annual contributions towards the deficit, there is a risk that the amount of contributions may be required to be increased in the future

Operating performance for the year

The table below sets out our key operating performance indicators

Year to 31 March	2012	2011
Turnover (Continuing Operations) – £m	264	257
Operating Surplus before exceptional items (Continuing Operations) – £m	26	17
% Occupancy – Care Homes	92%	92%
% Occupancy – Rented Housing	97%	96%
% Customers who are satisfied or very satisfied with Anchor	90%	90%
% Colleague engagement	74%	59%

Income and Operating Surplus are discussed in more detail in the next section of this report

Occupancy in our rented housing properties has increased through refurbishments and focused marketing efforts to fill voids Occupancy in our care homes has held at similar levels to last year, despite the tough economic climate A focus on making Anchor's services more accessible to our customers and the continued hard work of Anchor front-line colleagues has maintained customer satisfaction levels Also a number of internal communication initiatives, including workshops with nearly all our colleagues to discuss Anchor s Business Plan, have significantly increased colleague engagement

Financial results for the year

Anchor's financial performance for the year was strong

- Operating performance in retirement housing improved by a programme to fill empty properties and a combination of the annual rent uplift and reduction in cost
- The trading environment for residential care homes continued to be tough and while turnover increased, operating surpluses declined by £4 4m from last year
- Property sales at Denham and The Laureates remained strong
- The decision was taken to close or transfer 10 retirement housing schemes during the year (2011 24)
- We transferred our branch-based, local authority-funded home care service to another provider

Financial review

A summary of Anchor s financial results over the last five years is set out below

Year to 31 March	*2012 Continuing £m*	*2012 Discontinued* £m*	**2012 Total £m**	**2011 £m**	**2010 £m**	**2009 £m**	**2008 £m**
Turnover	263 8	3 7	267 5	280 8	286 5	267 0	264 9
Operating surplus/(deficit) before the exceptional items	25 5	(0 1)	25 4	19 4	21 0	5 7	8 3
Surplus/(deficit) for the year	21 6	0 6	22 2	10 3	7 8	(13 2)	18 2

* Discontinued operations in 2012 relate to the home care service In 2011, turnover and operating surplus relating to discontinued operations were £24 2m and £1 9m respectively and related to both the home care service and the home improvement service

Turnover – Continuing Operations

In the year to 31 March 2012, turnover from continuing operations was £263 8m (2011 £256 6m) The main area of focus for the business continued to be retirement housing lettings of £124 3m (2011 £118 6m) and residential care homes of £117 4m (2011 £115 1m) Turnover from providing on site care at Anchor locations was £5 6m (2011 £5 7m)

Non-social housing turnover includes leasehold management, which increased to £3 2m (2011 £2 9m) and property sales at Anchor's two mixed tenure retirement developments We sold 23 properties at Denham and 11 at The Laureates, generating total sales of £10 8m (2011 £13 0m) Turnover from other activities was £2 5m (2011 £1 3m)

Operating surplus – continuing operations

Anchor's surplus from continuing operations was £25 5m (2011 £15 6m)

Retirement housing surplus increased by £11 7m to £27 3m (2011 £15 6m) due primarily to the annual rent uplift, which is linked to a Retail Price Index based rent inflation advised by the Tenant Services Authority There were also considerable efforts to reduce void properties and a focus on cost efficiencies

Residential care homes operating surplus at £2 1m decreased from last year (2011 £6 5m) due largely to increased costs of providing services and increased depreciation Occupancy levels were unchanged from last year despite the difficult conditions

Expenditure on major works to our properties was £41 9m (2011 £43 1m) The income and expenditure account incurred a lower charge than the previous year of £9 8m (2011 £15 6m) and conversely a higher cost was capitalised of £32 1m (2011 £27 5m) This mix towards capital works increased the retirement housing surplus for this financial year

Property sales at Denham and The Laureates contributed a surplus of £4 6m (2011 £5 4m)

The decision was taken to sell or transfer 10 housing schemes during the year (2011 24) The costs of disposal were £3 5m less than 2011 because more schemes were transferred as a tenanted stock transfer, rather than closed and sold

In 2011 the exceptional charges of £4 0m arose from restructuring costs related to introducing a regional structure for our operations teams and from the separation costs for Anchor Staying Put In 2012, £0 5m of excess separation costs provision was released

Interest receivable of £2 9m (2011 £2 8m) was similar to last year The impact of lower LIBOR rates was offset by larger cash balances held in the year

Interest payable for the year increased to £10 6m (2011 £8 0m) While interest payable on bank loans was similar to last year, finance lease interest increased by £2 8m

Balance sheet performance

A summary of Anchor s balance sheet over the last five years is set out below

At 31 March	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Goodwill	0 2	0 2	0 4	1 0	1 6
Housing properties at cost less depreciation	906 6	888 0	897 0	899 9	886 6
Social Housing Grant	(535 7)	(543 8)	(550 5)	(553 2)	(553 9)
Other capital grants	(52 4)	(53 0)	(54 3)	(54 5)	(54 7)
Housing properties – net book value	318 5	291 2	292 2	292 2	278 0
Other tangible fixed assets	1 7	4 4	5 3	5 4	4 6
Investments	2 9	2 7	1 9	2 1	1 6
Net current assets	81 3	64 9	52 0	42 0	86 4
Total assets	**404 6**	**383.4**	**351 8**	**342.7**	**372.2**

At 31 March 2012, Anchor's total assets increased to £404 6m (2011 £363 4m) of which £223 9m was represented by accumulated Income & Expenditure Reserve (2011 £214 1m) The Income & Expenditure Reserve increased by £22 2m from the surplus generated during the year and reduced by £12 5m from an actuarial loss following the annual valuation (performed in accordance with Financial Reporting Standard 17) of Anchor s defined benefit pension scheme Anchor adopted the Statement of Recommended Practice 'Accounting by Registered Social Landlords Updated 2010 in the previous financial year, a year before the mandatory date of adoption, which introduced component accounting for fixed assets

Continuing investment in our housing properties and construction of new care homes and other developments resulted in the net book value of housing properties increasing to £318 5m (2011 £291 2m)

Within net current assets Anchor's stock of housing shown in note 16 of the Financial Statements, reduced to £5 7m (2011 £10 9m), This comprised the 36 remaining properties held for sale at Denham Garden Village and The Laureates Cash and short-term deposits increased to £82 7m (2011 £60 0m), due to the draw down of a £30m term loan Correspondingly the draw down of the loan contributed to the increase in long-term liabilities to £141 9m (2011 £114 7m)

The disposal of housing schemes resulted in the attributable Social Housing Grant moving into the total Recycled Capital Grant Fund, increasing the fund's balance to £7 0m (2011 £5 0m), shown in note 21 of the Financial Statements

Cash flow

The net movement in operating cash flow for the year was an inflow of £49 6m (2011 £46 4m) As shown in note 29 1 of the Financial Statements, this cash flow was generated from an increase in operating surplus to £25 8m (2011 £15 4m) and, after allowing for depreciation and other non-cash expenditure was reduced by a £5 0m (2011 nil) payment towards Anchor's pension scheme deficit and increased working capital As shown in note 29 4 of the Financial Statements, £61 5m (2011 £22 1m) of cash was used to develop housing properties an increase of £39 4m This was partially offset by higher housing fixed assets disposal proceeds of £14 9m (2011 £8 0m)

As shown in note 29 4 of the Financial Statements, a term loan of £30m was drawn down in the year and surplus cash of £3 2m (2011 £20 0m) was deposited in short-term accounts with the remainder held for working capital Cash at bank was £30 5m (2011 £11 0m), a net increase in cash of £19 5m (2011 £1 9m)

Investment in new developments

At 31 March 2012, development costs of £27 1m (2011 £2 0m) were added to fixed assets – housing properties under construction

We will open West Hall in West Byfleet, Surrey, in July 2012, our largest development, comprising 117 rooms and employing 266 people Programmes also commenced to build a residential care home at Esher in Surrey and a retirement village at Bishopstoke in Hampshire

Anchor continues to seek suitable sites on which to build care homes or retirement villages which meet the needs of our customers now and in the future, and a number of such sites are progressing through various stages of property development

Pensions

The latest full triennial valuation of the Anchor Trust Final Salary Pension scheme was carried out at 30 September 2009 The Scheme was closed on 1 April 2011 to further contributions and no new entrants have been permitted for several years, which reduced the service costs after finance income to £0 3m credit (2011 £2 1m charge) The actuarial loss was £12 5m (2011 £11 2m gain) primarily due to the application of lower discount rates Anchor had previously agreed with the trustees of the scheme to make additional payments towards the pension scheme deficit, which amounted to £5 0m (2011 £nil) after costs in the financial year and will be £4 7m (before costs) for each of the next seven-and-half years

The actuarial loss and service costs partially offset by finance income and the additional payment, described above, resulted in value of the pension scheme liability on a Financial Reporting Standard 17 basis to increase by £7 2m (2011 decrease of £10 9m) being £3 9m increase to the scheme's assets and £11 1m to the scheme's liabilities At the year end, the scheme had a Financial Reporting Standard 17 deficit of £36 8m (2011 £29 6m)

Treasury

Anchor's treasury activities are managed to ensure sufficient cash is in place to fund operations and to reduce the impact of adverse movements in interest rates and the financial markets

Treasury activities are carried out in accordance with a Board-approved treasury management policy and supporting procedures A treasury strategy is in place to support delivery of the Group's objectives and its operational and long-term plans supported by financial budgets and forecasts The treasury strategy is approved annually by the Board

Cash flow requirements are monitored through a rolling forecasting process Anchor's policy is to minimise cash held by repaying debt as early as practicable, while ensuring sufficient access to funding to cover investment and development plans This is achieved by the use of forecasts covering short, medium and long term cash flows and the use of short-term investment and revolving facilities

During 2012, surplus cash was held partly in a cash liquidity fund and partly in a balanced mix of short and medium-term deposits Anchor drew down a £30m variable rate loan before the facility expired A total of 50% of drawn borrowings were at fixed rates of interest at the year end (2011 65%) for an average period of 14 years (2011 15 years)

Anchor has access to undrawn committed borrowing facilities of £73 6m (2011 £98 6m), reduced due to the draw down of the term loan described above These facilities together with substantial unutilised security on the Balance Sheet, ensure Anchor remains in a strong position to fund future growth plans and investment opportunities

Net debt remained similar to the previous year at £41 2m (2011 £39 2m), as cash generated from operations and the draw down of the bank loan was used to finance capital expenditure and working capital or placed in short-term deposit accounts

Anchor remains in compliance with its financial covenants which are primarily based on interest cover and gearing Covenants have been met with considerable headroom, due to low interest rates payable (as LIBOR has decreased) and a strong trading performance

Tax and legal structure

Anchor has a non charitable subsidiary company, Anchor 2020 Limited, which is used to procure design and construction services for the Group and manage the professional fees on new development projects

Anchor has a second non-charitable trading subsidiary company, Anchor Lifestyle Developments Limited, which is used to operate any non-charitable services

Surpluses from these subsidiaries are reinvested into Anchor Trust, for the benefit of Anchor Trust's charitable activities

Corporate Governance Report

Overview of Anchor's Corporate Governance

Anchor is a private company limited by guarantee without share capital Anchor does not have any shareholders and all of its surpluses are reinvested back into the business Anchor is managed in line with corporate governance safeguards and commercial principles that would be expected to be found in a listed company Anchor's Board of Directors is entirely made up of Non Executive Directors who normally serve for three-year terms

The Board has the following committees Audit & Risk, Executive Remuneration and Nomination Committees The Board also operates a Customer Services Committee which enables it to monitor the quality of services provided to Anchor's customers

Anchor is also monitored and supervised by external regulators including the Homes & Communities Agency, the Care Quality Commission and the Charity Commission

The Board continues to support the principles of corporate governance set out in the UK Corporate Governance Code published by the Financial Reporting Council in June 2010 and available on the FRC's website www frc org uk in so far as it is applicable to a company with no share capital

The Board and its committees

At 31 March 2012, the Board comprised eight members led by the Chairman, Aman Dalvi Stephen Jack and Rima Makarem were both appointed to the Board on 1 January 2012

The Board controls Anchor's strategic direction and reviews its operating and financial position There is a formal schedule of matters reserved specifically to the Board, which ensures that it takes all major strategy, governance, financial planning, investment and policy decisions The appointment of the Chief Executive and the approval of standing orders and delegations of authority are matters reserved to the Board

The Board undertakes an annual review of its schedule of matters reserved and the terms of reference for its committees to ensure that these documents remain in line with good practice

During the financial year, an external consultancy company delivered a report to the Board which was an evaluation of the effectiveness of the Board, and the Board's sub-committees This included one-to-one interviews with each member of the Board as well as the Chief Executive The recommendations arising from the evaluation were discussed at Board meetings Overall, the external consultants concluded that Anchor had an effective governance structure and that there was strong teamwork and clear accountability in the way the Board operated

The Board's governance framework is designed to encourage all Board members to bring an independent judgement to bear on issues of strategy, performance, resources (including key appointments) and standards of conduct

The Board met five times during the year Member attendance at Board and committee meetings was as follows

	Board (5 meetings)	Audit & Risk Committee (4 meetings)	Executive Remuneration Committee (4 meetings)	Nominations Committee (1 meeting)	Customer Services Committee
Aman Dalvi (Chairman)	5		4	1	1
Graham Watts (Vice Chairman)	5	4	4	1	
Paul Doona	4	3	3	–	1
Angela Horsman	5		4	1	2
Stephen Jack*	1	–	–	–	–
Lesley James	4		3	1	1
Rima Makarem*	1		–	–	1
Chris Wood	4	3	3	–	

*Stephen Jack and Rima Makarem were appointed to the Board on 1 January 2012 after which only one Board meeting took place in the financial year They became members of the other committees on 23 February 2012, after which no committee meetings took place in the financial year other than a Customer Services Committee meeting which Rima Makarem attended

Each member of the Board brings different experiences and skills to the operation of the Board and its various sub-committees New Board members undergo a formal, tailored induction programme on joining The programme includes background information about Anchor, details of meeting procedures, Board members' responsibilities, including Directors' Duties under the Companies Act 2006, and governance-related issues including the time commitment expected of Board members The role of the Chairman and Chief Executive are clearly defined, with the former being a Board Director and the latter a member of the Executive Management Board

The performance of each Board Director and the Chief Executive is evaluated by the Chairman The Chairman s performance is evaluated by the Vice-Chairman

Board members meet with the Chief Executive to be briefed on Anchor's strategy and with the members of the Executive Management Board in relation to the operational aspects of Anchor's business External training, particularly on matters relating to the role of a Board member and responsibilities of Board Committees, is arranged as appropriate for new and existing Board members

The Board has in place formal procedures for the management of its meetings which require the Board to be supplied with timely and relevant information to enable it to discharge its duties Board papers are distributed 10 days in advance of the relevant meeting, and the papers are sufficiently detailed to enable Board members to obtain a thorough grasp of Anchor's management and financial performance The Board's terms of reference make provision for it to receive independent professional advice, at Anchor's expense, to enable it to carry out its duties

The Board composition is kept under review and when a new appointment is to be made consideration is given to the experience which a potential new member could add to the existing mix A transparent recruitment process is used, with advice from external consultants if required Appointments to the Board are the responsibility of the full Board, with recommendations as appropriate from the Nominations Committee

As described above, there are four committees of the Board the Audit & Risk Committee, the Executive Remuneration Committee, the Nominations Committee and the Customer Services Committee

Audit & Risk Committee (ARC)

The committee consists of at least three independent non executive Directors, two of whom constitute a quorum Appointments to the ARC are for an initial period of three years and are extendable for a further two three-year periods

Graham Watts chairs the ARC Stephen Jack joined the ARC on 23 February 2012 Its other members during the year were Paul Doona and Chris Wood The committee structure requires the inclusion of at least one Non-Executive Director with significant, recent and relevant financial experience Both Paul Doona and Stephen Jack fulfil this requirement

The committee has written terms of reference that set out its authority and responsibilities These are considered annually by the committee and any proposed changes are referred to the Board for approval

The committee's primary role is to ensure

- the integrity of the financial reporting and the audit process, and
- the maintenance of a sound internal control and risk management system

In pursuing these objectives, the committee

- monitors and assesses the role of the internal and the external auditors,
- considers the effectiveness of the internal and the external audit processes,
- reviews Anchor's systems of internal control and the processes for monitoring and evaluating the risks facing Anchor, and
- makes recommendations to the Board on the appointment of the internal and external auditors

The chairman of the committee verbally reports the outcome of each meeting to the Board and the Board receives an annual written report on the committee s activities In addition the Board undertakes an annual effectiveness review of the committee

In performing its duties the committee has independent access to the services of the internal and external auditors, and may obtain outside professional advice as necessary The internal and external auditors have direct access to the chairman of the committee

The chairman of the committee attends the Annual General Meeting to answer questions on the activities of the committee

Report on the committee's activities for the financial year 2012

Meetings and attendance

The committee met on four occasions timed to coincide with the internal and external financial reporting cycles of Anchor

The Chairman, the Chief Executive the Executive Management Board and senior representatives of the internal and external auditors attended meetings by invitation At each meeting there was an opportunity for the external and internal auditors to discuss matters with the committee without any executive management being present

Financial reporting

During the year the committee reviewed a wide range of accounting and financial issues including the annual financial statements prior to submission to the Board The committee focused on key accounting policies and practices adopted by the company and any significant areas of judgement that materially affected the reported results

External auditors

The committee is responsible for the development, implementation and monitoring of Anchor's policies on external audit These policies are designed to maintain the objectivity and independence of the external auditors and the appointment of the external auditors to undertake non-audit work

During the year the auditors were engaged to provide a range of services to Anchor apart from audit activity, including advice on employment tax advice on VAT, quality assurance of development business cases and advice on pension arrangements Each appointment was made taking into account the requirements of the Board's policy on the use of the auditors for non-audit work to ensure the auditor s objectivity and independence was safeguarded The Board policy lists the non-audit services that are permitted to be carried out by auditors and the non-audit services that are prohibited to be carried out by auditors The ARC receives annual reports from the auditors describing the safeguards in place to maintain their independence and also receives an annual report from the Chief Financial Officer describing the non-audit work undertaken by auditors

In accordance with its remit, the committee reviewed and approved

- the external auditor s plans for the audit of Anchor's financial statements for 2011/12
- the terms of engagement for the audit and the proposed audit fee and associated expenses and
- the content of the formal annual audit letter provided by the external auditors and management's response, including major issues that arose on the audit and their resolution

Internal auditors

The committee reviewed

- the internal auditor's plan for the year and the achievement of the plan,
- the adequacy of management's response to the matters raised during the year in reports from the internal auditors, including the implementation of recommendations made, and
- reports on the adequacy and effectiveness of Anchor's internal control and risk management procedures

The committee receives reports on outstanding management actions to internal audit recommendations and follows up on the reasons for any actions being outstanding

Whistle-blowing

Anchor's whistle blowing policy sets out the arrangements for colleagues to raise concerns or complaints regarding accounting, risk issues, internal controls and related matters with relevant line management or senior company executives These matters are advised to internal audit for consideration and reported to the committee as appropriate Any matters considered sufficiently significant by the committee will be brought to the attention of the Board, which will decide how the matter will be handled, including referral to an external agency if appropriate

The ARC regularly reviews the arrangements in place for handling whistle-blowing cases to ensure that they provide for the proportionate and independent investigation of issues raised and for appropriate follow up action

Executive Remuneration Committee

The Executive Remuneration Committee consists of at least three Directors (all non-executive members of the Board), with a quorum of two Membership is reviewed annually by the chairman of the committee The committee met four times during the year

Lesley James chairs the committee which has benefitted from the membership of all the non-executive members of the Board Stephen Jack and Rima Makaren joined the committee on 23 February 2012 Its other members are Aman Dalvi, Graham Watts, Angela Horsman, Paul Doona and Chris Wood No person other than the members of the committee is entitled to be present at meetings but others may be invited by the committee to attend Neither the Company Secretary nor any members of the Executive Management Board are present when the committee considers matters relating to them

The Executive Remuneration Committee is responsible for determining the pay and benefits and contractual arrangements for the Executive Management Board

The committee's aims are to develop and recommend remuneration strategies that drive performance and reward it appropriately

The committee has written terms of reference, which include

- to determine on behalf of the Board the organisation's broad policy for executive remuneration,
- in doing so, to encourage the Executive Management Board to enhance the organisation's performance and to ensure that they are fairly but responsibly rewarded for their individual contributions,
- by delegated authority from the Board determine any changes to the remuneration, including salary, bonus, and other emoluments and all terms and conditions of employment of the Chief Executive,
- by delegated authority from the Board, and taking into account the recommendation of the Chief Executive, determine any changes to the remuneration, including salary, bonus, any other emoluments, and all terms and conditions of employment relating to the Executive Management Board,
- to keep the service agreements and terms of engagement of executives under review,
- to comply with appropriate Codes of Best Practice, ensuring transparency and voluntarily having regard to the requirements for public companies and public sector organisations, and
- to report and account for their decisions by submitting minutes of meetings to the members of the Board and producing an annual statement on executive remuneration to be included in the Annual Report and Financial Statements of Anchor Trust

The committee reviews its terms of reference annually and any proposed changes are referred to the Board for approval The committee has an executive remuneration policy that sets out the objectives and the approach for the work of the committee It states "the objective of Anchor's remuneration policy is to attract, retain and motivate high calibre senior executives through competitive pay arrangements which are also in the best interests of all stakeholders" The committee ensures that executive renumeration is aligned with the remuneration policy of all Anchor colleagues The committee approved the Executive Management Board's proposal that from 1 April 2012 all Anchor colleagues are paid above the National Minimum Wage, which supports Anchor's objective of being an employer of choice and cements Anchor's commitment to ensure customers receive high quality care from a motivated workforce

The committee has access to such information and advice both from within Anchor and externally at the expense of Anchor as it deems necessary No external advice was sought in the year

Nominations Committee

The committee consists of at least three Directors (all non executive members of the Board), with a quorum of two Membership is reviewed annually by the chairman of the committee The committee met once during the year

Aman Dalvi chairs the Nominations Committee Given the changes in Board membership last year, the Board considered it appropriate for the Chairman of the Board to chair the committee Stephen Jack and Rima Makarem joined the committee on 23 February 2012 Its other members are Graham Watts, Angela Horsman, Lesley James, Paul Doona and Chris Wood No person other than the members of the committee is entitled to be present at meetings but others may be invited by the committee to attend Neither the Company Secretary nor any of the members of the Executive Management Board are present when the committee considers matters relating to them

The committee has written terms of reference, which include

- to maintain and regularly review a policy on nominations to the Board,
- to comply with appropriate Codes of Best Practice, and
- to report and account for their decisions by submitting minutes of meetings to the members of the Board

The committee reviews its terms of reference annually and any proposed changes are referred to the Board for approval

During the year, the committee nominated Rima Makarem and Stephen Jack to join the Board The committee noted that Anchor's Board comprises eight positions of which three are held by women meaning a larger female representation on the Board than those recommended by the 'Women on Boards' report issued by Lord Davies in February 2011

The committee also approved the creation of one additional post Director of Compliance & Company Secretary, and the promotion of four existing posts to the Executive Management Board (EMB), which ensures that Anchor has senior capacity to deliver its objectives As all members of the EMB are classified as Directors in the Financial Statements, the emoluments for all these posts are included in Director emoluments, within note 8 to the Financial Statements The total Director emoluments remains appropriate for an organisation of Anchor's size and complexity – at 1 3% of total payroll and 0 6% of turnover

The committee has access to such information and advice both from within Anchor and externally at the expense of Anchor as it deems necessary Recruitment services were sought from an executive recruitment firm in relation to the appointment of two members to the Board

Customer Services Committee (CSC)

The CSC is a committee of the Board The chair of the committee is a tenant member elected by the members of the committee The Board nominates one of its members to sit on the committee, which was Aman Dalvi Anchor's Chairman Angela Horsman attends if the chairman is unable to On 23 February 2012 the Board also nominated Rima Makarem to attend the CSC Other members of Anchor's Board are also entitled to attend The other members of the committee comprise the chairs and deputy chairs of the regional tenant forums, of which there are eight

A quorum constitutes 10 members Members of the CSC are appointed for a period of three years, and this appointment can be renewed thereafter for a further six years maximum

The committee has written terms of reference, which include

- shaping housing management service standards and service delivery,
- driving continuous Improvement in the services provided to tenants,
- scrutinising performance in the services provided to tenants, and
- agreeing the content of the annual performance report made available to all rental housing customers

The committee was established in June 2009 The CSC reports to the Board quarterly with recommendations and the Board provides feedback to the CSC on previous recommendations The Board may request the committee to consider particular issues and report back to the Board

On 26 April 2012, the Board agreed that the CSC will comprise representation from Anchor's care home and leasehold customers The Board believes that the CSC is a more effective way of representing the needs of its customers, instead of having customer Board members

Internal Control Assurance Statement

The Board

The Board recognises and accepts its responsibility for Anchor's system of internal control and reviewing its effectiveness The Board demands a strong control environment that is designed to manage rather than eliminate the risk of failure to achieve Anchor's business objectives and that provides reasonable assurance against material misstatement or loss It accepts that a system of internal control cannot provide absolute assurance against material misstatement or loss

The Board, through the Audit & Risk Committee, has reviewed the effectiveness of Anchor's internal controls and risk management for the year ended 31 March 2012 There is a range of established strategic and operational policies that ensure Anchor is viable, well governed and well managed These policies are supported by strong management structures and clear accountability, which have been strengthened during the year

The Board is satisfied that the system of internal control has been operating effectively for the year and that there are no incidents of weaknesses leading to material loss, contingency or uncertainty that require separate disclosure in the Financial Statements

Throughout the year under review, Anchor has operated an effective process for identifying, evaluating and managing the significant risks it faces The process is subject to regular review to ensure that it is effective in the face of changing external conditions and reflects actual experience and good practice For the year under review, a self-assessment process was undertaken by senior managers This ensures that managers are fully aware of the control environment and that controls are matched to risk levels The process has identified key actions needed to ensure that the likelihood and/ or impact of failure to achieve corporate objectives are reduced Risk management processes have continued since the year end

Audit & Risk Committee (ARC)

The ARC has reviewed its terms of reference during the year to ensure that it continues to fulfil its responsibility for overseeing Anchor Trust's financial reporting, internal control and risk management, internal audit arrangements and external audit arrangements

The ARC has monitored the integrity of the financial statements and reviewed the actions and judgements of management in their preparation before they were submitted to the Board for approval The ARC pays particular attention to strategic processes for risk management, internal control and governance, critical accounting policies and practices

The ARC has reviewed the effectiveness of the internal control systems and is satisfied that the policies in relation to financial control, delegated authority, treasury management, fraud detection and reporting, risk management, internal audit, project management, strategic planning, business planning, asset management and performance reporting contribute to an effective control environment

In reaching this conclusion, the ARC has considered reports from external and internal auditors Specifically, in the annual report of the company's internal auditors, the internal auditors state "our work identified low, moderate and high rated findings Based on the work completed, we believe that these are isolated to specific systems and processes and when taken in aggregate are not considered pervasive to the system of internal control as a whole" The ARC has also considered reports from Anchor's management and governance structures and policies, the outputs of the risk management processes and evidence from external regulatory bodies such as the Care Quality Commission, Homes & Communities Agency and the Charity Commission and from quality assurance and accreditation bodies It has also reviewed the fraud register maintained in accordance with regulatory requirements

The ARC regularly reviews the 'whistle-blowing' policy during the year and continues to have responsibility for oversight of this

Executive Management Board

The Executive Management Board is responsible for the operation of the internal control environment within Anchor

Risk management procedures are applied throughout Anchor to support the achievement of the organisation's objectives, with key strategic risks and the action taken to mitigate them reported to the Audit & Risk Committee and the Board Risk identification and mitigation planning is included in the business planning process and also in the project management methodology adopted across Anchor

The Executive Management Board has been diligent in taking action to mitigate risk where this has been needed Where improvements in internal control have been needed steps have been taken to ensure that systems and controls are improved and that material error or misstatement has not occurred

Board, Directors and Advisers

Patron

HRH Princess Alexandra

Members of the Board
Chairman

Aman Dalvi OBE

Members*

Paul Doona
Angela Horsman
Stephen Jack
Lesley James CBE
Rima Makarem
Graham Watts
Chris Wood

Executive Management Board**
Chief Executive

Jane Ashcroft

Chief Financial Officer

David Springthorpe

Members

David Edwards
Sue Ingrouille
Ian Morris
Howard Nankivell
Gill Powell

Registered Office

2nd Floor
25 Bedford Street
London
WC2E 9ES

External Auditors

KPMG LLP

Internal Auditors

PricewaterhouseCoopers LLP

Bankers

Lloyds Banking Group PLC

Investment Managers

Schroder Investment Management Limited

Solicitors

Eversheds LLP

Treasury Advisers

TradeRisks Limited

* Members are classified as Directors for the purposes of the Companies Act 2006

** Members of the Executive Board are not classified as Directors for the purposes of the Companies Act 2006

Directors' Report

Legal status

Anchor Trust is a Company limited by guarantee (number 3147851) It is registered under the Housing Act 1996 (registration number LH4095) and is a charity (number 1052183)

Review of the business

A review of the business is provided in the Chairman s Statement, Chief Executive's Statement and the Operating and Financial Review

Directors

The Directors at 31 March 2012 and the date of approval of the Financial Statements are those listed on page 18

On 1 January 2012 Rima Makarem and Stephen Jack were appointed as Board members On 1 April 2011 the membership of the Executive Management Board was expanded to include Ian Morris, Howard Nankivell and Gill Powell David Edwards and Sue Ingrouille joined the Executive Management Board when they joined Anchor on 18 July 2011 and 1 February 2012 respectively
A Director of Operations is being actively recruited to replace Sara Mckee, who resigned as a member of the Executive Management Board on 31 March 2012

Employment – equality and diversity

Our people strategy aims to cultivate motivated and supported staff who understand how they contribute to the organisation Anchor consults with employees, who we call colleagues, in a range of ways, both formally and informally

Anchor strives to comply with employment legislation and seeks to ensure that we employ a richly diverse and skilled workforce

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the individuals concerned In the event of members of staff becoming disabled, every effort is made to ensure that their employment within Anchor is continued and any necessary adaptations to their working environment or routine are made

Health and Safety

Anchor's Health and Safety performance continues to be satisfactory with health and safety measures being included in the key performance indicators and compliance in areas such as gas safety, electrical safety and lift maintenance being consistently good Senior management provide clear and strong direction in striving for high standards of health and safety compliance and there is a health and safety management system in place to achieve this A health and safety plan is in place with clear targets to further improve health and safety performance

Donations

Neither Anchor nor any of its subsidiaries made any charitable donations, political donations or incurred any political expenditure during the year

Creditor payment policy

It is Anchor's policy to settle the terms of payment with any suppliers when agreeing the terms of each transaction, to ensure that those suppliers are made aware of the terms of payment, and to abide by them Generally Anchor pays its creditors within 30 days

At the year end, there were 22 days (2011 30 days) worth of purchases in trade creditors

Post balance sheet events

There were no post balance sheet events that require disclosure in the Financial Statements

Going concern

After making enquiries and examining major areas which could give rise to significant financial exposure the Directors are satisfied that no material or significant exposures exist other than as reflected in these financial statements and that Anchor has adequate resources to continue its operations for the foreseeable future For this reason they continue to adopt the going concern basis in preparing the Financial Statements

Auditor

KPMG LLP have expressed their willingness to continue in office as auditor to Anchor A resolution proposing their reappointment will be made at the Annual General Meeting

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information (as defined in Section 418(2) of the Companies Act 2006) of which the Company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Financial Statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit for that period

In preparing these Financial Statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice 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 company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the Financial Statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

By order of the Board

David Edwards
Company Secretary
12 July 2012

Independent Auditor's Report to the members of Anchor Trust

We have audited the Financial Statements of Anchor Trust Group and Company ('the Company') for the year ended 31 March 2012 (set out on pages 22 to 48) The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members 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 Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 20, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of affairs of the Company as at 31 March 2012 and of its surplus for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Chris Wilson (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Statutory Auditor

Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD
12 July 2012

Consolidated Income and Expenditure Account

for the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Turnover			
Continuing operations		263,756	256 630
Discontinued operations		3,706	24,166
Total turnover	4	267,462	280,796
Operating costs	4	(242,071)	(261,416)
Operating surplus Continuing operations		25,534	17,479
Operating (deficit)/surplus Discontinued operations		(143)	1,901
Operating surplus before exceptional items	4	25 391	19 380
Exceptional items	5	451	(3,957)
Operating surplus Continuing operations		25,534	15,608
Operating surplus/(deficit) Discontinued operations		308	(185)
Operating surplus		25,842	15,423
Surplus on disposal of fixed assets	14	3,721	63
Surplus on disposal of discontinued operations	4	323	–
Interest receivable and other income	10	2,874	2,814
Interest payable and similar charges	11	(10,562)	(8,001)
Surplus for the year		**22,198**	**10,299**

Statement of total recognised surpluses and deficits

	Note	2012 £'000	2011 £'000
Surplus for the year		22,198	10,299
Actuarial (loss)/gain on pension fund	26	(12,467)	11,227
Total recognised surplus for the year		**9,731**	**21,526**

Note of historical cost surpluses and deficits

	Note	2012 £'000	2011 £'000
Reported surplus for the year		22,198	10,299
Realised investment gains	15	–	–
Historical cost surplus for the year		**22,198**	**10,299**

The accompanying accounting policies and notes on pages 26 to 48 form an integral part of these financial statements

Consolidated Balance Sheet

as at 31 March 2012

	Note	£'000	2012 £'000	£'000	2011 £'000
Intangible Fixed Assets					
Goodwill	13		153		205
Tangible Fixed Assets					
Housing properties – gross cost less depreciation	14	906,670		888,030	
Less Social housing grant	14	(535,706)		(543,827)	
Other capital grants and receipts	14	(52 478)		(53 074)	
			381,486		291,129
Other tangible fixed assets	14		1,734		4,432
Investments	15		2,878		2,729
			323,251		298,495
Current Assets					
Stocks	16	5,802		11,069	
Debtors amounts due after more than one year	17	21,976		22,239	
Debtors amounts due within one year	18	18,778		19,144	
Short-term deposits and investments	19	52 209		49,045	
Cash at bank		30,496		10 992	
		129,261		112,489	
Creditors amounts falling due within one year	20	(47,904)		(47,560)	
Net current assets			81,357		64,929
Total assets less current liabilities			**404,608**		**363,424**
Creditors amounts falling due after more than one year	21		141 876		114,699
Provisions and pension liability					
Provisions for liabilities and charges	22		1,726		4,649
Pension liability	26		36 779		29 569
Capital and Reserves					
Restricted reserves	28		357		368
Income and Expenditure reserve	28		223,870		214,139
			404,608		**363,424**

The financial statements on pages 22 to 48 were approved by the Board on 12 July 2012 and signed on its behalf by

Chairman
Aman Dalvi

Director
Graham Watts

Company Balance Sheet

as at 31 March 2012

	Note	£'000	2012 £'000	£'000	2011 £'000
Intangible Fixed Assets					
Goodwill	13		104		155
Tangible Fixed Assets					
Housing properties – gross cost less depreciation	14	894,425		875,443	
Less Social housing grant	14	(535,706)		(543,827)	
Other capital grants and receipts	14	(52,478)		(53,074)	
			306 241		278,542
Other tangible fixed assets	14		1,734		4,432
Investments	15		2,878		2,729
Investments in subsidiary undertakings	15		2,301		2,301
			313,258		288,159
Current Assets					
Stocks	16	5,802		11,069	
Debtors amounts due after more than one year	17	41 368		40,822	
Debtors amounts due within one year	18	17,656		19,144	
Short-term deposits and investments	19	52,209		49,045	
Cash at bank		29 621		10,957	
		146,656		131,037	
Creditors amounts falling due within one year	20	(45,536)		(47,358)	
Net current assets			101,120		83,679
Total assets less current liabilities			**414,378**		**363,424**
Creditors amounts falling due after more than one year	21		141,876		114,699
Provisions and pension liability					
Provisions for liabilities and charges	22		1,726		4,649
Pension liability	26		36,779		29,569
Capital and Reserves					
Restricted reserves	28		357		368
Income and Expenditure reserve	28		233,640		222,553
			414,378		**371,838**

The financial statements on pages 22 to 48 were approved by the Board on 12 July 2012 and signed on its behalf by

Chairman
Aman Dalvi

Director
Graham Watts

Consolidated Cash Flow Statement

for the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Net cash inflow from operating activities	29 1	49,558	46,380
Returns on investments and servicing of finance			
Net cash outflow from returns on investments and servicing of finance	29 4	(3,617)	(5,201)
Capital expenditure and finance investment			
Net cash outflow from capital expenditure and financial investment	29 4	(47,925)	(16,470)
Net cash (outflow)/inflow before use of liquid resources and financing		(1,984)	24,709
Management of liquid resources			
Net cash outflow from management of liquid resources	29 4	(3,164)	(20,045)
Net cash (outflow)/inflow before financing		(5,148)	4,664
Financing			
Net cash inflow/(outflow) from financing	29 4	24,652	(2,788)
Increase in cash		**19,504**	1,876

The accompanying accounting policies and notes on pages 26 to 48 form an integral part of these financial statements

Notes to the Financial Statements

1 Basis of accounting

The financial statements have been prepared on a going concern basis under the historical cost convention as modified by the revaluation of fixed asset investments and in accordance with accounting standards applicable in the United Kingdom They have been prepared in accordance with the Accounting Requirements for Registered Social Landlords General Determination 2006 and the Statement of Recommended Practice Accounting by Registered Social Landlords Updated 2010 ('SORP' or 'SORP Updated 2010'), which was adopted in the previous year

2 Basis of consolidation

The Group financial statements comprise those of Anchor Trust and its subsidiary undertakings

3 Principal accounting policies

i Turnover

Turnover is net of voids and Value Added Tax and includes

- Rents and service charges from social housing lettings and leasehold management
- Residential care home charges
- Home care charges
- Revenue grants
- Sales of leasehold properties
- Supporting People contract income
- Charges to Staying Put clients

Turnover has been analysed in accordance with the requirements of Accounting Requirements for Registered Social Landlords General Determination 2006 (see note 4)

Charges for services provided and Supporting People income are recognised as income when Anchor has provided the service concerned Grants made as contributions to revenue expenditure are credited to income in the period in which the related expenditure is incurred

Income from the sale of leasehold properties is recognised as turnover at the completion date of the sale of the property

Voids represent rent losses arising from vacant accommodation and the amount is shown in Note 4 3 as required by the Registered Social Landlords General Determination 2006

ii Interest payable

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either

a) interest on borrowings specifically financing the development programme after deduction of interest on social housing grant received in advance, or

b) interest on borrowings of Anchor Trust as a whole after deduction of interest on social housing grant received in advance to the extent that they can be deemed to be financing the development programme

No interest was capitalised in the current or previous financial year

Other interest payable is charged to the income and expenditure account in the year

iii Pensions

Defined contribution pension costs are charged to the income and expenditure account in the year they are incurred

In respect of defined benefit pensions the pension costs charged against income are based on an actuarial method and actuarial assumptions Before the current financial year, these were designed to provide the anticipated pension cost over the average service lives of the employees in the scheme in a way that sought to ensure that the regular pension cost represented a broadly level percentage of the current and expected future pensionable payroll in the light of current actuarial assumptions Variations from the current costs were spread over the the average service lives of the employees in the scheme in a way that seeks to ensure that the regular pension cost represents a broadly level percentage of the current and expected future pensionable payroll in the light of current actuarial assumptions Variations from the current cost were spread over the remaining service lives of current employees in the pension scheme

As the scheme was closed to further accrual at the start of the financial year, the anticipated pension costs are primarily the scheme expenses and there is no remaining service life of employees assumed for the scheme

iv Taxation

Income and capital gains of Anchor Trust are exempt from tax where arising from charitable purposes

v Leases

As Lessee

Assets financed by leasing agreements which give rights approximating to ownership (finance leases) have been capitalised at their fair value and depreciation is provided on the basis of the Group depreciation policy The capital elements of future obligations under finance leases are included as liabilities in the balance sheet and the current year's interest element, having been allocated to accounting periods to give a constant periodic rate of charge on the outstanding liability is charged to the income statement The annual payments under all other lease arrangements, known as operating leases, are charged to the income statement on a straight-line basis

As Lessor

Upon completion of properties the development costs incurred under a PFI contract are converted to a finance lease debtor This debtor represents the total amount outstanding under the lease agreements less unearned income Finance lease income, having been allocated to accounting periods to give a constant periodic rate of return on the net investment, is included in turnover

vi Housing properties

Retirement housing and residential care home properties are stated at cost less social housing grant, other capital grants and depreciation

Shared Ownership for the Elderly ('SOE') schemes are held at the outstanding interest in the properties less social housing grant retained and depreciation The outstanding interest in SOE schemes is stated at cost, plus cost of equity subsequently repurchased by Anchor Trust Proceeds from first tranche disposals are accounted for in the income and expenditure account in the year in which the disposal occurs

Cost for housing properties includes the cost of acquiring land and buildings, construction costs including internal equipment and fittings, cost of capital employed during the development period and expenditure incurred in respect of improvements and extension of existing properties to the extent that it enhances the economic benefit derived from the assets

The costs of housing properties are split between the structure and those major components which require periodic replacement Replacement or restoration of such major components is capitalised and depreciated over the average estimated useful life which has been set taking into account professional advice, the Group's asset management strategy and the requirements of the Decent Homes Standard The lives attributable to assets capitalised in this way range from four to 35 years

Housing properties in the course of construction are held at cost and are not depreciated They are transferred to completed properties when ready for letting or sale

The asset lives used are as follows

Housing properties and residential care homes between 25 and 50 years except where the economic life of the property is dependent on a revenue support agreement in which case the life used is the initial term of that agreement

For individual components the assets lives used are as follows

Bathrooms and kitchens	10 years
Windows	15 years
SOE schemes	99 years

For all properties, impairment reviews are carried out on an annual basis in accordance with Financial Reporting Standard 11

The depreciation policy relating to Housing Properties follows the SORP Updated 2010 on Accounting by Registered Social Landlords Depreciation is calculated on cost net of any grant received

vii Social housing grant

Social housing grant is receivable from central government agencies and local authorities and is offset against the cost of housing properties on the face of the balance sheet The purpose of social housing grant is to subsidise the capital cost of affordable housing

Social housing grant due from such agencies or received in advance is included as a current asset or liability

Where, following the sale of the property, social housing grant becomes repayable, to the extent that it is not subject to abatement, it is included as a liability until it is repaid or utilised

Any social housing grant received in respect of revenue expenditure is credited to the income and expenditure account in the same year as the expenditure to which it relates

viii Other grants

The capital costs of housing properties are stated net of capital grants, other than social housing grant, receivable from public bodies

Grants in respect of revenue expenditure are credited to the income and expenditure account in the same year as the expenditure to which they relate

ix Other tangible fixed assets

All other tangible fixed assets are included at cost less depreciation

Depreciation is provided on a straight line basis on the cost of the asset less the estimated residual value on all tangible fixed assets except land

The asset lives used are as follows

Motor vehicles	4 years
Computer equipment	2 4 years
Office equipment and fittings	4 years

x Investments

All investments are stated at market value at the balance sheet date Investments that are intended to be held to generate returns for use on a continuing basis in the activities of Anchor Trust are classified as fixed assets

Investments held as part of short term treasury management for a planned expenditure purpose are classified as current assets

xi Restricted reserves

Restricted reserves are funds received, the use of which is restricted by general law or by the terms on which the funds were given

These include funds where the donor has made a donation to be spent for a particular purpose or in a particular geographical area

xii Impairment

When a review of individual fixed assets or income generating units indicates an impairment this is recognised in the income and expenditure account and included within cumulative depreciation

xiii Stock

Stock comprises properties available for resale and goods for consumption, which are shown at cost This is considered to be a reasonable approximation to the lower of cost and net realisable value

xiv Positive goodwill

Where the fair value consideration for an acquired business exceeds the fair value of its separable net assets, the difference is treated as purchased goodwill and is capitalised and amortised through the income and expenditure account over its estimated economic life The estimated useful economic life of goodwill is four to 10 years

xv Financing costs

The initial cost of raising finance is charged to the income and expenditure account when incurred

xvi Provisions for liabilities

A provision is made when Anchor Trust has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligations Anchor Trust closes retirement housing and care homes that are not financially viable in the ordinary course of business and provision is made accordingly

xvii Related parties

Anchor Trust has taken advantage of the exemption contained in Financial Reporting Standard 8 and has, therefore, not disclosed transactions between Group companies that are eliminated on consolidation
All transactions between Group companies are on commercial terms

4 Particulars of turnover, operating costs and operating surplus

4 1 Analysis of turnover

	Social housing lettings £'000	Home care £'000	Non-social housing activities £'000	Central overheads and income £'000	2012 Total £'000	2011 Total £'000
Turnover						
Continuing	241 722	5,575	15,109	1,350	263,756	256,630
Discontinued	-	3,706	-	-	3,706	24,166
Turnover	241,722	9,281	15,109	1,350	267,462	280,796
Operating costs	(212,315)	(9,959)	(11,594)	(8,203)	(242,071)	(261,416)
Operating surplus						
Continuing	29,407	(535)	3,515	(6,853)	25,534	17,479
Discontinued	-	(143)	-		(143)	1,901
Operating surplus before exceptional items	**29,407**	**(678)**	**3,515**	**(6,853)**	**25,391**	**19,380**

Social housing lettings comprise income from retirement housing and from residential care homes (see note 4 3)

Home Care income comprises income from care services delivered into customer's homes

The home care domiciliary care business was sold during the year to another provider After business disposal costs a net surplus of £323,000 (2011 £nil) was generated from the disposal of discontinued operations In 2011 discontinued operations comprised this domiciliary care business and the Home Improvement business, Anchor Staying Put

4 2 Particulars of turnover from non-social housing activities

	2012 £'000	2011 £'000
Leasehold management	3,169	2 878
Sales of leasehold properties	10,800	12,952
Other activities	1,140	680
Total	**15,109**	**16,510**

All turnover has been derived from activities within the United Kingdom

4 3 Particulars of turnover and operating costs from social housing lettings

	Retirement housing to let £'000	Residential care homes £'000	Total 2012 £'000	Total 2011 £'000
Turnover				
Net rents receivable (excluding service charge income)	75,339	116,396	191,735	184 027
Charges for support services	5,242		5,242	5 130
Service income	40,058	-	40,058	40,444
Net rental income	120,639	116,396	237,035	229,601
Other revenue grants	17	644	661	649
Other income from social housing lettings	3,666	360	4,026	3,439
Turnover from social housing lettings	**124,322**	**117,400**	**241,722**	**233,689**
Operating costs				
Management	24,135	15,462	39,597	39,491
Services	38,894	84,567	123,461	120,785
Routine maintenance	9,062	1,367	10,429	9,756
Planned maintenance	7,377	2,380	9,757	15,642
Bad debts	528	211	739	380
Lease charges	97	420	517	402
Depreciation of housing properties	16,845	10,822	27,667	23,073
Other costs	113	35	148	2,075
Operating costs on social housing lettings	97 051	115,264	212,315	211,604
Operating surplus on social housing lettings	**27,271**	**2,136**	**29,407**	**22,085**
Voids	(3,274)	-	(3,274)	(4,200)

The net rents receivable and service income within turnover above for 2011 has been re categorised on a consistent basis with 2012

4 4 Property numbers

	Retirement housing leashold units	Retirement housing units to let	Residential care homes units
Unit numbers available as at 1 April 2011	6 839	23 858	4,285
Additions	38	28	8
Disposals/De registered	(94)	(970)	(3)
Unit numbers available as at 31 March 2012	**6,783**	**22,916**	**4,290**

5. Exceptional items

The exceptional items arising are as follows

	2012 £'000	2011 £'000
Business restructuring costs	-	1,871
Business disposal (credit)/costs	(451)	2,086
Total exceptional items included in operating surplus	**(451)**	**3,957**

Exceptional income of £451,000 (2011 £2,086,000 cost) related to discontinued operations and £nil (2011 £1,871,000 cost) related to continuing operations

In 2012 the exceptional credit arose from the release of unutilised provisions relating to the separation costs for Anchor Staying Put In 2011, the exceptional charges arose primarily from restructuring costs related to introducing a regional structure to operations teams and from the separation costs for Anchor Staying Put

6 Impairment of land and buildings

An impairment review of assets has been undertaken as required by Financial Reporting Standard 11 The review concluded that no impairment charge was required for the year (2011 £nil)

7 Operating surplus before exceptional items

Operating surplus is stated after charging

	2012 £'000	2011 £'000
Depreciation of tangible owned fixed assets – housing properties	26,949	24,923
Depreciation of tangible owned fixed assets – other	2,116	2,465
Amortisation of positive goodwill	52	177
Operating lease rentals – land and buildings	2,017	2,167
Auditor's remuneration		
In their capacity as auditor	120	121
In respect of other services	246	271

8 Directors' emoluments

The Directors are defined as the members of the Board and members of the Executive Management Board Members of the Board are defined as Directors for the purposes of the Companies Act 2006 Members of the Executive Management Board are not classified as Directors under the Companies Act 2006 Four employees already employed by Anchor joined the Executive Management Board in the financial year and one additional post was created to join the Executive Management Board in the financial year Consequently all their salaries and benefits are included as Directors' emoluments In addition the Board was expanded by two members

	2012 £'000	2011 £'000
Payments to Board members during the year	126	120
Total expenses reimbursed to members of the Board not chargeable to United Kingdom tax	3	2
Total aggregate remuneration payable in respect of the Executive Management Board were		
Emoluments (excluding benefits in kind)	1,279	818
Benefits in kind	43	24
Pension contributions	172	100
Compensation paid in respect of loss of office	252	-
	1,746	**942**
Payments to the highest paid Director		
Total emoluments, excluding pension contributions and compensation in respect of loss of office	319	333
Defined benefit pension scheme		
Accrued pension of the highest paid Director	43	41

The highest paid Director was the Chief Executive who received a base salary of £275,000 (unchanged for 2009/10 and 2010/11) and a bonus for the year of 10% of base salary (2011 15%) The Chief Executive is entitled to a car allowance The value of the car allocated, as a benefit in kind, was £11,921 (2011 £11,184) and the balancing amount was paid as an allowance of £4,159 (2011 £5,192), in accordance with Anchor's policy The Chief Executive was an ordinary member of the Anchor Trust defined benefit scheme before it was closed to further contributions on 1 April 2011 and is an ordinary member of the Anchor Trust defined contribution scheme No special terms apply Employer s contribution in respect of the Chief Executive's pension in the year was £54,999 (2011 £39 325) No contribution was made to any other individual pension schemes

9 Employee costs and numbers

9 1 Employee costs·

	2012 £'000	2011 £'000
Wages and salaries	113,081	119,865
Social security costs	7,981	9,101
Pension costs	1,039	2 023
	122,101	**130,989**

9 2 The average number of employees, including part time staff, during the year was

	2012 Number	2011 Number
Office staff	773	776
Operational staff	8,370	9,295
	9,143	**10,071**

9 3 The full time equivalent number of employees during the year was

	2012 Number	2011 Number
Office staff	722	720
Operational staff	5,966	6,522
	6,688	**7,242**

The full time equivalent number of employees for 2011 and 2012 includes those employees who have entered into contracts of employment with Anchor but have no contractual minimum or fixed hours of work

10 Interest receivable and other income

	2012 £'000	2011 £'000
Interest receivable	2,432	2,171
Exchange rate gain	149	447
Other income	293	196
	2,874	**2,814**

11 Interest payable and similar charges

	2012 £'000	2011 £ 000
On bank loans, overdrafts and other loans repayable wholly or partly in more than five years	6,013	6,010
Finance lease interest	4,549	1,736
Other interest payable	-	255
	10,562	**8,001**

No interest was capitalised in the current or previous financial year

12 Taxation charge

	2012 £'000	2011 £'000
The taxation charge comprises		
United Kingdom corporation tax at 26% (2011 28%)		
	-	-

The tax assessed for the period is lower than that resulting from applying the standard rate of 26% (2011 28%) corporation tax in the UK The differences are explained below

	2012 £'000	2011 £ 000
Surplus for the year	22,198	10,299
Tax on surplus at standard rate of 26% (2011 28%)	(5 771)	(2,884)
Factors affecting charge for the year		
Losses utilised	143	-
Charitable surplus exempt from taxation	5 628	2,884
	-	-

Anchor Trust is exempt from UK corporation tax on activities which fall under its charitable objects

13 Intangible fixed assets

Goodwill	Group £'000	Company £'000
At 1 April 2011	205	155
Amortisation for the year	(52)	(51)
As at 31 March 2012	**153**	**104**

14 Tangible fixed assets

14 1 Housing properties – Group

	Retirement housing £'000	Residential care homes £'000	Housing properties under construction £'000	Shared ownership schemes £'000	**Total housing properties £'000**
Cost					
At 1 April 2011	842,386	198,843	25,222	5,300	1,071 751
Additions	26,111	6,019	27,069		59,199
Transfers	(724)	1,949	724	-	1,949
Disposals	(20,984)	(1,235)	(47)		(22,266)
As at 31 March 2012	846,789	205,576	52,968	5,300	1,110,633
Depreciation					
At 1 April 2011	104,195	66,175	13,349	2	183,721
Provided in the year	16 647	10,302	-	-	26,949
Transfers	-	34		-	34
Disposals	(6,381)	(360)		-	(6,741)
As at 31 March 2012	114,461	76,151	13,349	2	203,963
Net book value at 31 March 2012	732,328	129,425	39,619	5,298	906,670
Net book value at 31 March 2011	738,191	132,668	11,873	5 298	888,030
Social housing grant ('SHG)					
At 1 April 2011	499,045	38,371		6,411	543,827
Transfer to Recycled Capital Grant Fund	(4,804)	-		-	(4,804)
Transfer from Recycled Capital Grant Fund	2,536	292	-		2 828
Disposals	(6,145)	-	-	-	(6,145)
As at 31 March 2012	490,632	38,663	-	6,411	535,706
Other capital grants					
At 1 April 2011	29,785	23,287		2	53,074
Transfers	(49)	-			(49)
Disposals	(47)	(500)	-	-	(547)
As at 31 March 2012	29,689	22,787	-	2	52,478
Total SHG and other capital grants as at 31 March 2012	520,321	61,450	-	6,413	588,184
Total SHG and other capital grants as at 31 March 2011	528,830	61,658	-	6,413	596 901
Overall net book value as at 31 March 2012	212,007	67,975	39,619	(1,115)	318,486
Overall net book value as at 31 March 2011	209 361	71,010	11,873	(1,115)	291,129

14 2 Housing properties – Company

	Retirement housing £'000	Residential care homes £'000	Housing properties under construction £'000	Shared ownership schemes £'000	Total housing properties £'000
Cost					
At 1 April 2011	841,672	198,843	1,850	5,300	1,047,665
Additions	26,111	6 019	27,412	-	59,542
Transfers	(724)	1,949	724	-	1,949
Disposals	(20,984)	(1,235)	(48)	-	(22,267)
As at 31 March 2012	846,075	205,576	29,938	5,300	1,086,889
Depreciation					
At 1 April 2011	104,195	66,175	1,850	2	172,222
Provided in the year	16,647	10,302		-	26,949
Transfers	-	34	-	-	34
Disposals	(6,381)	(360)	-		(6,741)
As at 31 March 2012	114,461	76,151	1,850	2	192,464
Net book value at 31 March 2012	731,614	129,425	28,088	5,298	894,425
Net book value at 31 March 2011	737,477	132,668	-	5,298	875,443
Social housing grant ('SHG')					
At 1 April 2011	499,045	38,371		6,411	543,827
Transfer to Recycled Capital Grant Fund	(4,804)	-		-	(4,804)
Transfer from Recycled Capital Grant Fund	2,536	292	-	-	2,828
Disposals	(6,145)	-	-	-	(6,145)
As at 31 March 2012	490,632	38,663	-	6,411	535,706
Other capital grants					
At 1 April 2011	29,785	23,287	-	2	53,074
Transfers	(49)	-	-	-	(49)
Disposals	(47)	(500)	-		(547)
As at 31 March 2012	29 689	22,787	-	2	52,478
Total SHG and other capital grants as at 31 March 2012	520,321	61,450	-	6,413	588,184
Total SHG and other capital grants as at 31 March 2011	528,830	61 658	-	6,413	596,901
Overall net book value as at 31 March 2012	211 293	67,975	28,088	(1,115)	306,241
Overall net book value as at 31 March 2011	208 647	71,010	-	(1,115)	278,542

14.3 Housing properties held under finance leases – Group and Company

The balances for residential care homes include four residential care homes held under finance leases at gross cost £11,878,000 (2011 £11,878,000) with accumulated depreciation of £7,338,000 (2011 £3,857,000) The depreciation charge during the year was £3,481,000 (2011 £509,000)

14.4 Other tangible fixed assets – Group and Company

	Office equipment and fittings £'000	Motor vehicles £'000	Total other tangible fixed assets £'000
Cost			
At 1 April 2011	13,898	34	13,932
Additions	1,297	-	1,297
Transfers	(2,064)	115	(1,949)
Disposals	(215)		(215)
As at 31 March 2012	**12,916**	**149**	**13,065**
Depreciation			
At 1 April 2011	9,467	33	9,500
Provided in the year	2,115	1	2,116
Transfers	(149)	115	(34)
Disposals	(251)	-	(251)
As at 31 March 2012	**11,182**	**149**	**11,331**
Net book value at 31 March 2012	1,734	-	1,734
Net book value at 31 March 2011	4,431	1	4,432

14 5 Housing properties

Additions to housing properties in the course of construction during the period included capitalised interest of £nil (2011 £nil)

	Group		Company	
The net book value of housing properties at the balance sheet date comprises	**2012 £'000**	2011 £'000	**2012 £'000**	2011 £'000
Freehold land and buildings	285,540	251,237	273,295	238,650
Long leasehold land and buildings	32,946	39 892	32,946	39,892
	318,486	**291,129**	**306,241**	**278,542**

The total amount of social housing grant received or receivable as at the balance sheet date was £535,706,000 (2011 £543,827,000)

14 6 Expenditure works to housing properties

	Note	2012 £'000	2011 £'000
Total expenditure works to housing properties		41,887	43 104
of which			
Amounts capitalised		32,130	27,462
Amounts charged to income and expenditure (Planned maintenance)	4 3	9,757	15,642

14 7 Surplus on disposal of housing properties

	2012 £'000	2011 £'000
Receipts from disposal of housing properties	15 497	14,593
Net book value of property disposals	(3,869)	(2,434)
Transfer to Recycled Capital Grant Fund	(4,804)	(5 454)
Other disposal costs	(3,103)	(6,642)
Surplus on disposal of housing properties	3,721	63

15 Fixed asset investments

15 1 Fixed asset investments – Group and Company

	£'000
Market value at 1 April 2011	2,729
Additions at cost	-
Realised investment gains	149
Market value at 31 March 2012	2,878
Historic cost at 31 March 2012 (2011 £2 730,000)	2,730

15 2 Fixed asset investments – Subsidiary undertakings

	Company £'000
Cost at 1 April 2011 and 31 March 2012	2,301

The following subsidiary undertakings are controlled by Anchor Trust and are registered in England and Wales

Company	Nature of business	Share capital
Anchor Lifestyle Developments Limited	Residential care homes and housing development	£1
Anchor 2020 Limited	Design and construction services	£1
Anchor Trust Trading Limited	Dormant	£1,000
AMSA Retirement Homes Limited	Dormant	£100
Rain Healthcare Services Limited	Dormant	£1,000

Anchor Trust is regarded as the parent company for these companies on the grounds that it either owns 100% of the issued share capital or it has the right to nominate Directors

16 Stock – Group and Company

	2012 £'000	2011 £'000
Properties for resale	5,669	10,942
Raw materials and consumables	133	127
	5,802	11,069

Stocks of raw materials and consumables relate to catering supplies within residential care homes

17 Debtors amounts falling due after more than one year

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Finance debtor	20,368	20 697	20,368	20,697
Amounts due from subsidiary undertakings	-		19,392	18,583
Amounts due from related companies	1,258	1,369	1,258	1,369
Other debtors	350	173	350	173
	21,976	22,239	41,368	40,822

Upon completion of properties the development costs incurred under a PFI contact have been converted to a finance debtor in line with Anchor's accounting policy

Amounts due from related companies comprise amounts due from Burnbank House Limited, a company registered in England and Wales of which Anchor Trust owns 25% of the company's share capital

Transactions with Burnbank House Limited are as follows Interest receivable for 2012 £111,000 (2011 £111,000) and rent payable for 2012 £113,000 (2011 £113,000) In addition a dividend of £nil (2011 £196,000) was received in the year from Burnbank House Limited

18 Debtors· amounts falling due within one year – Group and Company

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Rental debtors	7,961	7,490	7,961	7,490
Less Provision for bad and doubtful debts	(1,111)	(1,093)	(1,111)	(1,093)
	6 850	6,397	6 850	6,397
Trade debtors	803	3,947	803	3,947
Prepayments	6 638	5 616	6 638	5 616
Other debtors and accrued income	4,487	3,184	3,365	3,184
	18,778	19,144	17,656	19,144

19 Short-term deposits and investments – Group and Company

	2012 £'000	2011 £'000
Short-term bank deposits	27,900	24,900
Money market fund investments	24,309	24,145
	52,209	49,045

20 Creditors amounts falling due within one year

	Note	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Trade creditors		4,720	4,247	4 775	3,718
Rents received in advance		3,065	2,372	3,065	2 372
Surpluses carried forward on variable service charge schemes		2 072	3,159	2,072	3,159
Recycled capital grant fund	21	454	318	454	318
Housing loans current instalments due on loans	23	680	817	680	817
Obligations under finance leases	25	83		83	-
Social security and other taxes		2,318	2,809	2,318	3,136
Other creditors		7,861	8,807	7,861	8,807
Accruals and deferred income		26,651	25,031	24,228	25,031
		47,904	**47,560**	**45,538**	**47,358**

21 Creditors: amounts falling due after more than one year – Group and Company

	Note	2012 £'000	2011 £'000
Recycled capital grant fund		6,559	4,687
Housing loans	23	109,661	84,872
Obligations under finance leases	25	13,138	13,243
Loan stock		323	334
Major repairs sinking funds for leasehold schemes		9,732	8,643
Other creditors		2,463	2,920
		141,876	**114,699**

Major repairs sinking funds for leasehold schemes

Major repairs sinking funds are maintained for most leasehold retirement estates to provide for repairs of a long term nature Contributions are normally received from leasehold customers on the resale of properties by reference to the length of occupation and original purchase price of the property Some leasehold customers contribute through the service charge

Recycled capital grant fund	2012 £'000	2011 £'000
Fund at 1 April	5 005	3,085
Transferred to fund during the year	4 804	5,454
Utilised during the year	(2,828)	(3,562)
Interest credited to fund	32	28
Fund at 31 March	**7,013**	**5,005**
Falling due within one year	454	318
Falling due after more than one year	6,559	4,687
	7,013	**5,005**

22 Provisions for liabilities and charges – Group and Company

	Note	2012 £'000	2011 £'000
Balance as at 1 April		4,649	3,287
Balances utilised in the year		(2,491)	(1,945)
Balances released in the year	5	(451)	-
Provisions raised during the year		19	3,307
Balance as at 31 March		**1,726**	**4,649**

Provisions comprise £1,101,000 (2011 £1,331,000) for onerous lease provisions under Financial Reporting Standard 12, £278,000 (2011 £1,217,000) restructuring costs and £332,000 (2011 £2,086,000) relating to business disposal costs together with £15,000 (2011 £15,000) in relation to tax liabilities

23 Housing loans – Group and Company

All Housing Loans from Orchardbrook Limited, HACO, local authorities and banks are secured by charges on Anchor Trust's housing properties and are repayable at varying rates of interest as follows

		2012 £'000	2011 £'000
Fixed rates			
Orchardbrook Limited	Interest payable at 11 615%	29,213	29,265
HACO	10 625% debenture stock 2017	15,000	15,000
Banks	Between 6 15% - 6 58%	10 000	10 000
Local authorities	Between 9 1% - 13 0%	17	56
	Between 13 10% - 16 12%	105	130
Other	Between 0 0% - 3 0%	590	819
		54,925	55,270
Variable rates			
Banks	0 175% - 0 450% above LIBOR	55 000	30,000
Orchardbrook Limited	Interest payable 1 81%	376	388
Local authorities	Between 0 0% - 9 0%	40	31
		55,416	30,419
Total housing loans		**110,341**	**85,689**

Repayment instalments fall due as follows	2012 £'000	2011 £'000
In one year or less	680	817
Greater than one year, but less than two	161	149
Greater than two years, but less than five	2,591	1,541
In five years or more	106,909	83,182
	110,341	**85,689**

24. Operating lease obligations – Group and Company

Anchor Trust leases a number of properties and motor vehicles under operating leases The annual commitments under non-cancellable operating leases are set out below

	Properties £'000	Motor Vehicles £'000	2012 Total £'000	2011 £'000
Operating leases which expire				
Within one year	224	100	324	204
In the second to fifth years	439	633	1,072	1,278
Over five years	1,089		1,089	1,305
	1,752	**733**	**2,485**	**2,787**

25 Finance lease obligations – Group and Company

Obligations under finance leases are payable as follows

	Gross obligations £'000	Future finance charges £'000	2012 Net obligations £'000	2011 Net obligations £'000
In one year or less	1,811	1,728	83	-
Between two and five years	6,215	5,126	1,089	777
In five years or more	21 199	9,150	12,049	12,466
Total	**29,225**	**16,004**	**13,221**	**13,243**

26 Pension obligations – Group and Company

Anchor operates two pension schemes for its employees

Defined contribution scheme

A defined contribution scheme was opened on 1 January 2003 The pension cost for this scheme, which represents contributions payable by the Group, was £1,039,000 (2011 £621,000)

Defined benefit scheme

Members of staff employed prior to 1 January 2003 were eligible to join a group life assurance and pension scheme which provides benefits based on final pensionable salary The assets of the scheme are held separately by an independent fund manager, The Pensions Trust After consultation with members, the defined benefit scheme was closed to future contributions from existing members as at 1 April 2011 Anchor will contribute £4,700,000 per year into the scheme for the next seven and a half years

The total Group charge for the year was £16,000 (2011 £2,011,000) The contributions were determined on the basis of actuarial advice using the projected unit method and relate entirely to current service costs Before the scheme closed, Anchor Trust paid contributions at 12 5% of pensionable salaries

The last full actuarial valuation was carried out at 30 September 2009 The next valuation is due at 30 September 2012

Financial Reporting Standard 17 'Retirement Benefits' ('FRS17') disclosures

Anchor applies the provisions of FRS 17 in preparing these accounts
A valuation for the purposes of FRS 17 was prepared as at 31 March 2012 by a qualified independent actuary The assumptions used by the actuary are

	At 31 March 2012 % per annum	At 31 March 2011 % per annum	At 31 March 2010 % per annum
Inflation rate	3 10	3 40	3 50
Rate of increase in salaries	4 60	4 90	5 00
Rate of increase for pensions in payment	1 80	2 20	2 30
Rate of increase for deferred benefits during deferment	3 10	3 40	3 50
Discount rate	4 60	5 50	5 50

The assets in the scheme and the expected rates of return were

	Expected rate of return %	Market value at 31 March 2012 £'000	Expected rate of return %	Market value at 31 March 2011 £'000	Expected rate of return %	Market value at 31 March 2010 £'000
Equities	8 00	75,930	8 00	72,672	8 40	72,258
Bonds	5 10	31,178	5 50	31 705	5 10	27,454
Property	7 00	8,368	7 40	7,875	7 40	7,280
Cash	0 50	1,027	0 50	304	0 50	(13)
Total market value of assets		116,503		112,556		106,979
Present value of scheme liabilities		153,282		142,125		147 438
Net pension liability		**(36,779)**		**(29,569)**		**(40,459)**

Movement in liability during the year

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Liability at the start of the year	(29 569)	(40 459)	(26,146)	(5,335)	(800)
Movement during the year					
Contributions paid	4,980	1,799	2 154	2,380	3,045
Current service cost	(16)	(2,011)	(1,615)	(1,995)	(2,308)
Other finance income/(charge)	293	(125)	(1,439)	510	1,942
Recognised actuarial (loss)/gain	(12,467)	11,227	(13,413)	(21,706)	(7,214)
Liability at the end of the year	**(36,779)**	**(29,569)**	**(40,459)**	**(26,146)**	**(5,335)**

Analysis of the amount charged to operating surplus

	2012 £'000	2011 £'000
Current service cost	16	2,011

Analysis of the amount charged to other finance income

	2012 £'000	2011 £'000
Expected return on assets	7,966	7,936
Interest cost	(7,673)	(8,061)
Net charge to other interest payable	**293**	**(125)**

Analysis of amount recognised in statement of total recognised surpluses and deficits

	2012 £'000	2011 £'000
Actual return less expected return	(2,880)	(392)
Experience gain on scheme liabilities	1,255	1,363
(Loss)/gain on change of assumptions	(10,842)	10,256
Recognised actuarial loss	**(12,467)**	**11,227**

History of experience gains and losses

	2012	2011	2010	2009	2008
Difference between actual and expected returns on assets					
Amount (£'000)	**(2,880)**	(392)	20,907	(31,024)	(13,141)
% of scheme assets	**-2 5**	-0 3	19 5	-37 8	12 3
Experience gain/(loss) on scheme liabilities					
Amount (£'000)	**1,255**	1,363	2,872	103	(8,270)
% of scheme liabilities	**0 8**	1 0	1 9	0 1	-7 4
Total actuarial (loss)/gain recognised in statement of total recognised surpluses and deficits					
Amount (£'000)	**(12,467)**	11,227	(13,413)	(21,706)	(7,214)
% of scheme liabilities	**-8 1**	7 9	9 1	-20 0	6 4

Reconciliation to the balance sheet:

	2012 £'000	2011 £'000
Net assets		
Net assets excluding pension liability	261,006	244,076
Pension liability	(36,779)	(29,569)
Net assets including pension liability	**224,227**	**214,507**
Reserves		
Revenue reserve excluding pension liability	260,649	243,708
Pension liability	(36,779)	(29,569)
Revenue reserve including pension liability	**223,870**	**214,139**

27 Share capital

Anchor Trust is a company limited by guarantee and as such has no share capital

28 Movement on reserves

28 1 Movement on other reserves – Group and Company

	Restricted reserves £'000
At 1 April 2011	368
Utilisation of reserve	(12)
Realised investment surpluses	1
At 31 March 2012	**357**

Restricted reserves represent unspent funds received for specific purposes from external organisations Restricted reserves are only expendable in respect of the projects for which they are received

28 2 Movement on Income & Expenditure Reserve

	Group £'000	Company £'000
At 1 April 2011	214,139	222 553
Surplus for the year	22 198	23 554
Actuarial loss on pension fund assets	(12,467)	(12,467)
At 31 March 2012	**223,870**	**233,640**

29. Notes to the consolidated cash flow statement

29.1 Reconciliation of operating surplus to net cash flow from operating activities

	2012 £'000	2011 £'000
Total operating surplus	25 842	15 423
Depreciation	29 065	27 388
Movement in restricted reserves	(11)	(156)
Amortisation of positive goodwill	52	177
Difference between pension charge and cash contributions	(4,964)	212
Decrease in stock	5,267	6,985
Decrease in debtors	629	3,239
Decrease in creditors	(6,322)	(6,888)
Net cash inflow from operating activities	**49,558**	**46,380**

29 2 Reconciliation of net cash flow to movement in net debt

	2012 £'000	2011 £'000
Increase in cash in the period	19,504	1 876
Cash outflow from net increase in debt	(24,652)	2,788
Change in debt resulting from movement in finance lease obligations	22	9
Cash flow from increase in liquid resources	3,164	20,045
Change in debt resulting from cash flows	(1,962)	24,718
Non cash movements	11	1
Movement in net funds in the year	(1,951)	24,719
Net debt at 1 April 2011	(39,229)	(63,948)
Net debt at 31 March 2012	**(41,180)**	**(39,229)**

29 3 Analysis of changes in net debt

	At 1 April 2011 £'000	Cash flows £'000	Non cash movement £'000	At 31 March 2012 £'000
Cash at bank and in hand including overnight deposits	10,992	19,504	-	30,496
Other short-term deposits and investments	49 045	3,164	-	52,209
Debt due within one year	(817)	817	(680)	(680)
Debt due after one year	(84,872)	(25,469)	680	(109,661)
Finance lease obligations	(13,243)	22	-	(13,221)
Loan stock	(334)		11	(323)
	(39,229)	**(1,962)**	**11**	**(41,180)**

29 4 Analysis of cash flows for headings netted in the cash flow statement

	2012 £'000	2011 £ 000
Returns on investments and servicing of finance		
Interest received	2,432	2,367
Interest paid	(6,049)	(7,568)
Net cash outflow from returns on investment and servicing of finance	**(3,617)**	**(5,201)**
Capital expenditure		
Payments to acquire and develop housing properties	(61,489)	(22,088)
Payments to acquire non-housing fixed assets	(1,297)	(1,908)
Receipts from disposal of housing fixed assets	14,861	7 954
	(47,925)	(16,042)
Financial investment		
Payments to acquire investments	-	(428)
Net cash outflow from capital expenditure and financial investment	**(47,925)**	**(16,470)**
Management of liquid resources		
Investments in short term deposits	(3,164)	(20,045)
Net cash outflow from management of liquid resources	**(3,164)**	**(20,045)**
Financing		
Loans received	30,000	
Loan repayments	(5,348)	(2,788)
Net cash inflow/(outflow) from financing	**24,652**	**(2,788)**

30 Capital commitments – Group and Company

	2012 £'000	2011 £ 000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	1,150	15,380
Capital expenditure that has been authorised by the Board but has not yet been contracted for	82 843	44,037
	83,993	**59,417**

In addition expenditure on developing housing stock of £55,052,000 (2011 £nil) has been authorised by the Board but not yet contracted for All of this anticipated expenditure is covered by cash and banking facilities

31 Contingent liabilities – Group and Company

There were no contingent liabilities as at 31 March 2012 nor 31 March 2011

32 Transactions with related parties

During the year Anchor Lifestyle Developments Limited made inter-group charges of £421,000 (2011 £412,000) in respect of interest on loans to Anchor Trust Anchor 2020 Limited made inter-group charges of £936,000 (2011 £125 000) in respect of interest on loans, management charges and donations to Anchor Trust In addition Anchor 2020 Limited sales to Anchor Trust were £16,404,000 (2011 £68,000) All transactions between Group companies are on normal commercial terms

As at 31 March 2012, Anchor Trust was owed £28,692 000 and £1,682,000 (2011 £27,886,000 and £1,766,000) from Anchor Lifestyle Developments Limited and Anchor 2020 Limited respectively Both these companies are 100% owned by Anchor Trust

Transactions with Burnbank House Limited are described in Note 17

There are no other related party transactions in the year to 31 March 2012 (2011 £nil)

33 Legislative provisions

Anchor Trust is registered under the following Acts

	Registration number
Companies Act 2006	3147851
Charities Act 1993	1052183
Housing Act 1996	LH4095

34 Post balance sheet events – Group and Company

There were no post balance sheet events that require disclosure or adjustment to these financial statements

Executive Management Board

"Making older people happy is the essence of Anchor's work."

Jane Ashcroft, Chief Executive

Jane Ashcroft

Chief Executive

Jane joined Anchor in 1999 from BUPA which had acquired Care First plc where she was Personnel Director She was previously HR Manager and Company Secretary with Bromford Housing Group and, before that, Assistant Secretary with Midlands Electricity plc Jane chairs the English Community Care Association, the largest representative body for providers of adult social care She was appointed Chief Executive of Anchor on 9 March 2010 Jane is a Fellow of the Institute of Chartered Secretaries and a member of that institute's council She has recently been appointed a Non-Executive Director of Dignity plc

David Springthorpe

Chief Financial Officer

David, a chartered accountant, joined Anchor in December 2008 from BAA Heathrow Airport Until his move into the not-for-profit sector with Anchor, David spent his career in a variety of finance, strategy and property roles with B&Q (where he was also Company Secretary), Kingfisher and Virgin Atlantic Airways, before joining BAA Heathrow Airport where he was Chief Financial Officer David is also a member of the Institute of Directors and has held a number of trustee roles for local charities

David Edwards

Director of Compliance and Company Secretary

David, a barrister, joined Anchor in July 2011 from Peverel Limited, where he was Head of Legal Services and Company Secretary Before that, David was Company Secretary and Director of Legal Services for De Vere Group plc until the company was taken over in 2006 As well as a number of other appointments in commerce and industry David has also been a director of the Cheshire Courts Board

Sue Ingrouille

Director of Human Resources

Sue Ingrouille joined Anchor as Director of HR in February 2012 Her early career was with Marks & Spencer in a wide range of HR roles She joined Orange where she was part of the start-up executive team for B2B and, more recently, HR Director After eight years with Orange, Sue moved into Executive Search before joining Anchor

Ian Morris

Director of Infrastructure

Ian joined Anchor as Head of IS in 2006 from Center Parcs where he was IS Technical Services Manager He was previously a programme manager for Vodafone in its retail and commercial operations Before that, he was Head of IS and Distribution for the retailer Ethel Austin and, before that, Associate Director Information Systems with Sears Menswear Ian also spent 10 years working in various IS-related roles in the financial services industry

Howard Nankivell

Director of Sales and Marketing

Howard joined Anchor in October 2009 and brings with him 18 years of sales and marketing experience from different sectors Most of his experience is from the travel and hospitality industry where he held senior marketing roles at Marriott International and, most recently the Hilton Group Howard was also the Head of Business Development at Direct Wines where he was responsible for growing the Laithwaites and The Sunday Times Wine Club brands

Gill Powell

Director of Finance

Gill joined Anchor in 2005 after nine years at HBOS where she held a number of senior finance roles, including Head of Finance for the group property and IS divisions Prior to this, Gill spent seven years in the insurance sector and qualified as a certified accountant at Eagle Star Insurance Group before joining Phojola Insurance Group She also spent time at Lloyds of London

The Board

Aman Dalvi OBE
Chairman

Aman was previously Acting Chief Executive of the London Borough of Tower Hamlets He was previously Corporate Director of Development and Renewal responsible for housing, regeneration, Olympics preparation, planning and building control, asset management, Third Sector, and Building Schools for the Future Before he joined the council in 2008, Aman was Chief Executive of Gateway to London where he led the organisation *in promoting and developing the* Thames Gateway area He previously held senior roles in the Housing Corporation and was Chief Executive of a London housing association

Graham Watts
Vice-Chairman, Chairman of Audit & Risk Committee

Graham is a chartered engineer and business executive with extensive board and corporate experience He was on the board of British Nuclear Fuels plc as Commercial Director and Chairman of BNFL North America from 1992 to 1999 Previously he was an Executive Director of British Airways and before that a management consultant

Lesley James
Chairman of the Executive Remuneration Committee

Lesley progressed through human resources roles with a number of retailers before joining Tesco in 1985 She became a main board director in 1994 with responsibility for all HR functions Since leaving Tesco in 1999 she has undertaken non executive roles in retail and customer service organisations, with the Department for Trade and Industry and in charities She is on the board of St Modwen Properties plc

Angela Horsman

Angela is a marketing consultant with more than 25 years experience in leisure marketing and communications She worked for Saga, the market leader in services for the over-50s, where she was Marketing Director for Saga Holidays and then Communications Director for the Saga Group Angela was previously Marketing Director of London Zoo and Whipsnade Wild Animal Park and was Chief Executive of a tourism development action programme in Kent Angela is a member of the Royal National Lifeboat Institution Council and its fundraising and communications committee

Chris Wood

Chris began his career working for a homelessness project in Manchester He then moved on to work for North British Housing Association before entering local government, where he has spent the bulk of his career Chris was Director of Housing in two London Boroughs and then Deputy Chief Executive and Chief Executive at the London Borough of Newham He is now a partner with a management consultancy company working with public and private sector clients He is a non executive director of Sahara Homes, a small care provider for adults with learning disabilities, and Fair Finance, a microfinance social enterprise

Paul Doona

Paul, a chartered accountant, was Finance Director and Company Secretary of St Modwen Properties plc from 1985 to 1999, managing the flotation and restructure of the company After two years as Finance Director and then Chief Executive of Claims Direct plc, Paul undertook a number of chief executive and finance director roles in the gaming sector and held non executive roles in leisure, property, asset management and natural resources businesses

Stephen Jack

Stephen is a chartered accountant who has held senior finance positions in international financial services organisations including Dresdner Kleinwort Benson, ING Barings and Collins Stewart Tullett plc, where he was Group Finance Director He was Group Chief Financial Officer of Compagnie Financière Tradition SA, a Swiss listed global brokerage business until March 2012 He has been Chairman of the Independent Living Fund, a non-departmental public body of the Department for Work and Pensions, which provides support to nearly 20,000 disabled people across the UK, since 2007 He is also a trustee and Treasurer of the Greater London Fund for the Blind He joined the Board of Anchor on 1 January 2012

Rima Makarem

Rima Makarem was a non-executive director and Chair of Audit and Governance for NHS Haringey from 2007 before being appointed to a similar role at NHS London in 2010 She previously worked for GlaxoSmithKline, where she was Director of Competitive Excellence, managing special corporate projects for the Chief Executive Officer and operating board Before this she was a management consultant, advising FTSE 100 companies on financial, strategic and operational issues *Rima is also a member of the Medical* Research Council Audit and Finance Committee and runs her own business conducting interim management and consultancy in pharmaceutical and healthcare industries She joined the Board of Anchor on 1 January 2012

Accessibility

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Contact our Participation Manager on 01274 381654

આ પત્રિકા બીજી ભાષાઓમાં મેળવી શકાય છે અંગ્રેજી બોલતી કોઈ વ્યક્તિને કહો કે 01274 381 654 પર ફોન કરીને તેની નકલ માટે વિનંતી કરે

यह दस्तावेज़ दूसरी भाषाओं में भी मिल सकता है एक प्रति पाने के लिये, कृपया अंग्रेज़ी बोलने वाले किसी व्यक्ति से कहिये कि 01274 381 654 नम्बर डायल करे

এ দলিল অন্যান্য ভাষায় পাওয়া যাবে। ইংরেজী বলতে পারেন এমন কাউকে 01274 381 654 এ নাম্বারে টেলিফোন করে একটি সংখ্যার জন্য অনুরোধ করতে বলুন।

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Company Number: 3147851
Registered Charity Number: 1052183 (England and Wales)
Housing Association Number: LH4095