anchor

Anchor Trust
Financial Statements

For the year ended 31 March 2011

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Company Number: 03147851

Happy living for the years ahead

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The Executive Management Board

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

Sara McKee
Chief Operating Officer

Sara joined Anchor in January 2009 from her position as Group Commercial Director at A4e, the organisation that works with governments helping people in marginalised areas achieve greater inclusion in society through employment and training Previously, Sara ran her own business before launching MyTravel's low-fare airline in 2002 Sara is a Fellow of the Chartered Institute of Marketing (FCIM), Fellow of the Royal Society of Arts (FRSA) and Member of the Worshipful Company of Management Consultants

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 Chartered Institute of Taxation and has held a number of trustee roles for local charities

Contents

Chairman's Statement

It has been another year of change for Anchor – change achieved in the face of extraordinary economic circumstances We have transformed into "One Anchor" – an integrated business providing a full range of housing and care services for older people

We are continuing to meet the needs of customers by investing in our existing properties and services and developing new offers to meet future aspirations Our "happy living" work integrates the full range of Anchor services for customers and for commissioners West Hall, our new care home being built in Surrey, will take our experience in residential and dementia care and develop it further Alongside these developments, we continue to review service and where parts of the business are uneconomic or no longer core to our activities we have taken decisions about their future

We have made substantial progress thanks to the remarkable commitment of colleagues across the organisation from the customer-facing colleagues who provide outstanding care and support every day, to the support colleagues who run our health and safety, procurement, finance and other functions

In an environment where our customers are increasingly responsible for choosing and paying for services themselves, we have also raised awareness of Anchor and the issues that matter to our customers This places Anchor in great shape for the future

It has been my pleasure to be a member of the Customer Services Committee, a full committee of Anchor's Board comprising representatives of our regional tenant forums This is an important part of Anchor's engagement with our customers and helps shape the services we offer I am grateful to the committee members for their contribution and commitment over the past year

Conversations with people in all parts of the organisation have helped shape Anchor's values, which are founded on personal accountability for doing a great job All Anchor people are expected to be reliable, respectful, honest and straightforward in everything we do

Colleagues across Anchor, from our Executive Management Board to those who work directly with customers, truly live those values to make older people happy They never cease to impress me and I extend to them my sincere thanks

Aman Dalvi

Chief Executive's Statement

"Happy living for the years ahead" encapsulates our vision for the future Against a background of customers' lower spending power and Government cuts, we are developing and maintaining great, value-for-money services that will meet the aspirations of older people now *and in the years to come*

Change is the life blood of a successful business In the past year, we have been transforming Anchor further developing the Customer Centre as a single point of contact for current and future customers, providing comprehensive information on our services on our new website, and making support functions more effective and efficient This enables our customer-facing people to focus entirely on delivering great services to older people

We have remodelled our operations into eight new regions, each headed by a regional operations director responsible for Anchor's services The new structure enables us to use our fantastic local knowledge for the benefit of customers It will also reduce the miles our people have to travel All of our new roles have provided development opportunities for talented colleagues as well as attracting high calibre external candidates with fresh perspectives to the team We have adjusted the roles of our Executive Management Board members and introduced four new Boards to ensure that our decision-making is joined-up and swift

We have refreshed our business plan to ensure we can continue to respond positively to a business environment which is both fast-moving and challenging We will focus on providing great places to live and fantastic care In line with this objective, we sold our home improvement business, *Anchor Staying Put, taking care to maintain* services where local authorities continued to commission them

One of the most enjoyable aspects of my role is meeting customers and colleagues in Anchor services across the country Listening to their issues and concerns was the foundation for our Grey Pride campaign demanding recognition for the contribution older people have made and continue to make to our society Our call for an Older People's Minister is a key response to the challenge of ageism still faced by colleagues and customers

Happy colleagues means happy customers and this, particularly in today's uncertain economic times, will ensure Anchor's continued success

Jane Ashcroft

Operating and Financial Review

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 vision,* we provide services ranging from retirement housing for rent to specialist dementia care to more than 40,000 older customers every week We operate from more than 1,000 sites across England and employ more than 10,000 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 individuals' needs and have transformed our organisation to make it easier *for older people to buy the services* they need We are continuing to join-up our services within a single "One Anchor" structure to make it easier for customers, employees and stakeholders to engage and allow us to adapt to changing market conditions without diverting from our strategic direction

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 In particular, the Board considers how planned activities will contribute to our aims and objectives

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

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

Residential care homes

Anchor is the largest not-for-profit provider of care homes in England and is increasingly developing specialist services for those customers with dementia We operate 96 care homes providing residential, dementia and nursing care across nearly 4,300 rooms We have exciting plans to develop new, larger homes which will meet customers' changing needs Our latest *development*, at West Hall, in Surrey, will have a wide range of facilities, including a private dining area and hair and beauty salon as well as a shop, library and cafe bistro

Home care

Increasing numbers of older people wish to remain at home despite increasing frailty We believe that there are real opportunities to provide home care into Anchor locations and the community around them, and we see this as a key part of the range of Anchor services

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 employees as individuals and by building meaningful, long-term relationships based on happiness, openness and respect "

Our strategic objectives support an ambitious growth strategy extending initially to 2015 To achieve this, we are focusing 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 more needs
- Our affordable housing offer will be continuously improved
- New models of housing will be built *providing mixed tenure or market-rented* accommodation to meet the demand of customers
- Our services into individuals' homes and customers already living in Anchor's properties will focus on care
- We will achieve significant reductions in the cost of delivery and greater efficiencies
- Anchor will be an employer of choice

Through meeting our aims and objectives we will deliver a significant public benefit The progress we have made in the year is described below

In 2010/11 we continued to build on our offer to older people, in particular improving our Customer Centre and introducing a regional structure for our operations teams The regional teams work across all our services This means that they are able to make Anchor's range of services more accessible to customers and provide services that meet the needs of the customers in the local area Last year we moved our professional and support functions from the operational line to allow operations to focus on delivering exceptional customer service Both the introduction of the regional structure and the reorganisation of support functions mean that Anchor is able to deliver services more efficiently

We met our target to ensure our rented housing properties met the Decent Homes Standard in line with the Government's 2010 deadline

Anchor's business plan called for a focus on core services The home improvement service, Anchor Staying Put, whilst successful, was identified as non-core We agreed to transfer *this service to Mears Group, and this was* mostly completed by the end of this financial year In addition, we announced our intention to sell our home care business in June 2011 We intend to build our provision of home care into Anchor locations and the community around them

Finally, we started building West Hall, our 117 room care home offering a wide range of facilities

Anchor's principal risks

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

- **Reduced public expenditure**
  Social housing rental income will be impacted by reduction in the Supporting People programme 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
- **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

Operating performance for the year

The table below sets out our key operating performance indicators

Year to 31 March	2011	2010
Turnover (Continuing Operations) - £'000	256,630	256,489
Operating surplus (Continuing Operations)	15,608	15,803
% Occupancy – Care Homes	92%	93%
% Occupancy – Rented Housing	97%	97%

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

Occupancy in our rented housing properties has remained constant, even through a tougher economic environment Occupancy in our care homes has been strong, although lower than last year reflecting financial pressures placed on local authorities commissioning services Anchor is seeking to increase occupancy *by working with local authorities, whilst* maintaining its housing and homes to a high standard, and promoting Anchor's services to customers who are not funded by local authorities

Financial results for the year

Summary

Anchor's financial performance for the year was robust The financial highlights for the year were

- Operating performance in the rented housing service improved as we have managed our costs and minimised empty properties
- Property sales at Denham and The Laureates have been strong against a difficult economic environment
- We invested in a number of developments, principally our 117 room care home at West Hall in Surrey, which is currently being built
- The decision was taken to close 24 housing schemes during the year, nine fewer than in 2010
- The reduction in interest rates reduced the interest payable on our variable rate bank loans
- The trading environment for home care continues to be tough and despite reducing our costs our operating surpluses declined from last year
- We started to transfer the home improvements service, Anchor Staying Put, in January 2011 to another provider, Mears Group In addition, we announced our intention to sell our home care service in June 2011

Year to 31 March	2011 Continuing £m	2011 Discontinued £m	2011 Total £m	2010 £m	2009 £m	2008 £m	2007 £m
Turnover	256 6	24 2	280 8	286 5	267 0	264 9	247 4
Operating surplus	15 6	(0 2)	15 4	18 7	5 7	8 3	13 8
Surplus / (Deficit) for the year	10 5	(0 2)	10 3	7 8	(13 2)	18 2	15 7

* Discontinued operations relate to the home improvements service (Anchor Staying Put) and the home care service

Turnover – Continuing Operations

In the year to 31 March 2011, continuing turnover was £256 6m (2010 £256 5m) The *main area of focus for the business continues* to be retirement housing lettings of £118 6m (2010 £125 2m) and care homes of £115 1m (2010 £112 7m) Turnover from providing on-site care at Anchor locations was £5 7m (2010 £6 0m)

Non-social housing turnover includes leasehold management, which decreased to £2 9m (2010 £3 3m) and property sales at Anchor's two mixed tenure retirement developments at Denham and The Laureates Property sales were strong at £13 0m (2010 £8 5m), representing 23 properties at Denham and 19 at The Laureates Turnover from other activities was £1 3m (2010 £0 8m)

Operating surplus – Continuing Operations

Anchor's trading surplus from continuing operations decreased to £15 6m (2010 £22 4m)

As set out in Note 4 of the financial statements, retirement housing surplus reduced to £15 6m (2010 £22 4m) due to lower service charges, providing better value to our customers Residential care operating surplus at £6 5m was similar to last year (2010 £6 7m) Property sales income at Denham and The Laureates contributed £5 4m (2010 £4 8m)

Void levels in retirement housing and occupancy in care homes were largely unchanged from last year, despite the difficult economic conditions

Investment in our properties increased in 2011 to £43 1m (2010 £39 9m), of which £15 6m was charged to the income and expenditure account (2010 £13 2m) and £27 5m capitalised (2010 £26 7m)

There has been considerable focus on improving non-front line efficiencies, which are included in overheads and support activities Activities have been reviewed to ensure that duplication in the organisational structure has been removed, they deliver value for money and travel and meeting costs have been reduced

Operating surplus was also reduced by the continued increase in the depreciation and amortisation charge to £27 6m (2010 £22 5m), primarily from housing properties This was a result of the significant investment programme over the last five years

The exceptional charges in the year of £4 0m arose primarily from restructuring costs related to introducing a regional structure for our operations teams and from the separation costs for Anchor Staying Put In 2010, the exceptional charges of £2 3m arose from restructuring provisions relating to centralising support functions and from the separation costs for Anchor Staying Put

Interest receivable rose to £2 8m (2010 £2 3m) as larger cash and short term deposits were held

Interest payable for the year reduced to £8 0m (2010 £11 4m) Interest payable on bank loans fell due to low market rates throughout the year Other interest payable decreased due to a reduction in the interest charge arising on the defined benefit pension scheme and a decrease of foreign exchange losses

Balance sheet performance

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

At 31 March	**2011 £m**	**2010 £m**	**2009 £m**	**2008 £m**	**2007 £m**
Goodwill	0 2	0 4	1 0	1 6	2 1
Housing properties at cost *less depreciation*	888 0	897 0	899 9	886 6	851 5
Social Housing Grant	(543 8)	(550 5)	(553 2)	(553 9)	(555 0)
Other capital grants	(53 0)	(54 3)	(54 5)	(54 7)	(53 2)
Other tangible fixed assets	4 4	5 3	5 4	4 6	6 2
Investments	2 7	1 9	2 1	1 6	105 8
Net current assets / (liabilities)	64 9	52 0	42 0	86 4	(20 6)
Total assets	**363 4**	**351 8**	**342 7**	**372 2**	**336 8**

Anchor's balance sheet total increased during 2010/11 with total assets at 31 March 2011 being £363 4m (2010 £351 8m), of which £214 1m was represented by accumulated Income & Expenditure Reserve *(2010 restated* £192 6m) Anchor adopted the Statement of Recommended Practice, "Accounting by Registered Social Landlords Updated 2010", and consequently restated the Income & Expenditure Reserve so that it includes the Negative Goodwill Reserve

The Income & Expenditure Reserve increased £10 3m from the surplus generated during the year and by £11 2m from an actuarial gain in the company's pension scheme

Continuing investment in our housing properties was offset by a net disposal of 395 housing units, coupled with depreciation, resulting in the net book value of housing properties at £291 1m (2010 £292 3m) remaining similar to last year

Within net current assets Anchor had stock of £11 1m (2010 £18 1m) which includes 70 properties held for sale at Denham Garden Village and The Laureates

Long term liabilities of £114 7m (2010 £114 9m) remained similar to last year The disposal of housing schemes and care homes resulted in a movement of Social Housing *Grant into the Recycled Capital Grant Fund,* which increased the fund's balance to £4 7m (2010 £2 3m) This was offset by a reduction in long term housing loans arising principally from repaying £2 8m of loans in the year

Anchor has access to undrawn committed borrowing facilities of £98 6m (2010 £96 6m) 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

Cash and short term deposit balances increased to £60 0m at 31 March 2011 (2010 £38 1m) due to improved trading performance whilst net debt significantly reduced to £39 2m (2010 £63 9m) due to cash generated in the year

Cash flow

The net movement in operating cash flow for the year was an inflow of £46 4m (2010 £37 7m)

The reduction in trading surplus to £15 4m (2010 £18 7m) was offset by a decrease in stock and debtors of £10 2m (2010 increase of £5 3m), reflecting sales of units at Denham Garden Village and The Laureates and general improvements to working capital

Surplus cash was deposited in short term accounts £20 0m (2010 £0 7m received) and used to repay loans £2 8m (2010 net £0 2m)

Investment in new developments

Work has started on Anchor's newest care home West Hall in West Byfleet, Surrey *West Hall will be one of Anchor's flagship* developments and will be open in summer 2012 The development is expected to employ 266 Anchor people to provide care to 117 customers A number of other sites have been *identified as potentially suitable to build care* homes or housing and, if commercially viable, we will proceed with developing these sites

At 31 March 2011, development costs of £2 0m (2010 £1 0m) *were added to fixed assets* – housing properties under construction

Pensions

The latest full triennial valuation of the Anchor Trust Final Salary Pension Scheme was carried out at 30 September 2009 In 2011, the value of the scheme's assets on a Financial Reporting Standard 17 basis increased by £5 6m while the scheme's liabilities decreased by £5 3m These resulted in an £11 2m actuarial gain (2010 £13 4m loss) and a net charge of £0 3m (2010 £0 9m) of service costs after finance income The scheme currently has a Financial Reporting Standard 17 deficit of £29 6m (2010 £40 5m) The scheme has been closed to new entrants since 2003 After consultation with the scheme's members, from 1 April 2011 Anchor closed the scheme to further contributions and future benefit accrual It was agreed with the trustees of the scheme that Anchor would contribute £4 7m per year towards the deficit for the next eight and a half years The pension benefit accrued by members of the scheme up to 1 April 2011 will be protected

Treasury

Anchor's treasury activities are managed to ensure sufficient cash is in place to fund operations and to reduce the impact of adverse movement 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 possible, 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 2011, surplus cash was held partly in a cash liquidity fund and partly in a balanced mix of short and medium term deposits with *Anchor's principal lenders A total of 65% of* borrowings were at fixed rates of interest at the year end (2010 63%) for an average period of 15 years after (2010 16 years)

At 31 March 2011 the undrawn committed facilities were £98 6m (2010 £96 6m), providing Anchor with access to a significant amount of finance in future years

Financial results for the year (continued)

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

Tax and legal structure

Anchor has a non-charitable trading 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 The company intends to manage a range of new services and retirement development projects

Surpluses from these subsidiaries will be reinvested by Anchor in further development activity

Corporate Governance Report

The Board and its committees

At 31 March 2011, the Board comprised six members led by the Chairman, Aman Dalvi

The Board controls Anchor's strategic direction and reviews its operating and financial position There is a formal schedule of matters reserved specifically for the Board, which ensures that it takes all major strategy, governance, financial planning, investment and policy decisions The appointment of the Chief Executive and Executive Directors 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, the procedures for the operation of the Board and the terms of reference for its committees to ensure that these documents remain in line with *good practice*

The Board has an established governance framework, and aims to comply with those provisions of the UK Corporate Governance Code that it considers relevant to Anchor 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 (3 meetings)	Nominations Committee (1 meeting)	Customer Services Committee
Aman Dalvi (Chairman)	5		3	1	1
Graham Watts (Vice-Chairman)	5	4	3	1	
Paul Doona	5	4	3	1	1
Angela Horsman	4		3	1	1
Lesley James	5		3	1	
Chris Wood	4	4	3	1	

During the year, external facilitators evaluated the effectiveness of the Board, and individual Directors, with a view to identifying any areas that required improvement An evaluation of the effectiveness of the Audit & Risk Committee, the Executive Remuneration Committee and the Customer Services Committee was undertaken during the year

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

Board members meet with the Chief Executive to be briefed on Anchor's strategy and with the Executive Directors 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

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 comprises three independent Non-Executive Directors, two of whom constitute a quorum Appointments to the ARC are for an initial period of three years, extendable for a further two three year period

Graham Watts chairs the ARC Its other members during the year were Paul Doona and Chris Wood The committee structure requires the inclusion of one Non-Executive Director with significant, recent and relevant financial experience Paul Doona fulfils 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 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 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 2011

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 internal and external 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 apart from audit activity, primarily advice on employment tax, advice on VAT matters, quality assurance of *development business cases and advice on* pensions 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 2010/11,
- 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 after, 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 employees 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 (ERC)

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 three times during the year

Lesley James chairs the committee Its other members are Aman Dalvi, Graham Watts, Angela Horsman, Paul Doona and Chris Wood The latter two members became members part-way through the year 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 Directors *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 Directors The committee's aims are to develop and recommend remuneration strategies that drive performance and reward it appropriately

In April 2010, the Executive Remuneration Committee was separated out of the Executive Remuneration and Nominations Committee

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 to Executive Directors,
- to keep the service agreements and terms of engagement of executives under review,
- 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 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 Executive Remuneration Policy 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 has access to such information and advice both from within Anchor and externally at the expense of Anchor as it deems necessary During the year the committee sought advice from Hewitt Newbridge Street (Hewitt) on benchmarking salary and benefits of the Executive Management Board

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 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 Directors are present when the committee considers matters relating to them

In April 2010 the Nominations Committee was *formed out of the Executive Remuneration and* Nominations Committee

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

The committee has access to such information and advice both from within Anchor and externally at the expense of Anchor as it deems necessary Advice was sought from Norman Broadbent on planning for succession of members of 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 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 tenants

The committee was established in June 2009 as we believe, having discussed the matter with the tenant committee members, that it is a more effective means of representing Anchor's tenants than having tenant Board members The CSC reports to the Board quarterly with recommendations and the Board provide feedback to the CSC on previous recommendations The Board may request the committee to consider particular issues and report back to the Board

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-end 31 March 2011 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, Anchor's management and governance structures and policies, the *outputs of the risk management process* and evidence from external regulatory bodies such as the Care Quality Commission and the Charity Commission and from quality assurance and accreditation bodies such as *Investors in People* 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 operating 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 (ARC) 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 MSc MCIH

Members *

Paul Doona BA (Hons) FCA
Angela Horsman BA (Hons) Dip HCIM
Lesley James CBE BA (Hons) MA (Ind Rel)
Graham Watts BSc C Eng MIET
Chris Wood MBA BA (Hons) MCIH

Executive Management Board **

Chief Executive

Jane Ashcroft BA (Hons) FCIS MCIPD

Executives

Sara McKee BA (Hons) FRSA FCIM
David Springthorpe BSc (Joint Hons) FCA ATII

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

Tradersks 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

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 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 has continued its strong performance in this area Health and Safety measures are included in the key performance indicators of all Anchor businesses and compliance in areas such as gas safety, electrical safety and lift maintenance is consistently good There is strong direction from senior management to strive for high standards of Health and Safety compliance and systems are in place to achieve this

Donations

Neither Anchor nor any of its subsidiaries made any political or charitable 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 30 days (2010 40 days) worth of purchases in trade creditors

Post balance sheet events

In June 2011, Anchor announced its intention to sell its home care business to another provider There were no other 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

Aman Dalvi
Director
28th July 2011

Independent Auditors' Report

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 2011 (set out on pages 28 to 63) 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 25, 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 2011 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
28th July 2011

Consolidated Income and Expenditure Account

for the year ended 31 March 2011

	Note	2011 £'000	2010 (Restated) £'000
Turnover			
Continuing operations		256,630	256,489
Discontinued operations		24,166	29,971
Total Turnover	4	280,796	286,460
Operating costs	4	(261,416)	(265,442)
Operating surplus Continuing operations		17,479	17,458
Operating surplus Discontinued operations		1,901	3,560
Operating surplus before exceptional items	4	19,380	21,018
Exceptional items	5	(3,957)	(2,300)
Operating surplus Continuing operations		15,608	15,803
Operating (Deficit)/Surplus Discontinued operations		(185)	2,915
Operating surplus		15,423	18,718
Surplus / (Deficit) on disposal of fixed assets	14	63	(1,822)
Interest receivable and other income	10	2,814	2,303
Interest payable and similar charges	11	(8,001)	(11,368)
Surplus for the year		10,299	7,831

Statement of total recognised surpluses and deficits

	Note	2011 £'000	2010 (Restated) £'000
Surplus for the year		10,299	7,831
Actuarial gain / (loss) on pension fund	26	11,227	(13,413)
Total recognised Surplus / (Deficit) for the year		21,526	(5,582)

Note of historical cost surpluses and deficits

	Note	2011 £'000	2010 (Restated) £'000
Reported surplus for the year		10,299	7,831
Realised investment gains	15	-	-
Historical cost surplus for the year		10,299	7,831

The accompanying accounting policies and notes on pages 32 to 63 form an integral part of these financial statements

Consolidated Balance Sheet

as at 31 March 2011

	Note	2011 £'000	2011 £'000	2010 (Restated) £'000	2010 (Restated) £'000
Intangible Fixed Assets					
Goodwill	13		205		382
Tangible Fixed Assets					
Housing properties – gross cost less depreciation	14	888,030		897,022	
Less Social housing grant	14	(543,827)		(550,483)	
Other capital grants and receipts	14	(53,074)		(54,281)	
			291,129		292,258
Other tangible fixed assets	14		4,432		5,312
Investments	15		2,729		1,854
			298,495		299 806
Current Assets					
Stocks	16	11,069		18,054	
Debtors amounts due after more than one year	17	22,239		22,982	
Debtors amounts due within one year	18	19,144		21,640	
Short term deposits and investments	19	49,045		29,000	
Cash at bank		10,992		9,116	
		112,489		100,792	
Creditors amounts falling due within one year	20	(47,560)		(48,794)	
Net current assets			64,929		51,998
Total assets less current liabilities			363,424		351,804
Creditors amounts falling due after more than one year	21		114,699		114,921
Provisions and pension liability					
Provisions for liabilities and charges	22		4,649		3,287
Pension liability	26		29,569		40,459
Capital and Reserves					
Restricted reserves	28		368		524
Income and Expenditure reserve	28		214,139		192,613
			363,424		351,804

The financial statements on pages 28 to 63 were approved by the Board on 28th July 2011 and signed on its behalf by

Chairman
Aman Dalvi

Director
Graham Watts

Company Balance Sheet

as at 31 March 2011

	Note	2011 £'000	2011 £'000	2010 (Restated) £'000	2010 (Restated) £'000
Intangible Fixed Assets					
Goodwill	13		155		206
Tangible Fixed Assets					
Housing properties – gross cost less depreciation	14	875,443		884,470	
Less Social housing grant	14	(543,827)		(550,483)	
Other capital grants and receipts	14	(53,074)		(54,281)	
			278,542		279 706
Other tangible fixed assets	14		4,432		5,312
Investments	15		2,729		1,854
Investments in subsidiary undertakings	15		2,301		2,301
			288,159		289 379
Current Assets					
Stocks	16	11,069		18,054	
Debtors amounts due after more than one year	17	40,822		41,200	
Debtors amounts due within one year	18	19,144		21,514	
Short term deposits and investments	19	49,045		29,000	
Cash at bank		10,957		9,116	
		131,037		118,884	
Creditors amounts falling due within one year	20	(47,358)		(48,787)	
Net current assets			83,679		70,097
Total assets less current liabilities			371,838		359,476
Creditors amounts falling due after more than one year	21		114,699		114,921
Provisions and pension liability					
Provisions for liabilities and charges	22		4,649		3,287
Pension liability obligations	26		29,569		40,459
Capital and Reserves					
Restricted reserves	28		368		524
Income and Expenditure reserve	28		222,553		200,285
			371,838		359,476

The financial statements on pages 28 to 63 were approved by the Board on 28th July 2011 and signed on its behalf by

Chairman
Aman Dalvi

Director
Graham Watts

Consolidated Cash Flow Statement

for the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
Net cash inflow from operating activities	29 1	46,380	37,706
Returns on investments and servicing of finance			
Net cash outflow from returns on investments and servicing of finance	29 4	(5,201)	(6,129)
Capital expenditure and financial investment			
Net cash outflow from capital expenditure and financial investment	29 4	(16,470)	(24,857)
Net cash inflow before use of liquid resources and financing		24,709	6,720
Management of liquid resources			
Net cash (outflow)/inflow from management of liquid resources	29 4	(20,045)	700
Net cash inflow before financing		4,664	7,420
Financing			
Net cash outflow from financing	29 4	(2,788)	(156)
Increase in cash		**1,876**	7,264

The accompanying accounting policies and notes on pages 32 to 63 form an integral part of these financial statements

Notes to the Financial Statements

for the year ended 31 March 2011

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')

The SORP Updated 2010 was applied from 1 April 2010, one year earlier than the mandatory date of adoption The only effect of applying the SORP Updated 2010 is to reclassify the Negative Goodwill Reserve to the Income & Expenditure Reserve and increase operating expenses by reversing the related goodwill amortisation credit (see Note 28)

2 Basis of consolidation

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

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
- Charges to Staying Put clients
- Sales of leasehold properties
- Supporting People contract income

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

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

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 These are designed to provide the anticipated pension cost over 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 are spread over the remaining service lives of current employees in the pension 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 are converted to a finance lease debtor This debtor represents the total amount outstanding under the lease 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 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	Supporting People contract £'000	Non-social housing activities £'000	Overheads and support activities £'000	2011 Total £'000	2010 Total £'000
Turnover							
Continuing	233,689	5,691	-	16,510	740	256,630	256,489
Discontinued	-	19,371	4,795	-	-	24,166	29,971
Turnover	233,689	25,062	4,795	16,510	740	280,796	286,460
Operating costs	(211,604)	(27,682)	-	(11,595)	(10,535)	(261,416)	(265,442)
Operating surplus							
Continuing	22,085	274	-	4,915	(9,795)	17,479	17,458
Discontinued	-	(2,894)	4,795	-	-	1,901	3,560
Operating surplus before exceptional items	**22,085**	**(2,620)**	**4,795**	**4,915**	**(9,795)**	**19,380**	**21,018**

Social housing lettings comprise income from retirement housing and from residential care homes

Home Care comprises income from care services delivered into customer's homes
The Anchor Staying Put home improvement agencies were transferred out of the group in January 2011 In addition, the home care business was in the process of being sold following an announcement in June 2011

Supporting People contract income comprises block gross contract income for home improvement agencies paid to Anchor Staying Put

4 2 Particulars of turnover from non-social housing activities

	2011 £'000	2010 £'000
Leasehold management	2,878	3,288
Sales of leasehold properties	12,952	8,382
Other activities	680	732
Total	**16,510**	**12,402**

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 2011 £'000	Total 2010 £'000
Turnover				
Net rents receivable (excluding service charge income)	64,830	114,067	178,897	176,327
Charges for support services	5,130	-	5,130	6,077
Service charge income	45,574	-	45,574	50,736
Net rental income	115,534	114,067	229,601	233,140
Other revenue grants	-	649	649	752
Other income from social housing lettings	3,030	409	3,439	4,054
Turnover from social housing lettings	**118,564**	**115,125**	**233,689**	**237,946**
Operating costs				
Management	23,004	16,487	39,491	33,539
Services	41,937	78,848	120,785	125,859
Routine maintenance	7,788	1,968	9,756	10,416
Planned maintenance	12,721	2,921	15,642	13,173
Bad debts	262	118	380	1,030
Lease charges	1	401	402	327
Depreciation of housing properties	16,040	7,033	23,073	19,470
Other costs	1,253	822	2,075	4,823
Operating costs on social housing lettings	103,006	108,598	211,604	208,637
Operating surplus on social housing lettings	**15,558**	**6,527**	**22,085**	**29,309**
Voids	(4,200)	-	(4,200)	(4,678)

4 4 Property numbers

	Retirement housing leasehold units	Retirement housing units to let	Residential care home units
Unit numbers available for let as at 1 April 2010	7,055	24,253	4,304
Additions	-	25	11
Disposals / De-registered	(216)	(420)	(30)
Unit numbers available for let as at 31 March 2011	6,839	23,858	4,285

5. Exceptional items

The exceptional items arising are as follows

	2011 £'000	2010 £'000
Business restructuring costs	1,871	1,655
Business disposal costs	2,086	645
Total exceptional items included in operating surplus	3,957	2,300

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 In 2010, the exceptional charges arose from restructuring provisions relating to centralising support functions and from the separation costs for Anchor Staying Put, announced in that year

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 (2010 £nil)

7 Operating surplus before exceptional items

Operating surplus is stated after charging

	2011 £'000	2010 £'000
Depreciation of tangible owned fixed assets	27,388	21,940
Amortisation of positive goodwill	177	583
Operating lease rentals – land and buildings	2,167	2,386
Auditor's remuneration		
In their capacity as auditors	121	119
In respect of other services	271	302

8 Directors' emoluments

The Directors are defined as the Members of the Board and Executive Directors Members of the Board are defined as Directors for the purposes of the Companies Act 2006 Executive Directors are not classified as Directors under the Companies Act 2006

	2011 £'000	2010 £'000
Payments to members of the Board during the year	120	135
Total expenses reimbursed to Members of the Board not chargeable to United Kingdom tax	2	3

Total aggregate remuneration payable in respect of the Directors of Anchor Trust was

	2011 £'000	2010 £'000
Emoluments (excluding benefits in kind)	818	1,278
Benefits in kind	24	51
Pension contributions	100	154
Compensation paid in respect of loss of office	-	382
	942	1,865

Payments to the highest paid Director

	2011 £'000	2010 £'000
Total emoluments, excluding pension contributions and compensation in respect of loss of office	333	302
Defined benefit pension scheme		
Accrued pension of the highest paid Director	41	58

The highest paid Director was the Chief Executive who received a base salary of £275,000 (unchanged from 2009/10) and a bonus for the year of 15% of base salary (2010 nil) The Chief Executive is entitled to a car allowance The value of the car allocated, as a benefit in kind, was £11,184 (2010 £11,233) and the balancing amount was paid as an allowance of £5,192 (2010 £1,941), in accordance with Anchor's policy for all employees The Chief Executive is an ordinary member of the Anchor Trust defined benefit scheme, and no special terms applied Employer's contribution in respect of the Chief Executive's pension in the year was £39,325 (2010 £39,000) No contribution was made to any other individual pension schemes

9 Employee costs and numbers

9 1 Employee costs

	2011 £'000	2010 £'000
Wages and salaries	119,865	122,820
Social security costs	9,101	9,399
Pension costs	2,023	2,607
	130,989	134,826

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

	2011 Number	2010 Number
Office staff	776	818
Operational staff	9,295	9,275
	10,071	10,093

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

	2011 Number	2010 Number
Office staff	720	735
Operational staff	5,474	5,656
	6,194	6,391

10 Interest receivable and other income

	2011 £'000	2010 £'000
Interest receivable	2,171	2,303
Exchange rate gain	447	-
Other income	196	-
	2,814	**2,303**

11 Interest payable and similar charges

	2011 £'000	2010 £'000
On bank loans, overdrafts and other loans repayable wholly or partly in more than five years	6,010	7,244
Finance lease interest	1,736	1,731
Other interest payable	255	2,244
Exchange rate losses	-	149
	8,001	**11,368**

12 Taxation charge

	2011 £'000	2010 £'000
The taxation charge comprises		
Adjustment in respect of prior years	-	-
United Kingdom corporation tax at 28%	-	-
	-	-

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

	2011 £'000	2010 (restated) £'000
Surplus for the year	10,299	7,831
Tax on surplus at standard rate of 28%	(2,884)	(2,193)
Factors affecting charge for the year		
Charitable surplus exempt from taxation	2,884	2,193
	-	-

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 2010	382	206
Acquisitions	-	-
Amortisation for the year	(177)	(51)
As at 31 March 2011	205	155

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 2010	833,910	197,972	23,223	5,300	1,060,405
Additions	20,231	7,231	1,999	-	29,461
Transfers	734	(725)	-	-	9
Disposals	(12,489)	(5,635)	-	-	(18,124)
As at 31 March 2011	842,386	198,843	25,222	5,300	1,071,751
Depreciation					
At 1 April 2010	89,621	62,261	11,499	2	163,383
Provided in the year	16,040	7,033	1,850	-	24,923
Transfers	484	(484)	-	-	-
Disposals	(1,950)	(2,635)	-	-	(4,585)
As at 31 March 2011	104,195	66,175	13,349	2	183,721
Net book value at 31 March 2011	738,191	132,668	11,873	5,298	888,030
Net book value at 31 March 2010	744,289	135,711	11,724	5,298	897,022
Social housing grant (SHG)					
At 1 April 2010	504,904	39,168	-	6,411	550,483
Transfer to Recycled Capital Grant Fund	(3,545)	(1,909)	-	-	(5,454)
Transfer from Recycled Capital Grant Fund	2,867	695	-	-	3,562
Disposals	(5,181)	417	-	-	(4,764)
As at 31 March 2011	499,045	38,371	-	6,411	543,827
Other capital grants and receipts					
At 1 April 2010	29,819	24,460	-	2	54,281
Transfers	(11)	-	-	-	(11)
Disposals	(23)	(1,173)	-	-	(1,196)
As at 31 March 2011	29,785	23,287	-	2	53,074
Total SHG and other capital grants as at 31 March 2011	528,830	61,658	-	6,413	596,901
Total SHG and other capital grants as at 31 March 2010	534,723	63,628	-	6,413	604,764
Overall net book value as at 31 March 2011	209,361	71,010	11,873	(1,115)	291,129
Overall net book value as at 31 March 2010	209,566	72,083	11,724	(1,115)	292,258

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 2010	831,232	197,972	1,850	5,300	1,036,354
Additions	22,195	7,231	-	-	29,426
Transfers	734	(725)	-	-	9
Disposals	(12,489)	(5,635)	-	-	(18,124)
As at 31 March 2011	841,672	198,843	1,850	5,300	1,047,665
Depreciation					
At 1 April 2010	89,621	62,261	-	2	151,884
Provided in the year	16,040	7,033	1,850	-	24,923
Transfers	484	(484)	-	-	-
Disposals	(1,950)	(2,635)	-	-	(4,585)
As at 31 March 2011	104,195	66,175	1,850	2	172,222
Net book value at 31 March 2011	737,477	132,668	-	5,298	875,443
Net book value at 31 March 2010	741,611	135,711	1,850	5,298	884,470
Social housing grant (SHG")					
At 1 April 2010	504,904	39,168	-	6,411	550,483
Transfer to Recycled Capital Grant Fund	(3,545)	(1,909)	-	-	(5,454)
Transfer from Recycled Capital Grant Fund	2,867	695	-	-	3,562
Disposals	(5,181)	417	-	-	(4,764)
As at 31 March 2011	499,045	38,371	-	6,411	543,827
Other capital grants					
At 1 April 2010	29,819	24,460	-	2	54,281
Transfers	(11)	-	-	-	(11)
Disposals	(23)	(1,173)	-	-	(1,196)
As at 31 March 2011	29,785	23,287	-	2	53,074
Total SHG and other capital grants as at 31 March 2011	528,830	61,658	-	6,413	596,901
Total SHG and other capital grants as at 31 March 2010	534,723	63,628	-	6,413	604,764
Overall net book value as at 31 March 2011	208,647	71,010	-	(1,115)	278,542
Overall net book value as at 31 March 2010	206,888	72,083	1,850	(1,115)	279,706

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 (2010 £11,878,000) with accumulated depreciation of £3,857,000 (2010 £3,348,000) The depreciation charge during the year was £509,000 (2010 £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 2010	12,922	56	12,978
Additions	1,917	-	1,917
Transfers	(9)	-	(9)
Disposals	(932)	(22)	(954)
As at 31 March 2011	**13,898**	**34**	**13,932**
Depreciation			
At 1 April 2010	7,616	50	7,666
Provided in the year	2,462	3	2,465
Disposals	(611)	(20)	(631)
As at 31 March 2011	**9,467**	**33**	**9,500**
Net book value at 31 March 2011	4,431	1	4,432
Net book value at 31 March 2010	5,306	6	5,312

14 5 Housing properties

Additions to housing properties in the course of construction during the period included capitalised interest of £nil (2010 £nil)

	Group		Company	
The net book value of housing properties at the balance sheet date comprises	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
Freehold land and buildings	251,237	248,083	238,650	235,531
Long leasehold land and buildings	39,892	44,175	39,892	44,175
	291,129	**292,258**	**278,542**	**279,706**

The total amount of social housing grant received or receivable as at the balance sheet date was £543,827,000 (2010 £550,483,000)

14 6 Expenditure works to housing properties

	Note	**2011 £'000**	2010 £'000
Total expenditure works to housing properties of which		43,104	39,914
Amounts capitalised		27,462	26,741
Amounts charged to income and expenditure (planned maintenance)	4 3	15,642	13,173

14 7 Surplus/(deficit) on disposal of housing properties

	2011 £'000	2010 £'000
Receipts from disposal of housing properties	14,593	5,773
Net book value of property disposals	(2,434)	(1,643)
Transfer to Recycled Capital Grant Fund	(5,454)	(1,677)
Other disposal costs	(6,642)	(4,275)
Surplus/(deficit) on disposal of housing properties	**63**	**(1,822)**

15 Fixed asset investments

15 1 Fixed asset investments – Group and Company

	£'000
Market value at 1 April 2010	1,854
Additions at cost	428
Investment revaluation gains	447
Market value at 31 March 2011	2,729
Historic cost at 31 March (2010 £2,302,000)	2,730

15 2 Fixed asset investments – Subsidiary companies

	Company £'000
Cost at 1 April 2010 and 31 March 2011	2,301

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

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

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 None of the above subsidiary undertakings are registered providers

16 *Stock – Group and Company*

	2011 £'000	2010 £'000
Properties for resale	10,942	17,911
Raw materials and consumables	127	143
	11,069	18,054

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	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Finance debtor	20,697	21,315	20,697	21,315
Amounts due from subsidiary companies	-	-	18,583	18,218
Amounts due from related companies	1,369	1,480	1,369	1,480
Other debtors	173	187	173	187
	22,239	22,982	40,822	41,200

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 2011 £111,000 (2010 £111,000) and rent payable for 2011 £113,000 (2010 £112,000) In addition a dividend of £196,000 (2010 £nil) was received in the year from Burnbank House Limited

18 Debtors amounts falling due within one year

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Rental debtors	7,490	6,642	7,490	6,642
Less Provision for bad and doubtful debts	(1,093)	(1,053)	(1,093)	(1,053)
	6,397	5,589	6,397	5,589
Trade debtors	3,947	4,404	3,947	4,404
Deficits carried forward on variable service charge schemes	-	1,910	-	1,910
Prepayments	5,616	4,913	5,616	4,913
Other debtors and accrued income	3,184	4,824	3,184	4,698
	19,144	**21,640**	**19,144**	**21,514**

19 Short term deposits and investments – Group and Company

	2011 £'000	2010 £'000
Short term bank deposits	24,900	5,000
Money market fund investments	24,145	24,000
	49,045	**29,000**

20 Creditors amounts falling due within one year

		Group		Company	
	Note	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
Trade creditors		4,247	6,260	3,718	6,260
Rents received in advance		2,372	2,079	2,372	2,079
Surpluses carried forward on variable service charge schemes		3,159	1,910	3,159	1,910
Recycled capital grant fund	21	318	737	318	737
Housing loans current instalments due on loans	23	817	981	817	981
Obligations under finance leases	25	-	9	-	9
Social security and other taxes		2,809	2,951	3,136	2,951
Other creditors		8,807	12,525	8,807	12,525
Accruals and deferred income		25,031	21,342	25,031	21,335
		47,560	**48,794**	**47,358**	**48,787**

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

	Note	2011 £'000	2010 £'000
Recycled capital grant fund		4,687	2,348
Housing loans	23	*84,872*	*87,496*
Obligations under finance leases	25	13,243	13,243
Loan stock		334	335
Major repairs sinking funds for leasehold schemes		8,643	8,548
Other creditors		2,920	2,951
		114,699	114,921

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	2011 £'000	2010 £'000
Fund at 1 April	3,085	1,609
Transferred to fund during the year	5,454	1,677
Utilised during the year	(3,562)	(213)
Interest credited to fund	28	12
Fund at 31 March	5,005	3,085
Falling due within one year	*318*	*737*
Falling due after more than one year	4,687	2,348
	5,005	3,085

22 Provisions for liabilities and charges – Group and Company

	2011 £'000	2010 £'000
Balance as at 1 April	3,287	2,850
Balances utilised in the year	(1,945)	(2,227)
Provisions raised during the year	3,307	2,664
Balance as at 31 March	4,649	3,287

Provisions include £1,331,000 (2010 £1,781,000) for onerous lease provisions under Financial Reporting Standard 12, £1,217,000 (2010 £844,000) restructuring costs and £2,086,000 (2010 £645,000) relating to business disposal costs together with £15,000 (2010 £17,000) in relation to tax liabilities

23 Housing loans – Group and Company

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

		2011 £'000	2010 £'000
Fixed rates			
Orchardbrook Limited	Interest payable at 11 615%	29,265	29,359
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%	56	58
	Between 13 10% - 16 12%	130	135
Other	Between 0 0% - 3 0%	819	1,475
		55,270	*56,027*
Variable rates			
Banks	0 5% above bank base rate or 0 175% - 0 225% above LIBOR	30,000	32,000
Orchardbrook Limited	Interest payable 1 81%	388	414
Local authorities	Between 5 0% - 9 0%	31	36
		30,419	32,450
Total housing loans		85,689	88,477

Repayment instalments fall due as follows	2011 £'000	2010 £'000
In one year or less	817	981
Greater than one year, but less than two	149	164
Greater than two years, but less than five	1,541	355
In five years or more	83,182	86,977
	85,689	88,477

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	2011 Total £'000	2010 £'000
Operating leases which expire				
Within one year	14	190	204	300
In the second to fifth years	661	617	1,278	2,082
Over five years	1,305	-	1,305	1,093
	1,980	807	2,787	3,475

25 Finance lease obligations - Group and Company

Obligations under finance leases are payable as follows

	Gross obligations £'000	Future finance charges £'000	2011 Net obligations £'000	2010 Net obligations £'000
In one year or less	1,733	1,733	-	9
Between two and five years	7,563	6,786	777	482
In five years or more	24,523	12,057	12,466	12,761
Total	33,819	20,576	13,243	13,252

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 for new employees The pension cost for this scheme, which represents contributions payable by the Group, was £621,000 (2010 £612,000)

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, and future benefit accrual for, existing members as at 1 April 2011 Anchor will contribute £4,682,000 per year into the scheme for the next eight and a half years

The total group charge for the year was £2,011,000 (2010 £1,615,000) The contributions were determined on the basis of actuarial advice using the projected unit method and relate entirely to current service costs 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 FRS17 in preparing these accounts

A valuation for the purposes of FRS17 was prepared as at 31 March 2011 by a qualified independent actuary

The assumptions used by the actuary are

	At 31 March 2011 % per annum	At 31 March 2010 % per annum	At 31 March 2009 % per annum
Inflation rate	3 40	3 50	3 00
Rate of increase in salaries	4 90	5 00	4 50
Rate of increase for pensions in payment	2 20	2 30	2 30
Rate of increase for deferred benefits during deferment	3 40	3 50	3 00
Discount rate	5 50	5 50	7 00

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

	Expected rate of return %	Market value at 31 March 2011 £'000	Expected rate of return %	Market value at 31 March 2010 £'000	Expected rate of return %	Market value at 31 March 2009 £'000
Equities	8 00	80,547	8 40	79,538	8 20	59,359
Bonds	5 50	31,705	5 10	27,454	5 70	22,121
Cash	0 50	304	0 50	(13)	0 50	673
Total market value of assets		112,556		106,979		82,153
Present value of scheme liabilities		142,125		147,438		108,299
Net pension liability		(29,569)		(40,459)		(26,146)

Movement in deficit during the year

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Deficit at the start of the year	(40,459)	(26,146)	(5,335)	(800)	(3,569)
Movement during the year					
Contributions paid	1,799	2,154	2,380	3,045	2,182
Current service cost	(2,011)	(1,615)	(1,995)	(2,308)	(2,545)
Other finance (charge)/ income	(125)	(1,439)	510	1,942	2,049
Recognised actuarial gain / (loss)	11,227	(13,413)	(21,706)	(7,214)	1,083
Deficit at the end of the year	(29,569)	(40,459)	(26,146)	(5,335)	(800)

Analysis of the amount charged to operating surplus

	2011 £'000	2010 £'000
Current service cost	2,011	1,615

Analysis of the amount charged to other finance costs

	2011 £'000	2010 £'000
Expected return on assets	7,936	6,049
Interest cost	(8,061)	(7,488)
Net charge to other interest payable	(125)	(1,439)

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

	2011 £'000	2010 £'000
Actual return less expected return	(392)	20,907
Experience gain on liabilities	1,363	2,872
Gain / (loss) on change of assumptions	10,256	(37,192)
Recognised actuarial gain / (loss)	11,227	(13,413)

History of experience gains and losses

	2011	2010	2009	2008	2007
Difference between actual and expected returns on assets					
Amount (£'000)	**(392)**	20,907	(31,024)	(13,141)	(409)
% of scheme assets	**-0 3**	19 5	-37 8	-12 3	0 0
Experience gain / (loss) on scheme liabilities					
Amount (£'000)	**1,363**	2,872	103	(8,270)	(2,253)
% of scheme liabilities	**1 0**	1 9	0 1	-7 4	-2 0
Total actuarial (loss) / gain recognised in statement of total recognised surpluses and deficits					
Amount (£'000)	**11,227**	(13,413)	(21,706)	(7,214)	1,083
% of scheme liabilities	**7 9**	-9 1	-20 0	-6 4	-1 0

Reconciliation to the balance sheet

	2011 £'000	2010 £'000
Net assets		
Net assets excluding pension liability	244,076	233,596
Pension liability	(29,569)	(40,459)
Net assets including pension liability	**214,507**	**193,137**
Reserves		
Revenue reserve excluding pension liability	243,708	233,072
Pension liability	(29,569)	(40,459)
Revenue reserve including pension liability	**214,139**	**192,613**

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

	Negative goodwill £'000	Restricted reserves £'000
At 1 April 2010 (as previously reported)	9,046	524
Prior year restatement	(9,046)	-
At 1 April 2010 (restated)	-	524
Utilisation of reserve	-	(153)
Realised investment surpluses	-	(3)
At 31 March 2011	-	**368**

Prior to 1 April 2010 Anchor Trust applied the Statement of Recommended Practice 'Accounting by Registered Landlords 2008 ('SORP 2008'), which requires negative goodwill to be disclosed in the reserves of the balance sheet and amortised On 1 April 2010, Anchor adopted the SORP Updated 2010, which requires goodwill to be included in the Income & Expenditure reserve The effect of the change in accounting policy is to reclassify £9,046,000 of negative goodwill from the Negative Goodwill Reserve to the Income & Expenditure Reserve In addition, the prior year operating surplus has reduced by £191,000, being the annual goodwill amortisation credit

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

28 2 Movement on Income and Expenditure Reserve

	Group £'000	Company £'000
At 1 April 2010 (as reported)	183,567	191,239
Prior year restatement	9,046	9,046
At 1 April 2010 (restated)	192,613	200,285
Surplus for the year	10,299	11,041
Actuarial gain on pension fund assets	11,227	11,227
At 31 March 2011	**214,139**	**222,553**

The prior year restatement is described in note 28 1

29 Notes to the consolidated cash flow statement

29 1 Reconciliation of operating surplus to net cash flow from operating activities

	2011 £'000	2010 (restated) £'000
Total operating surplus	15,423	18,718
Depreciation	27,388	21,940
Movement in restricted reserve	(156)	-
Amortisation of positive goodwill	177	583
Difference between pension charge and cash contributions	212	(539)
Deficit on disposals of fixed assets	-	970
Decrease / (increase) in stock	6,985	(3,508)
Decrease / (increase) in debtors	3,239	(1,825)
(Decrease) / Increase in creditors	(6,888)	1,367
Net cash inflow from operating activities	46,380	37,706

The restatement is described in note 27

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

	2011 £'000	2010 £'000
Increase in cash in the period	1,876	7,264
Cash outflow from net increase in debt	2,788	156
Change in debt resulting from movement in finance lease obligations	9	-
Cash flow from increase / (decrease) in liquid resources	20,045	(700)
Reduction in debt resulting from cash flows	24,718	6,720
Non-cash movements	1	(53)
Reduction in net debt in the year	24,719	6,667
Net debt at 1 April	(63,948)	(70,615)
Net debt at 31 March	(39,229)	(63,948)

29 3 Analysis of changes in net debt

	At 1 April 2010 £'000	Cash flows £'000	Non cash movement £'000	At 31 March 2011 £'000
Cash at bank and in hand including overnight deposits	9,116	1,876	-	10,992
Other short term deposits and investments	29,000	20,045	-	49,045
Debt due within one year	(981)	981	(817)	(817)
Debt due after one year	(87,496)	1,807	817	(84,872)
Finance lease obligations	(13,252)	9	-	(13,243)
Loan stock	(335)	-	1	(334)
	(63,948)	24,718	1	(39,229)

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

	2011 £'000	2010 £'000
Returns on investments and servicing of finance		
Interest received	2,367	2,354
Interest paid	(7,568)	(8,483)
Net cash outflow from returns on investments and servicing of finance	(5,201)	(6,129)
Capital expenditure		
Payments to acquire and develop housing properties	(22,088)	(27,758)
Payments to acquire non-housing fixed assets	(1,908)	(2,432)
Receipts from disposal of housing fixed assets	7,954	5,773
	(16,042)	(24,417)
Financial investment		
Payments to acquire investments	(428)	(440)
Net cash outflow from capital expenditure and financial investment	(16,470)	(24,857)
Management of liquid resources		
(Investments in) / receipts from short from term deposits	(20,045)	700
Net cash (outflow) / inflow from management of liquid resources	(20,045)	700
Financing		
Loans received	-	15,000
Loan repayments	(2,788)	(15,156)
Net cash outflow from financing	(2,788)	(156)

30 Capital commitments – Group and Company

	2011 £'000	2010 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	15,380	-
Capital expenditure that has been authorised by the Board but has not yet been contracted for	44,037	61,050
	59,417	61,050

All of this anticipated expenditure is covered by reserves and banking facilities

31 Contingent liabilities – Group and Company

There were no contingent liabilities as at 31 March 2011 or 31 March 2010

32 Transactions with related parties

During the year, inter-group charges of £412,000 (2010 £415,000) were made in respect of interest on loans from Anchor Trust to Anchor Lifestyle Developments Limited, and inter-group charges of £125,000 (2010 £15,000) were made in respect of interest on loans and management charges from Anchor Trust to Anchor 2020 Limited In addition, Anchor 2020 Limited sales to Anchor Trust were £68,000 (2010 £1,896,000) All transactions between Group companies are on normal commercial terms

As at 31 March 2011, Anchor Trust was owed £27,886,000 and £1,766,000 (2010 £27,255,000 and £119,000) from Anchor Lifestyle Developments Limited and Anchor 2020 Limited respectively Both these companies are 100% owned by Anchor Trust

Transactions with Burnbank Limited are described in Note 17

There are no other related party transactions in the year to 31 March 2011 (2010 £nil)

33 Legislative provisions

	Registration number
Companies Act 1985	3147851
Charities Act 1993	1052183
Housing Act 1996	LH4095

34 Post balance sheet events – Group and Company

In June 2011, Anchor announced its intention to dispose of its home care business to another provider There were no other post balance sheet events that require disclosure in the financial statements

Accessibility

This document can be made available in large print, braille, audio or electronic formats or other languages on request

Contact our Customer Participation Officer Claire Green
on 01274 381 654 or email claire green@anchor org uk

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

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

এ দলিল অন্যান্য ভাষায় পাওয়া যাবে। ইংরেজী বলতে পাবেন এমন কাউকে 01274 381 654 এ নাম্বারে টেলিফোন করে একটি সংখ্যাব জন্য অনুবোধ কবতে বলুন।

ਇਹ ਦਸਤਾਵੇਜ਼ ਦੂਸਰੀਆਂ ਬੋਲੀਆ ਵਿੱਚ ਵੀ ਉਪਲਬੱਧ ਕੀਤਾ ਜਾ ਸਕਦਾ ਹੈ। ਕਾਪੀ ਲੈਣ ਲਈ ਬੇਨਤੀ ਕਰਨ ਵਾਸਤੇ ਅੰਗ੍ਰੇਜ਼ੀ ਬੋਲਣ ਵਾਲੇ ਕਿਸੇ ਵਿਅਕਤੀ ਨੂੰ 01274 381 654 ਤੇ ਟੈਲੀਫ਼ੋਨ ਕਰਨ ਲਈ ਕਹੋ।

یہ ڈاکیومنٹ دیگر زبانوں میں بھی مہیا کیا جاسکتا ہے۔ اس کی کاپی کی درخواست کرنے کے لیے انگریزی بولنے والے کسی شخص سے کہیں کہ وہ 01274 381 654 پر فون کرے۔

Mozemy udostępnić ten dokument w innych językach Aby zamówić wersję w innym języku, popros kogos, kto zna język angielski, aby zadzwonił pod numer 01274 381 654

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Many thanks to all the Anchor customers who agreed to be featured in this document

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 a range of non-executive roles in retail and customer service organisations, as well as with the Department for Trade and Industry and in charities She is currently on the board of the West Bromwich Building Society, St Modwen Properties plc and Hellsing Productions Ltd

Graham Watts
Vice-Chairman, Chairman of Audit and 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*

Angela Horsman

Angela is a marketing consultant with more than 25 years experience in leisure marketing 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 Non-Executive Director of Tangram Leisure and is a member of the Royal National Lifeboat Institution Council and its fundraising and communications committee

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

Aman Dalvi OBE
Chairman

Aman is Corporate Director of Development and Renewal at the London Borough of Tower Hamlets, responsible for development, regeneration, Olympics *preparation, housing and* the Third Sector, and Building Schools for the Future Until 2008 Aman was Chief Executive of Gateway to London, leading the organisation 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

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 held the posts of Deputy Chief Executive and then 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

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Tel: 020 7759 9100, www.anchor.org.uk
Company Number: 3147851
Registered Charity Number: 1052183 (England and Wales)
Housing Association Number: LH4095