Anchor Hanover Group

Annual Report & Financial Statements 2019

anchor hanover

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Anchor Trust and Hanover Housing Association merged to become the Anchor Hanover Group (Anchor Hanover) on 29 November 2018. The merger was achieved via a transfer of engagements from Hanover Housing Association to Anchor Trust under a process provided for under the Co-operative and Community Benefit Societies Act 2014. Prior to the merger, Anchor Trust converted from a company limited by guarantee to become a Community Benefit Society which facilitated the subsequent transfer of engagements.

We determined that the application of merger accounting would be appropriate and therefore the financial results and reporting are presented as if the merged entity had always existed. Similarly the governance section presents reports from Committees established in the post-merger period.

The processes and systems of the pre-merger organisations largely continued to operate separately between 29 November 2018 and 31 March 2019 as the process of integration commenced. As a result, there are some limitations in respect of consistent aggregated reporting of Key Performance Indicators and benchmarks, which apply to this year's report.

1 Chair and Chief Executive's Statement

At a glance Key Performance Indicators

Turnover

£526.4m

Operating Surplus

£56.3m

Net Book Value of Housing & Care Properties

£1,121.3m

Total Assets Less Current Liabilities

£1,333.5m

Care homes occupancy
2018: 87.6%

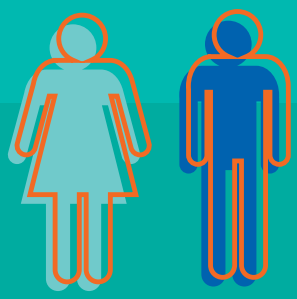
2019:
89.0%

Rented occupancy
2018: 98.9%

2019:
98.9%

Your Care Rating
2018: 897

2019:
899
out of 1,000



Chair and Chief Executive's Statement

In November 2018, Anchor Hanover Group (Anchor Hanover) was formed by the merger of Anchor Trust and Hanover Housing Association. For over fifty years Anchor and Hanover have helped people enjoy later life. In today's ageing society our housing, care and support is needed more than ever. Both organisations had proud histories and much to celebrate.

Creating Anchor Hanover means we now have an organisation that can build on all our previous experience, using the breadth of services we offer and our financial strength to transform housing and care so more older people have a home where they love living.

Thank you to colleagues and current and former Board members for exceptional work and dedication to ensure our merger progressed successfully.

There are great challenges and opportunities for us as providers of housing, support and care - as well as for our customers. The number of people aged over 65 in England is increasing with people living longer, often with increasing cognitive and physical conditions. The demand for specialist housing and care will therefore accelerate. Responding to this increased demand requires a step-change in approach to ensure that our homes, care and support meet the very different needs and aspirations of the future.

We aim to be the undisputed leader in housing and care for older people.

We aim to be the undisputed leader in housing and care for older people. We have the size, reach, financial capacity and experience of delivery in our markets to be able to re-shape our services for older people to support their individual needs. We will use our commercial expertise to realise our aspirations around social purpose. Delivering operational and financial efficiencies will allow us to invest in building more socially rented homes and to develop a customer service model to anticipate and meet future customers' needs.

The economic environment is challenging with great uncertainty around the United Kingdom's relationship with Europe, controls on government spending, reductions in public services and pressures on individuals' income in later life. Older people are experiencing the challenge of accessing appropriate care and support services at a time when the relative value of their savings and pensions may be reducing and their expectations for their quality of life are, quite rightly, increasing.

Our business plan is focussed on the next three years, and sits alongside an ambitious development plan for the next eight years. This is so we maximise the benefits of bringing our two legacy organisations together and provide strong foundations to do more and to innovate in the future. We will:

- Provide more choice and opportunity
- Be accountable to the people we serve
- Provide more homes
- Make best use of our assets
- Have more influence
- Be the employer of choice in care and housing
- Be more efficient
- Build on our financial strength and capacity

By having a tight grip on the basics and acting with pace to make changes, we are well-placed to thrive in the coming years.

Now is the time to be ambitious and to define a new future for older people's housing, care and support.

Rev Dr Stuart Burgess CBE
Chair

Jane Ashcroft CBE
Chief Executive

Strategic Report
including Operating and Financial Review

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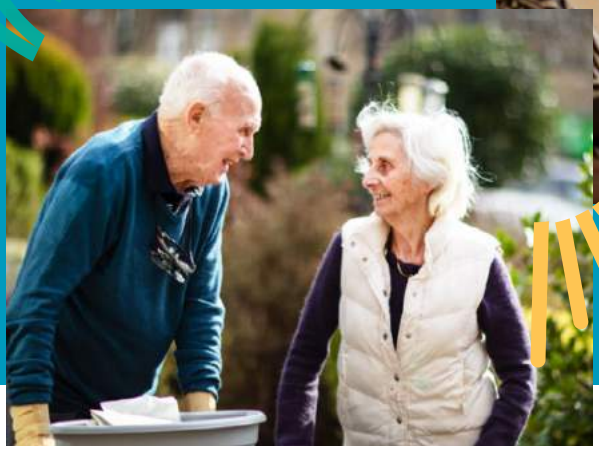


Strategic Report
including Operating and Financial Review

This section includes the requirements of the Strategic Report: principal activities, the business model, review of the year's performance, key performance indicators, key risk disclosures and future developments.

Anchor Hanover is England's largest provider of specialist housing and care for people in later life.

We are proudly not-for-profit, which means our surplus is reinvested into our properties and services, building more and innovating for the future. Our ambition is to transform housing and care for older people so everyone can have a home where they love living.

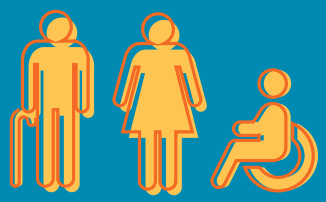
As the largest provider of housing for older people and one of the largest providers of care in England, we provide great homes and support so customers can enjoy living in thriving communities. We are leaders in creating choice and opportunity for people in later life.

- We manage 54,000 homes
- Across almost 1,700 sites
- We operate in more than 90% of local authorities in England
- We have nearly 6,000 residential care customers
- More than 9,000 colleagues are employed by Anchor Hanover

The scale and range of products we offer is unique in England. We provide great homes to rent or buy with a range of services from retirement housing and independent living schemes to extra care focussed on those with greater levels of care and support needs. Our care homes and villages support those with high or complex care needs. Having this range of products across so many locations offers great choice and provides a pathway of different housing and care and support for those who want to stay with us as their needs change.

Number of residential care customers we support is nearly

6,000



Number of homes including leasehold, rental properties, care homes and retirement villages

54,000

Number of sites we manage, almost

1,700

Our service range also enables us to share the knowledge and core competence of our colleagues in different parts of the organisation, and develop their careers with us.

Growth in our business will continue to be delivered through a combination of development and acquisition. Our expertise and financial strength allows us to take advantage of opportunities when they arise and manage risks as they emerge. We ensure that our portfolio remains aligned with our strategy and competences.

Our commitment to creating more homes where people love living in later life is not simply about delivering new homes. We are also focused on ensuring more people in our existing services are able to enjoy positive experiences. A number of initiatives in the last 12 months have made a significant contribution to this.

Anchor Hanover-backed research found that physical inactivity in later life is set to cost the NHS more than £1.3 billion by 2030. Our new initiative 10 Today is a collaboration between Anchor Hanover, Sport England and Demos, to encourage older people to become physically active through just 10 minutes of exercise three times a week.

The easy, accessible and enjoyable 10-minute exercise broadcasts for both radio and online can be followed almost anywhere and at any time. Inspired by Radio Taiso, an established and evidence-based national daily exercise broadcast on Japanese radio, 10 Today has been produced and led by older people. Terry Keen, an Anchor Hanover resident and trained fitness instructor, is 72 years old and helped design the programme alongside industry experts.

Our Tea & Technology initiative has used £50,000 gifted from Aviva's Community Fund to purchase tablets and train volunteers to open up the digital world to a new audience of older people. The initiative forms part of our Be Wise work, which has helped older people save more than £10m by accessing benefits and energy savings.

Units	Year ending 31 March 2018	Growth through development	Disposals	Year ending 31 March 2019
Care (rooms)	6,082	–	(614)	5,468
Rented properties	35,506	1	(22)	35,485
Leasehold properties	12,447	121	(80)	12,488

Local authority areas in England in which we operate **90%**

Colleagues working across Anchor Hanover providing support for older people is more than **>9,000**

Initiatives such as these, as well as innovative pilots using Amazon's Alexa technology, are ensuring our services enable people to love living in later life.

That they are doing so can be seen in our strong performance in the Elderly Accommodation Counsel awards for retirement housing and housing-with-care. We won 61 regional accolades, including 26 Gold, 26 Silver and nine Bronze awards and five national awards, two Gold and three Silver.

It is also reflected in our performance in Your Care Rating, the independent and largest national survey of residents about the care they receive. Overall, we scored 17 points above the national average. We also run the joint highest-rated care home in the country - Abbeywood in Ash Vale - which received 998 out of 1,000.

Everything we do is strongly guided by our values. Our Board, Executive Board and colleagues champion them in the way we work with others outside Anchor Hanover and within the organisation.

- **Accountable:** We are positive about our work, each taking responsibility for doing a brilliant job and we focus on and celebrate our successes. We are personally accountable for our actions and keep our promises.
- **Respectful:** We care about people and show kindness, putting excellent customer service at the heart of what we do. We listen and encourage a variety of perspectives to be shared. We are inclusive and value everyone for who they are in helping us succeed as an organisation.
- **Courageous:** We demonstrate courage to shape a better future by constantly seeking to move forward; improving and innovating in our services to make a difference. We break down barriers and build connections through collaboration. We're pioneers in our services.
- **Honest:** We show integrity and demonstrate openness and transparency in everything we say and do. We are reliable, keep things simple and have honest conversations about what matters. Customers and colleagues trust us to keep to our word.

Opportunities and challenges

To be effective we must ensure that we understand the different needs of customers in our different services, and the effect of external factors on each of the sectors in which we operate.

Our market is growing

The market for housing, care and support targeted towards those in later life is growing. Currently, more than 18% of people in the UK are aged over 65 and this is projected to increase to 1 in 4 people by 2037. We are continuing to see higher numbers of people aged 90 years and over in the UK. In 2017, there were 580,000 people aged 90 years and over, including over 14,000 centenarians. The Alzheimer's Society has said that there are 850,000 living people with dementia in the UK. Every three minutes, a person in the UK is diagnosed with dementia.

This means there is significant increase in demand for retirement housing across tenures, including social housing, and across the country. The increasing numbers of people living with dementia drives our commitment to the residential care sector where we have a strong record and have had continued investment in dementia care delivery.

But there are significant variations

Some people have income from final salary pensions and own their homes giving them significant choice in where they live and what they can afford. However, some members of this group are seeing the value of their pensions and savings deteriorate so their choices may be more limited, with a focus on achieving best value for money to maintain their quality of life. For those without the equity from their own home, or the security of private pensions, the need for good quality social and affordable housing which can enable a quality of living in later life is strong and growing. Our own research found that 73% of people worry that they may not be able to afford the social care that they or a loved one requires in older age. We are well placed to offer a range of products but we need to continue to understand our customers and to be innovative to respond to changing needs.

To meet this wide variation in needs and expectations we provide a range of different types of housing services for older people, from independent living for rent or sale to "extra care" and retirement villages of various tenures.

Many people worry about how they will access care services, how well they will be looked after and the cost of care. The care home market in the UK is mature and funded from a range of public and private sources. Current provision encompasses variations in the quality and cost of services so it is key that we provide great services which have an extremely strong reputation for quality and value for money.

Supply remains limited

The UK has the lowest proportion of older people living in specialist housing in Europe. Most continue to live in what may have been the family home which may not reflect changing needs in later life. An increasing range of housing developers and other housing associations are developing housing for older people. We are clear about the benefits of the homes and services we offer, especially our commitment to offer a range of options and the fact that we stay involved for the long term to maintain the quality of our homes and provide services to support wellbeing.

Care home supply is reducing nationally as demand is increasing. In the 12 months to April 2018 the number of residential homes dropped by 2.4%. We aim to ensure that our care home estate is fit for purpose in a changing world, and that the experience of living in our homes also reflects changing needs and expectations, as evidenced by our "Anchor Inspires" dementia approach. We aim to grow our services within a framework of high quality and sustainability

Pressure on funding continues

Increasing evidence and media concern focusses on the increasing pressure on health and social care services as more people live longer with multiple conditions. The Personal Social Services Research Unit projected that the number of care home residents would grow by 78% between 2015 and 2035 to total nearly 588,000 people. One of the key challenges for society is how to meet the costs of these services. At the time of writing there is no sustainable policy response on the delivery of social care from the government, despite many years of debate. We will continue to voice the impact on some of the most vulnerable while developing solutions to respond to the needs and aspirations of individuals.

Compliance and engagement is vital

Across the housing and care sector there is renewed attention to compliance regarding service standards, customer engagement, value for money, health and safety and financial viability. In housing, the tragedy of the Grenfell fire and previous fire safety issues in blocks of flats has, rightly, given a focus to ensuring there is good fire safety practice by landlords, giving residents sufficient voice for their concerns and the role of regulation in taking action when poor practice is identified. Our strong approach to compliance will continue, and we will keep best practice comparisons under regular review.

In care, we go further than the compliance ratings established by the regulator. As a founder of the "Your Care Rating" measures, we put residents' voices at the centre of everything we do.

The political outlook is uncertain

There is not a clear direction of travel on many key government policies that impact on us. Given this uncertainty, our strong financial base and diversity of products give us a strong foundation to respond to any sudden shocks in our operating environment. We welcome political support for the development of a range of tenures including social rented homes and shared ownership - delivery needs to be supported through appropriate funding and planning policies. Similarly, we value the focus in the NHS 10-year plan on out of hospital health care and the commitment to increase the integration between health and social care services. However, this is undermined by the lack of sustainable policies on how social care will be delivered and paid for in the future.

Local authorities are key partners in many of the services which we deliver. We have services in more than 90% of local authority areas in England so maintaining effective relations is a focus for us, to ensure we have a shared view of what services should be commissioned and how individuals will access our services. We also work together to identify the need for new services, finding ways to develop appropriate solutions and working with planners to build properties.

Retention and recruitment are key

Our services are dependent on having the right people to provide support and care to customers. There is increasing competition for great colleagues, especially as there are now fewer people from Europe looking to work in our sector. This is particularly the case in social care where the vacancy rate in 2017/18 increased to 8.0% and the turnover rate in England increased to 31% for all care staff. We seek to lead in this challenging environment, utilising creative approaches to recognition and retention, focussing on training and career development, and understanding the importance of a highly inclusive approach.

Technology will support our plans

We already use technology widely in what we do, in particular alarm call systems that provide assurance to customers and the operational systems we use in delivering services. The potential change driven by technology is constantly accelerating and is a key area for investment. We will work with customers to understand where we can make best use of new technology in the way we provide services. Recognising that the challenges of an ageing society are seen in many countries, we are constantly looking for new ways to do things and will learn from the models and solutions seen elsewhere.

Our goals

We have set out goals to achieve our ambition over the next three-year period, specific objectives to deliver them, and measures of success.

Provide more choice and opportunity

We listen to our customers. What they say helps us understand their changing needs and how we can transform the market to secure the best services for them now and in the future.

Our services will be more focused on the specific expectations of tenants and homeowners.

Be accountable to the people we serve

We should all be able to choose how we live in later life. Our customers are at the heart of everything we do and we are committed to putting in place the most effective structures to enable scrutiny of our services and proper engagement. Through a culture of co-creation with customers we identify shared priorities and co-produce solutions to shape our homes and services around the changing needs and concerns of current and future customers.

Provide more homes

We recognise there is a national housing crisis and a shortage of options for people in later life. We are ideally placed to increase supply based on our extensive experience of development and delivery, our financial strength and our not-for-profit model which enables a long term approach and the reinvestment of returns. Our Development Plan will deliver social rented, shared ownership and outright sale new homes in equal numbers. This will be a step-change in our development activity, especially the number of new social rented homes.

We already provide services and settings to suit a variety of circumstances based on needs, location, lifestyle preferences and financial means. We will review and extend this mix of housing types and tenures to deliver on our commitment to offer a choice of ways in which to live well and independently for longer.

Make best use of our assets

We will implement proactive asset management, making strategic and cost-effective investments to achieve long term sustainability. Specifically, we have the opportunity to unlock capacity and drive savings by divesting or investing in under-performing assets.

Repairs and maintenance are key drivers of customer satisfaction and the quality of their home is a fundamental expectation for older people in later life. We will provide excellent property services to meet customers' demands and needs resulting in a safe, secure and sustainable home environment.

Our scale means we can make sure we have a repairs and maintenance service that specifically meets the needs of older people. We will have a strong emphasis on effective procurement to deliver improved efficiency.

Have more influence

Our scale, spread across the country and breadth of services, means we have an unrivalled understanding of the needs of the people we serve and the markets in which we operate.

We aim to have increased influence in the policy domain to enable our customers' voices to be heard in important policy debates as we did when campaigning to protect the level of Housing Benefit that can be claimed by tenants of supported housing.

We aim to be the undisputed leader in housing and care for older people giving us a broader reach and a bigger voice locally and nationally to act on their behalf. The pressures on people in later life and the economic uncertainty make this a key time for us to advocate their housing, care and support needs as well as contributing to place shaping at a local level.

Be the employer of choice in care and housing

We know from our customers and from our experience that quality services start with quality people. To thrive, we need skilled people who are passionate about what we do, with influential ideas to ensure we continue to improve and innovate. Achieving this means working hard to continue to be recognised as an employer of choice: a great, inclusive place to work that attracts and retains talented and highly engaged colleagues ready to build careers with us.

Crucially, we'll listen to and act on feedback from our colleagues to ensure we do the best for our customers.

Be more efficient

The merger that created Anchor Hanover is already driving improved efficiency. We will ensure that every decision we make adds value and focus on delivering cost savings so we can do more for current and future customers.

Savings in our overheads from integrating central support teams, through achieving economies of scale and maximising the benefits of procurement will result in an increase in surplus which we will use to achieve more while maintaining our financial ratios at appropriate levels.

Build financial strength and capacity

We will maintain our financial strength through adherence to our financial golden rules:

Liquidity: Deliver strong and sustainable operating cash flows and maintain sufficient liquidity to meet stress tested spending commitments on an ongoing basis.

Credit profile: Maintain a strong investment grade credit profile in line with or ahead of rated social housing peers.

Borrowing capacity: Increase borrowing only as underpinned by strengthening of underlying business and improved efficiency, using synergy savings for debt service to maintain conservative risk profile.

Flexibility: Create an efficient and effective capital structure with the flexibility to deploy funds around the Group when and where needed to support strategy.

We have distilled these goals into four key themes that illustrate the virtuous circle of our business plan:

More homes where people love living in later life
More opportunities for colleagues in career, development and reward
More influential – we will tell everyone about the great things we are doing
More efficient – we will challenge ourselves to innovate and do things better

Responding to external changes

We live in uncertain and challenging times and any Business Plan needs to recognise that external factors can throw plans off course. As a large organisation we have the stability and resilience to respond to potential changes and undertake rigorous stress testing of our plans. We recognise that if circumstances change we may need to change our plan; this will include capitalising on opportunities as well as mitigating new risks, and we have the strength and agility to do this.

Financial highlights

Anchor Hanover is a not-for-profit organisation and therefore its entire surplus is reinvested in the business for the long term benefit of the organisation and its customers.

A summary of Anchor Hanover's financial results, restated to reflect the aggregated position of the merged entities, over the past five years from all its activities is set out below:

YEAR ENDING 31 MARCH

	2019 Total £m	2018 Total £m	2017 Total £m	2016 Total £m	2015 Total £m
Turnover	526.4	530.7	495.6	484.0	390.7
Operating surplus before exceptional costs and goodwill amortisation	56.9	61.6	47.0	54.4	39.5
Operating margin before exceptional costs and goodwill amortisation	10.8%	11.6%	9.5%	11.2%	10.1%
Exceptional costs	(0.5)	–	(0.7)	(3.1)	–
Goodwill amortisation	–	(3.1)	(7.4)	(4.3)	–
Operating surplus	56.3	58.5	38.9	47.0	39.5
Surplus for the year	36.0	33.9	22.8	20.1	22.4

Turnover

In the year ending 31 March 2019, turnover was £526.4m, a decrease of £4.3m or 0.8% over the prior year.

Some £255.2m of turnover came from rental income in retirement housing to let (2018: £259.7m). The year was the third in which there was a real terms reduction in rents charged to customers in accordance with the change to the rent formula set out in the Emergency Budget of 2015: the impact of the 1% reduction equated to an adverse variance of £1.6m on the prior year.

We maintained high levels of occupancy (2019: 98.9%, 2018: 98.9%) supported by efficient management of void units (Average re-let time 2019: 23.8 days, 2018: 21.8 days).

The number of people on the waiting list for properties is more than 19,000.

Residential care home revenues at £196.9m represented 37.4% of Anchor Hanover's total income, up £5.1m or 2.7% compared to the prior year. The year saw the ending of one lease across eight homes, the disposal of three homes to other operators, and one home closure; when the impact of this is excluded, turnover on a like for like basis increased by £7.3m or 4.2%. Occupancy across all care homes was 89.0% (2018: 87.6%).

Turnover from other activities was £74.4m (2018: £79.1m), principally reflecting sales of retirement housing in our village and independent living developments at £53.6m (2018: £61.2m). Anchor Hanover provides direct care to customers in 11 of its housing locations; turnover from this activity totalled £3.0m, up £0.6m on the prior year.

Operating surplus

Anchor Hanover's operating surplus was £56.4m, down £2.1m on the prior year. The surplus for 2019 was adversely impacted by a deficit on disposal of £1.0m compared to a surplus of £1.0m in 2018. In addition, 2019 saw the inclusion of a charge of £0.5m in respect of equalisation of guaranteed minimum pensions (GMPs) (2018: zero) in respect of the closed defined benefit pension scheme.

An alignment of depreciation policies between the two merged entities, applied from 1 December 2018, resulted in a favourable movement of £5.3m in what would have otherwise been the aggregate charge for the year. The prior year comparative included £3.1m of goodwill amortisation relating to the acquisition of two care home businesses in 2016 and an impairment charge of £0.5m (2018: zero goodwill amortisation, £0.2m impairment).

The operating surplus for retirement housing to let was £53.9m (2018: £54.6m).

Residential care homes made an operating surplus of £0.3m, an improvement of £2.1m on the prior year. Mature care homes, being those that had operated for at least one full financial year that were operating at 31 March 2019 and had done so for at least one financial year prior, contributed a surplus of £3.3m (2018: deficit of £1.1m), but this was offset by the impact of the disposed and closed homes.

We completed the construction of two independent living developments during the year, comprising 115 new homes. Consumer interest remains high although there has been some impact on the rate of sale arising from the general slowing down of the housing market. Nonetheless, we closed the year having sold 124 new units, generating a contribution of £11.6m (2018: 149 units, £11.9m).

Operating margin before exception costs declined to 10.8% (2018: 11.0%).

SERVICE £M

	Operating surplus Year ending March 2019	Operating margin Year ending March 2019	Operating surplus Year ending March 2018	Operating margin Year ending March 2018
Retirement housing to let	53.9	21.1%	54.6	21.0%
Residential care homes	0.3	0.2%	(1.8)	-0.9%
Home care	–	-1.6%	(0.2)	-8.8%
Other social housing activities	0.7	12.6%	0.6	10.6%
Non-social housing activities	12.4	19.8%	13.0	18.6%
Central overheads and income	(9.3)	-272.4%	(8.7)	-309.6%
Disposals	(1.0)	-13.3%	1.0	32.6%
Total	**56.9**	**10.8%**	**58.5**	**11.0%**

Capital expenditure

Total capital expenditure on major works to our existing properties was £43.9m (2018: £49.9m), and £18.1m was spent of expensed planned repairs and maintenance (2018: £15.9m), a total investment of £62.0m in these assets.

Some £3.4m of capital expenditure was made on offices and equipment (2018: £5.2m). Capital investment in new developments totalled £10.9m (2018: £10.1m); these developments, once complete, will provide 49 new homes for older people.

CAPITAL INVESTMENT AND EXPENDITURE ON MAJOR WORKS

	Note	Retirement housing £m	Residential care homes £m	Properties under construction £m	Other fixed assets £m	2019 Total £m	2018 Total £m
Capital expenditure on new properties	13.1	n/a	n/a	10.9	n/a	10.9	10.1
Capital expenditure on existing properties	13.1	36.5	7.4	n/a	n/a	43.9	49.9
Capital expenditure on offices and equipment	13.9	n/a	n/a	n/a	3.4	3.4	5.2
Total Capital Expenditure		**36.5**	**7.4**	**10.9**	**3.4**	**58.2**	**65.2**
I&E planned maintenance		14.4	3.7	n/a	n/a	18.1	15.9

Financial position at year end

A summary of Anchor Hanover's statement of financial position over the past five years is set out below:

YEAR ENDING 31 MARCH

	2019 Total £m	2018 Total £m	2017 Total £m	2016 Total £m	2015^ Total £m
Goodwill	–	–	3.1	10.5	–
Housing properties at cost less depreciation	1,121.3	1,147.2	1,168.6	1,192.6	1,089.6
Other tangible fixed assets	25.8	28.0	31.7	30.6	26.2
Investments	5.2	5.6	6.6	7.2	7.4
Net current assets / (liabilities)	181.1	164.5	150.5	138.2	63.0
Total assets less current liabilities	**1,333.5**	**1,345.3**	**1,360.5**	**1,379.1**	**1,186.0**

^ Not restated under FRS 102, Housing SORP 2014 and Accounting Direction 2015.

At 31 March 2019, Anchor Hanover's total assets less current liabilities were £1,333.5m (2018: £1,345.3m), of which £474.8m was represented by the accumulated Income and Expenditure Reserve (2018: £449.2m). The Income and Expenditure Reserve increased by £25.6m, with the surplus generated during the year offset by the actuarial loss of £9.5m on the annual valuation of Anchor Hanover's defined benefit pension schemes.

The net book value of housing properties was £1,121.3m (2018: £1,147.2m).

Within net current assets, Anchor Hanover's properties for sale increased to £121.9m (2018: £118.1m); this comprised 295 properties ready for resale with a value of £71.6m and £50.3m of work in progress. This compares to assets of £51.4m and £66.7m respectively in the prior year.

An impairment charge of £0.2m was made in the year (2018: £0.5m).

Cash and short term deposits increased by £20.3m to £152.9m (2018: £132.5m), due to the cash generation of the business combined with receipts from the sale of new developments.

As at 31 March 2019 there were undrawn borrowing facilities totalling £108.6m on total facilities of £91.3m.

Cash flow

£135.4m of cash was generated from operating activities during the year, a decrease of £6.1m on the prior year: the movement is fully analysed in note 29 of the financial statements.

Cash inflows from property sales were £53.6m compared to £61.2m in the prior year reflecting the cyclical nature of the completion of developments.

Cash investment in the development of housing properties totalled £10.9m (2018: £10.1m), and there were disposal proceeds of £7.9m (2018: £3.1m).

Cash at bank was £152.9m (2018: £132.5m), a net increase in cash of £20.4m (2018: net increase of £37.1m), with the cash generated by operating activities broadly offsetting capital investment during the year. Consequently, net debt was £386.4m at the year end (2018: £443.6m), a net decrease of £57.2m, as cash generated from operations and property sales was used to finance the development programme with no further drawings, and scheduled loan repayments were made.

Investment in new developments

During 2019, development investment of £10.9m (2018: £10.0m) was added to fixed assets – properties under construction as outlined in note 13.1 of the financial statements.

Anchor Hanover continues to seek suitable sites on which to build care homes, retirement villages and independent living housing schemes, and a number of such sites are progressing through various stages of property development and construction. We also remain open to further acquisitions of care homes that meet our strict criteria, and are exploring alternative models with different tenures which will meet the needs of our customers now and in the future.

Pensions

Anchor Hanover Group operates or participates in four defined benefit pension schemes for its employees, Pensions Trust Growth Plan, Anchor Trust Final Salary Scheme, Surrey County Council Pension Fund, and London Borough of Hackney Pension Fund.

The assets of the schemes are held separately from those of the Group and are managed by trustees. The contributions are determined on the basis of triennial valuations using the projected unit method. These schemes are all closed to new members.

Anchor Hanover Group also operates a defined contribution scheme.

The details of the schemes are shown in note 26.

Treasury

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

A treasury strategy is in place to support delivery of the Group's objectives, and its operational and long term plans are supported by financial budgets and forecasts. The treasury strategy, and the policy that supports it, are approved annually by the Board.

Cash flow requirements are monitored through a rolling forecasting process. Anchor Hanover's policy is to minimise cash held by repaying debt as early as practicable, while ensuring sufficient access to funding to cover investment and development plans, and working capital. 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.

The rolling forecasting process incorporates stress testing to ensure that the net debt position is sufficiently robust to withstand predictable and unpredictable shocks.

During the year, surplus cash was held predominantly in a cash liquidity fund. A total of 46.8% of drawn borrowings were at fixed rates of interest at the year end (2018: 46.4%) for an average term of 11.5 years (2018: 12.3 years). Anchor Hanover has two interest rate swaps that protect a further 10.2% of its net floating rate exposure. The instruments will apply to a reducing balance until they expire. The financial position of the swap at the year end was a net liability of £0.5m.

Net debt (including finance lease obligations) as at 31 March 2019 was £386.4m (2018: £443.6m), with £135.4m of cash generated from operations used to finance capital expenditure; there were no further drawings on facilities during the year, and £35.8m of principal repayments.

Anchor Hanover remains compliant with its financial covenants, which are primarily based on interest cover and gearing. These covenants have been met with considerable headroom, due to low interest rates payable and a strong trading performance.

Anchor Hanover has access to undrawn committed borrowing facilities of £108.6m (2018: £91.3m). Net debt (excluding finance lease obligations) at 31 March 2019 was £358.4m, and gearing including finance lease obligations, properties for resale and other tangible fixed assets was 30.3% (2018: £414.5m, 34.2%). These facilities together with substantial unencumbered assets, as shown in the Statement of Financial Position, ensure Anchor Hanover remains in a strong position to fund future growth plans and investment opportunities.

Tax and legal structure

Anchor Hanover has two non-charitable trading subsidiary companies, Anchor 2020 Limited and Hanover Housing Limited, which are used to procure design and construction services for the Group and manage the professional fees on new development projects.

Anchor Hanover has two further non-charitable trading subsidiaries company, Anchor Lifestyle Developments Limited and Hanover Housing Developments Limited, which are used to operate non-charitable activities, principally the development of independent living properties for resale.

Anchor Carehomes Limited is a non-charitable trading subsidiary company which comprises the trade and assets of the 24 former 'Ideal Carehomes' acquired in 2015.

Surpluses from all these subsidiaries are gift-aided to Anchor Hanover Group, for the benefit of its charitable activities.

Viability report

Anchor Hanover reviews its Long Term Planning Model (LTPM) on an annual basis, and this model forms the basis of the 30-year Financial Forecast Return that is submitted to the Regulator of Social Housing (RSH) every year.

The Board has considered the assumptions for the key drivers of the business and the impact that they have on Anchor Hanover's turnover, operating costs and cash flow.

The projections for the year ending 31 March 2020 are in line with the approved budget, and assumptions beyond 2020 are in accordance with the Business Plan approved in April 2019. The assumptions reference appropriate external guidance and benchmarks where available.

Projections in future years are inherently less certain and therefore the Board has determined that five years to 2024 is an appropriate period for the viability statement.

In assessing Anchor Hanover's viability, the Board reviewed the outcome of stress-tests against the key drivers in the LTPM. These included scenarios for further reductions in rental income post 2020, the impact of welfare reform on working age older people, reductions in the care home fees paid by private individuals and local authorities, reducing housing and homes occupancy, salary inflation driven by the National Living Wage, a collapse in the housing market, and combinations of the above to create a 'perfect storm'.

The terms under which the UK will leave the EU and the potential implications for the country and the sectors in which Anchor Hanover operates are still uncertain and therefore the ongoing pressures in respect of funding and operating costs are modelled and considered on a regular basis. Based on the assessment of the stress-tested model, the Board considers that Anchor Hanover will be able to continue to operate and meet its liabilities as they fall due over the period ending 31 March 2024.

Value for money

Governance

Anchor Hanover's commitment to value for money was a key driver of the merger and is an integral part of our strategy, and the Board consistently challenges the organisation to find ways of providing quality services to our customers in more economic, effective and efficient ways. As systems, policies and structures are integrated following the merger, opportunities for achieving value for money are sought and pursued.

We continue to offer different services at a range of price points within our markets, across a range of care needs and tenures, and endeavour to find appropriate external benchmarks for the differing strands of our business.

Oversight

Anchor Hanover has a robust methodology for monitoring and validating savings delivered by the business in order to differentiate between different tiers of saving:

Tier 1: Actual savings against prevailing costs

- A year on year difference in price per unit for a commodity, multiplied by the current year volume.
- A usage saving between current and prior year volume, at consistent pricing, that is attributable to more efficient processes requiring less of the commodity.

Tier 2: Cost avoidance

- A reduction achieved in the asking price of the commodity due to procurement activity for which there was no equivalent spend in the prior year.
- The successful avoidance through procurement activity of a supplier-proposed price increase.

Tier 3: Budget savings

- A reported saving when there is a reduction in the price of the commodity in the current year compared to an estimate set in the budgeting process.

The target for savings in the year was £2.7m. Validated savings for the year ended 31 March 2019 totalled £3.3m tier 1 and £0.3m tier 2. The target for the coming year has been set at £1.5m.

The Board reviews Anchor Hanover's value for money performance in comparison to the sector by way of the information provided by the RSH Global Accounts and the new Sector Scorecard. The Board can draw on a range of skills, backgrounds and experiences in order to challenge the organisation on delivering value whilst maintaining an appropriate quality of service.

The Board sets targets for value for money in the annual budget and business planning process, by reference to previous performance and external benchmarks where available. The Board monitors performance against the targets on a quarterly basis through value for money reports, management accounts and a dashboard of key performance indicators.

Key performance indicators (KPIs)

The merged organisations did not have a consistent set of performance KPIs on which combined reporting for 2019 could be based and therefore they are not reflected in this report. Our KPIs as a merged entity are set by the Board annually, and reviewed by our Operating and Management Boards on a monthly basis and by our Board once a quarter. These KPIs will form the basis of our reporting in our next Annual Report.

We recognise that benchmarking our organisation is challenging due to the diverse nature of our activities, and our specialism in respect of older people's services. Nonetheless, we benchmark our costs for maintenance and management costs against data published by the RSH, and other agencies where available, targeting year-on-year improvements.

METRIC		2019			2018			
		Retirement housing to let	Care homes	Total	Retirement housing to let	Care homes	Total	Benchmark ref 1
1	Reinvestment			**4.9%**			5.2%	3.7%
2A	New supply delivered (Social housing units)			**0.0%**			0.2%	0.3%
2B	New supply delivered (Non-social housing units)			**0.6%**			0.6%	0.0%
3	Gearing			**33.9%**			38.6%	39.2%
4	EBITDA MRI interest cover			**431.1%**			381.8%	229.0%
5	Social housing cost per unit	**£5,246**	**£33,188**	**£8,857**	£5,329	£29,351	£8,730	£5,610
6A	Operating margin (Social housing)	**21.1%**	**0.2%**	**12.0%**	21.2%	-0.9%	11.7%	22.8%
6B	Operating margin (Overall)			**11.0%**			10.8%	21.1%
7	Return on capital employed			**4.3%**			4.3%	3.1%

ANNUAL MAINTENANCE COST PER UNIT	2019	2018	Benchmark	ref
Retirement housing to let	£917	£823	£1,034	2
Residential care homes	£1,031	£1,161	N/A	
Weighted average	**£932**	**£871**	**N/A**	

ANNUAL MANAGEMENT COSTS PER UNIT

	2019	2018	Benchmark	ref
Retirement housing to let	£1,217	£1,253	£1,020	2
Residential care homes	£3,759	£3,621	N/A	
Weighted average			**N/A**	

CARE HOME METRICS

	2019	2018	Benchmark	ref
CQC (percentage rated good or outstanding)	86.8%	78.5%	84.4%	3
Your Care Rating	899/1,000	897/1,000	882/1,000	4

COMPLIANCE METRICS

	2019	2018	Target
Gas safety checks	**99.9%**	99.9%	100.0%
Lift safety checks	**99.0%**	98.9%	100.0%
Fixed electrical wiring inspections	**97.4%**	98.2%	100.0%

1. RSH publication: Global Accounts 2018: "Housing older people specialist"
2. RSH publication: Global Accounts 2018: Mean CPU (weighted average) of all providers
3. Based on CQC statistics: 84.4% is national average
4. Average overall rating of all care homes taking part in the residents' survey (2018 report)

Charitable purpose

Anchor Hanover's Board has reviewed the organisation's aims, objectives and activities to ensure that the organisation remains focused on its charitable purpose, namely to relieve the effects of ageing.

We have regard to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing our aims and objectives, and in planning future activities. The Board believes that the provision of specialist retirement housing and residential care to older people, generally those more than 65 years old, delivers a valuable public benefit.

Our services are available to customers, who are aged 55 or over, across England. Beyond this, there are no restrictions on who is able to benefit from Anchor Hanover's activities based on sexuality, ethnicity, disability, religion or gender.

Statement of compliance

In preparing this report, the Board has followed the principles set out in the Statement of Recommended Practice: Accounting by Registered Social Housing Providers (Housing SORP).

Anchor Hanover is committed to ensuring compliance with all relevant legislation. Anchor Hanover's policies and procedures meet legal compliance and, supported by our internal policies and procedures, we will in many cases go beyond minimum statutory requirements. Adherence to legislation is monitored by a number of specialist functional teams and guidance is also provided by the Policy Team. Areas of non-compliance are reported by exception.

The RSH's Governance and Financial Viability Standard April 2015 requires that 'Registered providers shall assess their compliance with the Governance and Financial Viability Standard at least once a year. Registered providers' Boards shall certify in their annual accounts their compliance with this Governance and Financial Viability Standard'. We undertake an internal self-assessment exercise against the regulatory framework which is reported to our Audit & Risk Committee and confirmed to the Board. The assessment confirms our compliance with the regulatory framework and allows us to determine how we can further improve on our delivery of the standards. Through this mechanism, the Board has assessed that it is compliant with the Governance and Financial Viability Standard.

The Report of the Board and the Strategic Report were approved by the Board on 24th July 2019 and signed on its behalf by:

Rev Dr Stuart Burgess CBE
Chair

Stephen Jack OBE
Vice Chair

Corporate Governance Report

3

Corporate Governance Report

Overview of Anchor Hanover's corporate governance

In November 2018, Anchor Trust and Hanover Housing Association merged to become the Anchor Hanover Group (Anchor Hanover). The merger was achieved via a transfer of engagements from Hanover Housing Association to Anchor Trust under a process provided for under the Co-operative and Community Benefit Societies Act 2014. Prior to the merger, Anchor Trust converted from a company limited by guarantee to become a Community Benefit Society which facilitated the subsequent transfer of engagements. As the merger took place in November 2018, this report is based on the period from November to March 2019. Pre-merger, the entities adopted different codes and were compliant

Anchor Hanover is a registered provider and an exempt charity, and is regulated by the Regulator of Social Housing (RSH) and the Care Quality Commission (CQC). The RSH applies a detailed regulatory framework and following the merger, the RSH awarded Anchor Hanover a G1 rating for Governance and a V1 rating for viability. This was an interim judgement based upon the RSH's previous assessments of the legacy organisations. These are the highest regulatory ratings and it means that the RSH is satisfied that Anchor Hanover has effective governance arrangements and manages its resources effectively to ensure its financial viability is maintained.

The CQC inspects all registered care services in accordance with the national standards, and details of Anchor Hanover Group's ratings compared with other providers are included in KPIs considered by the Board. Anchor Hanover is the most compliant corporate provider in terms of CQC ratings.

Code of Governance

Since 2010, all housing associations are required to be governed in accordance with an appropriate code of governance and Anchor Hanover has elected to be governed by the Financial Reporting Council UK Corporate Governance Code 2018 (UK Code), which had previously been the Governance Code adopted by Anchor Trust. The UK Code was selected because its requirements set high standards in relation to Board leadership and effectiveness, and because of the breadth of services which Anchor Hanover operates across the housing and care sectors.

Anchor Hanover's assessment of compliance against the principles of the UK Code has concluded that in the period ending 31 March 2019 it has complied with the main principles of the UK Code. The table below summarises the principles of the UK Code that are not applicable or are relevant only to listed companies.

Principle D - In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

As a Community Benefit Society which is not-for-profit each shareholder may only hold one share. There are no major shareholders with which to consult.

Section 18 - All directors should be subject to annual re-election. The board should set out in the papers accompanying the resolutions to elect each director the specific reasons why their contribution is, and continues to be, important to the company's long term sustainable success.

The Rules adopted by Anchor Hanover Group do not include provisions for annual elections.

Section 30 - In annual and half-yearly financial statements, the board should state whether it considers it appropriate to adopt the going concern basis of accounting in preparing them, and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

Anchor Hanover is not a listed company and therefore is not required to publish half yearly financial statements, but does comply with the going concern basis of accounting.

Section 38 - Only basic salary should be pensionable. The pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce. The pension consequences and associated costs of basic salary increases and any other changes in pensionable remuneration, or contribution rates, particularly for directors close to retirement, should be carefully considered when compared with workforce arrangements.

Only basic pay is pensionable. The Remuneration Committee sets executive pay and considers both the marketplace and wider corporate implications of any decisions. Executive directors are able to make pension contributions at a higher rate and are able to opt to take cash equivalent payments subject to usual deductions.

As a values-led organisation, Anchor Hanover aims to encourage and support equality, diversity and inclusion in all that it does as an employer and as a provider of housing and care services.

The Board

In accordance with the merger Heads of Terms, it was agreed that there would be an equal number of Non-Executive Directors (NEDs) from both legacy organisations as the NEDs of the new Board. The Anchor Hanover Board therefore comprises five former Anchor and five former Hanover NEDs; all of whom are independent. The current Board will serve the remainder of their unexpired term of office from their respective legacy organisation. In future, new NEDs will be appointed for an initial term of three years and will be eligible for re-appointment for a further three-year term subject to a satisfactory appraisal. NEDs normally serve two terms.

Jane Ashcroft Chief Executive has been appointed as an executive member of the Board. She is the only executive on the Board.

Mark Allan stood down from the board on 31 May 2019.

The Board controls Anchor Hanover's strategic direction and reviews its operating and financial performance.

In accordance with the UK Code, there is a formal schedule of matters reserved specifically to the Board, which ensures it takes all major strategy, governance, financial planning and investment, and policy decisions. The appointment of the Chief Executive and the approval of standing orders and delegations of authority are all matters reserved for the Board.

The Board has established five committees - Audit & Risk (ARC), Investment & Development (IDC), Remuneration, Nominations and Service Quality (SQC).

The members of each committee of the Board are appointed by the Board on the recommendation of the Nominations Committee. Each committee has authority to act in accordance with its terms of reference, taking into account statutory and regulatory requirements, and best practice.

Governance review

A merger commitment was that governance arrangements established at the point of merger, would be subject to an independent review during the first year of operation. The Nominations Committee has led on the process of appointing an independent consultant to undertake this review and the exercise has now commenced with the results to be presented to the Board in July 2019.

During this initial period, the Board has undertaken a self-assessment of Board members' skills and experience; the results of which will inform the development of a formal succession plan.

Board meetings

The Board has had four formal meetings and two strategic sessions in the period since merger. Prior to merger, the Board also met in 'shadow' form to consider the values and future strategy of the new organisation. Since merger, all decisions taken in the pre-merger phase have been ratified by the Board.

Issues considered by the Board in this period include:

- Business plan
- Development plan
- Integration and future growth
- Corporate risks
- Treasury strategy
- KPIs and performance reporting

At the end of each meeting sufficient time is also allowed for the Chair to meet privately with the Senior Independent Director (Stephen Jack) and other Board members.

Attendance at Board and committee meetings during this period was as follows:

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS (NOVEMBER 2018 – MARCH 2019)

	Board (four meetings)	Investment & Development Committee (one meeting)	Audit & Risk Committee (two meetings)	Remuneration Committee (four meetings)	Nominations Committee (two meetings)	Service Quality Committee (one meeting)
Mark Allan	4/4	1/1	/	/	/	/
Nicola Bruce	3/4	1/1	/		2/2	/
Stuart Burgess	4/4	/	/	4/4	2/2	/
Julie Doyle	3/4	/	/	/	/	1/1
Mike Green	4/4	/	2/2	/	/	/
Alun Griffiths	3/4	/	/	4/4	/	1/1
Peter Hay	4/4	/	2/2	/	/	1/1
Stephen Jack	4/4	/	2/2	4/4	2/2	/
Richard Jones	4/4	/	/	/	/	1/1
Richard Petty	4/4	1/1	/	/	/	/
Jane Ashcroft	4/4	/	/	/	/	/

In addition to attending Board meetings, each member of the Board undertakes regular visits to Anchor Hanover locations during the year and shares their feedback with the rest of the Board and the Chief Executive.

Induction

All NEDs have had a formal induction programme which has been tailored to meet the needs of new appointees. The induction included presentations on key areas of business, meetings with the Chief Executive, the Chair and senior executives to discuss future plans and to understand the risks and operating environment of the business. Visits to existing and new developments, as well as discussions with colleagues and customers have also been scheduled.

Board Committees

Audit & Risk Committee (ARC)

The ARC is chaired by Mike Green and the other members are Peter Hay and Stephen Jack. At least one member of the committee is required to have had significant, recent and relevant financial experience. The Board is satisfied that Stephen Jack and Mike Green meet this requirement.

The primary role of the ARC is to provide the Board with assurance on:

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

The Chair of the ARC updates the Board on the work of the committee at each Board meeting which follows a meeting of the ARC.

Members of the Executive Board and internal audit (legacy arrangements include outsourced arrangements with KPMG and Mazars for Anchor Trust and Hanover Housing Association respectively) together with senior representatives of the external auditors attend each meeting. At each meeting there is an opportunity for internal and external auditors to discuss matters with the committee without any members of the executive being present.

Report on the ARC's activities for the financial year 2018/19

Business assurance

Anchor Hanover utilises an outsourced business assurance (internal audit) function provided by KPMG and Mazars up until 31 March 2019.

During the period the internal auditors undertook a range of audits. ARC considers all audits and is provided with updates on agreed recommendations.

External audit

BDO LLP has been appointed as auditors for Anchor Hanover. The ARC is confident of the independence and the objectivity BDO brings to the effectiveness of the external audit process. This is based upon BDO's robust internal processes, their continuing challenge, their focused reporting, and discussions with both management and the committee.

Prior to the merger the external auditors provided non-audit services to Anchor Trust, undertaking financial due diligence of Hanover Housing Association. The Board was content that this did not impair the external auditor's independence and objectivity.

In accordance with its remit, the ARC reviewed and approved:

- The auditor's plans for the audit of Anchor Hanover's financial statements for 2018/19
- The terms of engagement for the audit, proposed audit fee and associated expenses.

Financial reporting

During this period the ARC reviewed a wide range of accounting and financial issues, including a review of the Tax Strategy and approach to merger accounting.

Whistle-blowing

Anchor Hanover's whistle-blowing policy sets out the arrangements for colleagues to raise concerns or complaints to management and senior executives without fear of recrimination. Any matters raised are reported to the ARC. Where appropriate, the committee brings matters raised to the attention of the Service Quality Committee and, if necessary, the Board which decides how the matter will be handled, including whether or not it should be referred to an outside agency. In the period ending 31 March 2019, there were no matters reported to the ARC which it felt were sufficiently serious to raise with the Board.

During this period, Anchor Hanover commissioned an independent review of its whistleblowing arrangements by Protect, the whistleblowing charity. The review considered governance elements with verification of engagement and operations to follow at a later date. As a result of the review, various enhancements to current arrangements are being considered.

Fraud

The ARC receives regular reports of any fraudulent activity perpetrated against the organisation or its customers, and reviews the measures in place for dealing with fraudulent activity and ensuring that appropriate external agencies are notified. The ARC defines serious fraudulent activity as anything with a value in excess of £5,000 or which involves a member of the Board or Anchor Hanover's Executive Board.

During this period, the ARC received no reports of serious fraudulent activity against the organisation.
The ARC was satisfied that appropriate external agencies had been notified of any fraudulent activity directed by third parties against customers that came to Anchor Hanover's attention, and that management responded proactively to the instances identified.

The ARC also received updates on data protection and reviewed corporate risks at each meeting.

Investment & Development Committee (IDC)

The IDC is chaired by Richard Petty and the other members are Nicola Bruce and Mark Allan.

The primary role of the IDC is to assist the Board in fulfilling its investment, development and asset management responsibilities by monitoring and reviewing new development opportunities, schemes in development and site acquisitions.

As well as its initial meeting where the committee discussed its remit and scope, the IDC has also held a workshop session which provided an opportunity to have a more in-depth review of the proposed new development plan and underlying investment criteria and key assumptions.

Remuneration Committee

The Remuneration Committee is chaired by Alun Griffiths, and consists entirely of independent NEDs with the other members being Stuart Burgess and Stephen Jack.
The Remuneration Committee's responsibilities are to ensure appropriate remuneration policies are in place for the members of the executive, taking into account remuneration across Anchor Hanover's workforce, as well as external comparators, and to determine the individual elements and total reward for all executive roles.

Remuneration is structured in such a way that it attracts, motivates and retains talented individuals, whilst focusing them to achieve specific targets in order to deliver Anchor Hanover's objectives and deliver value to stakeholders. No members of the executive are present when the committee considers matters relating to them.

The Remuneration Committee met on four occasions.

Remuneration review

Anchor Hanover is a housing association and an exempt charity. The highest degree of complexity, risk and compliance, and the majority of the workforce, sit within our care business, and consequently the care sector is an important comparator. The reward framework comprises base salary, benefits (pension, life assurance and company car) and a bonus paid to the extent that in-year targets are achieved.

The bonus scheme requires participants to meet 95% of their target before any bonus payments are made and to meet very demanding targets before the maximum bonus can be paid. The assessment of organisational performance for the year ending 31 March 2019 took account of Anchor Hanover's profitability, cash management and levels of CQC performance. This resulted in a base award of 18.0% (prior year 19.5%):
As a consequence of this and a personal performance against objectives multiplier, the Chief Executive received a final bonus of £84,839 (2018: £89,648). The total bonus pool for the Executive Board was £259,769.

This framework was not reviewed during the year. However, on appointment as the new Chief Executive of the Anchor Hanover Group in December 2018, Jane Ashcroft's salary increased to £335,000 in recognition of the size and scale of the merged organisation.

Executive directors may hold positions in other companies as non-executive directors and retain their fees. Jane Ashcroft is a Non-Executive Director of Dignity plc, and in accordance with Anchor Hanover policy she retained fees for the year of £46,850 (2018: £46,850). The insight resulting from her work with a FTSE 250-listed company is beneficial to Jane's role as Chief Executive, and she manages her time to ensure that the impact for Anchor Hanover is minimised, including using her own time, as agreed with the Board.

Nominations Committee

The Nominations Committee is chaired by Stuart Burgess. The other members are Stephen Jack and Nicola Bruce. The committee reviews the structure and composition of the Board, and identifies and nominates for approval candidates to fill Board vacancies. When considering succession planning, the committee takes into account the need for relevant skills, experience, knowledge, ability, gender and diversity at Board level.

In carrying out its activities, the committee has access to such information and advice both from within Anchor Hanover and externally, at the expense of Anchor Hanover, as it deems necessary. Recruitment services are sought from appropriate recruitment agencies, which have no other connection with Anchor Hanover, in relation to Board and executive appointments.

Service Quality Committee (SQC)

The SQC is chaired by Richard Jones with the other members during the year being Peter Hay, Julie Doyle (until 31 May 2019) and Alun Griffiths. The Managing Director, Operations and Managing Director, Care Services attend each meeting, as does the Head of Care Quality. The SQC receives updates on operational performance and customer engagement. It also receives updates from the Governance and Serious Incident Board, which meets on a regular basis.

The committee focuses upon the performance of services across the organisation in relation to customer outcomes and ensures that the voice of the customer is listened to and acted upon. During this initial period, the committee considered its remit, outcomes from CQC

inspections and the development of new initiatives to enhance quality of life for Anchor Hanover customers.

Anchor Hanover's approach to risk management

The effective management of risk is essential to Anchor Hanover. There is inherent risk and uncertainty in the sectors in which Anchor Hanover operates, and therefore risk awareness and management is an integral part of management practice and culture, informing the organisation's values, processes and ways of working.

The ARC reviews the structure and content of the risk register at each of its meetings and, during the year, a new risk management policy and strategy was approved. Overall responsibility for risk management rests with Anchor Hanover's Board, which reviews risk on a regular basis and ensures that the aggregate level of net risk is acceptable in light of our strategic aims and objectives.

This is supported by a clear risk management strategy, covering the following areas:

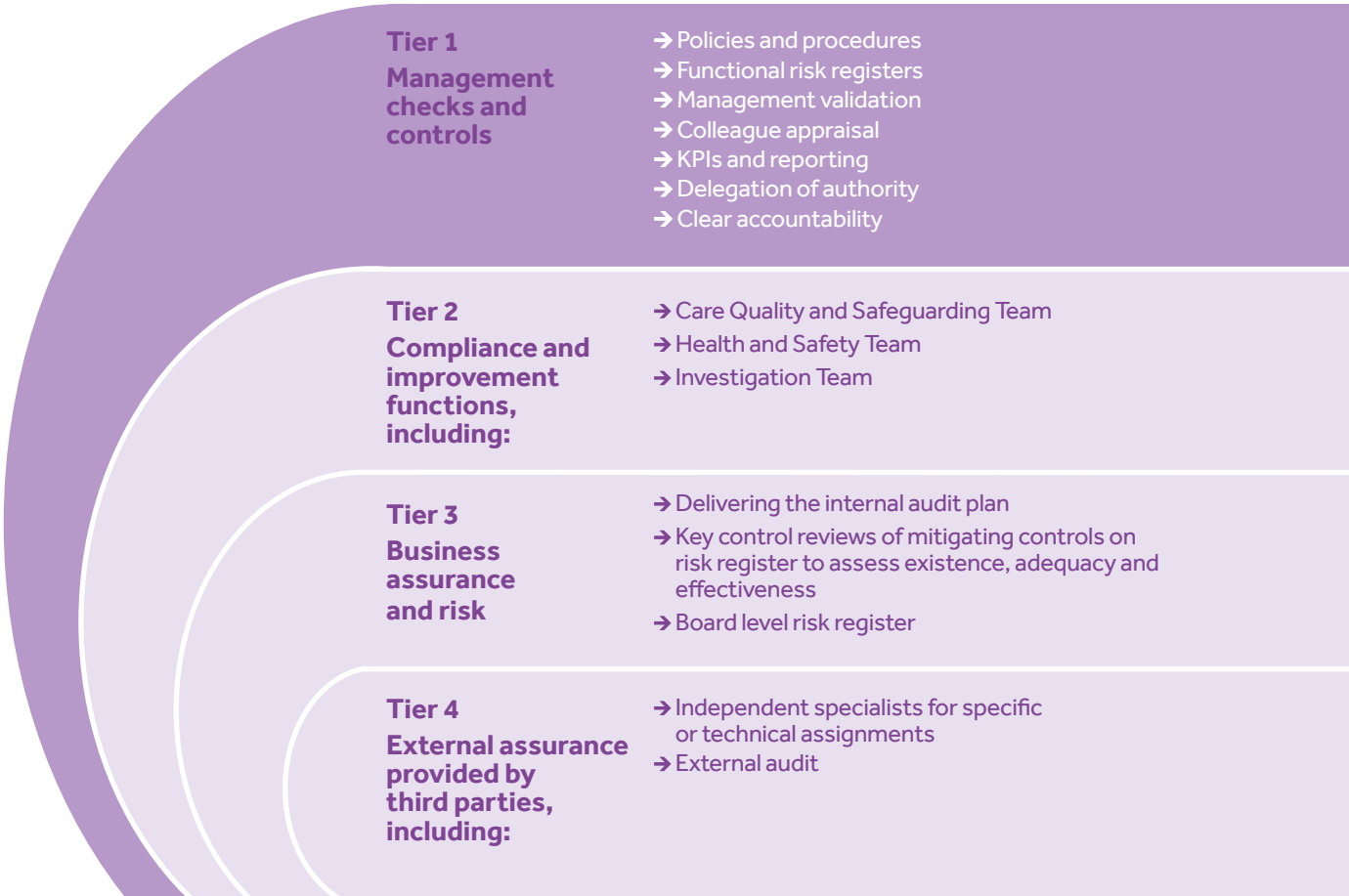
- Roles and responsibilities of key committees and stakeholders to ensure an effective risk management framework is in operation
- Methods for defining, identifying, measuring and recording key risks to Anchor Hanover's objectives are in place and adopted in a consistent manner across the business
- Anchor Hanover's response to risk, considering risk appetite at both an individual and aggregate risk level.
- Approach to incidents and risk events

The Board level risk register currently comprises 22 principal risks under the domains of Customers, Finance, People, Legislative, Regulatory, Strategic and Public Trust. New and emerging risks are included in the register as they arise; this happens both organically as issues arise and through structured conversations held on a monthly basis with heads of function, and between the executive and directors.

A network of operational risk registers is in place to cover all key functions in the business. These are regularly reviewed and monitored, and frequent overall review focuses on identifying areas of operational risk that have dependencies and potential impacts on other functional areas.

All entries that are held on the Anchor Hanover organisational risk register have in place one or more key risk indicators. These measures are reviewed at least monthly and are used to provide an early warning indicator of a future risk increasing so that Anchor Hanover can intervene earlier and thereby make attempts to avoid or moderate the risk before it might impact.

Anchor Hanover utilises a recognisable 'Four-tier Assurance Framework' in managing significant risks and uncertainties. This outlines how assurance is provided to management, and the key sources of assurance used:



Principal risks and uncertainties

The directors have undertaken a robust assessment of the principal risks facing the company, including those that would threaten its business model, future performance, solvency or liquidity. The following table outlines the way in which these key risks are managed:

KEY RISKS

	Area of risk	Mitigations
Customer Risk	**Creating more homes where our customers will love to live and delivering great service to our customers is of paramount importance, as is ensuring that we continue to deliver the highest possible standards of quality care and housing.**	
	The needs of customers (both existing and potential) continue to increase in complexity, leading to greater challenges in areas of safeguarding and care delivery.	→ Mandatory safeguarding training in place → Medication management practices extended with a trial evaluating electronic medication in care homes
	The successful management of Anchor Hanover's estate is essential in delivering excellent service to our customers.	→ Key focus on prioritisation of fire risk actions → Health and Safety checking has piloted the use of mobile technology
	As a result of poor asset planning and delivery, there is a risk that properties are not safe or suitable for customers.	→ Development of an updated asset management strategy, and significant investment to deliver a step-change in property and asset management services
Financial Risk	**Strong financial management and control is a priority, ensuring that we continue to deliver value for money to both current and future customers, consistent with our goal to challenge ourselves to innovate and do things better.**	
	Key risks and uncertainties in this area include poor financial management, where covenants may be breached, impacting on our ability to re-finance.	→ Extensive financial forecasting and monitoring through KPIs → Flexible and responsive funding arrangements in place
	Poor management of cash creates a risk that the business may not be able to operate effectively and viability will be affected.	→ Frequent stress testing of forecasts (including covenant compliance and facility headroom)
	Due to the age of Anchor Hanover's assets, there is a risk that the investment required to maintain Decent Homes Standard is not sustainable leading to closures/sale of stock.	→ Ongoing review of rented stock NPV and care home stock viability
People Risk	**Anchor Hanover's goal is to create more opportunities for our colleagues, alongside our priority to recruit and retain the most talented, engaged and caring people in our sector.**	
	As a result of a reducing labour market that is willing to work in the care sector, there is a risk we cannot staff our care homes appropriately, leading to service failures and reputational damage.	→ Providing development opportunities for our colleagues as well as monitoring salaries and overall reward packages in comparison to the sector
	As a result of poor practice and controls, there is a risk that we will not retain individuals suitable to work in our services.	→ Regular monitoring of key employee statistics, such as turnover and absence, and a career framework for operational colleagues

	Area of risk	Mitigations
Strategic Risk	**Achievement of the Anchor Hanover Business Plan is reliant on effective management of a number of strategic risks, including;**	
	• Declining condition of the secondary housing market creates a risk that we will not be able to sell sufficient properties to deliver the Business Plan, causing financial issues and reputational damage.	→ Targeted sales and marketing tactics, ongoing reviewing and smoothing of development pipeline
	• An over-reliance on key suppliers/supply chain who may be compromised (e.g. in a challenging economic climate) could result in Anchor Hanover not being able to fulfil services, leading to broad adverse impacts.	→ Supplier management framework embedded and able to identify and monitor high risk / key suppliers
	• An ineffective technology strategy may risk a loss of pace with competitors in an increasingly digital/technology assisted market, leading to a decline in customer numbers/ customer satisfaction levels.	→ Technology roadmap developed, targeted a move towards preferred future ways of working (including "Right Sourcing" approach)
	• As a result of significant merger activity, there is a risk that core business performance reduces, leading to service failures, reputational damage and financial issues. Associated risk of lack of focus on innovation following mergers and acquisitions activity, presenting a threat that we lose pace with competitors.	→ Close monitoring of business as usual performance post mergers and acquisitions activity, careful management of resource capacity to absorb change → Coordinated approach to the delivery of integration projects to align the merged organisation that displays a "best of both" approach
Public Trust Risk	**To be the most well-known and highly trusted organisation in our sectors, we strive to gain public trust by communicating the great things that we're doing at Anchor Hanover, and becoming increasingly more influential as an organisation.**	
	Failure to embed Anchor Hanover's values and behaviours creates a risk that the culture of the organisation fails, with negative impacts for colleagues, customers and the organisation's reputation.	→ Annual and quarterly colleague engagement surveys and "You said, we did" activity ongoing → Dedicated launch of the Anchor Hanover Business Plan, engaging colleagues from across the business in our "ARCH" values and the Anchor Hanover strategic priorities
Regulatory Risk	**Anchor Hanover operates in highly regulated sectors and is committed to meeting requirements.**	
	Poor controls and processes on data protection create the risk that a serious data breach may occur resulting in fines/ reputational damage.	→ General Data Protection Regulation (GDPR) implementation programme and mandatory training complete
	Lack of appropriate system controls and safeguards creates a higher risk of cyber breach, resulting in business continuity incidents/reputational damage.	→ Cyber security plan developed and enacted, with revised metrics to monitor cyber threat levels
	Lack of appropriate processes and controls concerning fire safety and legionella, resulting in potential harm to customers/ colleagues, financial penalties and reputational damage.	→ Ongoing testing regimes in place, ability to prioritise higher risk scenarios
Legislative Risk	**Anchor Hanover follows current and future legislative changes very closely so we can always be fit for purpose as an organisation.**	
	As a result of Brexit, there is a risk that Anchor Hanover's financial stability will be impacted, resulting in financial difficulties.	→ No-deal Brexit considerations, including adherence to Bank of England and RSH guidelines
	There is a risk that our suppliers / supply chain are compromised and unable to fulfil services, resulting in broad impacts.	→ Assurances sought from key suppliers re continuity of supply of medications and food
	The introduction of the National Living Wage creates a risk that Anchor Hanover's care homes cost base becomes unviable and services can no longer continue.	→ Ongoing review of viability in care home portfolio
	As a result of government budget pressures, there is a risk that state funding will reduce - making Anchor Hanover's services unviable.	→ Influencing and lobbying at a high level, and working in conjunction with other providers to raise awareness

Board, Directors and Advisors

Board, Directors and Advisors

Patron

HRH Princess Alexandra

The Board

Chair

Rev. Dr Stuart Burgess CBE (appointed to Board 29 November 2018)

Board Members

Mark Allan (resigned 31 May 2019)

Jane Ashcroft CBE (Chief Executive; appointed to Board 29 November 2018)

Nicola Bruce (appointed to Board 29 November 2018)

Julie Doyle (appointed to Board 29 November 2018)

Mike Green (appointed to Board 29 November 2018)

Alun Griffiths

Peter Hay CBE (appointed to Board 29 November 2018)

Stephen Jack OBE

Richard Jones CBE

Richard Petty

Executive Board

Jane Ashcroft CBE (Chief Executive)

Mark Curran (Executive Director, Development)

Simon Glucina (Executive Director, Transformation)

Mark Greaves (Managing Director, Care Services)

Sarah Jones (Chief Financial Officer)

Chris Munday (Managing Director, Housing Operations)

Rona Nicholson (Executive Director of Governance and Compliance)

Kate Smith (Executive Director, Business Services)

Company Secretary

Mary Keane

Registered Office

Suites A&B
The Heal's Building
3rd Floor
22-24 Torrington Place
London
WC1E 7HJ

External Auditors

BDO LLP

Bankers

Lloyds Banking Group PLC

Investment Managers

Schroder Investment Management Limited

Solicitors

Eversheds Sutherland LLP

Treasury Advisors

Traderisks Limited

Directors' Report

Directors' Report

Legal status
Anchor Hanover Group is a Community Benefit Society (number 7843). It is registered under the Housing Act 1996 (registration number LH4095) and is also an exempt charity.

Review of the business
A review of the business is provided in the statements of the Chair and Chief Executive, and the Report of the Board including the Strategic Report.

Directors
The directors at 31 March 2019 and the date of approval of the financial statements are listed on page 30. The directors may from time to time appoint one or more directors. In line with the UK Corporate Governance Code 2018, directors do not normally serve for longer than six years.

Directors' conflicts of interest
Anchor Hanover has procedures in place for managing conflicts of interest. Should a director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with Anchor Hanover, they are required to notify the Company Secretary.

Employment
- Equality and diversity
Anchor Hanover is committed to an active equal opportunities policy from recruitment and selection, through training and development, performance reviews and promotion, to retirement. It is Anchor Hanover's policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of age, gender, marital status, disability, race including colour, nationality, ethnic or national origin, religion or belief or sexual orientation.

Anchor Hanover's Lesbian, Gay, Bisexual and Trans (LGBT+) Group is open to all customers and acts as a sounding board on LGBT+ issues and policies for Anchor Hanover. Equality and diversity is also a specialist topic for our Resident Council.

- Colleagues with disabilities
Anchor Hanover's policy is that people with disabilities should have full and fair consideration for all vacancies.

Anchor Hanover interviews people with disabilities for any vacancy where they fulfil the minimum criteria. Anchor Hanover also endeavours to retain colleagues in the workforce if they become disabled during employment. Anchor Hanover will actively retrain and adjust their environment where possible to allow them to maximise their potential.

Health and safety
Anchor Hanover is committed to providing a safe and healthy environment for all of its employees and others affected by its activities.

Donations
Neither Anchor Hanover nor any of its subsidiaries made any charitable donations or political donations, or incurred any political expenditure during the period.

Creditor payment policy
It is Anchor Hanover's policy to settle the terms of payment with any suppliers when agreeing the terms of each transaction; to ensure that those suppliers are aware of the terms of payment; and to abide by them. Generally, Anchor Hanover pays its creditors 30 days following the end of the month of receipt of a valid invoice.

Post year end events

On 19 July 2019 Anchor Hanover acquired trading businesses of the Hadrian Healthcare group of companies, comprising five care homes in Yorkshire and County Durham, and entered into institutional leasehold agreements of the properties by Anchor Hanover as tenant with Aviva as landlord. The homes provide a total of 382 en-suite rooms for older people, including older people with dementia. The deal brings the total number of care homes operated by Anchor Hanover up to 114.

The portfolio includes Wetherby Manor care home, which was named by Knight Frank as UK Luxury Care Home 2018, and The Manor House in Barnard Castle which was a finalist in the 2017 International Design Awards, run by the Society of British and International Design.

Anchor Hanover is preparing for a pensioner buy-in as part of a plan to manage the future liabilities of the legacy Anchor defined benefit scheme. During due diligence, a query has arisen in respect of a change to the benefits specification of the scheme between 1988 and 1995.

The scheme Trustee's legal adviser has questioned the validity of the change; correspondence between Anchor and the Trustees from the time suggests the intention of both the Trustee and Anchor was to provide the benefits that members have received in practice, but we have not yet been able to locate the appropriate legal documentation.

Anchor Hanover will be instructing lawyers to act on its behalf; actuaries have been instructed to undertake calculations to identify how this would increase the liabilities of the scheme should this be necessary. At this time it is not possible to be certain that there will be an impact and, if there is, the value of the change and so this has not been recognised 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 Hanover has adequate resources to continue its operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing these financial statements.

Auditor

BDO LLP has expressed its willingness to continue in office as auditor to Anchor Hanover. A resolution proposing the reappointment of BDO LLP will be made at the AGM.

Disclosure of information to auditors

At the time of approval of this report:

- So far as the directors are aware, there is no relevant audit information of which Anchor Hanover's auditor is unaware
- The directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information (as defined by Section 418(2) of the Companies Act 2006) and to establish that Anchor Hanover's auditor is aware of that information
- The directors consider that the annual report is fair, balanced and understandable, and provides the information necessary to assess the Group's position and performance, business model and strategy

Registered provider and co-operative and community benefit society

Board members' responsibilities

The board members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the board members are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the group and association's transactions and disclose with reasonable accuracy at any time the financial position of the group and association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the group and association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the group and association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group and association's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By order of the Board.

Mary Keane
Company Secretary
24 July 2019

Independent Auditor's Report

Independent Auditor's Report
to the members of Anchor Hanover Group

Opinion

We have audited the financial statements of Anchor Hanover Group ("the Association") and its subsidiaries ("together the Group") for the year ended 31 March 2019 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2019 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 27 that describe the principal risks and explain how they are being managed or mitigated;
- the Board members' confirmation set out on page 26 in the annual report that they have carried out a robust assessment of the principal risks facing the association, including those that would threaten its business model, future performance, solvency or liquidity;
- the Board members' statement set out on page 33 in the financial statements about whether the board considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the board's identification of any material uncertainties to the association's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; or
- the Board members' explanation set out on page 16 in the annual report as to how they have assessed the prospects of the association, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the association will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be £22m (2018 - £14m) which represents 1.5% of gross assets (2018 – 2% of gross assets).

We also apply a specific materiality level for all items comprising operating profit (including related disclosures) as that term is defined for the purposes of the entities lending covenants. This therefore involves adjusting operating profit for depreciation,

KEY AUDIT MATTERS

Carrying value of work in progress	How We Addressed the Key Audit Matter
As described in Note 3 (accounting policies) and Note 13.1 (housing properties) and Note 15 (stock), the Group carries housing properties at cost less accumulated depreciation and impairment losses and properties for resale at the lower of cost and net realisable value. As at 31 March 2019, the Group held housing properties of £1,121m (2018: £1,147m) and properties for resale of £122m (2018: £118m). Given the significance of the development programme,the level of stock held within the Group and the level of judgement required to assess whether stock is held at the lower of cost and net realisable value (taking into account changes in demand and management's expectations for future sales) this is therefore considered to be a key audit matter.	To assess whether the carrying value of work in progress was appropriate we: ➔ reviewed management's forecast sales prices and costs to complete by comparing to updated valuations and recent sales post year end; ➔ checked a sample of properties sold after 31 March 2019 to completion statement and bank receipt to confirm that net realisable value was greater than cost ➔ reviewed the latest valuations and underlying assumptions for a sample of schemes that were held for resale at year end to confirm that expected net realisable value was greater than cost.

amortisation open market sales and gift aid receipts. The specific materiality level that we applied was £7m (2018 - £4m).

We used gross assets and adjusted operating profit as our chosen benchmarks to determine materiality and for specific materiality as these are considered to be the areas of the financial statements of greatest interest to the principal users of the financial statements and the areas which will have greatest impact on investor and lender decisions.

Materiality for the parent entity was set at £13m (2018 - £11m) which represents 1.5% of gross assets (2018 – 2% of gross assets).

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 70% (2017 – 75%) of materiality or specific materiality depending on the financial statement area being audited. In setting the level of performance materiality. We considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit Committee that misstatements in excess of £0.17m (2018 - £0.15m), which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting component in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgement in the financial results.

Extent to which the audit is capable of detecting irregularities

The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error.

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Association's compliance with laws and regulations that have a direct impact on the financial statements such as the Co-operative and Community Benefit Societies Act 2014 (and related Directions and regulations), the Housing and Regeneration Act 2008 and other laws and regulations application to a registered social housing provider in England. We also considered the risks of non-compliance with the other requirements imposed by the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the group financial statements

We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries of the board and of management and enquiries of third parties, where information from that third party has been used by the Association in the preparation of the financial statements.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of management

override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Board that represented a risk of material misstatement due to fraud.

Classification of components

A full scope statutory audit was carried out for each subsidiary that we considered to be a significant component of the group.

Audit work on all components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for group/consolidation purposes. Individual component audits were carried out using component materialities of between 3-7% of overall financial statement materiality.

Other information

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

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

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 33**
  – the statement given by the Board that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the association's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on page 24**
  – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee;.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the statement of board's responsibilities statement set out on page 34, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

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

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP.

Philip Cliftlands, Senior Statutory Auditor
For and on behalf of BDO LLP
London
2 August 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements

Consolidated Statement of Comprehensive Income

for the year ending 31 March 2019

	Note	**2019 £'000**	2018 £'000
Turnover	4	526,404	530,665
Operating costs	4	(468,480)	(473,177)
(Loss) / gain on disposal of fixed assets	13	(1,048)	994
Operating surplus before exceptional items		56,876	58,482
Exceptional items	6	(528)	–
Operating surplus	5	56,348	58,482
Interest receivable and other income	9	3,305	3,183
Interest payable and financing costs	10	(24,092)	(27,274)
Surplus on ordinary activities before tax		35,561	34,391
Tax on surplus on ordinary activities	11	457	(534)
Surplus for the year		36,018	33,857
Remeasurements - actuarial (loss) / gain in respect of pension scheme	26	(9,518)	16,546
Reversal of impairment		1,200	–
Movement in fair value of hedged instruments	10	(281)	(118)
Total comprehensive income for the year		**27,419**	**50,285**

The financial statements on pages 39 to 88 were approved by the Board on 24 July 2019 and signed on its behalf by:

Chair
Rev Dr Stuart Burgess CBE

Director
Stephen Jack OBE

Company Secretary
Mary Keane

All activities relate to continuing operations.

The accompanying accounting policies and notes on pages 47 to 88 form an integral part of these financial statements.

Association Statement of Comprehensive Income

for the year ending 31 March 2019

	Note	**2019 £'000**	2018 £'000
Turnover	4	453,209	437,222
Operating costs	4	(390,697)	(387,683)
Gain on disposal of fixed assets	13	(1,051)	982
Operating surplus before exceptional items		61,461	50,521
Exceptional items	6	(528)	(3,470)
Operating surplus	5	60,933	47,051
Interest receivable and other income	9	5,299	4,482
Interest payable and financing costs	10	(22,875)	(24,183)
Surplus on ordinary activities before tax		43,357	27,350
Tax on surplus on ordinary activities	11	–	(4)
Surplus for the year		43,357	27,346
Remeasurements - actuarial gain / (loss) in respect of pension scheme	26	(9,518)	16,546
Reversal of impairment		1,200	–
Movement in fair value of hedged instruments		(281)	(118)
Total comprehensive income for the year		**34,758**	**43,774**

The financial statements on pages 39 to 88 were approved by the Board on 24 July 2019 and signed on its behalf by:

Chair
Rev Dr Stuart Burgess CBE

Director
Stephen Jack OBE

Company Secretary
Mary Keane

All activities relate to continuing operations.

The accompanying accounting policies and notes on pages 47 to 88 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ending 31 March 2019

	Income & Expenditure Reserve £'000	Restricted Reserves £'000	Cash Flow Reserve £'000	**Total £'000**
Balance as at 1 April 2017	401,072	45,502	(1,249)	445,325
Surplus for the year	33,857	1	–	33,858
Transfer to / (from) major repairs	(226)	207	–	(19)
Transfer to / (from) major renewals	(2,075)	2,075	–	–
Transfer to / (from) designated reserve	(9)	9	–	–
Increase / (decrease) in long term investments	20	–	–	20
Actuarial gain in respect of pension schemes	16,546	–	–	16,546
Movement in fair value of hedged financial instrument	–	–	1,042	1,042
Balance as at 31 March 2018	449,185	47,794	(207)	496,772
Surplus for the year	36,018	–	–	36,018
Utilisation of Restricted Reserve	–	(42)	–	(42)
Transfer to / (from) major repairs	(157)	157	–	–
Transfer to / (from) major renewals	(1,899)	1,899	–	–
Transfer to / (from) designated reserve	13	(13)	–	–
Actuarial loss in respect of pension schemes	(9,518)	–	–	(9,518)
Reversal of impairment	1,200	–	–	1,200
Movement in fair value of hedged financial instrument	–	–	(281)	(281)
Balance as at 31 March 2019	**474,842**	**49,795**	**(488)**	**524,149**

Association Statement of Changes in Equity

for the year ending 31 March 2019

	Income & Expenditure Reserve £'000	Restricted Reserves £'000	Cash Flow Reserve £'000	**Total £'000**
Balance as at 1 April 2017	427,759	45,502	(1,249)	472,012
Surplus for the year	27,345	1	–	27,346
Utilisation of Restricted Reserve	–	(19)	–	(19)
Transfer to / (from) major repairs	(226)	226	–	–
Transfer to / (from) major renewals	(2,075)	2,075	–	–
Transfer to / (from) designated reserve	(9)	9	–	–
Actuarial gain in respect of pension schemes	16,546	–	–	16,546
Movement in fair value of hedged financial instrument	–	–	1,042	1,042
Balance as at 31 March 2018	469,340	47,794	(207)	516,927
Surplus for the year	43,357	–	–	43,357
Utilisation of Restricted Reserve	–	(42)	–	(42)
Transfer to / (from) major repairs	(157)	157	–	–
Transfer to / (from) major renewals	(1,899)	1,899	–	–
Transfer to / (from) designated reserve	13	(13)	–	–
Actuarial loss in respect of pension schemes	(9,518)	–	–	(9,518)
Reversal of impairment	1,200	–	–	1,200
Movement in fair value of hedged financial instrument	–	–	(281)	(281)
Balance as at 31 March 2019	**502,336**	**49,795**	**(488)**	**551,643**

Consolidated Statement of Financial Position

as at 31 March 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed Assets					
Goodwill	12	–		–	
Tangible fixed assets: Housing	13	1,121,298		1,147,228	
Tangible fixed assets: Other	13	25,845		27,981	
Investments	14	5,208		5,555	
			1,152,351		1,180,764
Current Assets					
Stock: properties held for sale	15	121,885		118,124	
Stock: raw material and other consumables	15	162		144	
Trade and other debtors: amounts due within one year	16	36,078		45,495	
Trade and other debtors: amounts due after more than one year	17	19,621		20,328	
Short term deposits and investments	18	116		115	
Cash and cash equivalents		152,825		132,462	
		330,687		316,668	
Creditors: amounts falling due within one year	19	(149,546)		(152,159)	
Net current assets			181,141		164,509
Total assets less current liabilities			**1,333,492**		**1,345,273**
Creditors: amounts falling due after more than one year	20		(791,737)		(834,498)
Provisions for liabilities and charges					
Provisions for liabilities and charges	21		(1,797)		(2,562)
Pension liability	26		(15,809)		(11,441)
Total net assets			**524,149**		**496,772**
Reserves					
Income and expenditure reserve			474,842		449,185
Restricted reserves			49,795		47,794
Cashflow hedge reserve			(488)		(207)
Total reserves			**524,149**		**496,772**

The financial statements on pages 39 to 88 were approved by the Board on 24 July 2019 and signed on its behalf by:

Chair
Rev Dr Stuart Burgess CBE

Director
Stephen Jack OBE

Company Secretary
Mary Keane

Association Statement of Financial Position

as at 31 March 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed Assets					
Tangible fixed assets: Housing	13	1,037,773		1,058,785	
Tangible fixed assets: Other	13	25,845		27,981	
Investments	14	5,208		5,555	
Investments in subsidiary undertakings	14	87,439		92,615	
			1,156,265		1,184,936
Current Assets					
Stock: properties held for sale	15	5,399		4,870	
Stock: raw material and other consumables	15	126		108	
Trade and other debtors: amounts due within one year	16	28,050		23,756	
Trade and other debtors: amounts due after more than one year	17	170,200		172,521	
Short term deposits and investments	18	116		115	
Cash and cash equivalents		110,000		103,110	
		313,891		304,480	
Creditors: amounts falling due within one year	19	(124,200)		(130,812)	
Net current assets			189,691		173,668
Total assets less current liabilities			**1,345,956**		**1,358,604**
Creditors: amounts falling due after more than one year	20		(777,674)		(828,641)
Provisions for liabilities					
Provisions for liabilities and charges	21		(830)		(1,595)
Pension liability	26		(15,809)		(11,441)
Total net assets			**551,643**		**516,927**
Reserves					
Income & expenditure reserve			502,336		469,340
Restricted and designated reserve			49,795		47,794
Cashflow hedge reserve			(488)		(207)
Total reserves			**551,643**		**516,927**

The association surplus for the year was £43,357,000.

The financial statements on pages 39 to 88 were approved by the Board on 24 July 2019 and signed on its behalf by:

Chair
Rev Dr Stuart Burgess CBE

Director
Stephen Jack OBE

Company Secretary
Mary Keane

Consolidated Statement of Cash Flows

for the year ending 31 March 2019

	Note	**2019 £'000**	2018 £'000
Net cash generated from operating activities	29	135,368	141,504
Cash flow from investing activities			
Purchase of tangible fixed assets		(58,201)	(65,248)
Grants received		905	2,533
Receipts from sale of investments		347	246
Interest received		3,362	3,110
		(53,587)	(59,359)
Cash flow from financing activities			
Interest paid		(24,621)	(24,568)
Repayments of borrowings		(35,819)	(24,915)
Capital element of finance lease rental payments		(977)	(516)
Transfer to deposits		(1)	4,998
		(61,418)	(45,001)
Net change in cash and cash equivalents		20,363	37,144
Cash and cash equivalents at 1 April		132,462	95,318
Cash and cash equivalents at 31 March		**152,825**	**132,462**

The accompanying accounting policies and notes on pages 47 to 88 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ending 31 March 2019

1. Basis of accounting

The financial statements are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102) and the Housing SORP 2014: (SORP) Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

Disclosure exemptions

In preparing the financial statement of Anchor Hanover Group, advantage has been taken of the following disclosure exemptions available under FRS 102 and section 408 of the Companies Act 2006:

- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

2. Basis of consolidation

The Group financial statements comprise those of Anchor Hanover Group and its subsidiary undertakings. Intra-group transactions are eliminated on consolidation. The Association Financial Statements incorporate solely the activity of Anchor Hanover Group.

The consolidated financial statements incorporate the financial statements of Anchor Hanover Trust and entities controlled by the Group and its subsidiaries. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the year are included in total comprehensive income from the effective date of acquisition using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3. Principal accounting policies

i Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

ii Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

- **Significant management judgements**

  The following are the significant management judgements made in applying the accounting policies of the Group that have the most significant effect on the financial statements.

  Classification of housing properties

  The Group has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals. The Group has determined that its housing portfolio is held for social benefit purposes.

  Capitalisation of property development costs

  Distinguishing the point at which a project is more likely than not to continue and allowing capitalisation of associated development costs requires judgement. After capitalisation, management monitors the asset and considers whether changes indicate that impairment is required. The total amount capitalised in the year was £10,873,000 relating to retirement housing under construction.

  Impairment of social housing properties

  The Group have to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in the SORP. Details of judgements and estimates are set out fully in the accounting policy and note 13.10.

  Determining whether a debt instrument satisfies the requirement to be treated as basic

  Judgement is required to determine whether a debt instrument satisfies the requirements in FRS 102 Paragraph 11.9 to be treated as basic. For debt instruments to be classified as basic financial instruments the interest must be a positive amount or positive rate, at market rates. They should not be index linked excluding RPI and the lender cannot unilaterally amend interest rates. Debt instruments are utilised to provide long term funding for the Group's operations and not for speculative trading. Facilities with two-way break clauses are judged to be basic.

Determining the fair value of other debt instruments
Financial instruments that do not meet the definition of being basic under FRS 102 have to be measured at fair value using a hierarchy of estimates which prioritises quoted prices in an active market, then recent transactions of identical assets and finally the use of valuation techniques. In applying this hierarchy, management have to apply a significant amount of judgement and where available deem the best estimate of fair value of any one debt instrument to be the exit prices quoted by the respective counterparty.

→ Key Accounting Estimates and Assumptions

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utilisation of certain software and IT equipment and changes to Decent Homes Standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2019 was £1,163,519,000.

Property development cost allocation
Where schemes under construction are mixed tenure, costs are split using a suitable method such as floor area or rental yield. The allocation of the cost of shared ownership schemes under construction between stock and housing properties is determined by looking at the predicted amount to be sold as a first tranche sale based on the scheme and the likely demand.

Impairment of social housing properties
Housing properties are reviewed for impairment if an impairment trigger is deemed to have occurred. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to operating profit. Impairment is assessed by comparing carrying value to the recoverable amount which is the higher of value in use, fair value less costs to sell as represented by EUV-SH, value in use, and value in use service potential. If the carrying value is greater than the recoverable then an impairment provision is made. Value in use and value in use service potential requires management estimates of timing of cash flows, discount rate and life of the asset and EUV-SH is underpinned by judgements and estimates by the valuer.

Goodwill
Management has estimated the useful economic life arising from the acquisition of residential healthcare business at two years, being the average length of stay of residents across the acquired care homes. Accumulated amortisation at 31 March 2019 was £14,774,000.

Assets held for sale
Stock includes properties for sale under market sale and shared ownership programmes. In addition the group holds work in progress on schemes where properties are being developed for sale. The value of each asset is assessed for impairment by review against its selling price less costs to complete and sell and each scheme in progress against expected proceeds less costs to be incurred.

Provision for bad and doubtful debts
Provisions for bad and doubtful debts are calculated based on banding of arrears and a provision rate that reflect the risk of non-recovery of the arrears, The arrears banding and the provisions rates require management's judgement.

Hedge accounting effectiveness
A prospective test is performed at hedge inception and at each reporting date, under the critical terms method, and using a hypothetical derivative set up so that it matches the hedging instrument, but in the opposite direction.

The strength of the statistical relationship between the hedging instrument and hedged item is measured by comparing the mark-to-market movement of the hedging instrument to that of the hypothetical derivative under specific sensitivities of the interest rate curve. As the market value represents the present value of all future swap cashflows, a strong correlation between changes in market value of swap and hypothetical swap implies that the hedge is expected to be highly effective.

Defined benefit obligation (DBO)
Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 26). The liability as at 31 March 2019 was £15,809,000.

Provisions for liabilities and charges
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. It is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Anchor Hanover Trust closes retirement housing and care homes that are not financially viable in the ordinary course of business and provision is made accordingly for the expected costs of closure.

Merger accounting
The application of merger accounting following the coming together of Anchor Trust and Hanover Housing. The Board exercised judgement in determining whether the criteria for merger accounting, as set out in the accounting policies, had been met. Had the Board concluded that those criteria had not been met, the purchase method of accounting would have applied, resulting in the need to identify an acquirer in the business combination and for the assets and liabilities of the acquiree to have been recognised at fair value with

any gain or loss being recognised through the statement of comprehensive income. In making this key judgement, the Board considered the accounting treatment which more closely reflected the nature of the combination.

iii Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the Company financial statements.

iv Turnover and revenue recognition

Turnover is net of voids and value added tax (VAT) and includes:

- Rents and service charges from social housing lettings
- Residential care home charges
- Home care charges
- Revenue grants
- Sales of leasehold properties
- First tranche sales
- Income for leasehold properties for older people
- Leaseholder management fees
- Supporting People contract income

Turnover has been analysed in accordance with the requirements of the Accounting Direction for Private Registered Providers of Social Housing 2015 (see note 4).

Charges for services provided and Supporting People income are recognised as income when Anchor Hanover Group 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 point of legal completion of the sale.

Voids represent rent losses arising from vacant accommodation and the amount is shown in note 4, as required by the Accounting Direction for Private Registered Providers of Social Housing 2015. Void losses are only recognised where the properties are available for letting.

v 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 social housing grant received in advance; or

b) a fair amount of interest on borrowings of Anchor Hanover Group as a whole after deduction of 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 income and expenditure in the year.

vi Employee benefits

Short term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

vii Pensions

Anchor Trust final salary scheme

The pension costs charged against income are based on an actuarial method and actuarial assumptions.

As the scheme was closed to further accrual as at 31 March 2011, the anticipated pension costs are primarily the scheme expenses and there is no remaining service life of employees assumed for the scheme.

Growth fund

The Group participates in a funded multi-employer defined benefit scheme, the Growth Fund. It has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The charge to the income and expenditure represents the employer contribution payable to the scheme for the accounting period.

Contributions payable from Anchor Hanover Group to the Growth Fund under the terms of its funding agreement for past deficits are recognised as a liability in the financial statements.

Other defined benefit pension plans

The Company's net obligation in respect of other defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the Statement of Financial Position date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in the Statement of Comprehensive Income.

Re-measurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

viii Taxation

Anchor Hanover Group, the entity, is considered to have passed the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable entity for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Charitable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. The entity's

subsidiaries do not have charitable status and their gains or losses are subject to taxation.

Tax on the surplus or deficit for the year comprises current and deferred tax. Tax is recognised in the income and expenditure reserve except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the Group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense / (income) is presented either in income and expenditure, other comprehensive income or equity depending on the transaction that resulted in the tax expense / (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

ix Value added tax (VAT)

A large proportion of the Group's income comprises rental income which is exempt from VAT, and VAT incurred in relation to this income cannot be recovered. A partial exemption claim arises as the Group charges VAT on some of its income and is able to recover some of the VAT incurred on costs relating to this taxable income. Expenditure is therefore shown inclusive of VAT. Recoverable VAT arising from the partially exempt activities is credited to the Statement of Comprehensive Income. The balance of VAT recoverable or payable is included as a current asset or liability in the Statement of Financial Position.

x Leases

As Lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

As Lessor

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

xi Housing properties

Housing properties are properties held for the provision of social retirement housing, residential care or to otherwise provide social benefit. Retirement housing and residential care home properties are stated at cost less accumulated depreciation and impairment losses.

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 Hanover Group. Proceeds from first tranche disposals are accounted for in the income and expenditure account in the year in which the disposal occurs.

Where housing properties are acquired from third parties the cost is their purchase price together with any costs of acquisition, improvement and interest payable. Where the housing properties are developed by the Group or the Association cost includes the cost of land, direct development costs of bring the properties to the present condition and the incidental costs of development including interest capitalised up to the date of practical completion of the scheme.

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 50 years.

Works to existing properties which replace a component that has been identified separately for depreciation purposes, along with those works that result in enhancing the economic benefits of the properties, are capitalised as improvements. Where a component is replaced the cost and related depreciation are eliminated from tangible fixed assets. Economic benefits are enhanced if work performed results in an increase in rental income, a reduction in future maintenance costs or a significant extension to the useful economic life of a property.

Direct development costs involved with administering development activities are capitalised to the extent that they are directly attributable to the development process and in bringing the properties into their intended use. Directly attributable costs comprise the labour costs of employees that relate directly to the constructions or acquisition of property and the incremental costs that would have been avoided only if the individual properties had not been constructed. Interest is capitalised up to the date of practical completion of a property.

Housing properties in the course of construction are held at cost less impairment losses and are not depreciated. They are transferred to completed properties when ready for letting.

xii Depreciation of housing properties

The Group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight-line basis, over its useful economic life.

The asset lives used are as follows:

- Housing properties and residential care homes: between 30 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 asset lives used are as follows:

Roadways and footpaths:	30 years
Bathrooms:	25 years
Kitchens:	25 years
Windows:	30 years
Alarms:	20 years
Boilers:	30 years
Call systems:	15 years
External doors:	30 years
Door entry systems:	15 years
Electrical wiring:	30 years
Aerials:	20 years
Fire safety systems:	15 years
Central heating:	10 years
Laundry rooms:	10 years
Lifts:	30 years
Plumbing:	25 years
Security systems	20 years
Air conditioning:	20 years
Cleaning equipment:	five years
Gym equipment:	five years
Communal kitchen equipment:	20 years
Other scheme equipment:	four years
Fencing and railing:	five years
Flooring:	eight to 10 years
SOE schemes:	99 years.

Freehold land and housing properties under construction are not depreciated.

Leasehold properties are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

xiii Government grants

Government grants include grants receivable from the Homes England (HE), Greater London Authority (GLA), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Social housing grants due from such agencies or received in advance are included as a current asset or liability.

Where SHG is received for properties in the course of construction and the amount received is in excess of the costs of construction incurred to date then the excess is shown as SHG received in advance on the Statement of Financial Position within Creditors: amounts falling due within one year.

SHG is included in Creditors in the Statement of Financial Position and is amortised annually to the Statement of Comprehensive Income over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred. The accumulated amortised government grants represent contingent liabilities and the contingent grant liability materialise when the relevant property to which the amortised grant relates to ceases to be used for social housing purposes usually due to disposal of the housing asset.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the HE and GLA. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

xiv Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

xv 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 — four years
- Computer equipment — three years
- Office equipment and fittings — five years

xvi Impairment

Housing properties are assessed for impairment indicators annually. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, which is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure in income and expenditure. Where an asset is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

xvii Investments

All investments are stated at market value at the balance sheet date. All investments are stated at fair value at the balance sheet date. Changes in fair value arising from the revaluation of investments at each reporting date are recognised in the Statement of Comprehensive Income.

Investments that are intended to be held to generate returns for use on a continuing basis in the activities of Anchor Hanover Group are classified as fixed assets.

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

xviii 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.

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

xix Designated reserves

The designated reserve relates to renewals funds for each estate and major repair funds for those estates with leaseholders.

xx Stock

Stock comprises properties available for resale and goods for consumption.

Goods for consumption are held at cost, which is considered to be a reasonable approximation to the lower of cost and net realisable value.

Completed properties and properties under construction for open market sales are recognised at the lower of cost and net realisable value. Cost comprises materials and direct overheads attributable to the development. Net realisable value is assessed using publicly available information and internal forecasts of future sales price after allowing for all further costs of completion and disposal.

xxi 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 two years.

xxii Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in section 11 of FRS 102 are accounted for under an amortised historical cost model.

Other financial instruments not meeting the definition of basic financial instruments are recognised initially at transaction price less transaction costs. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised through the statement of comprehensive income except where they are designated as hedging instruments. In a designated hedging relationship cash flow hedges shall be recognised as set out below.

→ Basic Financial Instruments

Trade and other debtors
Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

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

Interest free loans
Some residents have provided interest-free loans in return for reduced accommodation charges. These loans were originally made to Help the Aged, but the monies are now held within Anchor Hanover Group following the transfer of these properties. The loans are available to be used as part of Anchor Hanover Group's cash management and are repayable on demand or at short notice. The interest free loans have been accounted as concessionary loans and are therefore being carried in the Statement of Financial Position at amortised cost.

Short term deposits and investments
All investments made by Anchor Hanover Group are short term deposits, defined as deposits placed in a bank or financial institution for a term no longer than one year. The investments are classified as basic and recognised at amortised cost using an effective interest rate.

Long term investments
Anchor Hanover Group is required to set aside a debt service reserve as a condition of certain funding arrangements. These reserves are invested in the name of Anchor Hanover Group and cannot be redeemed until maturity of the underlying financial instruments. The investments are classified as basic and are initially measured at costs and subsequently recognised at amortised cost using the effective interest rate method.

Other long term creditors
Other long term creditors include the costs of arranging long term funding and premiums received on the issue of bonds. These amounts are amortised over the period of the underlying financial instrument. Also included within other long term creditors is the unamortised element of the social housing grant less an amount due for amortisation in the following year.

Derivative instruments and hedge accounting
The Group holds floating rate loans which expose the Group to interest rate risk. To mitigate against this risk the Group uses an interest rate swap. This instrument is measured at fair value at each reporting date. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group has designated the swap against existing floating rate debt. To the extent the hedge is effective movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any movement in fair value relating to ineffectiveness other than Group or counter party credit risk are recognised within comprehensive income.

xxiii Provision for liabilities

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

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

The Group closes retirement housing and care homes that are not financially viable in the ordinary course of business and provision is made accordingly for the expected costs of closure.

xxiv Exceptional costs

Exceptional items are those items that, in the directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the group's financial performance. Details of these items are provided in the relevant notes.

xxv Joint arrangements that are not entities

In March 2015, Hanover Housing Developments Limited became party to a joint arrangement with Hill Residential Limited, for the sharing of income and costs incurred in regard to a major development. Under FRS102 where a company is party to a joint arrangement which is not an entity, the company accounts directly for its share of income and expenditure, assets, liabilities and cash flows. This share is similarly reported in a Group's consolidated Financial Statements.

4. Particulars of turnover, operating costs and operating surplus

4.1 Analysis of turnover, operating costs and operating surplus / (deficit) before exceptional items

	Note	Group 2019 Turnover £'000	Operating Expenditure £'000	Operating Surplus £'000
Social housing lettings	4.3	452,029	(397,852)	54,177
Other social housing activities				
Home care		3,023	(3,072)	(49)
First tranche shared ownership sales		1,119	(912)	207
Charges for support services		2,457	(2,384)	73
Other social housing income		1,971	(1,553)	418
Activities other than social housing activities				
Management services		8,845	(8,052)	793
Sale of leasehold properties		53,551	(41,960)	11,591
Other		3,409	(12,695)	(9,286)
Total		**526,404**	**(468,480)**	**57,924**

	Note	Group 2018 Turnover £'000	Operating Expenditure £'000	Operating Surplus £'000
Social housing lettings	4.3	449,557	(396,781)	52,776
Other social housing activities				
Home care		2,424	(2,637)	(213)
First tranche shared ownership sales		1,611	(1,137)	474
Charges for support services		2,766	(2,785)	(19)
Other social housing income		1,694	(1,504)	190
Activities other than social housing activities				
Management services		8,610	(7,567)	1,043
Sale of leasehold properties		61,193	(49,255)	11,938
Other		2,810	(11,511)	(8,701)
Total		**530,665**	**(473,177)**	**57,488**

Social housing lettings comprise income from retirement housing and from residential care homes (see note 4.3).
Home care income comprises income from care services delivered into customers' homes.
All turnover has been derived from activities within the United Kingdom.

4.2 Analysis of turnover, operating costs and operating surplus / (deficit) before exceptional items

		Company 2019		
	Note	Turnover £'000	Operating Expenditure £'000	Operating Surplus £'000
Social housing lettings	4.4	415,387	(359,939)	55,448
Other social housing activities				
Home care		3,023	(3,072)	(49)
First tranche shared ownership sales		1,119	(380)	739
Charges for support services		2,457	(2,384)	73
Other social housing income		1,971	(1,553)	418
Activities other than social housing activities				
Management services		8,845	(8,052)	793
Sale of leasehold properties		3,100	(2,468)	632
Other		17,307	(12,849)	4,458
Total		**453,209**	**(390,697)**	**62,512**

		Company 2018		
	Note	Turnover £'000	Operating Expenditure £'000	Operating Surplus £'000
Social housing lettings	4.4	414,674	(358,832)	55,842
Other social housing activities				
Home care		2,424	(2,637)	(213)
First tranche shared ownership sales		1,611	(1,147)	464
Charges for support services		2,766	(2,785)	(19)
Other social housing income		1,694	(1,504)	190
Activities other than social housing activities				
Management services		8,610	(7,567)	1,043
Sale of leasehold properties		820	(2,085)	(1,265)
Other		4,623	(11,126)	(6,503)
Total		**437,222**	**(387,683)**	**49,539**

Social housing lettings comprise income from retirement housing and from residential care homes (see note 4.4).

Home care income comprises income from care services delivered into customers' homes.

Activities other than social housing activities - other includes within turnover £143,490 (2018: £61,950) of grant funding from the Workforce Development Fund. This grant has been fully expended in the year on the provision of mandatory training in health and social care to care colleagues, where there were 294 new registrations for training and 91 completed qualifications.

All turnover has been derived from activities within the United Kingdom.

4.3 Particulars of income and expenditure from social housing lettings - Group

	Retirement housing to let £'000	Residential care homes £'000	Total 2019 £'000	Total 2018 £'000
Income				
Rent receivable net of identifiable service charges	157,920	196,180	354,100	349,416
Service charge income	80,635	–	80,635	78,739
Net rental income	238,555	196,180	434,735	428,155
Amortised government grants	14,988	322	15,310	16,009
Other revenue grants	14	–	14	14
Other income from social housing lettings	1,615	355	1,970	5,379
Turnover from social housing lettings	**255,172**	**196,857**	**452,029**	**449,557**
Expenditure				
Management	44,853	20,553	65,406	68,230
Service charge costs	69,224	146,455	215,679	204,490
Routine maintenance	19,345	1,955	21,300	21,482
Planned maintenance	14,447	3,685	18,132	15,916
Bad debts	916	485	1,401	549
Depreciation of housing properties	50,599	21,799	72,398	77,557
Impairment of housing properties	–	178	178	483
Depreciation of other assets	796	1,072	1,868	4,838
Amortisation of goodwill	–	–	–	3,073
Other costs	1,118	372	1,490	163
Operating costs on social housing lettings	**201,298**	**196,554**	**397,852**	**396,781**
Operating surplus / (deficit) on social housing lettings	**53,874**	**303**	**54,177**	**52,776**
Prior year surplus / (deficit) on social housing lettings	**54,592**	**(1,816)**	**52,776**	

The value of void losses was £1,939,000 (2018: £2,139,000).

4.4 Particulars of income and expenditure from social housing lettings - Company

	Retirement housing to let £'000	Residential care homes £'000	Total 2019 £'000	Total 2018 £'000
Income				
Rent receivable net of identifiable service charges	157,920	159,607	317,527	314,569
Service charge income	80,635	–	80,635	78,739
Net rental income	238,555	159,607	398,162	393,308
Amortised government grants	14,988	322	15,310	16,009
Other revenue grants	14	–	14	14
Other income from social housing lettings	1,615	286	1,901	5,343
Turnover from social housing lettings	**255,172**	**160,215**	**415,387**	**414,674**
Expenditure				
Management	44,853	19,666	64,519	67,404
Service charge costs	67,380	118,019	185,399	178,293
Routine maintenance	19,345	1,660	21,005	21,172
Planned maintenance	14,447	2,904	17,351	15,392
Bad debts	916	24	940	(164)
Depreciation of housing properties	50,599	14,969	65,568	71,313
Impairment of housing properties	–	–	–	483
Depreciation of other assets	2,640	1,045	3,685	4,841
Other costs	1,118	354	1,472	98
Operating costs on social housing lettings	**201,298**	**158,641**	**359,939**	**358,832**
Operating surplus / (deficit) on social housing lettings	**53,874**	**1,574**	**55,448**	**55,842**
Prior year surplus / (deficit) on social housing lettings	**54,677**	**1,165**	**55,842**	

The value of void losses was £1,939,000 (2018: £2,139,000).

5. Operating surplus - Group and Company

The operating surplus is arrived at after charging:

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Depreciation of housing properties	72,401	77,551	65,571	77,551
Impairment of housing properties	178	966	–	483
Depreciation of other tangible fixed assets	5,420	8,731	5,419	8,731
Impairment losses on stock	–	2,946	–	–
Operating lease rentals - land and buildings	1,980	2,325	2,028	2,325
Auditor's remuneration (excluding VAT)				
In their capacity as auditor	203	107	122	107
In respect of other services:				
Corporate advice	154	131	154	131
Total non-audit services	**154**	**131**	**154**	**131**

6. Exceptional items - Group and Company

The exceptional items arising are as follows:

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Guaranteed minimum pension equalisation	528	–	528	–
Group restructuring costs	–	–	–	3,470
Total exceptional items included in operating surplus	**528**	**–**	**528**	**3,470**

The guaranteed minimum pension equalisation represents the increase in the defined benefit pension scheme obligations as a result of the equalisation of previous inequalities in the treatment of men and women arising from their Guaranteed Minimum Pensions.

Group restructuring costs arose from the transfer of the trade and assets of R & J Investments Limited,

Cavendish Healthcare (UK) Limited and Carefore Homes Limited to Anchor Hanover Group.

7. Directors' emoluments

The key management personnel are defined as the members of the Board and members of the Executive Board. Members of the Board are defined as directors for the purposes of the FRS 102. Members of the Executive Board are not classified as directors under FRS 102.

	2019 £'000	2018 £'000
Payments to Board members during the year	254	314
Total aggregate remuneration payable in respect of the Executive Board was:		
Emoluments (excluding benefits in kind)	2,236	2,066
Benefits in kind	80	80
Pension contributions	95	129
Compensation paid in respect of loss of office	75	66
	2,486	**2,341**
Payments to the highest paid director:		
Total emoluments, excluding pension contributions	514	485
Defined benefit pension scheme:		
Accrued pension of the highest paid director	51	50

The highest paid director was the Chief Executive who received a base salary of £315,992 (2018: £306,488) and a bonus for the year of 26.8% of base salary (2018 24.0%). The Chief Executive is entitled to a car allowance of £15,000 and this was paid in 2019. In the prior year the Chief Executive changed from a company car to a car allowance: the value of the car allocated, as a benefit in kind, was £14,839 including £5,813 for a one-off early settlement charge on the vehicle and the balancing amount was paid as an allowance in accordance with Anchor Hanover Group's policy. The Chief Executive was an ordinary member of the Anchor Trust defined benefit scheme before it was closed to further contributions on 1 April 2011 and is an ordinary member of the Anchor Trust defined contribution scheme. Employer's contribution in respect of the Chief Executive's pension in the year was £83,302 (2018: £80,797) all of which was taken as cash (2018: same).

8. Employee costs and numbers

8.1 Employee costs:

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Wages and salaries	168,927	167,341	148,933	148,380
Social security costs	12,401	12,114	11,039	10,763
Pension costs	8,797	6,713	8,007	6,423
	190,125	**186,168**	**167,979**	**165,566**

8.2 The average number of employees, including part-time staff, during the year was:

	Group		Company	
	2019 Number	2018 Number	**2019 Number**	2018 Number
Office staff	1,147	1,111	1,098	1,065
Operational staff	8,487	9,011	7,527	7,846
	9,634	**10,122**	**8,625**	**8,911**

8.3 The full-time equivalent number of employees during the year was:

	Group		Company	
	2019 Number	2018 Number	**2019 Number**	2018 Number
Office staff	1,065	1,016	1,017	972
Operational staff	6,986	6,897	5,809	5,981
	8,051	**7,913**	**6,826**	**6,953**

Full-time equivalents are calculated based on a standard working week of 37.5 hours.

The full time equivalent number of employees (including directors) whose total aggregate remuneration (including pension contributions and compensation payable in respect of loss of office) fell within the following bands was:

	Group and Company	
	2019 Number	2018 Number
£60,001 to £70,000	55	61
£70,001 to £80,000	31	19
£80,001 to £90,000	9	11
£90,001 to £100,000	6	7
£100,001 to £110,000	8	6
£110,001 to £120,000	4	7
£120,001 to £130,000	4	–
£130,001 to £140,000	3	1
£140,001 to £150,000	1	4
£150,001 to £160,000	–	1
£160,001 to £170,000	1	–
£170,001 to £180,000	1	–
£180,001 to £190,000	–	1
£190,001 to £200,000	1	–
£200,001 to £210,000	1	3
£230,001 to £240,000	–	1
£260,001 to £270,000	1	–
£270,001 to £280,000	–	1
£290,001 to £300,000	1	–
£360,001 to £370,000	1	–
£500,001 to £510,000	–	1
£510,001 to £520,000	1	–

9. Interest receivable and other income

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Interest receivable and similar income	2,522	2,236	2,333	2,177
Income from other investments	180	226	180	226
Net interest on net defined benefit liability	57	–	57	–
Interest receivable from subsidiary undertakings	–	–	2,729	2,079
Interest receivable from joint arrangement	546	721	–	–
	3,305	**3,183**	**5,299**	**4,482**

10. Interest payable and financing costs

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Loans and bank overdrafts	22,013	24,138	20,796	20,857
Other interest payable	150	363	150	363
Net interest on net defined benefit liability	280	804	280	804
Finance lease interest	1,923	2,026	1,923	2,026
Interest payable to subsidiary undertakings	–	–	–	190
	24,366	27,331	23,149	24,240
Interest payable capitalised on housing properties under construction	(274)	(57)	(274)	(57)
	24,092	**27,274**	**22,875**	**24,183**
Financing cost/(gain) charged through Other Comprehensive Income:				
Change in fair value of hedged financial instruments	**281**	**118**	**281**	**118**

Interest was capitalised on assets under construction at a rate of LIBOR + 0.225% (2018: LIBOR + 0.225%), being the weighted average rate payable on the bank loans used to finance development costs.

11. Tax on surplus on ordinary activities

Group:

	2019 £'000	2018 £'000
Current tax		
UK corporation tax at 19% (2018: 19%)	–	–
Total current tax	–	–
Deferred tax		
Origination and reversal of timing differences	(457)	534
Total deferred tax	(457)	534
Total tax	**(457)**	**534**

	2019 Current tax £'000	**2019 Deferred tax £'000**	**Total tax £'000**	2018 Current tax £'000	2018 Deferred tax £'000	Total tax £ '000
Recognised in income and expenditure reserve	–	(457)	(457)	–	534	534
Total tax	**–**	**(457)**	**(457)**	**–**	**534**	**534**

Reconciliation of effective tax rate

The tax assessed for the period is lower (2018: lower) than the standard rate of corporation tax in the United Kingdom of 19% (2018: 19%). The differences are explained below:

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	**35,561**	**34,391**
Tax on profit on ordinary activities at 19% (2018: 19%)	6,757	6,534
Effects of:		
Fixed asset permanent differences	1,177	1,759
Fixed asset timing differences	(353)	(439)
Expenses not deductible for tax purposes	–	(8,457)
Recognition of deferred tax on unrelieved tax losses	–	(42)
Adjustments to deferred tax in respect of prior periods	–	2
Origination/reversal of timing differences	(457)	368
Under/(over) provided in prior years	–	19
Qualifying charitable donations	–	(213)
Income not taxable	(6,070)	(6,991)
Dividends received from subsidiary companies	(1,511)	7,994
Total tax charge	**(457)**	**534**

Factors affecting tax charge for future periods

Reductions in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) were substantively enacted on 15 September 2016.

Company:

Anchor Hanover Group is exempt from UK corporation tax on activities which fall under its charitable objects.

Current tax for the year is £nil (2018: £nil), deferred tax is £nil (2018: £nil) and total tax is £nil (2018: £nil).

12. Goodwill - Group

	Ideal Carehomes Group Limited £'000	R&J Investments Limited £'000	Total £'000
Cost			
At 1 April 2018	14,749	25	14,774
Adjustments	–	–	–
At 31 March 2019	**14,749**	**25**	**14,774**
Amortisation			
At 1 April 2018	14,749	25	14,774
Charge for the year	–	–	–
At 31 March 2019	**14,749**	**25**	**14,774**
Net book value at 31 March 2019	**–**	**–**	**–**
Net book value at 1 April 2018	**–**	**–**	**–**

Company

There is no goodwill in the Company (2018: £nil).

13. Tangible fixed assets

13.1 Housing properties - Group

	Retirement housing £'000	Residential care homes £'000	Properties under construction £'000	Shared ownership schemes £'000	**Total housing properties £'000**
Cost					
At 1 April 2018	1,739,114	445,720	8,081	16,357	2,209,272
Additions:					
Works to existing properties	36,510	7,378	10,873	–	54,761
Transfers	–	–	(3,396)	–	(3,396)
Schemes completed	171	–	(303)	132	–
Disposals	(9,767)	(14,748)	–	–	(24,515)
At 31 March 2019	**1,766,028**	**438,350**	**15,255**	**16,489**	**2,236,122**
Depreciation					
At 1 April 2018	879,571	180,489	–	1,984	1,062,044
Depreciation charged in the year	50,331	21,799	–	271	72,401
Impairment charge in the year	–	178	–	–	178
Transfers	–	–	–	–	–
Released on disposal	(7,295)	(12,504)	–	–	(19,799)
At 31 March 2019	**922,607**	**189,962**	**–**	**2,255**	**1,114,824**
Net book value at 31 March 2019	**843,421**	**248,388**	**15,255**	**14,234**	**1,121,298**
Net book value at 31 March 2018	**859,543**	**265,231**	**8,081**	**14,373**	**1,147,228**

13.2 Housing properties - Company

	Retirement housing £'000	Residential care homes £'000	Properties under construction £'000	Shared ownership schemes £'000	**Total housing properties £'000**
Cost					
At 1 April 2018	1,735,765	342,727	7,032	16,359	2,101,883
Additions:					
Works to existing properties	39,092	5,729	6,489	7	51,317
Transfer to stock	–	–	(2,146)	–	(2,146)
Schemes completed	26	–	(151)	125	–
Interest capitalised	–	–	–	–	–
Transfers	(24)	139	(113)	–	2
Disposals	(9,767)	(14,574)	–	–	(24,341)
At 31 March 2019	**1,765,092**	**334,021**	**11,111**	**16,491**	**2,126,715**
Depreciation					
At 1 April 2018	878,800	162,314	–	1,984	1,043,098
Depreciation charged in the year	50,331	14,969	–	271	65,571
Released on disposal	(7,295)	(12,432)	–	–	(19,727)
At 31 March 2019	**921,836**	**164,851**	**–**	**2,255**	**1,088,942**
Net book value at 31 March 2019	**843,256**	**169,170**	**11,111**	**14,236**	**1,037,773**
Net book value at 31 March 2018	**856,965**	**180,413**	**7,032**	**14,375**	**1,058,785**

13.3 Housing properties held under finance leases - Group and Company

The total net book value of housing properties held under finance leases after deducting accumulated depreciation is £19,131,000 (2018: £20,182,000). Depreciation charged during the year on these assets was £1,187,000 (2018: £1,156,000).

13.4 Finance costs - Group and Company

	2019 £'000	2018 £'000
Aggregate amount of finance costs included in the cost of housing properties	**691**	**416**

13.5 Housing properties book value net of depreciation

The net book value of housing properties at the balance sheet date comprises:

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Freehold land and buildings	1,032,524	1,053,663	954,736	970,401
Leasehold land and buildings	88,774	93,565	83,037	88,384
	1,121,298	**1,147,228**	**1,037,773**	**1,058,785**

13.6 Expenditure works to housing properties

		Group		Company	
	Note	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Total expenditure works to housing properties		62,020	65,788	62,172	64,451
of which:					
Improvement works capitalised		43,888	49,872	44,821	49,059
Amounts charged to income and expenditure (planned maintenance)	4.3	18,132	15,916	17,351	15,392

13.7 Gain / (loss) on sale of fixed assets

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Disposal proceeds	7,904	3,053	7,904	4,684
Carrying value of property disposals	(4,870)	(1,954)	(4,768)	(3,585)
Carrying value of assets written off	–	–	–	–
Capital grant recycled (note 20)	(3,112)	–	(3,112)	–
Other disposal costs	(970)	(105)	(1,075)	(117)
	(1,048)	**994**	**(1,051)**	**982**

13.8 Social housing assistance - Group and Company

Total accumulated social housing grant received or receivable at 31 March:	**2019 £'000**	2018 £'000
Capital grant	821,526	824,701
	821,526	**824,701**

13.9 Tangible fixed assets - other

	Group			
	Office buildings £'000	Motor vehicles £'000	Office equipment and fittings £'000	**Total £'000**
Cost				
At 1 April 2018	5,173	102	68,184	73,459
Additions	10	–	3,430	3,440
Transfers	–	–	(2)	(2)
Disposals	–	–	(2,357)	(2,357)
At 31 March 2019	**5,183**	**102**	**69,255**	**74,540**
Depreciation				
At 1 April 2018	1,598	74	43,806	45,478
Charged in the year	171	14	5,235	5,420
Transfers	–	–	–	–
Released on disposal	–	–	(2,203)	(2,203)
At 31 March 2019	**1,769**	**88**	**46,838**	**48,695**
Net book value at 31 March 2019	**3,414**	**14**	**22,417**	**25,845**
Net book value at 31 March 2018	**3,575**	**28**	**24,378**	**27,981**

	Company			
	Office buildings £'000	Motor vehicles £'000	Office equipment and fittings £'000	**Total £'000**
Cost				
At 1 April 2018	5,173	83	68,141	73,397
Additions	10	–	3,429	3,439
Transfers	–	–	(2)	(2)
Disposals	–	–	(2,357)	(2,357)
At 31 March 2019	**5,183**	**83**	**69,211**	**74,477**
Depreciation				
At 1 April 2018	1,598	55	43,763	45,416
Charged in the year	171	14	5,234	5,419
Transfers	–	–	–	–
Released on disposal	–	–	(2,203)	(2,203)
At 31 March 2019	**1,769**	**69**	**46,794**	**48,632**
Net book value at 31 March 2019	**3,414**	**14**	**22,417**	**25,845**
Net book value at 31 March 2018	**3,575**	**28**	**24,378**	**27,981**

13.10 Impairment of land and buildings

The Group considers individual schemes to be separate Cash Generating Units (CGUs) when assessing for impairment, in accordance with the requirements of FRS 102 and the Housing SORP 2014.

The Directors have identified one property where local operational issues have led to ongoing lower occupancy. It is the view of management that this constitutes a potential permanent indicator of impairment and as such an impairment review of the affected assets was undertaken as required by FRS 102. The review concluded that an impairment charge of £178,000 was required for the year (2018: £483,012).

When carrying out the impairment review of a CGU the recoverable amount of a CGU is assessed as the higher of the value in use and the fair value less costs to sell. Value in use is calculated based on the future cash inflows and outflows to be derived from the continuing use of the CGU and from its ultimate disposal discounted at a rate equivalent to the cost of capital of the group.

14. Fixed asset investments

14.1 Fixed asset investments - Group and Company

	2019 £'000	2018 £'000
Treasury Stock		
8.75% Treasury Stock 2021	1,093	1,105
Bonds		
North British Housing Association	–	124
Northern Counties Housing Association	203	204
Total of listed investments	**1,296**	**1,433**
Bank Investments		
Dexia	2,846	2,776
Other Investments		
Schroders Private Equity Fund	1,066	1,346
Total value of investments	**5,208**	**5,555**

14.2 Fixed asset investments - subsidiary undertakings

	Company £'000
Cost at 1 April 2018	92,615
Share buy-back	(5,176)
Cost at 31 March 2019	**87,439**

As required by statute, the financial statements consolidate the results of the companies detailed in the table below, which were subsidiaries of Anchor Hanover Group at the end of the year. Anchor Hanover Group either owns 100% of the issued share capital or has the sole right to nominate directors and thereby exercises control over them. All of the subsidiaries are non-regulated companies and are registered in England and Wales. The registered office is the same for all of the group entities.

Anchor Hanover Group is the ultimate parent undertaking.

The table below sets out principal group entities as at 31 March 2019:

Company	Nature of business	Share capital
Anchor Lifestyle Developments Limited [1]	Residential care homes and housing development	£1
Anchor 2020 Limited [1]	Design and construction services	£1
Anchor Retirement Living Limited [1]	Dormant	£1
Anchor Trust Trading Limited [1]	Dormant	£1,000
AMSA Retirement Homes Limited [1]	Dormant	£100
Rain Healthcare Services Limited [1]	Dormant	£1,000
Anchor Carehomes (Four) Limited [1]	Non trading	£1
Anchor Carehomes Group Limited [1]	Management services	£8,122,525
Anchor Carehomes (Five) Limited [2]	Dormant	£1
Anchor Carehomes (Number Two) Limited [3]	Dormant	£1
Anchor Carehomes (Number One) Limited [3]	Dormant	£1
Anchor Carehomes Limited [2]	Residential care homes	£13,539,652
Anchor Carehomes (North East) Limited [4]	Non trading	£1
Anchor Carehomes (North West) Limited [4]	Non trading	£1
Anchor Carehomes (Hyde) Limited [4]	Non trading	£1
Anchor Carehomes (Leeds) Limited [4]	Non trading	£1
R&J Investments Limited [1]	Intermediate holding company	£1
Carefore Homes Limited [5]	Dormant	£1
Cavendish Healthcare (UK) Limited [5]	Non trading	£1
Burnbank House Limited [1]	Non trading	£4
Hanover Housing Limited [1]	Design and construction services	£53,757,459
Hanover Housing Developments Limited [1]	Housing Development	£1

1 - Denotes a wholly owned subsidiary of Anchor Hanover Group
2 - Denotes an indirect subsidiary - these entities are wholly owned subsidiaries of Anchor Carehomes Group Limited
3 - Denotes an indirect subsidiary - these entities are wholly owned subsidiaries of Anchor Carehomes (Five) Limited
4 - Denotes an indirect subsidiary - these entities are wholly owned subsidiaries of Anchor Carehomes Limited
5 - Denotes an indirect subsidiary - these entities are wholly owned subsidiaries of R&J Investments Limited

15. Stock

15.1 Stock: Properties for sale

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Completed properties	71,556	51,445	2,603	3,950
Work in progress	50,329	66,679	2,796	920
	121,885	**118,124**	**5,399**	**4,870**

15.2 Stock: Raw materials and consumables

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Raw materials and consumables	162	144	126	108

Stocks of raw materials and consumables relate to catering supplies within residential care homes, bars, shops and restaurants.

16. Debtors: amounts falling due within one year

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Rent and service charges receivable	12,759	13,843	7,778	8,321
Less: Provision for bad and doubtful debts	(2,962)	(2,673)	(1,586)	(1,536)
	9,797	11,170	6,192	6,785
Trade debtors	564	927	564	977
Prepayments	12,294	11,889	14,277	9,942
Deficits carried forward on variable service charge schemes	3,898	3,673	3,898	3,673
Other debtors and accrued income	3,496	2,788	3,119	2,379
Hill Residential Limited[1]	6,029	15,048	–	–
	36,078	**45,495**	**28,050**	**23,756**

1 - Represents Hill Residential Limited's share of land values under the joint arrangement

17. Debtors: amounts falling due after more than one year

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Finance debtor	16,411	17,026	16,411	17,026
Amounts due from subsidiary undertakings	–	–	153,100	154,257
Deferred tax (note 25)	2,521	2,064	–	–
Amounts due from related companies	–	236	–	236
Derivative financial instruments (note 28)	149	462	149	462
Other debtors	540	540	540	540
	19,621	**20,328**	**170,200**	**172,521**

Upon completion of properties the development costs incurred under a PFI contract have been converted to a finance debtor in line with the Group'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 Hanover Group owned 25% of the company's share capital until 1 June 2018. On 1 June 2018, Anchor Hanover Group acquired the remaining 75% of the company's share capital and became the sole shareholder. On the same date the property, Burnbank House, was sold, and in accordance with the agreements between the two companies the net proceeds of this sale were used as full and final settlement of the loan.

Transactions with Burnbank House Limited are as follows. Interest receivable for 2019: £nil (2018: £111,000) and rent payable for 2019: £nil (2018: £113,000).

18. Short term deposits and investments - Group and Company

	2019 £'000	2018 £'000
Money market fund investments	116	115
	116	**115**

19. Creditors: amounts falling due within one year

		Group		Company	
	Note	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Trade creditors		19,526	22,047	16,223	18,225
Rents received in advance		4,853	5,390	4,853	5,390
Surpluses carried forward on variable service charge schemes		5,738	5,462	5,738	5,462
Recycled capital grant fund	20.3	4,913	5,666	4,913	5,666
Deferred capital grant	20.2	14,431	15,763	14,431	15,763
Debt	22	12,031	20,456	11,031	19,556
Bank overdraft		3,182	1,782	2,555	1,365
Obligations under finance leases	24	5,888	800	5,888	800
Other taxation and social security		3,314	2,742	3,056	2,696
Other creditors		11,242	10,498	10,361	10,454
Accruals and deferred income		64,428	61,553	45,151	45,435
		149,546	**152,159**	**124,200**	**130,812**

20. Creditors: amounts falling due after more than one year

		Group		Company	
	Note	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Recycled capital grant fund		3,875	756	3,875	756
Deferred capital grant		250,046	262,924	250,046	262,924
Debt	22	499,260	526,654	479,735	506,129
Obligations under finance leases	24	22,193	28,258	22,193	28,258
Major repairs sinking funds for leasehold schemes		11,380	11,564	11,380	11,564
Amounts due to subsidiary undertakings		–	–	5,466	14,668
Callable interest rate swaps		637	669	637	669
Other creditors		4,346	3,673	4,342	3,673
		791,737	**834,498**	**777,674**	**828,641**

20.1 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.

20.2 Deferred capital grant - Group and Company

	Note	**2019 £'000**	2018 £'000
Fund at 1 April	35	278,687	292,022
Grant received in the year		905	2,566
Released to income in the year		(15,325)	(16,048)
Released on disposal		2,544	–
Grants recycled from the recycled capital grant fund		(2,951)	147
Grants recycled from the recycled capital grant fund		617	–
Fund at 31 March		**264,477**	**278,687**
Falling due within one year		14,431	15,763
Falling due after more than one year		250,046	262,924
		264,477	**278,687**

20.3 Recycled capital grant fund - Group and Company

	2019			2018		
	Homes England £'000	**GLA £'000**	**Total £'000**	Homes England £'000	GLA £'000	Total £'000
Fund at 1 April	6,288	134	6,422	6,416	134	6,550
Grants recycled	3,112	–	3,112	–	–	–
Withdrawals	(658)	(120)	(778)	(147)	–	(147)
Interest accrued	32	–	32	19	–	19
	8,774	14	8,788	6,288	134	6,422
Transferred to other registered social housing providers	–	–	–	–	–	–
Fund at 31 March	**8,774**	**14**	**8,788**	**6,288**	**134**	**6,422**
Falling due within one year	4,899	14	4,913	5,532	134	5,666
Falling due after more than one year	3,875	–	3,875	756	–	756
	8,774	**14**	**8,788**	**6,288**	**134**	**6,422**

The total recycled capital grant fund balance would be repayable to Homes England in the event that it is not utilised.

21. Provisions for liabilities and charges

	Group				
	Dilapidations £'000	Deferred taxation (note 25) £'000	Growth scheme (note 26.1) £'000	2019 £'000	2018 £'000
Balance at 1 April	1,044	967	551	2,562	3,066
Additions in the year	–	–	32	32	204
Utilised in the year	(642)	–	(85)	(727)	(708)
Remeasurement	–	–	(70)	(70)	–
Balance at 31 March	**402**	**967**	**428**	**1,797**	**2,562**

	Company			
	Dilapidations £'000	Growth plan pension obligation £'000	2019 £'000	2018 £'000
Balance at 1 April	1,044	551	1,595	2,076
Additions in the year	–	32	32	204
Utilised in the year	(642)	(85)	(727)	(685)
Remeasurement	–	(70)	(70)	–
Balance at 31 March	**402**	**428**	**830**	**1,595**

Provision has been made for office dilapidation at Staines and Kings Cross.

The Growth Plan pension obligation is referred to in note 26. The provision is based on the net present value of payments agreed at the year end.

22. Debt analysis - Group and Company

Borrowings		Group		Company	
		2019 £'000	2018 £'000	2019 £'000	2018 £'000
Fixed rates	**Interest rate**				
Orchardbrook Limited	Between 11.295% - 11.615%	40,557	40,906	40,557	40,906
Banks	Between 4.950% - 6.795%	155,055	159,001	134,530	137,576
Local authorities	Between 5.00% - 16.500%	171	5,182	171	5,182
Other	Between 0.000% - 3.000%	49,404	54,812	49,404	54,812
		245,187	259,901	224,662	238,476
Variable rates	**Interest rate**				
Banks	0.250% - 1.750% above LIBOR	266,104	287,209	266,104	287,209
Orchardbrook Limited	Currently 1.540%	–	–	–	–
		266,104	287,209	266,104	287,209
Total housing loans		**511,291**	**547,110**	**490,766**	**525,685**

Security

All loans are secured by charges on certain of Anchor Hanover Group's housing properties.

The total net book value net of attributable amortised capital grant of housing properties used to secure liabilities to third parties is £289,530,000 (2018: £391,3847,000).

Based on the lenders' earliest repayment dates, borrowings are repayable as follows:

	Group		Company	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
In one year or less	12,031	20,456	11,031	19,556
Between one and two years	12,781	11,113	11,781	10,113
Between two and five years	192,383	34,458	189,383	31,458
In five years or more	294,096	481,083	278,571	464,558
	511,291	**547,110**	**490,766**	**525,685**

23. Operating lease commitments - Group and Company

Anchor Hanover Group leases a number of properties and motor vehicles under operating leases. The group and company's future minimum lease payments are as follows:

	Properties £'000	**Motor vehicles £'000**	**Other £'000**	**2019 £'000**	2018 £'000
Operating leases which expire:					
In one year or less	1,064	525	4	1,593	1,419
Between two and five years	2,709	566	5	3,280	4,375
In five years or more	7,744	10	–	7,754	9,292
Total	**11,517**	**1,101**	**9**	**12,627**	**15,086**

24. Obligations under finance leases

Finance leases relate to properties used by the company. Obligations under finance leases are payable as follows:

	Group		Company	
	2019 Net obligations £'000	2018 Net obligations £'000	**2019 Net obligations £'000**	2018 Net obligations £'000
In one year or less	5,888	800	5,888	800
Between two and five years	5,151	5,368	5,151	5,368
In five years or more	17,042	22,890	17,042	22,890
Total	**28,081**	**29,058**	**28,081**	**29,058**

25. Deferred taxation

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Decelerated capital allowances	(1,783)	(1,322)	–	–	(1,783)	(1,322)
Short term timing differences	–	(4)	–	–	–	(4)
Unrelieved tax losses	(738)	(738)	–	–	(738)	(738)
Revaluation of tangible fixed assets	–	–	967	967	967	967
Net tax (assets) / liabilities	**(2,521)**	**(2,064)**	**967**	**967**	**(1,554)**	**(1,097)**

The group has unrelieved tax losses of £8,822,000 (2018: £9,042,000) that are available indefinitely for offset against its future taxable profits.

The net deferred tax asset expected to reverse in the year ending 31 March 2020 is £1,568,000. This primarily relates to the reversal of timing differences on capital allowances and the utilisation of tax losses.

Company

The company deferred tax asset is £nil (2018: £nil) and the company deferred tax liability is £nil (2018: £nil).

26. Pension obligations - Group and Company

Anchor Hanover Group operates or participates in four defined pension schemes for its employees, Pensions Trust Growth Plan, Anchor Trust Final Salary Scheme, Surrey County Council Pension Fund, and London Borough of Hackney Pension Fund. The assets of the schemes are held separately from those of the Group and are managed by trustees. The contributions are determined on the basis of triennial valuations using the projected unit method. These schemes are all closed to new members.

Anchor Hanover Group also operates a defined benefit contribution scheme.

Deficit in defined benefit schemes:

	Note	**2019 £'000**	2018 £'000
Anchor Trust Final salary scheme	26.3	(3,905)	(559)
Surrey County Council Pension Fund	26.4	(11,904)	(10,882)
Total deficit in defined benefit schemes to be recognised		**(15,809)**	**(11,441)**

26.1 Defined contribution scheme

Anchor Hanover Group operates defined contribution pension schemes. These schemes provides benefits directly determined by the value of the contributions paid in respect of each member. The pension cost for these scheme, which represents contributions payable by the group, was £6,787,000 (2018: £6,249,000).

26.2 The Pensions Trust - The Growth Plan

Anchor Hanover Group participates in the scheme, a multi-employer scheme which provides benefits to some 1,300 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

Anchor Hanover Group has agreed to make additional deficit payments to the Growth Plan operated by the Pensions Trust at the rate of £82,000 per year, increasing at 3.0% per annum until 30 September 2026. Using the discount rate based on the Anchor Hanover Group's cost of capital , a liability with a net present value of £428,000 (2018: £551,000) is recognised within provisions for this contractual obligation.

	£'000
At 1 April 2018	551
Unwinding of the discount factor (interest expense)	32
Deficit contribution paid	(85)
Remeasurements - amendments to contributions schedule	(70)
At 31 March 2019	**428**

26.3 Anchor Trust Final Salary Scheme

Members of staff employed prior to 1 January 2003 were eligible to join a group life assurance and pension scheme which provides benefits based on final pensionable salary. The assets of the scheme are held separately by an independent fund manager, The Pensions Trust. After consultation with members, the defined benefit scheme was closed to future contributions from existing members as at 1 April 2011. From 1 April 2014 Anchor Hanover Group is contributing £5,052,000 per year into the scheme, increasing by 3% per annum until April 2020.

The total group charge for the year was £336,000 (2018: £361,000). The contributions were determined on the basis of actuarial advice using the projected unit method and relate entirely to current service costs. Before the scheme closed, Anchor Hanover Group paid contributions at 12.5% of pensionable salaries.

The last full valuation was carried out at 30 September 2018. The next valuation is due to be carried out on data as at 30 September 2021.

Anchor Hanover Group applies the provisions of FRS 102 in preparing these accounts.

A valuation for the purposes of FRS 102 was prepared as at 31 March 2019 by a qualified independent actuary.

The assumptions used by the actuary are:

	At 31 March 2019 % per annum	At 31 March 2018 % per annum	At 31 March 2017 % per annum
Discount rate	2.35	2.55	2.60
Inflation rate (RPI)	3.30	3.20	3.30
Inflation rate (CPI)	2.30	2.20	2.30
Rate of increase in salaries	4.30	4.20	4.30
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.35	2.25	2.35
Allowance for revaluation of deferred pensions of CPI or 3% p.a. if less	1.95	1.90	1.95
Allowance for revaluation of deferred pensions of CPI or 2.5% p.a. if less	1.75	1.70	1.75
Mortality in retirement	103% S2PXA [1.25% m; 1% f]	97% S2PA CMI_16 [1.25% m; 1% f]	89% S2PA CMI_15 [1.25% m; 1% f]
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of Post A Day using notional factors	75% of Post A Day using notional factors

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2017	21.5
Female retiring in 2017	23.3
Male retiring in 2037	22.9
Female retiring in 2037	24.5

The assets in the scheme were:	**Market value at 31 March 2019 £'000**	Market value at 31 March 2018 £'000	Market value at 31 March 2017 £'000
Equity type	110,177	102,970	128,676
Bonds	94,685	88,819	55,302
Property	11,185	12,759	11,821
Other	406	874	632
Total assets	**216,453**	**205,422**	**196,431**

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	Market value at 31 March 2019 £'000	Market value at 31 March 2018 £'000	Market value at 31 March 2017 £'000
Fair value of scheme assets	216,453	205,422	196,431
Present value of defined benefit obligation	220,358	205,981	217,850
Deficit in the scheme to be recognised	(3,905)	(559)	(21,419)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Defined benefit obligation at start of year	205,981	217,850
Expenses	–	361
Interest expense	5,152	5,565
Past service cost - plan amendments	528	–
Actuarial (gains) / losses	16,612	(9,797)
Benefits paid & expenses	(7,915)	(7,998)
Defined benefit obligation at end of year	**220,358**	**205,981**

Reconciliation of opening and closing balances of the fair value of scheme assets

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Fair value of scheme assets at start of year	205,422	196,431
Interest income	5,209	5,079
Actuarial gains	8,089	6,092
Contributions by the sponsoring employer	5,984	5,818
Benefits paid & expenses	(8,251)	(7,998)
Fair value of scheme assets at the end of year	**216,453**	**205,422**

Defined benefit costs recognised in income or expenditure

	2019 £'000	2018 £'000
Expenses	336	361
Net interest cost	(57)	486
Past service cost - plan amendments	528	–
Defined benefit costs recognised in income and expenditure account	**807**	**847**

Defined benefit costs recognised in other comprehensive income

	2019 £'000	2018 £'000
Return on scheme assets (excluding amounts included in net interest cost) - gain	8,089	6,092
Experience gains and losses arising on the scheme liabilities - (loss) / gain	(10,141)	2,299
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities - (loss) / gain	(6,471)	7,498
Total amount recognised in other comprehensive income - (loss) / gain	**(8,523)**	**15,889**

26.4 Surrey County Council Pension Fund

This is a defined benefit scheme administered by Surrey County Council under the regulations governing the Local Government Pension Scheme. Employees of Anchor Hanover Group who joined Hanover Housing Association prior to 1 July 2003 were admitted to the Surrey County Council Pension Fund. Since this date the scheme has been closed to new entrants.

The pension cost of this arrangement are assessed in accordance with the advice of an independent qualified actuary using the projected unit method.

The assumptions used by the actuary are:

	At 31 March 2019 % per annum	At 31 March 2018 % per annum
Discount rate	2.40	2.60
Rate of increase in salaries	2.80	2.70
Pension increase rate	2.50	2.40
Expected return on assets	3.50	3.50

The breakdown of expected return on asset by category:

	At 31 March 2019 % per annum	At 31 March 2018 % per annum
Equities	3.50	3.50
Bonds	3.50	3.50
Property	3.50	3.50
Cash	3.50	3.50

The assets in the scheme were:

	Market value at 31 March 2019 £'000	Market value at 31 March 2018 £'000
Equity type	35,556	37,960
Bonds	10,821	4,867
Property	3,607	3,893
Other	1,546	1,947
Total assets	**51,530**	**48,667**

Mortality

Life expectancy is based on the Fund's Vita Curves with improvements in line with CMI 2013 peaked with a long term rate of 1.25% pa. Based on these assumptions the average future life expectancies at age 65 are:

	Males	Females
Current pensioners	22.5 years	24.6 years
Future pensioners	24.1 years	26.4 years

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	Market value at 31 March 2019 £'000	Market value at 31 March 2018 £'000
Fair value of scheme assets	51,530	48,667
Present value of defined benefit obligation	63,434	59,549
Deficit in the scheme to be recognised	(11,904)	(10,882)

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Defined benefit obligation at start of year	59,549	59,584
Current service cost	558	701
Past service cost (including curtailments)	–	168
Interest expense	1,536	1,483
Members' contributions	95	118
Changes in demographic assumptions	–	–
Changes in financial assumptions	3,219	(1,033)
Other experience	5	1
Benefits paid & expenses	(1,528)	(1,473)
Defined benefit obligation at end of year	**63,434**	**59,549**

Reconciliation of opening and closing balances of the fair value of scheme assets

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Fair value of scheme assets at start of year	48,667	48,308
Interest income	1,256	1,201
Actuarial gains	2,229	(375)
Contributions by the sponsoring employer	803	881
Members' contributions	95	118
Benefits paid & expenses	(1,520)	(1,466)
Fair value of scheme assets at end of year	**51,530**	**48,667**

Defined benefit costs recognised in income or expenditure

	2019 £'000	2018 £'000
Expenses	558	701
Net interest cost	280	282
Past service gain	–	168
Defined benefit costs recognised in income and expenditure account	**838**	**1,151**

Defined benefit costs recognised in other comprehensive income

	2019 £'000	2018 £'000
Return on scheme assets (excluding amounts included in net interest cost) - gain	2,229	(375)
Experience gains and losses arising on the scheme liabilities - (loss) / gain	(5)	(1)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities - (loss) / gain	(3,219)	1,033
Defined benefit costs recognised in income and expenditure account	**(995)**	**657**

26.5 London Borough of Hackney Pension Fund

The last member of the London Borough of Hackney Pension Fund left the scheme on 30 September 2015. The London Borough of Hackney has acknowledged that Anchor Hanover Group is no longer an employer in the scheme and has entered into a cessation debt agreement. A final cessation settlement amount of £805,000 was paid during the year.

26.6 Reconciliation to the balance sheet - Group

	2019 £'000	2018 £'000
Net assets		
Net assets excluding pension liability	539,958	508,213
Pension liability	(15,809)	(11,441)
Net assets including pension liability	**524,149**	**496,772**
Reserves		
Revenue reserve excluding pension liability	490,651	460,626
Pension liability	(15,809)	(11,441)
Net assets including pension liability	**474,842**	**449,185**

27. Share capital

Anchor Hanover Group Limited is a community benefit society and as such has no share capital.

28. Financial assets and liabilities

The Board policy on financial instruments is explained in the Board report as are references to financial risks.

The Group's financial instruments may be analysed as follows:

	2019 £'000	2018 £'000
Financial assets		
Financial assets measured at historical cost		
Rent and service charges receivable	12,759	13,843
Trade debtors	564	927
Other debtors	3,496	2,788
Derivative financial instruments	149	462
Investments in short term deposits	116	115
Cash and cash equivalents	152,825	132,462
Total financial assets	**169,909**	**150,597**
Financial liabilities		
Financial liabilities measured at amortised cost		
Loans payable	511,291	547,110
Financial liabilities measured at historical cost		
Trade creditors	19,526	22,047
Other creditors	15,588	14,171
Finance leases	28,081	29,058
Total financial liabilities	**574,486**	**612,386**

Hedge of variable interest rate risk arising from bank loan liabilities

Anchor Hanover Group Limited has two derivative financial instruments, both stand alone interest rate swaps.

The derivatives are accounted for as a hedge of variable rate interest risks, in accordance with FRS 102. The value is carried as an asset when the fair value is positive and a liability when the fair value is negative. Movements in fair value adjustments are recognised in other comprehensive income as far as they relate to the effective part of the swap and presented in a separate cash flow hedge reserve. Fair value is determined by reference to the mark-to-market position of the derivative instruments at each reporting date.

The derivative financial instruments (interest rate swaps) are analysed as follows:

	2019			2018	
	Maturity date	**Notional value £'000**	**Fair value £'000**	Notional value £'000	Fair value £'000
Counterparty					
Credit Suisse	30/03/2022	17,200	(637)	17,700	(669)
Lloyds Bank plc	27/08/2023	35,370	149	46,957	462

29. Notes to the consolidated cashflow statement

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

	2019 £'000	2018 £'000
Operating surplus for the year	56,348	58,482
Depreciation of tangible fixed assets	77,821	86,282
Impairment charge	178	483
Carrying value of property disposals	4,870	3,585
Capital grant recycled	3,112	–
Movement in restricted reserves	(42)	(18)
Amortisation of positive goodwill	–	3,078
Difference between pension charge and cash contributions	(4,927)	(3,348)
Decrease in stock	817	10,106
Decrease / (Increase) in debtors	10,581	(3,470)
Decrease in creditors	(13,390)	(13,676)
Net cash inflow from operating activities	**135,368**	**141,504**

29.2 Analysis of changes in net debt

	At 1 April 2018 £'000	Cash flow £'000	Non cash movement £'000	**At 31 March 2019 £'000**
Cash at bank and in hand including overnight deposits	132,462	20,363	–	152,825
Other short term deposits and investments	115	1	–	116
Debt due within one year	(20,456)	20,056	(11,631)	(12,031)
Debt due after one year	(526,654)	15,763	11,631	(499,260)
Finance lease obligations	(29,058)	977	–	(28,081)
Net debt	**(443,591)**	**57,160**	**–**	**(386,431)**

30. Capital commitments - Group and Company

	2019 £'000	2018 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	36,176	24,151
Capital expenditure that has been authorised by the Board but has not yet been contracted for	199,875	186,978
	236,051	**211,129**

All of this anticipated expenditure is expected to be covered by existing cash and agreed banking facilities together with £1,516,000 of social housing grant.

31. Contingent assets and liabilities - Group and Company

The Group and Company had no contingent assets or liabilities at 31 March 2019 (2018: same).

32. Transactions with related parties

Anchor Hanover Group, a regulated entity, allocates overheads and charges interest on amounts loaned to four non-regulated entities within the Group. The overhead allocation is mainly in respect of an administration charge for finance, information technology, asset management and marketing services.

The table shows the overhead allocation and net interest charge to each of the six entities:

	Management fees		Interest	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Anchor 2020 Limited	190	190	–	–
Anchor Lifestyle Developments Limited	362	293	1,515	1,124
Cavendish Healthcare (UK) Limited	–	–	–	–
Anchor Carehomes Group Limited	615	600	1,214	956
Hanover Housing Limited	73	73	–	–
Hanover Housing Developments Limited	507	507	–	–
	1,747	**1,663**	**2,729**	**2,080**

In addition to the above, Anchor Hanover Group made sales of £996,151 to Anchor Carehomes Limited for its share of network infrastructure costs.

Anchor 2020 Limited provides design and build services to two other group entities. The table below shows the charges made during the year to each entity:

	2019 £'000	2018 £'000
Anchor Hanover Group	106	444
Anchor Lifestyle Developments Limited	20,136	34,057
	20,242	**34,501**

Hanover Housing Limited provides design and build services to Hanover Housing Developments Limited. During the year Hanover Housing Limited made total sales of £152,000 (2018: £15,505,000) to Hanover Housing Developments.

Cavendish Healthcare (UK) Limited charged interest on amounts loaned to Anchor Hanover Group following the sale of its trade and assets on 30 September 2016. The total interest charge during the year was £nil (2018: £193,000).

The table below shows the amounts owed to/(from) Anchor Hanover Group (to)/from other group companies as at 31 March 2019. All these companies are 100% owned by Anchor Hanover Group.

	2019 £'000	2018 £'000
Anchor Hanover Group	(5,466)	(9,718)
Anchor Lifestyle Developments Limited	86,048	84,832
Cavendish Healthcare (UK) Limited	–	–
Anchor Carehomes Group Limited	67,052	69,405
Hanover Housing Limited	572	413
Hanover Housing Developments Limited	72	4,950
	148,278	**149,882**

Transactions with Burnbank House Limited are described in note 17.

The table shows management fees charged to entities for which Anchor Hanover Group is the sole corporate trustee:

	2019 £'000	2018 £'000
Alfred Stubbs Trust	9	13
Almshouse Charity of Elizabeth Smith	24	13
Collins Memorial Trust	51	51
Jane Cameron's Old People's Charity	124	124
The Flood Charity	11	11
The Margaret Jane Ashley Almshouse Charity	3	3
William Paul Housing Trust	95	93
	317	**308**

Anchor Hanover Group has a £265,000,000 revolving credit facility with a syndicate of three banks including The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Bank of Tokyo-Mitsubishi UFJ, Ltd has provided £75,000,000 of this facility. Stephen Jack, a Non-Executive Director of Anchor Hanover Group, is also a Non-Executive Director of MUFG Securities EMEA plc. Both The Bank of Tokyo-Mitsubishi UFJ, Ltd and MUFG Securities EMEA plc are subsidiaries of Mitsubishi UFJ Financial Group. As at 31 March 2019, Anchor Hanover Group had drawn down £160,000,000 (2018: £107,267,000) from this facility and the total interest payable under the terms of this facility were £3,981,000 (2018: £2,135,000).

During the year one member of the Executive Management Board had relationships with organisations with which Anchor Hanover Group has immaterial transactions. Jane Ashcroft is a Non-Executive Director at Care England Limited, ARCO Limited and National Housing Federation, which had transactions with Anchor Hanover Group totalling £38,276 (2018: £77,100), £809 (2018: £nil) and £53,097 (2018: £142,664) respectively.

Richard Petty, a Non-Executive Director of Anchor Hanover Group, is also a Director of Jones Lang LaSalle Limited an organisation with which Anchor Hanover Group had transactions totalling £20,220 (2018: £11,100) during the year.

Richard Jones, a Non-Executive Director of Anchor Hanover Group, is also a Trustee of Action on Hearing Loss, a charity with which Anchor Hanover Group had transactions totalling £4,134 (2018: £nil) during the year.

There are no other related party transactions in the year to 31 March 2019 (2018: £nil).

33. Legislative provisions

Anchor Hanover Group is registered under the following Acts:

	Registration Number
Co-operative and Community Benefit Societies Act 2014	7843
Housing Act 1996	LH4095

34. Post year end events - Group and Company

On 19 July 2019 Anchor Hanover acquired trading businesses of the Hadrian Healthcare group of companies, comprising five care homes in Yorkshire and County Durham, and entered into institutional leasehold agreements of the properties by Anchor Hanover as tenant with Aviva as landlord. The homes provide a total of 382 en-suite rooms for older people, including older people with dementia. The deal brings the total number of care homes operated by Anchor Hanover up to 114.

The portfolio includes Wetherby Manor care home, which was named by Knight Frank as UK Luxury Care Home 2018, and The Manor House in Barnard Castle which was a finalist in the 2017 International Design Awards, run by the Society of British and International Design.

Anchor Hanover is preparing for a pensioner buy-in as part of a plan to manage the future liabilities of the legacy Anchor defined benefit scheme. During due diligence, a query has arisen in respect of a change to the benefits specification of the scheme between 1988 and 1995.

The scheme Trustee's legal adviser has questioned the validity of the change; correspondence between Anchor and the Trustees from the time suggests the intention of both the Trustee and Anchor was to provide the benefits that members have received in practice, but we have not yet been able to locate the appropriate legal documentation.

Anchor Hanover will be instructing lawyers to act on its behalf; actuaries have been instructed to undertake calculations to identify how this would increase the liabilities of the scheme should this be necessary. At this time it is not possible to be certain that there will be an impact and, if there is, the value of the change and so this has not been recognised in the financial statements.

35. Housing stock in management

	As at 1 April 2018	Acquired or Developed	Sold, transferred or demolished	**As a 1 April 2019**
Housing for older people	35,244	–	(22)	35,222
General needs	242	1	–	243
Non-social rented	20	–	–	20
Low cost home ownership	1,382	–	(3)	1,379
Care home rooms	6,082	–	(614)	5,468
Non-social leasehold housing	11,065	121	(77)	11,109
Total unit managed	**54,035**	**122**	**(716)**	**53,441**

36. Merger accounting

Analysis of comprehensive income 2018/19

	Pre Merger		Post Merger	
	Hanover Housing £ '000	Anchor Trust £ '000	Anchor Hanover £ '000	**Total £ '000**
Association				
Operating surplus	**18,092**	**16,378**	**26,463**	**60,933**
Interest receivable and other income	294	3,102	1,903	5,299
Interest payable and financing costs	(8,337)	(6,783)	(7,755)	(22,875)
Surplus for the year	**10,049**	**12,697**	**20,611**	**43,357**
Remeasurements - actuarial gain / (loss) in respect of pension scheme	–	–	(9,518)	(9,518)
Reversal of impairment	–	–	1,200	1,200
Movement in fair value of hedged instruments	–	(126)	(155)	(281)
Total comprehensive income for the year	**10,049**	**12,571**	**12,138**	**34,758**

At 29 November 2018, Hanover Housing had net assets of £162.2m and Anchor Trust had net assets of £368.6m. No material adjustments were required to align accounting policies.

Analysis of comprehensive income 2017/18	Hanover Housing £ '000	Anchor Trust £ '000	**Total £ '000**
Association			
Turnover	111,682	325,540	437,222
Operating costs	(85,699)	(301,984)	(387,683)
Gain on disposal of fixed assets	656	326	982
Operating surplus before exceptional items	**26,639**	**23,882**	**50,521**
Exceptional items	–	(3,471)	(3,471)
Operating surplus	**26,639**	**20,411**	**47,050**
Interest receivable and other income	381	4,101	4,482
Interest payable and financing costs	(13,756)	(10,427)	(24,183)
Surplus on ordinary activities before tax	**13,264**	**14,085**	**27,349**
Tax on surplus on ordinary activities	(4)	–	(4)
Surplus for the year	**13,260**	**14,085**	**27,345**
Remeasurements - actuarial gain / (loss) in respect of pension scheme	657	15,889	16,546
Movement in fair value of hedged instruments	–	462	462
Total comprehensive income for the year	**13,917**	**30,436**	**44,353**

The Non-Executive and Executive Board

The Non-Executive Board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1. Dr Stuart Burgess CBE
Chair

Stuart was previously Chair of Hanover Housing Association and is an experienced chair and business leader with a dynamic track record in leading successful teams to improve organisational performance.

Previous to Hanover he was Chair of The Commission for Rural Communities from 2005 to 2013. From 2004 to 2010 he served as the Prime Minister's Rural Advocate and previously he was Chair of the Patient Liaison Group for the British Medical Association. He was President of the Methodist Church in 1999.

Stuart is a Lay Member of the Royal College of Anaesthetists and Chair of the Directors of The Wesley and the Methodist Church Property Development Committee. He is also Chair of the Ammersdown Centre and the Beeston Community Trust, and a Trustee of the Rose Castle Foundation and Rafiki Trust.

Stuart holds numerous degrees and honorary degrees and is a Fellow of the Royal Society of Arts. He was awarded a CBE in the Birthday Honours 2009 for services to the voluntary and public sectors.

2. Stephen Jack OBE
Vice Chair

Stephen was previously the Vice Chair of Anchor's Non-executive board, and is a chartered accountant.

As an executive he held senior finance roles in a number of international financial services organisations including Dresdner Kleinwort Benson, ING Barings, and Collins Stewart Tullett plc. His non-executive roles span a number of different sectors.

Stephen was Trustee and then Chair, from 2007 to 2015, of the Independent Living Fund, a non-departmental public body which provided support to severely disabled people across the UK. He joined the Board of the Cambridge Building Society as a Non-Executive Director in April 2014 and became a trustee of the Royal Mencap Society in May 2014.

In September 2015, he joined the board of MUFG Securities EMEA plc as an independent Non-Executive Director. In December 2016 he became a trustee of Golden Lane Housing.

3. Nicola Bruce
Board member

Nicola was previously a non-executive board member at Hanover and is an experienced strategist who has worked with Boards over the last 30 years as a strategic advisor in an executive and non-executive capacity.

She was a partner at the Monitor Group strategic consultancy for over ten years, and Director of Strategy & Business Development at De La Rue plc. Prior to this, she worked as an economist for Coopers & Lybrand where she led economic development and regeneration strategies for UK development agencies.

As a non-executive, Nicola sits on the Board of CS Healthcare, a mutual private health insurer where she chairs the Remuneration Committee and is a member of the Risk and Governance Committee. She is on the Board of Wings Travel Management Ltd, a specialist global travel business, where she is a member of the Audit & Risk Committee.

Nicola was also on the Board of the Government's Money Advice service, where she chaired the Investment Committee, and sat on the Audit & Risk Committee and Remuneration Committees, supporting the merger of Money Advice with Pension Wise and The Pension Advisory Service, until 2018.

Nicola has an MA (PPE) from Oxford University and an MBA from INSEAD.

4. Julie Doyle
Board member

Julie was previously a non-executive board member at Hanover and has over 20 years' experience at senior management level within the housing sector.

She joined Longhurst Housing Association in 1995, was appointed Managing Director of Spire Homes in 1997 (part of the Longhurst Group) and in 2015 was appointed Chief Executive of the Longhurst Group.

Prior to joining Hanover, Julie also held several posts in local authority housing departments.

Julie has an MBA in business administration and is a member of the East Midland National Housing Federation (NHF) Executive Committee.

5. Mike Green
Board member

Mike was previously a non-executive board member at Hanover and formerly served on the Board of Metropolitan Housing Trust.

He was the independent member of Metropolitan's

1. Dr Stuart Burgess CBE, Chair
2. Stephen Jack OBE, Vice Chair
3. Nicola Bruce, Board member
4. Julie Doyle, Board member
5. Mike Green, Board member
6. Alun Griffiths, Board member
7. Peter Hay CBE, Board member
8. Richard Jones CBE, Board member
9. Richard Petty, Board member

Audit Committee from 2009 and from 2012 to 2017 he was non-executive director and Chair of Metropolitan's Audit and Risk Committee.

His career commenced at KPMG as a trainee accountant where he progressed to the role of Senior Manager during his 11 years' service. While at KPMG he was admitted as a Fellow of the Institute of Chartered Accountants in England and Wales.

Mike spent 20 years in broadcast television, his last role being Deputy Group Finance Director at ITV plc. Currently he has various non-executive roles including the Royal Television Society and Southend University Hospital NHS Foundation Trust, where he is Chair of the Audit Committee.

6. Alun Griffiths
Board member

Alun was previously a Trustee Director of Anchor, and holds non-executive directorships with Severfield plc, Ramboll Group A/S and The Port of London Authority, where he is Vice Chairman.

Alun retired from WS Atkins plc, the leading engineering and project management consultancy, in July 2014 where he was a main board director and Group HR Director.

7. Peter Hay CBE
Board member

Peter was previously a non-executive board member at Hanover and has 20 years' experience as a national and local leader of social care and public sector services. He has a track record of improving social care services and significant experience of improving performance, culture, delivering efficiencies in services and building confidence within the workforce.

Peter retired from Birmingham City Council after 14 years' service, during which he held a number of strategic roles. Most recently he was Strategic Director for People, responsible for adult and children's social care, education, public health, housing support and commissioning, before which he was Strategic Director for Social Care and Health and Strategic Director for Adults and Communities.

He was Director of Social Services for North East Lincolnshire Council and previously has had a range of social work and management positions within Humberside and North East Lincolnshire.

Peter is the Chair of health and social care organisation Turning Point and a longstanding Board Member for the Social Care Institute for Excellence (SCIE), the national body for research and development work in social care. He also serves as National Executive Member and Treasurer of the New NHS Alliance. He has a degree in Social Work and an MBA.

8. Richard Jones CBE
Board member

Richard was previously a Trustee Director of Anchor, and is an independent consultant having worked in a range of executive roles. He was a Director with NHS England responsible for the Area Team in Lancashire and South Cumbria. Richard has worked in central and local government and was Executive Director of Adult and Community Services for Lancashire County Council.

Richard qualified as a social worker and has held senior roles in a number of organisations. He has experience of commissioning both health and care services.

Richard was President of the Association of Directors of Adult Social Services, and is Chair of Shared Lives, a Trustee of Action on Hearing Loss and a Non-Executive Director of Look Ahead Care and Support.

9. Richard Petty
Board member

Richard was previously a Trustee Director of Anchor, and is the Lead Director for Living Advisory and Head of Affordable Housing at JLL, one of the largest firms of chartered surveyors and property consultants in the world.

Richard has over 30 years' professional experience, the last 23 years of which have been devoted to the affordable housing sector. He is a Fellow of the Royal Institution of Chartered Surveyors and has previously been a partner of Drivers Jonas, Deloitte and King Sturge.

He is recognised nationally as one of the leading valuers and property advisors to Registered Providers, their funders, investors and to government and other stakeholders. Richard is also Chair of Dolphin Living Limited, the not-for-profit Registered Provider subsidiary of Dolphin Square Foundation, and is a regular speaker at conferences in the sector.

The Executive Board

1. Jane Ashcroft CBE
Chief Executive

Jane joined Anchor in 1999 from BUPA, which had acquired Care First plc where she was Personnel Director. She was appointed Chief Executive of Anchor on 9 March 2010. Prior to joining Care First Jane held HR and governance roles with Bromford Housing Group and Midlands Electricity plc.

Jane is Vice Chair of the National Housing Federation which represents housing associations in England and Vice Chair of Associated Retirement Community Operators, representing the growing market for retirement village provision in the UK. She is a Non-Executive Director of Dignity plc.

Jane is a Fellow of the Institute of Chartered Secretaries and a Member of the Chartered Institute of Personnel and Development. She was awarded a CBE in the 2013 New Year Honours for services to older people.

2. Chris Munday
Managing Director Housing Operations

Chris is responsible for Anchor Hanover's Housing Operations Directorate, bringing together housing and related property services across the organisation's portfolio, including retirement housing, extra care and operating new developments. Chris also oversees the customer contact centre and the services provided by both Anchorcall and Hanover on Call.

As such, his emphasis is on providing good quality housing for older people on an affordable basis, and on facilitating resilience, independence and wellbeing.

Chris was previously Hanover's Executive Director Operations and is a recognised influencer in the supported housing sector, respected in particular for the central focus he places on the needs of the people whom the sector aims to serve.

3. Sarah Jones
Chief Financial Officer

Sarah is accountable for ensuring that Anchor Hanover is a sustainable organisation with the financial resources needed to meet our commitments to existing customers, deliver value for money to all stakeholders, to finance the development of new services and approaches, and manage risk and procurement.

Sarah joined Anchor as Finance Director in September 2014 from leading office supplies distributors Spicers Ltd, where she was Chief Financial Officer. Sarah, a Chartered Management Accountant, has held a variety of senior finance roles across large corporate and private equity businesses, including being the Director of Finance in UK & Republic of Ireland at Carpetright Plc and senior roles at HMV and The Burton Group/Arcadia.

Sarah holds an MSc in Strategic Management Accounting.

4. Mark Greaves
Managing Director Care Services

With more than three decades of experience in social care, Mark is responsible for all of the care home services, domiciliary care and care quality across Anchor Hanover. He is the "Nominated Individual" with the Care Quality Commission.

Mark joined Anchor as Care Services Director in 2015 when Ideal Carehomes joined the organisation. Mark has assembled a strong professional team which has helped ensure increased levels of compliance, innovative approaches to activities and an unflinching focus on residents' needs across Anchor's 100 plus care homes.

The Non-Executive and Executive Board is made up of colleagues from each of the predecessor organisations ensuring the new organisation has huge potential to build on the legacy of both and achieve more than either organisation could apart.

1. Jane Ashcroft CBE, Chief Executive
2. Chris Munday, Managing Director Housing Operations
3. Sarah Jones, Chief Financial Officer
4. Mark Greaves, Managing Director Care Services
5. Mark Curran, Executive Director Development
6. Rona Nicholson, Executive Director of Governance and Compliance
7. Kate Smith, Executive Director Business Services
8. Simon Glucina, Executive Director Transformation

5. Mark Curran
Executive Director Development

Mark is responsible for the exciting development and sales programme already underway and for implementing Anchor Hanover's new ambitious development programme to build 3,200 new homes over the next eight years (mainly affordable housing). He is also reviewing the development opportunities within the existing Anchor Hanover portfolio.

Mark joined Anchor as Development Director in December 2016 from the ExtraCare Charitable Trust where he had spent the previous 12 years spearheading ExtraCare's Village Programme as Development and Sales Director - building 14 new large retirement villages (with a further four villages on site) and selling more than 1,200 apartments in mixed tenure developments as well as managing an extensive resales programme.

6. Rona Nicholson
Executive Director of Governance and Compliance

Rona is responsible for Anchor Hanover's governance and compliance services including leading on a range of projects and activities to ensure robust compliance as we manage the transition from two organisations into one.

Previously, as Deputy Chief Executive of Hanover, Rona's responsibilities covered a broad range of central support and compliance services. She joined Hanover as Chief Operations Officer in 2010 and has had a long and varied career in social housing spanning over 40 years, including executive director level posts at the Tenant Services Authority, the Housing Corporation and Orbit Housing Group.

7. Kate Smith
Executive Director Business Services

Kate has Executive Board-level responsibility for Communications and Marketing, HR and IT.

Kate has held senior roles in a number of housing organisations, including as Executive Director of Corporate Services at bpha, and more recently as Group Corporate Services Director at Southern Housing Group.

8. Simon Glucina
Executive Director Transformation

Simon joined Anchor Hanover from Ei Group Plc (formerly Enterprise Inns), the UK's largest pubs group, where he led the transformation programme from 2015 to the start of 2019 in which Ei Group successfully diversified from being solely a leased and tenanted operator to establishing one of the country's largest managed pubs estates.

Prior to Ei Group, he was a partner at the management consulting firm L.E.K. Consulting focusing on consumer services.

Accessibility

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

Contact our Customer Centre on 0800 731 2020.

આ પત્રિકા બીજી ભાષાઓમાં મેળવી શકાય છે. અંગ્રેજી બોલતી કોઈ વ્યક્તિને કહો કે 0800 731 2020 પર ફોન કરીને તેની નકલ માટે વિનંતી કરે.

यह दस्तावेज़ दूसरी भाषाओं में भी मिल सकता है. एक प्रति पाने के लिये, कृपया अंग्रेज़ी बोलने वाले किसी व्यक्ति से कहिये कि 0800 731 2020 नंबर डायल करे.

এ দলিল অন্যান্য ভাষায় পাওয়া যাবে। ইংরেজী বলতে পারেন এমন কাউকে 0800 731 2020 এ নাম্বারে টেলিফোন করে একটি সংখ্যার জন্য অনুরোধ করতে বলুন।

ਇਹ ਦਸਤਾਵੇਜ਼ ਦੂਸਰੀਆਂ ਬੋਲੀਆਂ ਵਿੱਚ ਵੀ ਉਪਲਬੱਧ ਕੀਤਾ ਜਾ ਸਕਦਾ ਹੈ। ਕਾਪੀ ਲੈਣ ਲਈ ਬੇਨਤੀ ਕਰਨ ਵਾਸਤੇ ਅੰਗ੍ਰੇਜ਼ੀ ਬੋਲਣ ਵਾਲੇ ਕਿਸੇ ਵਿਅਕਤੀ ਨੂੰ 0800 731 2020 ਤੇ ਟੈਲੀਫ਼ੋਨ ਕਰਨ ਲਈ ਕਹੋ।

یہ ڈاکیومینٹ دیگر زبانوں میں بھی مہیا کیا جا سکتا ہے۔اس کی کاپی کی درخواست کرنے کے لیے انگریزی بولنے والے کسی شخص سے کہیں کہ وہ 0800 731 2020 پر فون کرے۔

Możemy udostępnić ten dokument w innych językach. Aby zamówić wersję w innym języku, poproś kogoś, kto zna język angielski, aby zadzwonił pod numer 0800 731 2020.

这份信息手册可以被制作成其他语言的版本。

找一位会讲英文的人致电 0800 731 2020 索取一份复制件。

Thanks

Many thanks to all the Anchor Hanover customers and colleagues featured in this document.

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Co-operative and Community Benefit Societies Act 2014, No. 7843
and registered with the Regulator of Social Housing, No. LH4095.