Anchor Hanover Group

Annual Report & Financial Statements 2022

Later life is for **living**

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Anchor Hanover refers to Anchor Hanover Group and its subsidiaries throughout this report unless otherwise stated. Anchor Hanover Group is a charitable housing association registered as a society under the Co-operative and Community Benefit Societies Act 2014, No. 7843 and registered with the Regulator of Social Housing, No. LH4095. The registered office is The Heal's Building, Suites A&B, 3rd Floor, 22-24 Torrington Place, London, WC1E 7HJ.

CHAIR AND CHIEF EXECUTIVE'S STATEMENT

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CHAIR'S STATEMENT

I am pleased to report that Anchor is in a strong position and, despite the impact of the Coronavirus pandemic, we have continued to provide excellent housing and care for our residents and to provide quality homes for those living in later life.

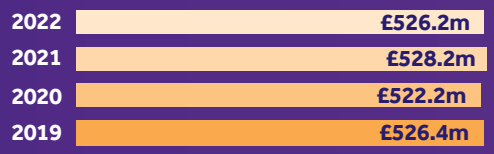
We manage a total of 48,000 rented and leasehold properties and operate 114 residential care homes with approximately 5,000 residents throughout England. We updated our 2019 Business Plan in 2021, committing to provide 5,700 new homes and, since 2019, have completed 305 homes, are in construction with 737 and have an approved pipeline of 1,580. This puts us ahead of where we had planned to be by this stage in the plan.

The financial year ended 31 March 2022 includes a lengthy period in which the restrictions caused by the Coronavirus pandemic were having a significant impact on many organisations, not least those providing housing, care, and support to older people. Indeed, at the time of writing, care homes remain subject to some restrictions and requirements arising from COVID-19. Nevertheless, our strategy to build more and better homes for those living in later life has continued unabated. We are focussed on continually improving the homes we provide by enhancing our offer to residents.

KEY PERFORMANCE

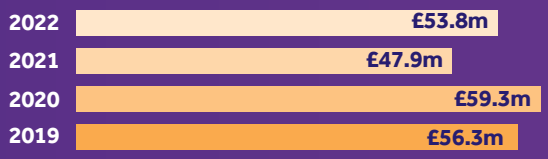
Turnover

£526.2m



Operating Surplus

£53.8m



Looking to the future, the Board and I have confidence that demand for our services will remain strong and that we have the resilience to continue to manage significant change in the needs of our residents, our society, and the economy effectively. The ongoing cost of living challenges facing individuals across the UK and increasing energy costs facing all organisations are central to our thinking as we consider how to ensure services remain affordable and represent value for money across the range of tenures and service models which we operate.

People at our heart

The Board was pleased that, at a time of considerable pressure on our sector, we were able to take a proactive approach to reward. In addition to making the commitment to becoming a Living Wage Foundation employer, we also implemented the 2022/23 pay review on 1 December 2021 for colleagues who were below the Living Wage Foundation rate. Implementing four months ahead of our usual 1 April timeframe was one important demonstration of our commitment to being an outstanding employer and made us the first large provider of care and housing to pay all our colleagues, whatever their age or where they work, at or above 'the Real Living Wage'. In addition, we continue to support the training and development of colleagues to support retention and to attract new talent.

We are very conscious of the need for us to provide quality and value for money for our residents. We also understand the emphasis residents place on having skilled and committed Anchor colleagues to deliver our services particularly given the fact that, as a specialist provider of services to older people, many of our residents spend their last days with us. As set out in our Business Plan, we are committed to being recognised as an employer of choice - providing a great, inclusive place to work that attracts and retains talented and highly engaged colleagues ready to build careers with us. This pay award is part of a comprehensive and competitive reward and wellbeing offer.

As a large, national organisation, agile working was the norm for many colleagues even before the pandemic and continued investment in our IT infrastructure has helped ensure that approach has continued. At a more local level colleagues have continued to work on-site with residents across both care and housing, in line with changing government guidance, and supporting a range of ways for loved ones to keep in contact with residents including visiting.

Financial results

Revenue for the year ended 31 March 2022 was £526.2m, a decrease of 0.4% on the previous year, with improved income from occupancy rates in housing to

Net Book Value of Housing & Care Properties

£1,175.3m

Total Assets Less Current Liabilities

£1,391.3m

CQC rated good or outstanding

90.5%

2021: 93.7%

Care homes occupancy

83.9%

2021: 78.2%

Rented occupancy

98.5%

2021: 97.7%

let and residential care homes offset by a reduction in proceeds from property sales reflecting the stage of the construction cycle for developments. Operating surplus before exceptional items was up 12.3% at £53.8m from £47.9m in the previous year with improvements in both housing to let and residential care, including £4.7m increase attributable to a one-off thank you payment to colleagues being included in the prior year comparative. At the year end our net assets were £572.0m, net debt was £516.1m and gearing was 21.4%.

The COVID-19 pandemic continued to have an impact on our financial results, and the variance to the previous year and this is set out in detail in the Operating and Financial Review on page 17 of the report.

The strong underlying demand for our services, our reputation for quality, and effective targeted marketing have resulted in a marked increase in occupancy levels from the lows experienced during the pandemic, despite the ongoing restrictions on admissions for care homes and challenging recruitment environment. At the date of this report occupancy levels were 98.6% and 86.0% in our housing and care homes respectively.

Restructuring and refinancing

In July 2021, we successfully issued our first 30-year sustainability bond, raising £350m. The transaction attracted strong engagement from investors with the issue being more than two times oversubscribed, with a spread of 0.93% and an all-in fixed coupon of 2% p.a.

The successful bond issue follows the previous financial year's £300m unsecured sustainability-linked revolving credit facility and a £350m unsecured bridging loan alongside a sustainability-linked hedging transaction, both of which were the first in the sector. The bridging loan was refinanced by the bond issue.

We also retained our long-term A+ credit rating from S&P Global Ratings. This is one of the highest in the sector, reflecting the quality of management and underlying operational and financial strength.

The refinancing has provided a sound financial position to build thousands of additional homes for later living. It has also significantly reduced our cost of borrowing, enabling us to be more ambitious in our plans while maintaining sound financial discipline. We will use the funds as part of our commitment to provide 5,700 new sustainable homes over the nine years to 2032 and expand our care home portfolio, alongside ongoing investment in our existing services. We have ambitious plans to meet the increasing needs of older people in a sustainable way, including through our partnership with McCarthy Stone.

Building on our strong focus on sustainability, we are committed to achieving a minimum Energy Performance Certificate rating of B or above for every new home developed and all new homes will have access to sustainable, renewable energy sources.

Senior management and Board changes

This year, Jane Ashcroft decided to step down after more than twenty years at Anchor and twelve of them as Chief Executive, and Sarah Jones was appointed to the role, with effect from 1 August 2022.

Sarah, who joined Anchor in 2014 and was previously Anchor's Chief Financial Officer, is a Trustee of Arthritis Action, a UK charity helping people with arthritis improve their quality of life, and a Board Member of CHP. She was appointed following a thorough and comprehensive search for Jane's successor using external consultants.

> "Jane has been an inspiring leader of the business and instrumental in creating the Anchor of today "

Jane has been an inspiring leader of the business and instrumental in creating the Anchor of today, and the Board and I extend our sincere thanks for her commitment and the positive impact she has made across Anchor and the sector in which we operate. Jane has made an extraordinary contribution to the welfare of our residents and to the success of the organisation during her many years with the organisation. Her leadership, empathy and calm judgement have been invaluable particularly during the COVID-19 pandemic and lockdowns. We wish her well in the next stage of her career.

Suki Jandu joined the Executive Committee in November 2021 as Executive Director, Housing Services. Suki is responsible for rented and homeownership housing services, including extra care, the customer contact centre and the services provided by Anchor On Call. He has significant experience in the housing sector and was formerly Group Executive Director of Customer Experience and Assets at Futures Housing Group. He is also a Group Audit Committee Member at Riverside.

Oliver Boundy joined Anchor as Executive Director, Development in January 2022 and is responsible for the development and sales programme across the full range of Anchor's housing and care services. He joined from Southern Housing Group, where he was Executive Director Development & Growth responsible for a significant development and sales programme and strategic partnerships with Homes England and the Greater London Authority. Oliver replaced Mark Curran who retired at the end of 2021 and we would like to thank Mark for his contribution to the group.

Turning to the Board, we were delighted to welcome Denise Peart, Chief Talent, Diversity and Inclusion Officer at Sky, to the Board in March 2022. Alun Griffiths retired during the year at the end of his term as Non-Executive Director and we thank him for his important contribution during his time on the Board.

The Board comprises 11 members, of whom nine are non-executive and two are executive, being the Chief Executive and Chief Financial Officer.

In line with our wider commitment to equality, diversity and inclusion, during the year we committed that, through executive and non-executive succession planning, we would maintain Board diversity by ensuring that from 1 April 2022 onwards at least half of all Board and Executive Committee roles are filled by women, members of the LGBTQ+ community, individuals of Black, Asian, Mixed or ethnicities other than White British and/or individuals who identify as having a physical or mental disability or impairment.

In line with our commitment to the UK Governance Code, the Board reviews effectiveness through an annual process, in 2021/22 undertaken through an internal review, the outcomes from which identified opportunities for continuous improvement and have been implemented. Through the Nominations Committee, the Board reviews the skills required to meet the needs of the organisation, and oversees succession and recruitment to non-executive and executive roles.

Board visits and engagement

The non-executive directors have been actively engaged with the business during the year, participating in our five committees: Nominations, Audit and Risk, Service Quality, Asset Investment and Development, and Remuneration, as well as attending two away days with senior management.

Each director has committed to spend a day every three months visiting our operations and these have been a very useful way of hearing residents' concerns first hand and enabling the Board to identify service areas which can be improved or enhanced. It is also helpful in widening the Board's knowledge of management below executive level.

Influencing the national agenda

We look forward to using our size, financial strength and growing reputation to continue to help shape the policy environment affecting both the housing and care sectors. We believe strongly that well run and capitalised not-for-profit organisations are best placed to meet the growing demand from older people for the services we provide.

> "We look forward to using our size, financial strength and growing reputation to continue to help shape the policy environment affecting both the housing and care sectors. "

Our Love Living in Later Life report published in 2019 highlighted a number of ways to improve life for our ageing society. Among them, we called for a national taskforce to support the development of more homes for older people in a variety of tenures. We were therefore delighted that Government committed in February 2022 in its Levelling Up White Paper to launch a new taskforce to look at ways to provide better choice, quality and security of housing for older people, including how to address regional disparities in supply of appropriate specialised housing. We were also pleased that Government announced a new award for exceptional practice in social care, in line with our call for an initiative to recognise and celebrate those working in the sector.

The announcement of plans to cap individuals' care costs is also a positive step which reflects Anchor's recommendations and we look forward to working with Government to take this forward in a way which truly reflects the cost of providing good quality care.

Strategy
In August 2021 we reaffirmed our commitment to our Achieving More Together Business Plan, which was launched in 2019. We continue to make progress on and remain committed to its four strategic aims: more and better homes, more opportunities for colleagues and being more influential and more efficient.

We recognise our obligations and responsibility around environmental sustainability. In April 2021, along with four other of the UK's largest not-for-profit social housing providers, we launched The Greener Futures Partnership with the core objective of creating sustainable tenancies, homes and communities.

Our investment in more and better homes continues to create new opportunities for colleagues and we were very pleased that our commitment to embracing difference and being welcoming to all resulted in our achieving silver status with Inclusive Employers in September 2021 in recognition of our work in the area of equality, diversity and inclusion.

We continue to champion the issues which matter to residents and were delighted to be joined by care minister Gillian Keegan for the launch of our Fragmented UK report. The report highlighted a disparity between what younger people believe their parents and older relatives want for their housing and care in later life and what older people themselves say and proposed a number of ways to address the current shortfall in the provision of specialist housing and care for older people.

As previously reported, at the time of the 2018 merger between Anchor Trust and Hanover Housing Association, the Board set a target of £22.0m in integration savings to reinvest back into the organisation for the benefit of the older people we serve. We have achieved £14.7m of this total by 31 March 2022 and are on target to achieve the remaining £7.3m by the end of our 2023 financial year.

Thank you
Following her 85th birthday, HRH Princess Alexandra has decided to relinquish her role as our Patron. The Board and I extend our thanks to her for her more than 30 years of service to Anchor and we send her our warmest wishes for the future.

The Board and I are enormously grateful to all those residents who give their time voluntarily to work with us in a wide variety of ways to help us to continually improve our services including our Residents' Council, Scrutiny Panel, Independent Customer Complaints Panel, and our Resident Voice Panel.

We recognise that the challenges of the COVID-19 pandemic have been significant for everyone. Thank you to all our residents and their loved ones who have supported our efforts to ensure that, even in the most challenging of circumstances, our housing and care homes are thriving communities where people really can love living in later life.

"Particular thanks go to all our colleagues. The dedication and teamwork demonstrated throughout the pandemic and beyond have been truly outstanding, and crucial in enabling us to provide the quality services which are so valued by our residents."

We also thank the many partners and other stakeholders for their hard work, commitment, and continuing support in helping us achieve our vision of transforming housing and care so everyone can have a home where they love living in later life.

Particular thanks go to all our colleagues. The dedication and teamwork demonstrated throughout the pandemic and beyond have been truly outstanding, and crucial in enabling us to provide the quality services which are so valued by our residents.

Christopher Kemball

Christopher Kemball
Chair

THE CHIEF EXECUTIVE'S STATEMENT

Quality, value for money services informed by the lifestyles, needs and expectations of the people we serve. That has always been the focus at Anchor.

As I prepare to hand over to Sarah Jones, I am confident that the organisation is well-positioned to maintain that focus despite the significant challenges facing the UK economy.

Enhancing our offering to residents

Supporting our colleagues to focus on our residents continues to be at the heart of our approach. As with the first year of the pandemic, we were able to make timely decisions during the period under review because of our financial strength, focus on meeting the needs of residents and the expertise in our service delivery and professional support functions.

We continued to build on our already strong commitment to all aspects of resident wellbeing. In our housing, a wide range of initiatives to support this has been explored over the past few years. Going forward, our focus nationally is on those we can deliver at scale, which are cost-effective and fit the New Economics Foundation's "five ways to wellbeing" framework, as well as supporting residents' financial health.

We launched our "Be Well" offer to bring together the range of ways we support residents' wellbeing into an easy-to-understand and easy-to-access package. As part of this "Be Wise", our free service supporting housing residents to claim the benefits they are entitled to and get the best deal on their energy, maximised residents' income by £4.4million. The team took 14,000 calls and assisted residents with an average of 360 new cases each month.

Increasing cost of living pressures and energy price rises over the last year have driven the number of calls to our Be Wise service, which increased by 13% on the previous year. Residents truly value this service, with the team continuing to receive compliments and high satisfaction feedback throughout the year from the residents they supported.

> "Supporting our colleagues to focus on our residents continues to be at the heart of our approach."

"Be Digital", providing tablet loans and training to increase digital inclusion, supported 368 residents with training or information and "Be Active", physical and mental fitness activities to promote movement and mindfulness, reached residents through 76 live sessions and 3,731 video and podcast views.

I have enjoyed joining some of our new "Be Connected" virtual coffee mornings. These have proved very successful, with 45 coffee mornings held on wide ranging topics including yoga, Chinese New Year celebrations, a cookery demonstration, several quizzes and a talk from author Jess Kitching.

Our care homes have continued to see strong quality ratings from the Care Quality Commission: as at 31 March 2022 90.5% of our services were rated Good or Outstanding, and we receive excellent feedback from residents and families through regular surveys and external reviews on websites.

In addition to maintaining the quality of life for residents and despite the ongoing pandemic constraints in care settings, we have sought to enhance and innovate.

In May 2022 we launched our dementia music therapy research project with Anglia Ruskin University's Cambridge Institute for Music Therapy Research, with funding from The Utley Foundation. The project makes Anchor one of the first care home providers in England to partner with a university to implement music therapy sessions into its dementia care pathway and we are calling for music therapy to be implemented more widely in dementia care.

The innovative 18-month project aims to improve outcomes for residents living with dementia through the transformative power of music. The partnership will also upskill care workers in the role of music in dementia care therapy, enriching the care we provide to residents.

ONE Plan

The challenges and changes affecting the housing and care sectors, and our commitment to continuous improvement and innovation create a potentially complex landscape of change. Building on our experience, feedback from colleagues, and a commitment to maximising our investment in the future, we have consolidated the significant range of change projects and activities necessary to achieve the business plan's objectives into a single plan.

Our ONE Plan was published for colleagues in April 2022 and sets out our projects for the next few years. In particular, we are undertaking a detailed review of our existing property portfolio and ensuring that all relevant data is collated electronically and stored centrally so that we can manage our assets more efficiently.

At the same time, we have launched a major technological transformation to enhance the delivery of our services in both housing and care; this will involve WiFi throughout our properties, introduction of a comprehensive customer portal for those residents who wish to use it and the overhaul and improvement of services we provide to them. Using technology, we are also examining the best way of delivering an efficient repair and maintenance service to residents, which is easy and reliable to use.

While our central costs will rise in the near term in order to fund these development projects, we are also looking at how we can reduce and keep these costs to a minimum. Our overall aim is to extend and improve our services to residents while improving our operating margin through the use of technology, better organisation and tighter cost control.

As we noted in last year's report, the pandemic accelerated residents' changing expectations, including the demand for more opportunities to interact with us digitally at a time that suits the individual. The increasing cost-of-living pressures only intensify the need for us to maintain our focus on driving the most cost-effective services for residents as possible, whilst ensuring that we are accessible to all.

Key to achieving this is effective engagement with our residents. Our new Resident Voice Strategy sets out how we will ensure all residents are able to voice their views on the issues that matter to them and that those views will inform the way we work.

Thank you

I have seen a great many changes in more than two decades working in Anchor and it is clear the organisation will need to continue to evolve to meet residents' changing needs.

> "Looking back, I am most struck by the degree to which colleagues across the entire organisation really care about the older people they serve."

In that time, I have been fortunate to have met a great many truly inspiring people, both residents and colleagues. I am immensely grateful to the many colleagues across the sector I have worked with to enable people to love living in later life and to innumerable colleagues past and present who have demonstrated Anchor's values of being Accountable, Respectful, Courageous and Honest.

Looking back, I am most struck by the degree to which colleagues across the entire organisation really care about the older people they serve, and are committed to supporting individuals to live their life in the way they choose. In our care services, our housing services and in our support functions, Anchor people really do care. That was true before I joined the organisation and will, I'm sure, always be true.

Jane Ashcroft CBE
Chief Executive

STRATEGIC REPORT

INCLUDING OPERATING AND FINANCIAL REVIEW

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STRATEGIC REPORT
INCLUDING OPERATING AND FINANCIAL REVIEW

Anchor 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. With a history going back over 50 years, we now serve more than 65,000 residents in 54,000 homes across almost 1,700 care home and housing locations across England.

Anchor is the largest operator of social housing for older people and the sixth largest residential care home operator in England, operating more than 35,600 social rented units, 12,500 leasehold units and 114 care homes, with a 9,000-strong workforce.

We are committed to providing all residents with the right level of care and support, where and when it is required, and offer choice to older people across a range of tenures and price points, including:

Rented housing:
- Socially rented specialist housing for older people
- Extra care: Specialist rented housing with on-site care provision, provided by a third-party provider

Home ownership:
- Retirement housing for homeowners on a leasehold basis
- Independent living: Specialist housing with on-site care provision provided in-house
- Villages: Retirement communities with on-site retail and leisure facilities, home care and/or a care home

Care homes:
- Specialist residential care for older people, including those living with dementia, both private fee payer and local authority funded provision

Living our values

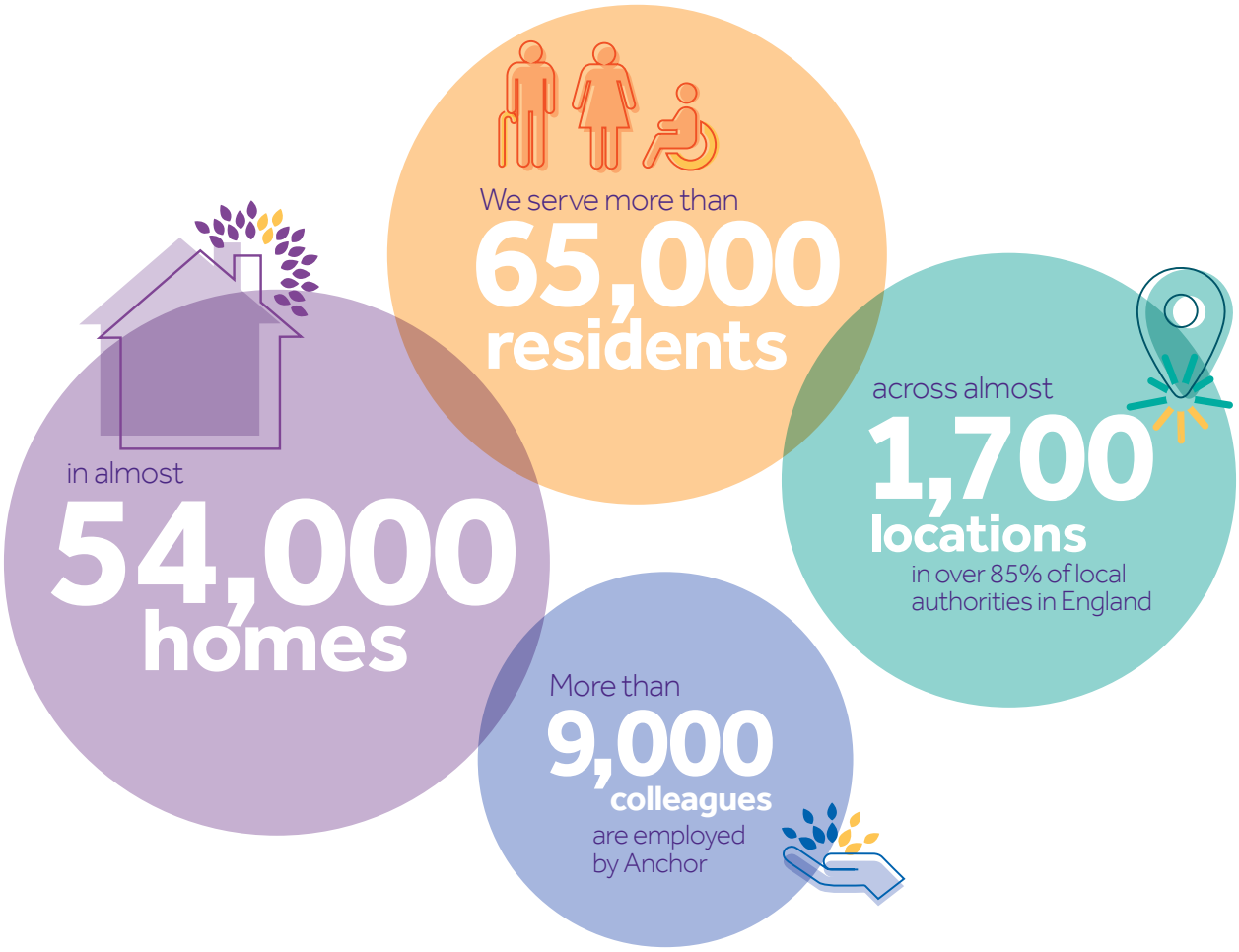
Our Board, Executive Committee and colleagues are guided by Anchor's values and champion them in the way we work within the organisation and with our partners.

- **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.

Units under management

	Year ending 31 March 2021	Growth through acquisition and development	Disposals	Other adjustments	Year ending 31 March 2022
Care (rooms)	5,860	0	0	1	5,861
Rented properties	35,548	25	(4)	62[1]	35,631
Leasehold properties	12,511	65	(74)	(8)[1]	12,494

[1] Comprises one rented estate that has returned to Anchor management, some units previously occupied by location managers and eight leasehold units purchased for rent and therefore reclassified.



ACHIEVING MORE TOGETHER

We are now two years into our Business Plan of 2019, and remain committed to its four key themes, with achievements in all areas:

MORE, AND BETTER, HOMES

where people love living in later life

- Our ambitious development strategy remains on track to provide 5,700 quality homes for people in later life over our 10-year Business Plan cycle.
- Having a robust supply chain that can support us to deliver our ambitious development strategy is essential, especially considering recent supply chain disruption. In June 2021 we announced a robust contractor framework to support our delivery of more homes for older people in the next eight years.

MORE OPPORTUNITIES

for colleagues in career development and reward

- An engaged and highly skilled workforce is essential to the delivery of Anchor services. We continue to invest in learning and development, supporting colleagues to build rewarding careers. This includes providing specialised mental wellbeing coaching for managers through our partnership with Illuminate, who support them and provide the skills to manage the mental wellbeing of their teams.
- We support colleagues to utilise 'smart working', allowing them to get the right balance from their work and family lives. The increased use of technology has enabled more colleagues to find ways of working that meet business and personal needs.

MORE INFLUENTIAL

by sharing our frontline experiences and thinking with policy makers to effect improvements in the way older people are supported in social care and housing

- The impact of the pandemic on wellbeing was profound, and made people think again about what they value. Our Fragmented UK report explored how society has changed, identifying the accompanying challenges and how increasing housing options for older people can help to meet these challenges. It revealed a disparity between what younger people believe their parents want in terms of care in later life and what older people want themselves.
- We welcome the government's commitment to social care reform, in particular the commitment to creating a task force focussing on housing for older people. For many years we have called for a cap on individual care costs and are delighted that these will form part of social care reform. We encourage the government to launch the task force at the earliest opportunity and look forward to engaging with stakeholders to support the creation of more homes where people love living in later life.

MORE EFFICIENT

by challenging ourselves to innovate and do things better

- We are now three full years post-merger and are pleased that work to integrate systems and processes is complete, with efficiency savings being delivered as planned.
- Our Technology Strategy has delivered operational efficiencies for both colleagues and customers, making processes simpler. We will continue to deliver efficiencies across Anchor further streamlining colleague and customer experiences.

Our Business Plan is underpinned by the interconnected and complementary 'Strategic Pillars' of Technology, People, Asset Management, Treasury and Development.

TECHNOLOGY:

A 'ONE Plan' approach to delivering system and process simplification, to reduce unnecessary administration and inefficient processes, to develop the technology platforms alongside support models, to deliver our services in new ways, using new 'connectivity' and technological opportunities to underpin our aim of being 'More efficient'.

- We have designed and begun construction of our new technology platform which will support ongoing simplification across Anchor.
- Our ONE Plan provides a huge opportunity for simplification and will allow us to unlock further efficiencies and enhancements to customer and colleague experiences.

PEOPLE:

A People Plan to deliver our strategic objective to provide 'More opportunities for colleagues' by becoming an Employer of Choice, developing greater leadership capability, improving personal and organisational development, driving higher colleague engagement, encouraging diversity and representation, and creating an environment that supports colleague wellbeing.

- Availability of a suitably qualified and experienced workforce is crucial to achieving quality services to residents, high levels of regulatory compliance and occupancy and therefore a sustainable and successful business. We therefore took the decision to apply Living Wage Foundation rates to all National Living Wage roles from 1 December 2021 with commitment to gaining Living Wage Employer Accreditation by May 2022.
- Our Leadership Pathways programme supports managers to develop key leadership skills to further their careers at Anchor. We also launched an 'Introduction to Leadership' course to allow aspiring leaders to learn more about what leadership involves.

ASSET MANAGEMENT:

A framework for the management of homes that are designed for later life; efficient and effective delivery approaches suited to different needs rather than 'one size fits all', understanding the long-term demand for and needs of the portfolio to secure revenue streams and meet customer demands.

- Having an Asset Management strategy based on reliable and accurate data is key to Anchor's ongoing maintenance of homes where people love living in later life. That's why, during the 2021/22 year we began a complete review of our portfolio of homes to ensure our strategy reflects the needs of our assets.

TREASURY:

Our objectives are to: Reduce risk by refinancing short term debt, increasing proportion of debt at fixed rate, and lengthening overall tenor; increase capacity through harmonisation of financial covenants and on-lending, and releasing security; simplify treasury structure to maintain/enhance credit attractiveness, and support execution of new funding.

- Our refinancing project is now complete meaning our financing structure is more efficient and supports our growth plans. Our financing structure now comprises of a £300m Syndicated Revolving Credit Facility and 30-year £350m Debut Sustainability-linked Use of Proceeds Bond with further £100m retained. We are the first Housing Association to implement a syndicated Sustainability Linked Loan, and the first Housing Association to move its banking facilities to a fully unsecured basis.
- The simplification of our corporate structure continued through the period, moving us closer to a streamlined group of legal entities.

DEVELOPMENT:

A plan to build 5,700 affordable and energy efficient homes in an even balance of affordable shared ownership, affordable rent, and outright sale over 10 years.

- As at 31 March 2022, and three years into the plan we had completed 305 units, we were on-site with 737units, and the Board had approved a pipeline of 1,580 units. Demand for properties has remained strong, boosted by the relaxing of COVID-19 restrictions and the stamp duty tax holiday that ended in June 2021.

Sustainability

Sustainable principles are intrinsic to our strategy and reflected in all parts of the organisation.

In 2020, we implemented the first syndicated Sustainability-Linked Loan (SLL) in the UK housing association sector, partially hedged by a Sustainability-Linked Swap (another first). The SLL is a three year agreement with two one year extension options. The unsecured SLL and the Sustainability-Linked Swap are linked to key performance indicators in five areas which expressly recognise that, for Anchor, sustainability is about more than our buildings.

To us, sustainability means providing homes that people love living in, and ensuring we can continue for years to come by making every aspect of our business sustainable. This means making our contribution to reducing carbon emissions and mitigating negative environmental impacts of our homes and work, as well as contributing to social and economic development within the communities and the people we work with. It also means holding ourselves to high standards of governance and practice when we do business.

That's why our five SLL KPIs commit us to providing new homes for older people, making sure those homes are energy efficient, and keeping rents affordable. Long-term sustainability is underpinned by the strength created by a diverse workforce and the sense of wellbeing and community amongst our residents, so we're pleased to report our performance against our SLL KPIs, which reflect the breadth of this work, for the first time.

All homes that Anchor developed in FY21/22 were built to an EPC B and include solar power generation. Across our rented homes, rents on average were below Local Housing Allowance, making our homes affordable to those on the lowest incomes. Our colleague diversity projects and resident wellbeing projects together created over 10,000 instances of positive engagement through projects like Be Supportive, Be Active and Be Digital, and our Money Wise and Energy Wise services.

Not included in our results above, we're also proud of three further initiatives that support the personal development and diversity of our workforce. Introduction to Leadership is a programme for individuals who have no experience of team leadership and want to take their first steps into a leadership role. Leadership Pathways is a programme for line managers seeking to develop their leadership skills. Reverse Mentoring is a programme through which colleagues from diverse groups mentor senior leaders to share what it is like for them to work in the organisation. A further 64 instances of positive impact were generated by these three programmes.

In 2019, the UK committed to a legally binding target for net zero carbon by 2050. Nationally, homes are responsible for about 20% of the UK's total CO2 emissions - heating in homes alone comprises 13%. In the near-term, the Government requires all rented properties and fuel poor homes to meet an Energy Performance Certificate (EPC) rating of 'C' by 2030.

SUSTAINABILITY-LINKED LOAN KPIs

	Additional Homes (More and Better Homes) Number of new units reaching practical completion (any tenure)		**Affordability of Homes (More and Better Homes)** Proportion of rented units with affordable rent defined as being below Local Housing Allowance		**Energy Efficiency of Homes (More Efficient)** Average Energy Efficiency Certificate (EPC) score for all new units reaching practical completion in the relevant year		**Wellbeing Services (More Efficient)** Number of residents lives impacted positively through our wellbeing projects (number of interactions)		**Colleague Diversity (More Opportunities for Colleagues)** Number of colleagues' lives impacted positively through our diversity projects (number of interactions)	
	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
2019 -20 baseline		107*		87%		84		5,235		246
2021-22	49	49	93%	87%	86	85	9,828	6,824	335	330
2022-23		479		87%		85		8,412		415
2023-24		480		87%		85		10,000		500
2024-25		379^		87%		87		11,588		585
2025-26		613^		87%		87		13,176		670

^May be adjusted on a pro rata basis depending on prior years' performance, subject to a floor of 320 in 2024-25 and 518 in 2025-25 (subject to extension).

*3 year average

As at 31 March 2022, 83% of rented housing and care assets have an EPC rating of C or better, putting Anchor in a strong position to meet this target and go beyond, to net zero carbon.

However, the scale of the task is significant to say the least, which is why we became a founding member of the Greener Futures Partnership (GFP) in 2021. The GFP is a collaboration between some of the UK's largest Housing Associations - Anchor, Abri, Home Group, Hyde and Sanctuary Housing - with the shared aim to work in partnership at scale to tackle decarbonisation. Together, the give partners own and manage over 300,000 homes.

In FY22 the GFP launched the 'Social Housing Retrofits for the Future' report. Commissioned from experts at Northumbria University, who specialise in how to achieve net-zero in social housing, the report investigates the best ways to successfully retrofit homes. Anchor, together with the Greener Futures Partnership members will be using this to develop our retrofit strategies, engaging both residents and suppliers in long-term plans for meeting our collective net zero carbon aims by involving residents and scaling up retrofit.

Last year, we committed to voluntarily adopting the Streamlined Energy & Carbon Reporting (SECR) standard as part of our commitment to being transparent about our performance and reducing our emissions. Our SECR information can be found in the Directors' Report on page 44.

Equality, diversity, and inclusion

Equality, diversity, and inclusion (EDI) goes hand in hand with our values and our ambition to be an employer of choice and a great place to work. Over the past year, we have focused on our EDI activity for both colleagues and residents and aimed to increase the visibility of our EDI activity across the business.

Our EDI strategic priorities have been to attract and retain greater diversity in our colleagues and ensure career development opportunities, drive greater diversity at senior levels, ensure we are a welcoming and attractive proposition for all older people to live within, and embed EDI within our organisation. We have successfully seen a shift in the diversity of our workforce at senior level and have reached 81% completion in our diversity data. We have included an EDI commitment statement in our policy on recruitment at Board and committee level, updated interview toolkits, and revised the onboarding process to remove barriers for those with disabilities.

For our residents, we have supported our existing resident groups and created a new group for ethnic minority residents to emphasise resident voice. We have committed to completing an accreditation through Housing Diversity Network by the end of 2022.

In our latest colleague survey, we asked colleagues to rate us against the statement: "I believe Anchor respects individual differences". 85% responded positively to the statement and we scored 7% higher than the overall benchmark of organisations using a comparable colleague survey. We achieved Silver in the Inclusive Employers Standard (IES) after achieving Bronze in 2020. This is an evidence-based accreditation and benchmarking tool covering all protected characteristics and wider inclusion and diversity issues.

For the coming year, our senior leaders have built EDI objectives into their yearly objectives, and we have ensured that our policies align with our EDI strategy. We have increased the membership of our colleague networks to emphasise colleague voice and continued to develop and expand our mandatory EDI learning. We have increased the visibility of our EDI steering group and are ensuring that there is an EDI voice involved in the many areas of business change.

Our Sustainability Linked Loan has also meant that Anchor now has EDI connected to financing of the business. These areas have played a vital role in embedding EDI within Anchor.

More information on our EDI activity will be available in our EDI Report which will be published later in the year.

Facing the future

Looking to the coming year and the medium-term, we can have confidence that demand for our services will remain strong and that we can continue to manage significant change effectively.

The ongoing cost of living challenges facing individuals across the UK and increasing energy costs facing all organisations are top of mind as we consider how to ensure services remain affordable and value for money across the range of price points at which we operate. Our strong central procurement processes, which served us so well during the challenges of the pandemic, continue play an important role in achieving this as well as our continuing focus on efficient delivery of what matters most to our residents.

OPERATING AND FINANCE REVIEW

HIGHLIGHTS

- **Our recovery in occupancy and operating margin is in line with our post-COVID recovery plan, marking a return towards our typically low void and arrears levels**
- **New properties have been delivered on time, with good consumer demand**
- **We retain strong liquidity with £235.6m in undrawn available loan facilities, and funding for our Business Plan**
- **Gearing remains at low level of 21.4%**
- **Interest cover including capitalised repairs (EBITDA MRI) strong at 258.4%**
- **Operating surplus before exceptional items has improved, with year-on-year reduction in COVID-related grant support more than offset by non-recurrence of COVID-related costs.**

Despite the ongoing challenges arising from COVID-19 during the year, Anchor achieved a resilient financial performance. Total revenue for the year ended 31 March 2022 was £526.2m, a decrease of 0.4% on the previous year and Operating surplus before exceptional items was £53.8m (2021: £47.9m). EBITDA MRI (Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included), a key liquidity indicator, was £64.8m compared to £56.2m generated in the previous year, the variance largely due to the £4.7m one off thank you payment made to colleagues in the prior year.

Our balance sheet remains strong with net assets of £571.9m (based on historical cost of freehold properties) compared to £542.0m in the previous year. Net debt excluding finance lease obligations was £418.0m at 31 March 2022 (2021: £388.3m), and we had undrawn committed loan facilities of £235.6m at the same date (2021: £303.6m).

Housing occupancy improved by 0.8 percentage points to 98.5% (2021: 97.7%) and care home occupancy by 5.7 percentage points to 83.9% (2021: 78.2%), in line with our post-COVID recovery plan. We continue to focus on occupancy and, at the date of this report, housing and care home occupancy has improved to 98.6% and 86.0% respectively.

The financial results reflect themes evident throughout the period. Lower contribution due to reduced care occupancy was partially mitigated by government and local authority funding for additional costs incurred in taking steps to control infection and, despite the challenges, we also delivered performance improvements in the underlying business. In rental housing we experienced a small increase in voids and arrears but demand for our services remained strong and, as our customer base is largely above pension age, we had limited adverse exposure to the employment market and Universal Credit system. Turnover and contribution from new developments was in line with pre-pandemic expectations.

We continued to deliver on our post-merger operating cost savings targets, and the additional expenditure required to maintain the safety of customers and colleagues from the effects of the pandemic was offset by savings in travel and administrative overheads resulting from changes to the ways of working as we emerged from the restrictions arising from the Government's response to COVID-19.

We made use of specific grants and other support made available by the Government to mitigate financial risks during the period. These include £4.6m of the Government Infection Control Grant, of which £2.3m has been held on the balance sheet. In the prior year we received £14.9m in Government Infection Control Grant, of which £3.6m was retained on the balance sheet and was subsequently released during the year ended 31 March 2022.

We saw an improvement in our ability to complete planned property works in residents' homes as restrictions eased but did not make up all the ground lost in the prior year. We anticipate that it will take circa two years to complete all the works that were delayed. However during the prior year we ensured that all mandatory works were completed as required, and made the strategic decision to accelerate planned works in communal and external areas that could be safely completed during lockdowns and this will mitigate the financial impact of the rescheduling. The works that were undertaken during the prior year tended to be revenue in nature whilst those that they replaced were largely capital works.

Operating surplus before exceptional costs and goodwill amortisation was £53.8m compared to £47.9m in the prior year. Anchor 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's financial results over the past five years from all its activities is set out below:

YEAR ENDING 31 MARCH

	2022 Total £m	2021 Total £m	2020 Total £m	2019 Total £m	2018[1] Total £m
Turnover	526.2	528.2	522.2	526.4	530.7
Operating surplus before exceptional costs and goodwill amortisation	53.8	47.9	59.3	56.9	61.6
Operating margin before exceptional costs and goodwill amortisation	10.2%	9.1%	11.3%	10.8%	11.6%
Exceptional costs[2]	(2.0)	(1.6)	–	(0.5)	–
Goodwill amortisation	–	–	–	–	(3.1)
Operating surplus	52.0	46.3	59.3	56.3	58.5
Surplus / deficit for the year	24.4	(12.0)[3]	34.1	36.0	33.9
Capitalised Major Repairs	(37.2)	(36.4)	(57.1)	(43.9)	(49.9)
EBITDA MRI[4]	64.8	56.2	43.9	76.2	84.8

[1] Restated to reflect merged entities
[2] Exceptional costs in 2021 and 2022 relate to costs associated with the group restructure and refinancing which spanned two financial years and is now complete
[3] After £40.3m break costs
[4] As defined by loan agreements presented on a Group basis

Turnover

Turnover in the year ending 31 March 2022 was £526.2m, a decrease of £2.0m or 0.4% compared to the prior year.

Turnover from social housing lettings – retirement housing to let was £260.4m, (2021: £256.0m). Demand for our services was strong and our occupancy ended the year at 98.5% (2021: 97.7%), representing circa 550 void units of a portfolio of more than 35,500 units. The value of void losses was £4.9m (2021: £4.4m). The number of days taken to re-let void units remained constant year on year at 39 days, reflecting the impact of re-letting properties that had remained empty due to the impact of restrictions arising from the Government's response to COVID-19.

The number of people on the waiting list for properties was over 25,000 compared to just over 23,000 at the same point last year.

Turnover from social housing lettings – residential care homes was up 3.3% or £6.8m at £213.7m, (2021: £206.9m). Occupancy recovered in line with our COVID-19 recovery plan to close the year at 83.9% (2021: 78.2%), but the favourable impact of this was partially offset by the discontinuing of COVID-related government grant funding.

Anchor is the registered provider of care to customers in 11 of its housing locations; turnover from this activity totalled £3.4m (2021: £3.1m).

Turnover from property sales was £32.7m from the sale of 65 new units, a decline from the prior year (£45.6m turnover from the sale of 97 units) reflecting the stage of the construction cycle for developments.

Operating surplus before exceptional costs

Anchor's operating surplus before exceptional costs was £53.8m compared to £47.9m in the prior year, with turnover down from £528.2m to £526.2m and operating costs decreasing from £484.0m to £472.6m.

The operating surplus for social housing lettings - retirement housing to let was £58.6m (2021: £56.2m). As noted above, turnover was up £4.4m on the prior year, and operating costs increased by £2.0m to £201.8m (2021: £199.8m). Management charges increased by £1.2m in the year from £38.6m to £39.8m, due to £2.2m of costs being reclassified as management charges that were previously reported in other operating cost categories. In addition, the prior year included £1m attributable to a one-off thank-you payment made to colleagues.

Residential care homes made an operating deficit of £0.2m compared to an operating deficit of £10.3m in the prior year. Operating costs totalled £213.9m compared to £217.2m in the prior year, (the prior year including £3.7m attributable to the one-off thank you payment made to colleagues).

In new developments, we closed the year having sold 65 new units generating an operating surplus of £4.1m (2021: 97 units, £13.2m). The surplus in the year was reduced by £2.4m relating to defect costs following the liquidation of the principal construction contractor at some developments. These costs would have ordinarily been recoverable and relate to properties sold both in year and in prior years. Anchor continues to seek suitable sites on which to build housing schemes offering homes for outright purchase, shared ownership, affordable rent and social rent and several 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 we are exploring alternative models that will meet the needs of our customers now and in the future.

We made a surplus on disposal of £0.3m (2021: surplus £3.7m) arising from the write-off of grants relating to historic property disposals. Sales of development land are reported through turnover and cost of sales.

Operating margin before exceptional costs was 10.2% (2021: 9.1%).

SERVICE ANALYSIS £M (BEFORE EXCEPTIONAL ITEMS)

	Operating surplus Year ending March 2022	Operating margin Year ending March 2022	Operating surplus Year ending March 2021	Operating margin Year ending March 2021
Retirement housing to let	58.6	22.5%	56.2	21.9%
Residential care homes	(0.2)	(0.1%)	(10.3)	(5.0%)
Home care	(0.3)	(9.3%)	(0.9)	(30.2%)
Other social housing activities	–	2.9%	0.6	10.2%
Non-social housing activities	7.0	15.4%	13.3	24.9%
Central overheads and income	(11.6)	–	(14.7)	–
Disposals	0.3	–	3.7	–
Total	**53.8**	**10.2%**	**47.9**	**9.1%**

Capital expenditure

Total capital expenditure on major works and improvements to our existing properties was £37.2m (2021: £38.1m). £2.6m of capital expenditure was made on offices and equipment (2021: £2.7m).

CAPITAL INVESTMENT AND EXPENDITURE ON MAJOR WORKS

	Note	Retirement housing to let £m	Residential care homes £m	Properties under construction £m	Other fixed assets £m	2022 Total £m	2021 Total £m
Capital expenditure on new properties	12.1	–	–	–	–	–	8.3[1]
Capital expenditure on existing properties	12.1	32.5	4.8	9.7	–	47.0	38.1

[1] Freehold acquisition of a care home previously operated on a leasehold basis.

Financial position at year end

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

YEAR ENDING 31 MARCH

	2022 Total £m	2021 Total £m	2020 Total £m	2019 Total £m	2018 Total £m
Housing properties at cost less depreciation	1,175.3	1,201.3	1,219.9	1,121.3	1,147.2
Other tangible fixed assets	25.2	26.1	26.8	25.8	28.0
Investments	0.8	2.6	5.6	5.2	5.6
Net current assets / (liabilities)	190.0	120.6	160.1	181.1	164.5
Total assets less current liabilities	**1,391.3**	**1,350.6**	**1,412.4**	**1,333.5**	**1,345.3**

At 31 March 2022, Anchor's total assets less current liabilities were £1,391.3m (2021: £1,350.6m), of which £517.5m was represented by the accumulated Income and Expenditure Reserve (2021: £488.6m). The increase of £28.9m was due to the surplus generated during the year along with the actuarial gain of £4.5m on the annual valuation of Anchor's defined benefit pension schemes.

Within net current assets, Anchor's properties for sale totalled £205.2m (2021: £146.6m) comprising 122 properties ready for sale with a value of £46.1m, and £159.1m of work in progress. This compares to 136 properties with a value of £94.4m and work in progress of £52.1m in the prior year.

An impairment charge of £2.3m was made in the year, being the impairment of a number of assets earmarked for disposal where the net realisable value was less than the carrying value (2021: £0.1m net charge).

Cash and short-term deposits decreased to £83.9m (2021: £150.3m), as investment in new developments and existing properties, combined with financing costs, exceeded the cash generated by the business including property sales this year.

As at 31 March 2022, there was undrawn borrowing capacity of £235.6m across total facilities of £737.5m (2021: £303.6m undrawn facilities, £842.0m total facilities).

Cash flow

£46.5m of cash was generated from operating activities during the year compared to £96.1m in the prior year: the movement is fully analysed in note 28 of the financial statements.

Cash inflows from property sales were £32.7m compared to £46.2m in the prior year reflecting the cyclical nature of the completion of developments.

Cash investment in the development of housing properties totalled £9.7m (2021: £nil), with most of the development investment being reflected in operating cash flow. There were disposal proceeds of £1.0m (2021: £3.0m).

Cash at bank was £83.9m (2021: £150.2m), a net decrease in cash of £66.3m (2021: net increase of £20.1m, being an underlying cash increase of £60.4m partially offset by break costs of £40.3m relating to the refinancing completed in March 2021).

Net debt was £516.1m at the year-end (2021: £487.7m), a net increase of £28.4m.

Pensions

Anchor operates or participates in two defined benefit pension schemes for its employees, Anchor Trust Final Salary Scheme ("ATFSS") and Surrey County Council Pension Fund ("LGPS"). The assets of the schemes are held separately from those of the Group and are managed by Trustees. The contributions are determined based on triennial valuations using the projected unit method. These schemes are all closed to new members.

Anchor is preparing for a pensioner buy-in as part of a plan to manage the future liabilities of the ATFSS. 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 changes to the indexation of pension increases during this period. Anchor believes the changes to be valid. The

Trustee has carried out a review into all schemes under its administration and concluded the uncertainty is widespread among the majority of schemes it administers. The Trustee intends to seek high court review of their administration practices, which may take up to two years to conclude. The estimated impact on Anchor if the pension changes are ruled not to have been valid is £36.9m.

As part of this review the Trustee has identified a further potentially significant item on which it intends to seek a ruling, relating to the inflation index applied to benefits earned before December 2003. Prior to 2011 pre-2003 benefits were inflated in line with RPI capped at 5% but in 2011 the Trustee changed its approach to apply increases in line with CPI. The Trustee is seeking a ruling on whether the pension increases should have continued to be indexed against RPI. The estimated impact on Anchor if the change is ruled not to have been valid is £14.3m.

As at 31 March 2022, the active membership of the Surrey LGPS was 23 (2021: 28). The membership profile will reduce over time due to natural attrition and restructuring of the Group. Anchor has entered into a Future Flexible Funding Agreement ("FFFA") to manage future liabilities and the timing of cessation under which it agrees to pay contributions to the Surrey LGPS and operate it as a closed arrangement that is not open to new members. The point at which the Issuer ceases to employ any active members will not result in an automatic termination of the Surrey LGPS admission agreement, which will continue unless otherwise terminated in line with the FFFA. Anchor has charged property as security in favour of Surrey County Council to an adequate value as part of the FFFA.

Anchor also operates a defined contribution scheme, the Anchor Hanover Worksave Pension Plan, administered by Legal & General.

Further details of the schemes are shown in note 25.

Treasury

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

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'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 using 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.

We aim to maintain a strong investment grade credit profile in line with or ahead of rated social housing peers and our approach is underpinned by Golden Principles and Golden Rules.

Golden Principles

Deliver strong and sustainable operating cashflows, and maintain sufficient liquidity to meet stress tested spending commitments on an on-going basis

Increase borrowing only as underpinned by strengthening of underlying business and improved efficiency, using synergy savings for debt service

Efficient and effective capital structure with the flexibility to deploy funds around the Group when and where needed to support strategy

Golden Rules

Interest cover will be met excluding contribution from property sales

Income from property sales will not exceed 20% of group revenue in any given year

At least 60% of debt will be on a fixed rate basis

Expenditure on existing assets will be within the envelope of the net contribution generated by those assets

Anchor has a long-term A+ (stable) credit rating from Standard & Poor's.

In July 2021, Anchor issued its debut benchmark, secured public sterling bond. The value was £350m with £100m retained and the tenor was 30 years. The bond was more than two times subscribed, and was priced at a spread of 0.93% and an all-in coupon of 2.0%. Two gilt lock transactions were executed in March 2021 to mitigate the risk of a rise in the gilt rate while the refinancing was underway; after these are taken into consideration the effective interest rate of the bond is 2.277%.

It is a Sustainability Linked Use of Proceeds bond; use of proceeds are for general corporate purposes and will underpin delivery of Anchor's strategic plan.

As at 31 March 2022, Anchor had access to undrawn committed borrowing facilities of £235.6m on total facilities of £737.5m (2021: £303.6m undrawn committed borrowing facilities on total facilities of £842.0m). Net debt (excluding finance lease obligations) at 31 March 2022 was £418.0m and gearing calculated in accordance with loan agreements and applied to the group was 21.4% (2021: £388.3m, 20.5%). These facilities together with substantial unencumbered assets, as shown in the Statement of Financial Position, ensure Anchor remains in a strong position to fund future growth plans and investment opportunities.

Anchor remains compliant with its financial covenants, which are primarily based on interest cover and gearing. Covenants for the year ended 31 March 2022 have been met with considerable headroom.

Tax and legal structure

Anchor is subject to a number of tax regimes including corporation tax, indirect taxes (such as VAT, landfill tax, Machine Game Duty), employee taxes (such as PAYE, CIS), and stamp duty land tax. Anchor Hanover Group and all its subsidiaries are domiciled and operate within the UK.

To support the post-merger objectives to reduce risk and increase financial resilience, to maximise capacity and flexibility, and optimise borrowing structure, Anchor has undertaken a restructure and simplification of its tax and legal structure.

As at 31 March 2022

Anchor has two non-charitable trading subsidiary companies; Anchor 2020 Limited procures design and construction services for the Group and manages the professional fees on new development projects, and Anchor Lifestyle Developments Limited operates non-charitable activities, principally the development of independent living properties for sale.

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

All other remaining subsidiary entities are dormant and are in the process of strike off.

Viability report

Anchor reviews its Long-Term Planning Model on at least 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 each year.

The Board considered the assumptions for the key drivers of the business and the impact that they have on Anchor's turnover, operating costs and cash flow, and determined that they were content with the forecast. The assumptions included estimated costs of meeting minimum EPC obligations by 2030, and asset Net Zero Carbon commitments by 2050.

The Board considered analysis based on:

- Sensitivity – the impact of percentage movements in income and costs to break point
- Stress – the impact of real world individual and multi variant scenarios and our response to them
- Capacity – our ability to manage stresses and continue to deliver our strategic plan

The stress scenarios considered included wage inflation exceeding income growth, adverse housing market, the application of clause 18(3) of the Care Act, issues arising from a cost of living crisis, changes to the rent formula, and supplier failure.

The performance against these scenarios was closely reviewed by the executive and Board, and the Board is content that the organisation retains the financial strength it requires to remain viable.

Value for money

Anchor's commitment to value for money is an integral part of our strategy, articulated as the More Efficient within our 'Four Mores'. We are committed to delivering ongoing cost efficiencies in the course of normal business. We have a robust methodology for monitoring and validating savings delivered by the organisation 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.

Performance against target

The target for savings in the year was £4.0m. Actual savings for the year totalled £4.2m tier 1 and £nil tier 2 (2021: £4.6m tier 1 and £1.0m tier 2). The target for next year is £2.5m.

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

		2022			2021			
		Retirement housing to let	Care homes	Total	Retirement housing to let	Care homes	Total	Benchmark[1]
1	**Reinvestment**	**n/a**	**n/a**	**4.0%**	n/a	n/a	3.0%	5.9%
2A	**New supply delivered (Social housing units)**	**n/a**	**n/a**	**0.1%**	n/a	n/a	0.1%	1.1%
2B	**New supply delivered (Non-social housing units)**	**n/a**	**n/a**	**0.1%**	n/a	n/a	0.2%	0.0%
3	**Gearing**	**n/a**	**n/a**	**43.9%**	n/a	n/a	40.6%	34.8%
4	**EBITDA MRI interest cover**	**n/a**	**n/a**	**225.1%**	n/a	n/a	99.0%[2]	133.0%
5	**Social housing cost per unit**	**£5,027**	**£34,628**	**£9,073**	£5,412	£31,674	£9,562	£5,550
6A	**Operating margin (social housing)**	**22.5%**	**-0.1%**	**12.3%**	21.9%	-5.0%	9.9%	18.1%
6B	**Operating margin (overall)**	**n/a**	**n/a**	**10.2%**	n/a	n/a	8.4%	16.7%
7	**Return on capital employed**	**n/a**	**n/a**	**3.9%**	n/a	n/a	3.5%	3.2%

[1]Regulator for Social Housing Value for Money Metrics Report – Global Accounts 2021, Housing for Older People sub-sector.

[2]Break costs of £40.3m are included in this ratio in line with RSH definition.

ANNUAL MAINTENANCE COST PER UNIT

	2022	2021	Benchmark	ref
Retirement housing to let	£1,196	£1,323	£1,926	(i)
Residential care homes	£1,147	£881	n/a	
Weighted average	**£1,189^**	**£1,260^**	**n/a**	

(i) RSH publication: Global Accounts 2021: Mean CPU (weighted average) of all providers

^The 'Maintenance cost per unit' movement year on year for retirement housing to let and residential care homes is as a result of the access restrictions that were in place during the past two years, particularly where care homes were only accessible for urgent works throughout all 2021.

ANNUAL MANAGEMENT COSTS PER UNIT

	2022	2021	Benchmark	ref
Retirement housing to let	£1,076	£1,082	£1,075	(i)
Residential care homes	£4,394	£4,627	n/a	
Weighted average	**£1,529**	**£1,583**	**n/a**	

(i) RSH publication: Global Accounts 2021: Mean CPU (weighted average) of all providers.

Compliance key performance indicators (KPIs)

Our KPIs are set by the Board annually and reviewed by our Operating and Management Committees on a monthly basis and by our Board at least once a quarter.

CARE HOME QUALITY

	2022	2021	Benchmark	ref
CQC (percentage rated good or outstanding)	90.5%	93.7%		(ii)

(ii) Based on CQC statistics: national average

COMPLIANCE METRICS

	2022	2021	Target
Gas safety checks	**100.0%**	99.9%	100.0%
Lift safety checks	**100.0%**	99.9%	100.0%
Fixed electrical wiring inspections	**100.0%**	99.9%	100.0%

Charitable purpose

Anchor'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 can benefit from Anchor'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 is committed to ensuring compliance with all relevant legal and regulatory obligations, and in many cases, stipulative requirements above and beyond the statutory minimum. 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 27 July 2022 and signed on its behalf by:

Christopher Kemball
Chair

Jane Ashcroft CBE
Chief Executive

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

Corporate Governance at Anchor

Anchor is a registered provider and an exempt charity, regulated by the Regulator of Social Housing (RSH) and the Care Quality Commission (CQC). Our Governance Framework is designed to support the delivery of our strategy, ensuring decisions are made in accordance with our values and ambition.

In January 2020, the RSH undertook an in-depth assessment, and we retained a G1 rating for governance and a V1 rating for viability. These are the highest possible regulatory ratings which means that the RSH is satisfied that Anchor has effective governance arrangements and manages resources to ensure ongoing financial viability. These ratings were re-confirmed by the RSH in November 2021.

The CQC inspects all registered care services in accordance with the national standards and details of Anchor's ratings are included in KPIs monitored by the Board. As at 31 March 2022, 90.5% of our care homes, were rated Good or Outstanding.

Code of Governance

Anchor has elected to adopt the Financial Reporting Council (FRC) UK Corporate Governance Code 2018 (UK Code) which sets high standards in relation to Board leadership and effectiveness.

In the period ending 31 March 2022, Anchor was compliant with all of the Principles of the UK Code. Whilst the references in Principle A (relating to the generation of shareholder value) are not directly relevant to us as a Community Benefit Society, we do put significant focus on the generation of value for, and engagement with, all of our key stakeholders, including our customers, colleagues and local and central government. We therefore consider ourselves wholly compliant with these Principles.

There are a number of Provisions with the UK Code that are designed specifically for application to companies with an equity listing and therefore are not applicable to Anchor:

Provision	Regarding
3	Engagement with major shareholders
4	AGM voting and subsequent shareholder engagement/announcements
36	Director shareholdings and share awards

There are also certain Provisions within the UK Code that we have chosen not to comply with in accordance with the FRC's long-standing 'comply or explain' approach. This is on the basis that the arrangements we have in place are better suited to Anchor's particular circumstances, and which we believe, nevertheless, continue to comply with the Principles of the UK Code.

Provision 18
All directors should be subject to annual re-election

Explanation for non-compliance:
The practice of annual re-elections is one that has emerged through the AGMs of public listed companies over time. In accordance with our constitutional rules, Anchor Hanover is not required to hold an AGM and it is further noted that, in line with common practice across the sector, the members of Anchor Hanover are the non-executive directors; it being the case that the members of any Community Benefit Society have very limited powers.

The Board utilises formal and rigorous procedures in the appointment and annual evaluation of all Board directors. Our non-executive directors are appointed for a provisional term of three years, which may be extended by two additional terms of three years (so a maximum term of nine years), if approved by the Board as a whole. This cycle of tenure ensures Board membership is regularly reviewed and refreshed.

The annual Board evaluation, which is externally facilitated every three years, ensures that the overall composition and effectiveness of the Board is kept under close review.

Provision 38
The pension contribution rates for executives should be aligned with those available to the workforce

Explanation for non-compliance:
In May 2020 the Remuneration Committee determined that, for any new appointments made to the Executive Committee (on or after 21 May 2020), contractual pension entitlements would be aligned to the pension contributions available elsewhere within the workforce; being a maximum of 10% employer contribution. Three new appointments have been made to the Executive Committee since this date and the pension arrangements with each of those individuals have been contracted on this basis.

The Remuneration Committee did however determine that it would be inappropriate to change the terms of existing contracts, whereby the pre-existing contractual entitlements of Executive Committee members appointed before May 2020 provide for employer contributions between 15% and 30%. We therefore continue to 'explain' our non-compliance against Provision 38 in this regard, however, Anchor will, in due course, be fully compliant with this provision.

THE ANCHOR BOARD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1. Christopher Kemball

Independent Non-Executive Chair of the Board and Chair of the Nominations Committee

Christopher joined Anchor as Chair in November 2019. He has served as a non-executive director on the boards of, and chaired, several public and private equity owned companies in the financial, business services and healthcare sectors. Before then he worked in the City of London, United States and Eastern Europe as a senior M&A and corporate finance advisor.

He is currently Chair of St Elizabeth's Centre, an independent charitable trust which supports vulnerable children, young people and adults with epilepsy and other complex medical conditions and Non-Executive Director of Wren Investment Office Limited, a multi-family office wealth adviser. He also served as a Trustee of the Archdiocese of Westminster until May 2021.

Christopher served with the British Army for seven years after graduating from Cambridge University with a BA Hons in Law.

2. Richard Petty

Independent Non-Executive Vice Chair and Chair of the Asset Investment and Development Committee

Richard was previously a Trustee Director of Anchor and is the Head of UK Living Advisory at JLL, one of the largest firms of chartered surveyors and property consultants in the world, where his role covers affordable housing, care, student housing and the private residential sector.

Richard has over 30 years' professional experience, the last 25 years of which have been devoted principally 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. Richard became Anchor's Vice Chair on 1 January 2021.

3. Nicola Bruce

Independent Non-Executive Director, Senior Independent Director and Chair of the Remuneration Committee

Nicola is an experienced strategist and former FTSE 250 Exco member with a strong corporate governance background in regulated markets. She is a Fellow of the Chartered Institute of Management Accountants.

Nicola is currently Remuneration Committee Chair at Stelrad Group plc and a non-executive director on the Boards of OFWAT, the Water Services Regulation Authority, and Wings Travel Management, a supplier of travel services to the marine and energy sectors. Nicola was previously a Partner at the strategy consultancy Monitor (now Monitor Deloittes). Prior to this she worked as an economist for Coopers & Lybrand, leading economic development and regeneration strategies for UK regions.

Nicola has an MA (PPE) from Oxford University and an MBA from INSEAD. Nicola became Anchor's Senior Independent Director in January 2021.

4. Mike Green

Independent Non-Executive Director and Chair of the Audit and Risk Committee

Mike is a Fellow of the Institute of Chartered Accountants in England and Wales. He was previously a non-executive Board member of Hanover Housing Association.

His career commenced at KPMG as a trainee accountant where he progressed to the role of Senior Manager during his 11 years' service. Mike then spent 20 years in broadcast television, his last role being Deputy Group Finance Director at ITV plc. He was the independent member of Metropolitan Housing Trust's Audit Committee from 2009 and from 2012 to 2017 he was non-executive director and Chair of Metropolitan's Audit and Risk Committee.

He was, for ten years, a Non-Executive Director and Chair of the Audit Committee of Southend University Hospital NHS Foundation Trust. Mike currently has other non-executive roles with the Government Legal Department, where he chairs the Audit and Risk Assurance Committee and the Royal Television Society.

5. Peter Hay CBE

Independent Non-Executive Director and Chair of the Service Quality Committee

Peter was previously a non-executive board member at Hanover Housing Association and has over 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 a board member at Longhurst Housing and chair Turning Point England He also serves as National Executive Member and Treasurer of the New NHS Alliance. He has a degree in Social Work and an MBA and is a Visiting Lecturer at Birmingham City University.

6. Rachael Dennis

Independent Non-Executive Director

Rachael is CEO at Incommunities, a large Registered Provider of Social Housing based in Bradford, Yorkshire.

Rachael has extensive experience in the housing sector and previously served as Managing Director (South East Region) at Taylor Wimpey plc. She has over 20 years senior experience in social housing including working for one of the largest housing associations in London and the South East as their Chief Operating Officer and Executive Director of Finance. Rachael has also held director roles with housing providers in the South-West. In April 2022 she joined Homes for the North, the alliance of 17 developing housing associations across the North of England, as Deputy Chair.

Rachael's broad portfolio of expertise includes strategic leadership, delivering change and business improvement, strategic finance and governance. During her career, she has held a number of non-executive roles in housing, the NHS and arts charities. She is a qualified Accountant and is a fellow of the Association of Chartered Certified Accountants (FCCA).

7. Denise Peart

Independent Non-Executive Director

Denise was appointed to Anchor's Board in March 2022.

She is Sky's Chief Talent, Diversity and Inclusion Officer, responsible for developing and delivering Sky's Group Talent strategy and working with the Group Executive to drive Sky's ambition to become a more diverse and inclusive organisation.

Prior to this, Denise was at Marks & Spencer, where she had been part of the People Leadership team since 2018. Earlier experience was gained at The Coca-Cola Company where Denise held a number of global leadership positions during her nine-year tenure, latterly as HR Director, Global Head of Talent Management & Global Functions Capability, based in Atlanta, GA. Previous experience was gained at BP, GE Money and Tesco.

Over her 25-year career, Denise has developed a significant track record of creating and delivering commercial, people-focused strategies to drive performance, business transformation and a culture of inclusion.

Denise holds a MA in Human Resource Management, BA(Hons) in English Literature and Philosophy, and is a fellow of the CIPD.

8. Katy Taylor

Independent Non-Executive Director

Katy joined Southern Water in August 2021 as Chief Customer Officer.

Previously Katy was Chief Strategy and Customer Officer at Go-Ahead, the FTSE 250 international passenger transport business. As Group Strategy and Customer Director. Her responsibilities included strategy, commercial development, customer experience, corporate affairs, innovation and sustainability.

Katy has held director-level roles in financial services, media and professional services including Kroll, Vneshtorgbank and IG Group. She led organisational change programmes in digital, retailing, data, reputation, marketing and business development.

Katy joined Anchor's Board in 2020 as a Non-Executive Director. She is also an advisor to Zipabout, the transport data start up, and advisory board member at micro-donation charity Pennies. She was previously Chairman of digital ecommerce provider OnTrack Retail, chair of the rail industry customer board and a founding member of the Business in the Community Place initiative.

9. Peter Truscott

Independent Non-Executive Director

Peter is Group Chief Executive of Crest Nicholson and was formerly Group Chief Executive of Galliford Try plc.

Peter worked at Taylor Wimpey plc for over 30 years where he was Divisional Chair for 11 years and was responsible for the Spanish business and served as a member of the Executive Committee. Peter previously worked for CALA Homes as Area Land Director, South.

10. Jane Ashcroft CBE

Chief Executive

Please see the following page for Jane's biography.

11. Sarah Jones

Chief Financial Officer

Please see the following page for Sarah's biography.

Changes to our Board in 2021/22:

During the year, the Board welcomed Denise Peart, who was appointed as an Independent Non-Executive Director on 29 March 2022 for an initial three-year term.

Alun Griffiths stepped down as an Independent Non-Executive Director and Chair of the Remuneration Committee on 31 December 2021.

Since the year-end, the Board announced the appointment of Sarah Jones as Chief Executive from 1 August 2022, following Jane Ashcroft's decision to step down from the role. At the time of writing, a selection process is underway to select Anchor's next Chief Financial Officer.

Further details of the selection processes followed by the Nominations Committee in relation to the appointments of both Denise Peart and Sarah Jones can be found below.

THE EXECUTIVE COMMITTEE


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1. Jane Ashcroft CBE

Chief Executive

Jane Ashcroft CBE is Anchor's 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 Associated Retirement Community Operators, representing the growing market for retirement village provision in the UK. Jane is also a Trustee Director of Business in the Community, the largest and longest-established membership organisation dedicated to responsible business and, between 2015-21, was Vice Chair of the National Housing Federation which represents housing associations in England.

Jane is a Fellow of the Chartered Governance Institute 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. Sarah Jones

Chief Financial Officer

Sarah Jones' role as Chief Financial Officer is accountable for ensuring that Anchor 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.

Sarah, a Chartered Management Accountant, joined Anchor as Finance Director in September 2014. She has held a variety of senior finance roles across large corporate and private equity businesses, including being Chief Financial Officer of Spicers Ltd, Director of Finance - UK & Republic of Ireland at Carpetright Plc, and senior roles at HMV and The Burton Group/Arcadia. She holds an MSc in Strategic Management Accounting.

Sarah is a Trustee of Arthritis Action, a UK charity helping people with arthritis improve their quality of life, and a Non-Executive Director and Chair of Audit & Risk for Chelmer Housing Partnership, a charitable housing association based in Essex.

3. Oliver Boundy

Executive Director, Development

As Executive Director, Development, Oliver Boundy is responsible for the development and sales programme across the full range of Anchor's housing and care services.

He joined Anchor in 2022 after almost six years at Southern Housing Group, where he was Executive Director Development & Growth responsible for a significant development and sales programme and strategic partnerships with Homes England and the Greater London Authority.

He began his career working on the Edmonton Green Regeneration Project before joining the Development Team at Metropolitan where he held various positions over 10 years. In 2014, Oliver became Assistant Development Director at Origin Housing where he oversaw the expansion of the company's development programme and supported the organisation into becoming a key partner in the Heart of Harrow Housing Zone.

4. John Westwood

Executive Director, Property and Assets

John Westwood is Executive Director, Property and Assets, responsible for all property services, strategic asset management and health and safety.

John has nearly 30 years' experience in the property industry, joining Anchor in June 2021 from NHS Property Services (NHSPS), a property company owned by the Department of Health and Social Care, where he spent six years as Executive Director of Asset Management.

Prior to NHSPS, John started his career at Richard Ellis (CBRE) and PwC Consulting before moving client-side to work in a variety of senior corporate real estate roles in the UK, Europe and beyond, including Fidelity, Pfizer, Citigroup and BT.

5. Rob Martin

Managing Director, Care Services

Rob Martin, as Managing Director Care Services, is responsible for all of the care home services, retirement villages, directly-provided domiciliary care and for care quality across Anchor. He is the "Nominated Individual" with the Care Quality Commission.

He was previously the Director of Care Quality and has been working as part of the senior leadership team since 2013. Rob is also a Non-Executive Director for Churchlake Care LLP where he has developed board level experience since 2018. Rob has built his experience in the social care sector since 2001, one of his first roles in social care was as a Registered Manager in the North West of England. After leaving school, Rob served with 40 Regiment in the Royal Artillery for almost 7 years, where he developed many of the skills that he continues to apply today in a high-pressure role.

Rob has also undertaken the Top Manager Programme with The King's Fund; the programme has a 30-year history of developing senior leaders within Health and Social Care.

6. Suki Jandu

Executive Director, Housing Services

Suki Jandu joined Anchor in November 2021 as Executive Director, Housing Services and is responsible for rented and homeownership housing services, including extra care.

He also oversees the customer contact centre and the services provided by Anchor on Call. He has significant experience in the housing sector, and was formerly Group Executive Director of Customer Experience and Assets at Futures Housing Group. He is also a Group Audit Committee Member at Riverside.

Prior to joining Futures Housing Group, he was Director of Housing Services for Clarion Housing Group's central region, where he led teams delivering services to 23,000 mixed tenure homes, and strategic development of the region. He is also a former Board member of St Ledger Homes.

7. Kate Smith

Executive Director, Business Services

Kate Smith is Executive Director Business Services with Executive Committee level responsibility for Communications and Marketing, HR, IT, Governance, Procurement and Pensions.

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. Kate also sits as a NED on the Pension Committee for Optivo and has served on a number of other Boards.

Changes to our Executive Committee in 2021/22:

Our Executive Committee plays a key part in the Anchor Governance Framework. Throughout the year the team have welcomed:

- John Westwood - Executive Director, Property and Assets (1 June 2021)
- Suki Jandu – Executive Director, Housing Services (8 November 2021), and
- Oliver Boundy – Executive Director, Development (10 January 2022).

Having introduced a new Executive Director role for Property and Assets during this financial year, the composition of the Executive Committee reflects the operating structure of Anchor and includes the full range of skills and experience necessary to deliver Anchor's strategy.

Board Governance

The Anchor Board comprises nine Non-Executive Directors (NEDs), all of whom are independent, together with the Chief Executive and Chief Financial Officers as executive members. Our Board are responsible for setting the Anchor strategy, reviewing Anchor's ongoing operational and financial performance, and making all major strategic, governance, financial planning and investment and policy decisions. These decisions are formally reserved to the Board in the schedule of matters reserved.

The Board has formally delegated the responsibility for the day-to-day operation of Anchor to the Chief Executive and the Executive Committee, allowing for efficient operational decision making.

Five standing Board Committees have been established to support the Board in its responsibilities. The membership of the committees comprises of non-executive directors, with committee appointments being approved by the Board on the recommendation of the Nominations Committee. Each Board Committee has its own terms of reference, which set out their responsibilities and powers. The Board Committee structure is set out below and further information on the activity of each Board Committee during the year can be found on pages 32 to 35.

Board and Committee Effectiveness

Each year a formal evaluation is undertaken to assess the performance of the Board, its Committees and its members and seeks to identify strengths as well as potential areas for improvement.

During the year, the evaluation was conducted using effectiveness questionnaires which were designed by the Group Company Secretary in consultation with the respective Chairs.

The Board and Committee questionnaires were completed anonymously by Board and Committee members and those members of the Executive team who regularly attended meetings. Non-Executive Directors also completed a self-evaluation questionnaire which reflected on their performance over the year. The Chair and Group Company Secretary met with each Board Director individually to explore the results of the questionnaires and self-assessment. Directors were provided the opportunity to meet with the Senior Independent Director to provide feedback on the Chair's performance.

The results of the Board Effectiveness Evaluation were presented to the Nominations Committee where the outcomes and proposed actions to address any areas of improvement were reviewed. They were then formally discussed and agreed during a Board meeting. The results of the evaluation were very positive, reflecting the strong board dynamics, with actions seeking to build on the good work already being done. The outcome from each Committee effectiveness review was likewise discussed during Committee meetings and action plans agreed accordingly.

In accordance with the Corporate Governance Code, the next Board and Committee evaluation will be facilitated by an external third-party.

Board Meetings

The Anchor Board met 10 times during the year to 31 March 2022.

In addition to the regular performance, risk and strategy matters considered by the Board, particular consideration was given to the following areas in the year to 31 March 2022:

- COVID-19 recovery
- Restructuring and refinancing
- Technology and Change Strategy
- Health and safety compliance
- Sustainability
- Development and growth plans
- Equality, diversity and inclusion (EDI)
- Adoption of the Real Living Wage
- Cost of living crisis

Input from our resident, colleague and other stakeholder forums has played an important part in Board and Board Committee discussion.

Stakeholder Engagement in Action

During the year, engagement with, and consideration of all groups of stakeholders has been critical to our work around sustainability. Our residents and colleagues will be key to delivering our sustainability ambitions, and have been asked to input at various stages of our sustainability work. Our externally set ESG KPIs, which were agreed with our external finance stakeholders as a part of our re-financing, have also helped drive the Board's discussions on sustainabiltiy. We have engaged with wider industry peers through the Greener Futures Partnership which has allowed us to work with other organisations to drive the sustainability agenda across the sector for the benefit of our existing and potential future residents. We have also continued to work with our existing and any potential suppliers to further explore how we can best deliver on our sustainability targets, with minimal disruption to our core services, in a cost effective way, and with resilience and future customers in mind.

At the end of each Board meeting, time is allowed for the Non-Executive Directors to hold a private session with the CEO, or in the absence of all executive team members.

ATTENDANCE AT BOARD MEETINGS (APRIL 2021 – MARCH 2022)

Nicola Bruce	9/10
Christopher Kemball	10/10
Rachael Dennis	9/10
Mike Green	9/10
Alun Griffiths (to 31 December 2022)	7/7
Peter Hay	9/10
Denise Peart (from 29 March 2022)	1/1
Richard Petty	10/10
Katy Taylor	8/10
Peter Truscott	9/10
Jane Ashcroft	10/10
Sarah Jones	10/10

Board Committees

Asset Investment & Development Committee (IDC)

Committee Members	Meetings Attended
Richard Petty (Chair)	7/7
Nicola Bruce	7/7
Peter Truscott	6/7

IDC's primary role is to oversee, on behalf of the Board, Anchor's Development Programme and Planned Investment Programme and to monitor performance at regular intervals throughout the year, keeping development and asset management risk under review. The committee is responsible for reviewing the investment criteria and hurdles to be applied to all new development and regeneration proposals and for considering new development opportunities, schemes in development and site acquisitions.

The committee is also responsible for reviewing the annual Planned Investment Programme, which is fed into the annual organisational budget approved by the Board, and for reviewing and approving strategic investment proposals within the existing portfolio, including improvements to the environmental sustainability of properties and proposals for the strategic divestment of existing properties.

Since the year-end Rachael Dennis has joined the IDC, with effect from 25 May 2022.

IDC Activities for the financial year 2021/2022

During the year, the committee has scrutinised business cases for approval of 16 site acquisitions for new development schemes and infill developments. They reviewed and endorsed updated financial appraisal criteria for assessing schemes presented for approval

and have maintained a focus on the impact of cost inflation on the development pipeline during the year. IDC has also received updates on finance and tax on new developments.

IDC reviewed Anchor's Homes England Strategic Partnership bid and provided approval for permission to bid for Homes England Grant for 12 schemes.

The remit of the IDC has been expanded since the prior year to include a greater focus on asset investment matters and a review of its terms of reference was completed in January 2022 to more accurately reflect its responsibilities for both development and asset investment matters.

During the year, IDC provided feedback on the operational framework and parameters within which the interim Asset Management Strategy was developed, prior to recommending it to Board for approval.

The committee received an update report on the findings of the first of a series of Portfolio Strategy reviews, as part of a programme of location-based reviews of Anchor's property portfolio. It has also discussed the challenges of meeting the Future Homes Standard for new developments and retrofitting existing properties and will be receiving regular updates on the path to net zero carbon homes over the next few years.

Remuneration Committee

Committee Members	Meetings Attended
Alun Griffiths (chair to 30 June 2021)	2/2
Nicola Bruce (chair from 1 July 2021)	4/4
Christopher Kemball	4/4
Rachael Dennis (from 16 November 2021)	3/3

The Remuneration Committee was chaired by Alun Griffiths until 30 June 2021, when the chair was handed over to Nicola Bruce; this was part of the non-executive succession plan ahead of Alun Griffiths' retirement from the Board on 31 December 2021. The other members during the year were Christopher Kemball, and Rachael Dennis (from 16 November 2021). Since the year-end and with effect from 25 May 2022 Denise Peart has joined, and Rachael Dennis stood down from, the Remuneration Committee. With her knowledge and experience on People and HR matters, Denise Peart brings valuable expertise to the membership of this committee.

The Remuneration Committee's responsibilities are to ensure that appropriate remuneration policies are in place for the members of the executive, taking into account remuneration across Anchor's workforce and external comparators alongside the experience of our residents, customers, investors and all of our key stakeholders, 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, while focusing them to achieve specific targets in order to deliver Anchor's objectives and deliver value to stakeholders. No members of the executive are present when the committee is deciding on matters relating specifically to their remuneration.

Remuneration Committee Activities for the financial year 2021/2022

During the year the Committee considered the performance of the executive and senior management teams during FY21 and the ongoing impact of the pandemic on priorities and performance for FY22. The priorities and targets for performance against each of the executive and senior management team objectives was reviewed periodically, as was the performance of each executive against their personal objectives.

The committee was pleased to consider, and recommend to the Board, a proposal to implement the Living Wage Foundation rates across all existing National Living Wage roles within the organisation, with a commitment to work towards becoming a 'Living Wage Employer'. The committee further agreed that the Living Wage Foundation uplift for all relevant roles, and a 2.5% cost of living increase for salaried colleagues in care, be implemented from 1 December 2021 ahead of the usual annual pay review which takes place in April.

The package for an incoming CEO was considered by the committee, prior to the commencement of a recruitment process for a new CEO, led by the Nominations Committee. The committee also reviewed the triennial benchmarking for executive and senior leadership team colleagues.

Remuneration Review

Anchor is a housing association and an exempt charity. Its operations include a substantial Group of care homes. The care home Group comprises a high degree of complexity, risk and compliance obligations. The majority of Anchor's workforce sit within our care business and consequently the care sector is an important comparator for our remuneration policy and practices.

Our Short Term Incentive Plan ('STIP') for the period, which is paid post year end, required participants to meet targets relating to profit (EBITDA MRI), regulatory compliance, customer service and efficiency savings. Bonus is awarded across a pre-determined range of performance against these targets. Very demanding targets must be met before the bonus would be paid at the top end of this range. In addition, a participant's individual performance as measured against their personal objectives results in the application of a bonus multiplier, which ranges from zero to 2x.

The Remuneration Committee's assessment of organisational performance against the STIP measures resulted in recommendation, and subsequent approval by the Board, of a base award of 19% (2021: 15%) for Executive Committee members, including the CEO and

CFO who are members of the Anchor Board. The Chief Executive received a final bonus of £95,475 (2021: £100,500). The total bonus pool for the Executive Committee was £309,865 (2021: £298,965).

The Committee has discretion to withhold or clawback bonus payments and exercises this right where appropriate. During the year, two members of the bonus scheme failed to meet their objectives and accordingly received no bonus.

Executive directors may hold positions in other companies as non-executive directors and retain their fees. Sarah Jones was appointed to Chelmer Housing Partnership as a Board member and Chair of their Audit and Risk Committee on 29 September 2021, and in accordance with Anchor policy, retains a fee of £10,113 per year for this position.

Nominations Committee

Committee Members	Meetings Attended
Christopher Kemball (Chair)	3/3
Nicola Bruce	3/3
Richard Petty	3/3

The Nominations Committee is responsible for monitoring the structure and composition of the Board; ensuring that appropriate succession planning takes place; leading the process for nominations and appointments to the Board; and for ensuring that effective processes are in place to evaluate the on-going effectiveness of the Board and its members.

Nominations Committee Activities for the financial year 2021/2022

During the year the committee considered the recruitment of a new Non-Executive Director, which led to the appointment of Denise Peart. The process included the construction of a detailed role profile, the identification of a candidate long-list and candidate interviews with both Non-Executive Directors and executive management. The need to promote diversity on the Board and amongst senior management was a key factor in the recruitment process, with the ultimate selection being made on merit and achievement of the objective criteria set within the role profile. The committee worked with Audeliss as recruitment advisors, who had no other connection with the business or the directors.

The Non-Executive Director induction was reviewed alongside Denise Peart's appointment. The induction includes presentations on key areas of business, meetings with the Chief Executive, the Chair and senior executives to discuss plans and to understand the risks and operating environment of the business. Following her appointment, Denise Peart undertook the tailored induction, and to the Company Secretary ensures that feedback is obtained following each new directors' induction in order to ensure continuous improvement of the induction programme for future appointees.

During the year, the committee considered non-executive director capacity and succession. They also considered the importance of maintaining a strong focus on diversity and inclusion when recruiting additional Board and Executive Committee members and, on the basis of recommendations from the committee, the Board approved the adoption of the following Board and Executive Diversity Policy in November 2021:

Board and Executive Diversity Policy

Anchor is committed to achieving and maintaining a diverse Board and Executive team membership. The Nominations Committee of the Board is responsible for establishing and overseeing the implementation of an action plan to achieve this aim, which may include the setting of specific diversity targets.

In line with this Policy the Nominations Committee adopted the following Diversity Action Plan in November 2021 and we are pleased to report that both actions within this plan were completed by the financial year-end:

Board Diversity Action Plan

(a) In recognition of the current lack of ethnic diversity amongst Board and Executive Committee members, Anchor commits to appointing at least one non-executive Board member and one Executive Director of Black, Asian, mixed or ethnicities other than White British by no later than 31 March 2022.

(b) Through executive and non-executive succession planning, Anchor commits to maintaining its Board diversity by ensuring that at least half of all Board and Executive Committee roles are filled by members of minority groups* from 1 April 2022 onwards.

* For this purpose the term 'minority group' shall include women, members of the LGBTQ+ community, individuals of Black, Asian, Mixed or ethnicities other than White British and individuals who identify as having a physical or mental disability or impairment.

The committee also began its CEO succession planning. Their first role in this process was to select an external recruitment consultant that would facilitate the CEO search and assessment. Korn Ferry were selected and appointed; their independence from both Anchor and Board members having been confirmed. The committee proceeded to work with Korn Ferry to develop a clear and comprehensive CEO role profile, detailed the critical and desired skills, knowledge and experience of the optimal candidate. A review of potential external and internal candidates was then undertaken through long-listing and

short-listing processes. The recruitment process was completed after the year-end, with Sarah Jones being selected as Anchor's next CEO.

Service Quality Committee (SQC)

Committee Members	Meetings Attended
Peter Hay (Chair)	4/4
Alun Griffiths (until 31 December 2021)	1/3
Mike Green	4/4
Katy Taylor	4/4

The SQC is responsible for maintaining a detailed focus on service quality and outcomes, ensuring that the voice of the Anchor customer shapes all aspects of service delivery. The cross-committee membership of the SQC Chair and ARC Chair ensures a complete coverage of risk and assurance matters across both committees, without any unnecessary duplication.

The Executive Director of Housing Services and the Managing Director of Care Services attend each SQC meeting, as does the Director of Care Quality.

Since the year-end Denise Peart has joined the SQC, with effect from 25 May 2022.

Service Quality Committee Activities for the financial year 2021/2022

SQC 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 the year the committee has received deep dive presentations on care quality and risk, the leasehold service model, the Inspire programme (which focuses on continuous improvement and service quality in care settings), Lessons Learned from the COVID-19 pandemic and Complaints.

SQC received regular updates on complaints performance and Housing Ombudsman determinations, and reviewed Anchor's self-assessment of compliance with the Housing Ombudsman's complaints code. The committee tracked progress with actions and lessons learned following the Housing Ombudsman's severe maladministration determination received during the period. They also received regular updates from the Safeguarding and Serious Incidents Review Board and reviewed the risk register and lessons learned. It also reviewed and endorsed the new Raising Concerns Framework prior to sign off by the Audit and Risk Committee and the Board.

The committee were updated on the Be Me Transformation in housing and provided feedback which has been inputted into the development of the draft service offering and customer engagement plan.

Following on from the COVID-19 Lessons Learned review, the committee discussed the impact of the pandemic on residents and colleagues, including the impact of the pandemic on staff turnover and the support and wellbeing initiatives available to support frontline colleagues and managers.

During the period, the committee monitored Anchor's compliance with regulatory standards. They discussed the Care Quality Commission's revised inspection strategy, updates on the Regulator of Social Housing's Consumer Regulation Review, Anchor's refreshed Social Housing White Paper action plan and the introduction of an organisational policy framework to enhance compliance with consumer standards.

The committee also reviewed the Resident Voice Strategy which supports Anchor's commitment to a resident focused approach to our services.

Audit and Risk Committee (ARC)

Committee Members	Meetings Attended
Mike Green (Chair)	6/6
Rachael Dennis	5/6
Peter Hay	5/6

Mike Green and Rachael Dennis are qualified accountants and have held senior finance roles in large organisations, satisfying the Corporate Governance Code requirement for at least one member of the committee to have had significant, recent and relevant financial experience.

Members of the Executive Committee together with senior representatives of the external auditor and internal auditor (outsourced with KPMG) attend each meeting. At each meeting there was an opportunity for internal and external auditors to discuss matters with the committee without any members of the executive being present.

Since the year-end Katy Taylor has joined the ARC, with effect from 25 May 2022.

ARC Activities for the financial year 2021/22

The primary role of the ARC is to provide the Anchor Board with assurance on the integrity of the financial reporting and the external audit process and on Anchor's systems of internal control and risk management, including internal audit. During the year, the ARC accepted responsibility for the oversight of health and building safety risks and controls on behalf of the Board.

Business Assurance
The Head of Risk and Assurance attends each ARC meeting and presents the Risk Register and movements on the scoring of existing and emerging risks to each quarterly meeting. Particular focus was given to the oversight of risks related to COVID-19 including recruitment and supply chain risks. The Committee received four operational risk deep dives in the year: finance; procurement; tax for new developments; and HR. The ARC discussed and challenged each deep dive to ensure each area was operating within a strong control environment, and where necessary requesting action be taken to strengthen controls.

During the period the internal auditors (KPMG) undertook 13 audits across a range of areas in line with the Internal Audit Plan which was approved by the ARC in the prior year. Working with Anchor management, KPMG conducted the majority of audits remotely in line with any applicable COVID-19 restrictions. The final report from each audit was discussed during an ARC meeting, providing opportunity for the ARC to consider the findings and oversee management's progress against actions. The ARC was pleased to see an increase in satisfactory rated audits since the prior year, which suggested that Anchor's control environment was maturing. The annual internal audit effectiveness review was undertaken by the ARC, alongside key management stakeholders, which continues to support a culture of continuous improvement.

The ARC also received regular reporting on Governance, Legal and Compliance matters from the Group Company Secretary.

External Audit
BDO LLP are the external auditors for Anchor. The ARC is confident of the independence and the objectivity that BDO bring 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.

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

- The auditor's plans for the audit of Anchor's financial statements for the financial year ending 31 March 2022.
- The terms of engagement for the audit, proposed audit fee and associated expenses.

The annual external audit effectiveness review was undertaken during the year to support ongoing effectiveness through BDO's tenure.

Financial Reporting
One of the ARC's key responsibilities is to satisfy itself that Anchor's internal financial controls are robust. During the period, the ARC reviewed a wide range of financial matters including a review of the tax strategy, accounting policies, and accounting estimates and judgements.

The ARC reviewed Anchor's financial reporting during the period, including Anchor's first interim statement following the issuance of our first public bond.

Raising Concerns
During the period, the ARC reviewed and recommended to the Board a revised Whistleblowing Policy and a new Raising Concerns Framework which sets out in one place, all of the various routes through which colleagues, customers and third parties can raise concerns or complaints about activities within Anchor. The key principles of the Raising Concerns Framework are that:

- Concerns can be raised through established organisational processes
- Concerns will be taken seriously and will be investigated appropriately
- Appropriate action will be taken where failures or wrongdoing is identified
- Concerns can be raised without fear of reprisal
- A strong system of governance is in place to monitor and ensure the on-going effectiveness of the routes through which concerns can be raised.

The ARC chair acts as the Board Whistleblowing Champion; being the designated Board member for oversight and escalation of Whistleblowing matters within the organisation. Where appropriate, ARC or the ARC chair may direct that concerns be referred to an outside agency for further investigation or be escalated to the Board (or dependent on the subject matter another Board Committee such as SQC) for enhanced scrutiny.

Fraud
The ARC receives regular reports of any fraudulent activity perpetuated against the organisation or its customers and reviews the measures in place for dealing with such activity, where appropriate ensuring external agencies are notified. During the year, the ARC welcomed an internal audit on fraud, and will continue to oversee the delivery of audit actions to further strengthen fraud controls.

Risk Management

Risk awareness and management are an integral part of management practice and culture, informing the organisation's values, processes, and ways of working. Overall responsibility for risk management rests with Anchor'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's objectives are in place and adopted in a consistent manner across the business
- Anchor's response to risk, considering risk appetite at both an individual and aggregate risk level
- Approach to incidents and risk events.

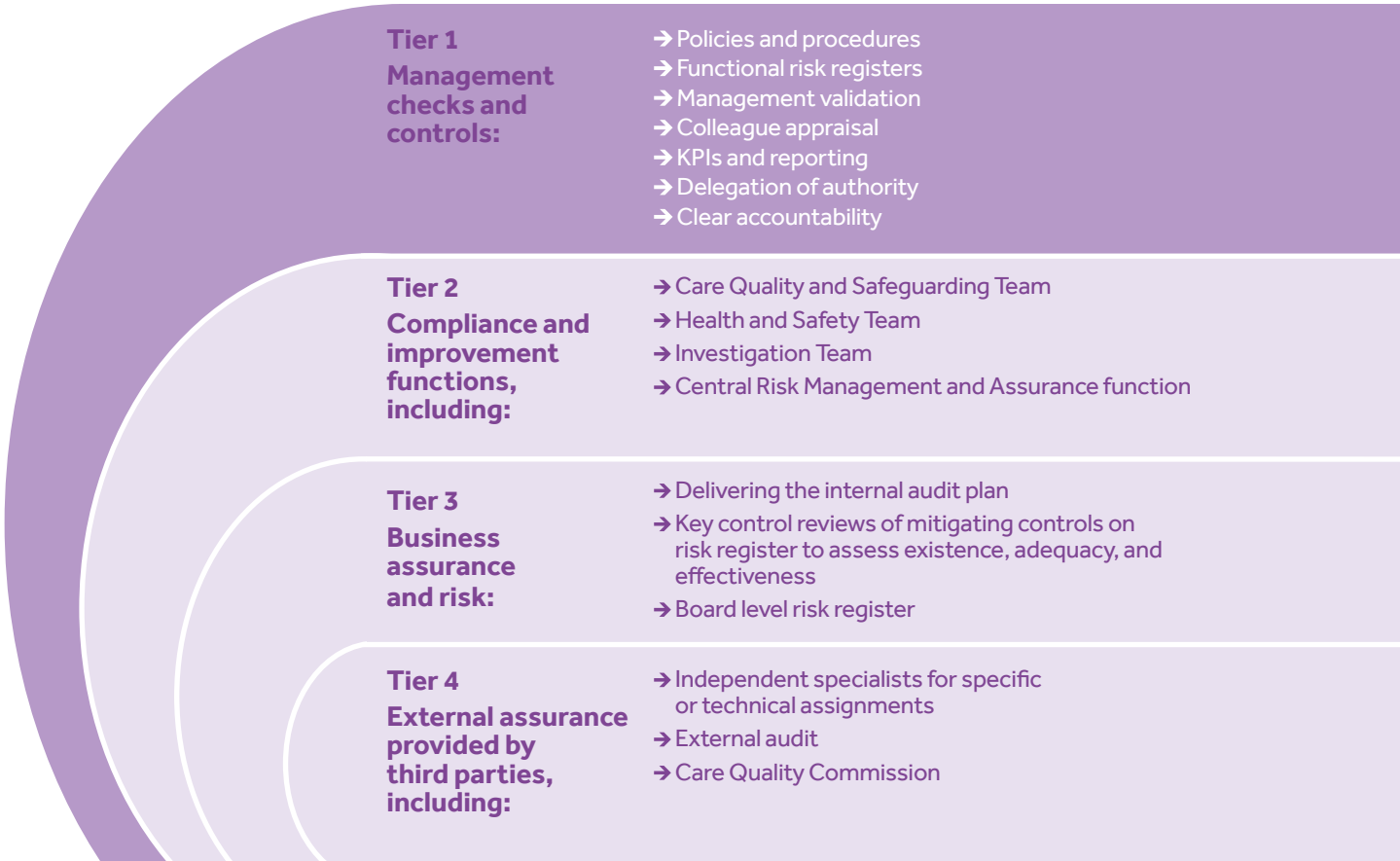
Anchor has a central Risk Management and Assurance function responsible for managing and developing the framework, and regular monitoring and reporting. Over time we remain committed to the continued development of our risk management approach ensuring that a consideration and awareness of risk is at the heart of our operational and strategic decision making.

The Board level risk register currently comprises 31 principal risks under the domains of Customer, Safety, Financial, Legislative, Strategic, People & Culture, Regulatory, and Reputational. This is a net decrease of 1 from the same point last year. We have been focussed on ensuring the content of the risk register is aligned with the significant external pressures that have persisted, including effects from the COVID-19 pandemic and the challenges in the macroeconomic environment. New and emerging risks are included in the register as they arise organically and through structured conversations held on a monthly basis with heads of function, and between the executive and Board.

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 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 can intervene earlier and thereby make attempts to avoid or moderate the risk before it may have an impact.

Anchor 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 principal risks and uncertainties facing Anchor are noted below. Although they are listed separately, our approach to actively managing these risks ensures that we consider how changes in one risk theme might also have impacts on other key risks. This is also supported by our protocols for stress testing which are able to consider the effects of risks impacting in tandem.

PRINCIPAL RISKS AND UNCERTAINTIES

Macroeconomic conditions

There are several risks in the external environment that are contributing to significant challenges for all providers. This includes: effects that have resulted from the UK's exit from the European Union, increased fuel costs, macroeconomic impacts on the global economy linked to the Ukraine crisis, and high inflation levels in the UK. All of these factors are contributing to the "cost of living" crisis which we are actively managing as a key area of risk, with focus on maintaining service delivery, managing and anticipating financial impacts, and monitoring the potential negative impacts of the conditions on our customers and colleagues.

The nature of our financial arrangements means that we benefit from some protection from major fluctuations in currency exchange rates.

We work with our suppliers to monitor risks related to the supply of good and services to limit any potential disruption to the services that we deliver.

Reliance on third-party suppliers

Construction and maintenance of Anchor's properties is dependent on the timely and effective performance by third party contractors of their obligations, exposing us to risk of potentially having less control over the quality of the services than if we were providing them directly.

The performance of contracts may be subject to disruption for a variety of reasons including availability of materials, work stoppages, labour constraints, and is impacted by macroeconomic conditions.

We work closely with contractors to avoid such problems, undertake appropriate due diligence and procurement procedures and avoid concentration risk.

Recruitment and retention of care colleagues

In common with all healthcare providers, Anchor faces challenges in recruiting and retaining appropriately skilled staff. This risk is exacerbated by general conditions in the job market where there is pressure on wages linking to the current higher cost of living.

We have sought to mitigate this risk by paying our colleagues the Living Wage Foundation rates for all current National Living Wage hourly rate roles across our entire portfolio, being the first large care and housing group in the sector to do so.

We have developed a BAME Skills for Care 'Moving Up' programme, including reverse mentoring; developing a career pathway toolkit to help colleagues plan their careers; developing colleagues through a care apprenticeship scheme; and providing 'Being Well' resources to support colleague's mental, physical and financial wellbeing.

We may face cost pressures if the NMW increases and local authorities are not willing or able to increase their funding rates to compensate for this.

Around half of our customers are private fee payers and, where we do contract with local authorities, we do so primarily on a spot basis rather than using block contracts. Our care home portfolio is majority freehold and unencumbered and we therefore are not liable for rent payments that are material for the organisation. We therefore retain flexibility in the event of funding pressure.

Occupancy in housing and care

Occupancy levels are a key driver of revenue and Anchor seeks to maintain high levels of occupancy in both our housing and care operations. As at 31 March 2022, occupancy in social housing – lettings was 98.5% (2021: 97.7%). As at 31 March 2022, occupancy in social housing – residential care was 83.9% (2021: 78.2%). The data shows that we have been able to ensure strong progression of occupancy levels that were severely impacted during the COVID-19 pandemic.

Given the increasing demand for good standard, specialist and safe accommodation that supports people to live independently for longer, we continue to invest in our existing properties, and in how we deliver our services, in a way that will contribute to the management of occupancy risk.

Investment and development sales risks in residential properties

Anchor undertakes diversified residential property investment activities in the form of development construction, outright sale, and non-social housing lettings. We use wholly owned subsidiaries to assist with the delivery of investment activities. Profits can often, but not always, be gift-aided to Anchor subject to certain conditions being met as a means of reinvesting capital for the provision of affordable and social housing.

We seek to manage development risks by identifying priority areas for development activity, being areas where we have an existing presence, infrastructure, and local relationships.

The development of residential properties for market sale is subject to varying degrees of market and development risks, including demand and pricing risks.

We seek to manage sales risk through careful targeting of buyers, including those who own their own homes with no mortgage, who do not require a mortgage to acquire a home of the sort we offer, or have property assets in the range of £100,000 to £300,000.

For the year ended 31 March 2022, sales of residential property generated 6.9% of the Group's turnover (2021: 9.0%), consistent with our internal 'golden rule' that annual sales turnover from sales of residential property should not exceed 20% of total annual turnover, thus ensuring that the underlying business does not place reliance on property proceeds for its ongoing viability.

Compliance, health and safety

Anchor faces risks related to legal and compliance legislation, and health and safety regulations. As a result of the conditions created by the pandemic, all providers experienced challenges in being to complete all intended compliance checks according to schedule (e.g., relating to issues accessing properties). However, through focussed efforts and collaborative working with our contractor partners, the completion of planned compliance checks are back at pre-pandemic levels.

We continually review and update policies and procedures to ensure that the condition and safety of each property is compliant with prevailing legal and regulatory requirements. We carry out health and safety checks of its properties on an on-going basis, including, gas safety checks, fire risk assessments water quality assessments, electrical safety checks, lift safety checks and asbestos checks.

In order to manage risks associated with non-compliance, we invest in high quality training, robust recruitment processes, specialist roles, layers of management and appropriate customer/colleague ratios.

We hold insurance at levels which management considers to be prudent for the type of business in which it is engaged and in line with Registered Providers of Social Housing and care providers of a similar size.

Building safety legislation

Key legislative changes that are held within the Fire Safety Bill and the Building Safety Act outline many significant changes to the way properties are managed. Anchor is committed to considering all methods of mitigating building safety risks that are reasonably practicable.

We continue to monitor how any changes to the definition of the minimum standard for housing could impact on our ability to deliver additional units of housing and care, with focus on possible cost impacts of such changes.

As the future requirements of the Building Safety legislation have become clarified, Anchor has sought to ensure all readiness through the establishment of specialist roles and robust reporting and delivery mechanisms.

Most of our housing stock are flats in low-rise blocks, built between 1965 and 1990, using traditional methods of construction. Following the Grenfell Tower fire, we undertook a thorough review of all housing stock regarding fire safety. As at the date of this report, we operate five buildings over six storeys in height - none of which have full or partial Aluminium Composite Material cladding or High-Pressure Profile Laminate.

We are working closely with external parties and have implemented, as a minimum, the interim mitigating measures mandated by the Ministry of Housing, Communities and Local Government (MHCLG) to ensure the safety of residents.

Anchor is compliant with the existing Decent Homes standards and has allocated ongoing appropriate levels of investment in its assets, defined in our Asset Management Strategy.

Net Zero Carbon

Through the Climate Change Act 2008 (the 2050 amendment), the UK Government set a legally binding target of net zero greenhouse gas emissions by 2050. In the 2019 Spring Statement, the UK Chancellor stated a new standard would be introduced by 2025 (the Future Homes Standard) to future-proof new build homes with very high fabric standards and low carbon heating systems, building on the UK Government's mission to at least halve the energy use of new buildings by 2030.

Increasing regulatory expectations create a new set of requirements and accompanying risks that need to be managed.

Anchor has increased internal resources to focus on readiness for future carbon zero requirements, and this includes the definition of a pathway to sustainability which is directly linked to our Asset Management Strategy.

PRINCIPAL RISKS AND UNCERTAINTIES

Regulatory Risk

Anchor's activities are regulated by the Regulator of Social Housing in accordance with the Regulatory Framework.

As well as continued focus on maintaining compliance with economic regulatory standards, we have focussed on readiness to meet new Consumer Regulation Standards that have been outlined by the regulator, stemming from The Social Housing White Paper published in November 2020. The new regulations will see an expansion of consumer standards that will give the regulator greater powers to intervene in much broader perceived failings, and not those limited to residents perceived to be at serious risk of harm. This change sits alongside a suite of changes intended to drive a more consumer-focused social housing regulatory regime.

The registered care services of Anchor are regulated by the Care Quality Commission (CQC). The CQC has a wide set of powers and can take enforcement action against Registered Providers of Social Housing and managers that breach the regulations.

Anchor maintains a governance system suitable to meet current regulatory requirements and monitors CQC publications, updates and the CQC website to ensure its governance system remains valid.

We provide regular updates and training to managers and colleagues to ensure compliance with the regulatory requirements. This includes both mandated training and training to enhance broader skills.

Funding in health and social care

Anchor's turnover is predominantly derived from social housing lettings and residential care. Lettings income may be impacted by changes in UK Government policy, in particular policies relating to the rent it is able to charge and the rate at which the rent may index over time. Anchor's residents may be impacted by changes to Housing Benefit and Universal Credit.

In residential care, under the planned reform of social care funding, provisions in the Care Act 2014 (clause 18.3) could enable self-funders to ask their local authority to arrange their care for them so that they can benefit from lower rates. £1.4 billion will be provided to local authorities over the next three years to support them to increase the rates they pay to providers in a move towards a "fair cost of care".

There is potential for fees to reduce towards local authority rates and, if operational contributions from care homes decrease, this would present risks to obligations.

As a specialist provider of housing to older people, circa 82% of residents in rented housing are above pension age and are therefore largely exempt from Universal Credit.

Our "BeWise" service helps residents to claim the benefits they are entitled to - since 2012, this service has recorded almost £13m in additional income or energy savings for residents and colleagues and the MoneyWise service has helped 1,400 people gain an additional £5,500 each per year on average. This sustains the affordability of our housing and services and contributes to the management of low arrears.

In residential care, along with other large providers and bodies such as the National Care Forum, we are engaging with DHSC to ensure that all implications are fully understood, and we are continuing to analyse the impact of the reforms.

BOARD, DIRECTORS AND ADVISORS

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BOARD, DIRECTORS AND ADVISORS

Patron

HRH Princess Alexandra (stepped down on 31 December 2021 when she reduced her patronages following her 85th birthday)

The Board as at 31 March 2022

Chair

Christopher Kemball

Board Members

Jane Ashcroft CBE – Chief Executive
Nicola Bruce
Rachael Dennis
Mike Green
Peter Hay CBE
Sarah Jones – Chief Financial Officer
Denise Peart (from 29 March 2022)
Richard Petty
Katy Taylor
Peter Truscott

Board Members resigned or retired during the period

Alun Griffiths (to 31 December 2021)

The Executive Committee as at 31 March 2022

Jane Ashcroft CBE – Chief Executive Officer
Oliver Boundy – Executive Director, Development (from 10 January 2022)
Sarah Jones - Chief Financial Officer
Suki Jandu – Executive Director, Housing Services (from 8 November 2021)
Rob Martin – Managing Director, Care Services
Kate Smith – Executive Director, Business Services
John Westwood – Executive Director, Property and Assets (from 1 June 2021)

Executive Committee members resigned or retired during the year

Mark Curran – Executive Director, Development (to 31 March 2022)
Simon Glucina – Executive Director, Transformation (to 8 April 2021)
Alison Muir – Executive Director, Housing Services (from 2 May 2021 to 6 August 2021)
Chris Munday – Managing Director, Housing Operations (to 30 April 2021)

Company Secretary

Michelle Holt

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
Barclays Bank PLC

Investment Managers

Schroder Investment Management Limited

DIRECTORS' REPORT

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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 statement of the Chair and Chief Executive and the Report of the Board including the Strategic Report.

Directors

The directors at 31 March 2022 at the date of approval of the financial statements are listed on page 42. The Board has the authority to appoint additional directors to fill vacancies caused by directors dying or retiring during the year, or to bring specific skills to the Board for a defined period of time, to a maximum of 12 members in total.

Since the year end, Sarah Jones has been appointed as Chief Executive with effect from 1 August 2022, following Jane Ashcroft's decision to leave the role with effect from 31 July 2022.

In line with the UK Corporate Governance Code 2018, non-executive directors do not normally serve for longer than nine years.

Directors' conflicts of interest

Anchor 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, they are required to notify the Company Secretary.

Employment: Equality and Diversity

Anchor is committed to promoting an environment free from discrimination, harassment and victimisation; where all colleagues and residents are treated fairly regardless of background, characteristic or personal circumstances.

We have four equality, diversity and inclusion Colleague Networks – enABLE (disability), Rainbow (LGBT+), embRACE (race and ethnicity) and Inclusive Ambassadors (EDI Champions) - who provide peer-to-peer support for colleagues, as well as advice and challenge to the organisation.

In the past year these networks have organised activity to recognise events such as Black History and Pride months, reviewed new policies to assess any equality impact and participated in reverse mentoring with some of Anchor's most senior leaders.

In recognition for our commitment to providing an inclusive workplace for our colleagues, Anchor achieved Silver Accreditation in the Inclusive Employers Standard during 2021. We are also members of Stonewall's Diversity Champions programme, a signatory of MIND's Mental Health at Work commitment, a member of the Care Leaver Covenant (national inclusion programme that supports care leavers aged 16-25 to live independently) and we are a Disability Confident Employer.

Anchor has an Equality and Diversity Lead on our Resident Council and a Lesbian, Gay, Bisexual and Trans (LGBT+) Group for residents which acts as a sounding board on LGBT+ issues and policies affecting our residents.

Health and safety

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

Sustainability and ESG

Streamlined Energy & Carbon Reporting

Under changes introduced by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, large unquoted companies are obliged to report their UK energy use and associated greenhouse gas emissions as a minimum relating to gas, electricity and transport fuel, as well as an intensity ratio and information relating to energy efficiency actions through their annual reports. Anchor has voluntarily adopted the Streamlined Energy & Carbon Reporting standard as part of our commitment to being transparent about our performance and reducing our emissions.

Our report encompasses emissions for all electricity and gas consumption across our office locations, care homes and energy utilised in communal heating systems in individual rented and homeownership properties. It also encompasses emissions for all business travel undertaken in FY21/22.

Anchor Hanover Group's Scope 1 and 3 direct emissions (combustion of natural gas and transportation fuels) for this first year of reporting are 10,770 tCO2e, resulting from the direct combustion of 57,882,151 kWh of fuel. Scope 2 indirect emissions (purchased electricity) for this first year of reporting are 5,525 tCO2e, resulting from the consumption of 26,020,423 kWh of electricity purchased and consumed in day-to-day business operations. Our operations have an intensity metric of 2.68 tCO2e/kWh per full time equivalent (FTE) employee for this first reporting year.

Consumption (kWh) and Greenhouse Gas emissions (tCO_2e) totals

The following figures make up the baseline reporting for Anchor Hanover Group, as 2021/22 is the first year that they have chosen to report this information. Conversion factors utilised in these calculations are detailed below.

Utility & Scope	2021/22 UK consumption (kWh)	2021/22 UK consumption (tCO_2e)
Grid supplied electricity (Scope 2)	26,020,423	5,525
Gaseous & other fuels (Scope 1)	54,524,813	9,987
Transportation (Scope 1)	2,017,830	437
Transportation (Scope 3)	1,339,509	311
Totals	**83,902,575**	**16,295**

Energy Efficiency works 21/22
Cavity Wall Insulation (CWI) has been completed across 168 locations during 2021/22, funded through the Energy Company Obligation (ECO3) funding scheme. This is an ongoing programme with further works due to be completed during 22/23 is due to result in lifetime carbon savings of 24.6 tonnes per property. Resident engagement and strong relationships with contractors has been crucial in successfully delivering retrofit works on a large number of homes.

As at 31 March 2022, there was 3,456kW renewable energy capacity across all Anchor locations. As well as reducing energy bills, a number of these systems generate additional income through Renewable Heat Incentive, Feed in Tariff or electricity export payments.

Total installed renewable capacity kW	3456
ASHP	963
Biomass	420
CHP	174
GSHP	1347
Solar PV	324
Solar Thermal	228

Communal boiler room refurbishment has been completed at 14 locations involving installation of new high efficiency gas boilers and weather compensated BMS systems. This includes works at 4 locations where individual electric storage heaters were removed and replaced with a 'wet' heating system with communal gas boilers – improving efficiency and running costs while future proofing the system for other heat sources in the future .

Other energy efficiency works completed also include:

- Installation of new combi gas boilers at 299 individual properties, and 268 new hot water tanks.
- Window and door replacements at 37 locations.

As well as pursuing new opportunities for energy efficiency, Anchor is committed to getting the most out of what we already have. During FY21/22, we investigated heat network efficiency at several locations with communal heating systems, which found several possible improvements to systems through improved pipe work insulation, recalibration of pumps and controls, and improved monitoring and metering. Investigations were also carried out into non-working renewable energy systems, resulting in steps to get systems generating energy again.

Anchor successfully completed EPC assessments across all our properties. This has enabled us to analyse in detail the energy performance of our homes, target improvements and develop our strategy going forwards.

SECR methodology and notes
Scope 1 consumption and emissions relate to direct combustion of natural gas, and fuels utilised for transportation operations, such as company vehicle fleets.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day-to-day business operations.

Scope 3 consumption and emissions relate to emissions resulting from sources not directly owned by the reporting company. For us this is related to grey fleet (business travel undertaken in employee-owned vehicles) only.

Scope 1, 2 and 3 consumption and CO2e emissions data has been calculated in line with the 2019 UK Government environmental reporting guidance. Emissions Factor Database 2020 version 1 has been used, utilising the published kWh gross calorific value (CV) and kgCO2e emissions factors relevant for reporting period 1 April 2021 to 31 March 2022.

Estimations undertaken to cover meters for which no consumption data was available equate to 9% of the total reported consumption. In these instances, consumption is estimated by using the median of electricity and gas usage across all meters. These full year estimations were applied to 18 electricity supplies, and 11 gas supplies. Intensity metrics have been calculated using total tCO2e figures and our selected performance indicator for the relevant report period which is full time equivalent employees as at 31 March 2022.

Donations
Neither Anchor Hanover nor any of its subsidiaries made any political donations or incurred any political expenditure during the period and did not make any charitable donations outside of the Group.

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. Anchor Hanover's standard terms are to pay its creditors 30 days following the end of the month of receipt of a valid invoice.

Post year end events
On 28 July 2022, Anchor exchanged contracts to acquire the entire share capital of Halcyon Care Homes Topco Limited ("HC Topco"). The purchase, due to complete in Autumn 2022 once the CQC transfer of registration has taken place, will bring all the business and assets of HC Topco under the ownership of Anchor Hanover Group. The group of companies, collectively branded as Halcyon Care Homes, operate six mature and three new homes, alongside two in development, mainly in the East Midlands and the South of England. The homes are leased from two institutional landlords with the exception of one asset that is being acquired on a freehold basis.

The homes provide a total of 726 en-suite rooms for older people, including those living with dementia. The deal will bring the total number of care homes operated by Anchor to 125.

Going concern

The Board reviewed Anchor Hanover's long term plan in March 2022 and were content that the organisations plans were affordable and that the accounts should be prepared on a going concern basis.

The Board has continued to review and monitor forecasts and stress tests throughout the period of the COVID-19 pandemic, including single and multi-variant impacts of adverse changes in occupancy, property sales, maintenance spend and exceptional costs such as PPE.

The Board will continue to review plans with the executive in order to ensure that services are delivered in a safe, effective way. At the date of this report, the return to "normality" following the roll out of the COVID-19 vaccination is becoming more certain, although it should be noted that many implications resulting from the virus are to an extent, outside the control of management and so additional procedures remain in place to ensure that cash flow and financial stability is effectively managed.

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities and deposits, the Board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on Anchor's ability to continue as a going concern. The Board, therefore, considers it appropriate for the accounts to be prepared on a going concern basis.

Auditor

BDO LLP has expressed its willingness to continue in office as auditor to Anchor. A resolution proposing the reappointment of BDO LLP will be made at the meeting of the Audit and Risk Committee in September 2022

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'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'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 2018 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 2022.

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 2018 and the Accounting Direction for Private Registered Providers of Social Housing 2022 (adopted one year early).

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.

Michelle Holt
Company Secretary
28 July 2022

INDEPENDENT AUDITOR'S REPORT

6

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ANCHOR HANOVER GROUP

Opinion on the financial statements

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 2022 and of the Group's and the Association's surplus for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 2022.

We have audited the financial statements of Anchor Hanover Group ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2022 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 statement of cash flows 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent 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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Board's assessment of the Group and the Parent Association's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's assessment of the going concern status of the Group and the Association which included forecasts and stress-testing covering a period of at least 12 months from the date of sign off of the financial statements;
- Obtaining details and assessing the availability of financing facilities, including the nature of facilities, repayment terms and financial covenants. We considered management's financial covenant compliance calculations through to March 2024 and concluded on the consistency of such calculations with the ratios stated in the relevant lender agreements;
- Considered the appropriateness of the Board's forecasts by testing their mathematical accuracy, assessing historical forecasting accuracy and understanding the Board's consideration of downside sensitivity analysis and reverse stress testing;
- Re-performing sensitivities on the Board's base case and stressed case scenarios, considered the likelihood of these occurring and understood and challenged the mitigating actions the Board would take under these scenarios;
- Assessed the going concern disclosures against the requirements of the accounting standards, and considered the consistency of the disclosures with the Board's forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Association's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Board's statement in the financial statements about whether the Board considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

OVERVIEW

Coverage	*100% (2021: 100%) of Group surplus before tax* *100% (2021: 100%) of Group revenue* *100% (2021: 100%) of Group total assets*		
Key audit matters		2022	2021
	Carrying value of properties held for sale and work in progress	✓	✓
Materiality	*Group financial statements as a whole* £7m (2021: £7.5m) based on 7% (2021: 7%) adjusted operating surplus		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Board that may have represented a risk of material misstatement.

The Group manages its operations from one location in the UK and has common financial systems, processes and controls.

We performed an audit of the complete financial information of all three components within the Group, including the parent association.

As a consequence of the audit scope determined, we achieved coverage of 100% (2021: 100%) of revenue, 100% (2021: 100%) of surplus before tax and 100% (2021: 100%) of total assets. .

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that 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.

KEY AUDIT MATTERS

Carrying value of housing properties, properties held for sale and work in progress

Note 3 (accounting policies) Note 12.1 (housing properties) Note 14 (stock)

As described in Note 3 (accounting policies) and Note 12.1 (housing properties) and Note 14 (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 2022, the Group held housing properties of £1,175m (2021: £1,201m) and properties for resale of £205m (2021: £147m).

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 this is therefore considered to be a key audit matter.

How the scope of our audit addressed the key audit matter

Our audit response involved the following:

- We reviewed management's forecast sales prices and costs to complete by comparing to updated valuations and recent sales post year end;
- We checked a sample of properties sold after 31 March 2022 to completion statement and bank receipt to confirm that net realisable value was greater than cost;
- We 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 and;
- We reviewed potential need for impairment, including review of management's forecasts taking into account supply chain difficulties and cost of living increases, through testing of a sample of properties back to management's forecasts and underlying assumptions.
- We further scrutinised the assumptions used against 3rd party data such as property price trends and forecasts and carried out sensitivity analysis on these assumptions and on projects costs to complete to assess potential indicators of impairment.

Key observations:
We noted no exceptions through performing these procedures.

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.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take 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.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

MATERIALITY

	Group financial statements		Parent Association financial statements	
	2022 £m	2021 £m	2022 £m	2021 £m
Materiality	7	7.5	6.5	5.5
Basis for determining materiality	7% of adjusted operating surplus*	7% of adjusted operating surplus*	7% of adjusted operating surplus*	7% of adjusted operating surplus*
Rationale for the benchmark applied	We considered this to be the area of financial statements with the greatest interest to the principle users and the area with the greatest impact on investor and lender decisions. The materiality approach is the same as the prior year.			
Performance materiality	5.2	5.6	4.8	4.1
Basis for determining performance materiality	75% (2021: 75%) of materiality		75% (2021: 75%) of materiality	

* Operating surplus adjusted for depreciation, amortisation and the net profit/loss on non-outright sale properties in line with the terms defined within the entities' lending covenants

Component materiality

We set materiality for each component of the Group based on a percentage of between 6% and 93% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £0.39m to £6.5m. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £0.28m (2021: £0.3m). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Board are responsible for the other information. The other information comprises the information included in the *annual report*, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate Governance statement

As the Association has voluntarily adopted the UK Corporate Governance Code 2018, we are required to review the Board's statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Association's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Going concern and longer term viability

- The Board's statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on pages 22 and 46.
- The Board's explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate as set out on page 22.

Other Code provisions

- Board's statement on fair, balanced and understandable as set out on page 46;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on pages 36 to 40; and
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems as set out on page 34.
- The section describing the work of the audit and risk committee. As set out on pages 34 to 35, the Board consider that it is impracticable to have a separate audit committee for the Association.

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 and 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 Association;
- a satisfactory system of control has not been maintained over transactions;
- the 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 Board members responsibilities statement, 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 are 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. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding and accumulated knowledge of the Group and the sector in which it operates we considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements.

We gained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (United Kingdom Generally Accepted Accounting Practice), 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 2022.

In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being those laws and regulations relating to fire safety, environmental, occupational health and safety and data protection.

All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates as well as inappropriate revenue cut-off. Our audit procedures included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the carrying value of housing properties held for sale and work in progress (see key audit matter above) and measurement contingent liabilities;
- Identifying and testing journal entries to supporting documentation, in particular any journal entries posted with unusual account combinations and specific user postings;
- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of minutes of Board meetings and papers provided to the Audit & Risk Committee throughout the period and to the date of approval of the financial statements for instances of non-compliance with laws and regulation and fraud; and
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit & Risk Committee and any correspondence received from regulatory bodies.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

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

Use of our report

This report is made solely to the members of the Association, as a body, 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

BDO LLP
Statutory Auditor
Gatwick
United Kingdom

28 July 2022

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 2022

	Note	**2022 £'000**	2021 £'000
Turnover	4.1	526,153	528,222
Operating costs	4.1	(472,620)	(483,968)
Surplus on disposal of fixed assets	12.7	256	3,668
Operating surplus before exceptional items		53,789	47,922
Exceptional items	6	(1,831)	(1,617)
Operating surplus	5	51,958	46,305
Interest receivable and other income	9	1,584	8,140
Interest payable and financing costs	10	(29,997)	(66,219)
Surplus / (deficit) on ordinary activities before tax		23,545	(11,774)
Tax (credit) / charge on surplus / (deficit) surplus on ordinary activities	11	815	(199)
Surplus / (deficit) for the year		24,360	(11,973)
Remeasurements - Actuarial loss in respect of pension scheme		4,528	(2,040)
Movement in fair value of hedged instruments	10	1,464	681
Total comprehensive income / (expenditure) for the year		**30,352**	**(13,332)**

The financial statements on pages 53 to 102 were approved by the Board on 27 July 2022 and signed on its behalf by:

Chair
Christopher Kemball

Chief Executive
Jane Ashcroft CBE

Group Company Secretary
Michelle Holt

The Group's results relate wholly to continuing activities.

The accompanying accounting policies and notes on pages 61 to 102 form an integral part of these financial statements.

Association Statement of Comprehensive Income

for the year ending 31 March 2022

	Note	2022 £'000	2021 £'000
Turnover	4.2	494,750	444,648
Operating costs	4.2	(443,143)	(411,817)
Surplus on disposal of fixed assets	12.7	249	3,689
Operating surplus before exceptional items		51,856	36,520
Exceptional items	6	18,968	(1,617)
Operating surplus	5	70,824	34,903
Interest receivable and other income	9	3,241	10,027
Interest payable and financing costs	10	(29,997)	(65,091)
Surplus / (deficit) on ordinary activities before tax		44,068	(20,161)
Tax charge on surplus / (deficit) on ordinary activities	11	–	–
Surplus / (deficit) for the year		44,068	(20,161)
Remeasurements - Actuarial loss in respect of pension scheme		4,528	(2,040)
Movement in fair value of hedged instruments	10	1,464	681
Total comprehensive income / (expenditure) for the year		**50,060**	**(21,520)**

The financial statements on pages 53 to 102 were approved by the Board on 27 July 2022 and signed on its behalf by:

Chair
Christopher Kemball

Chief Executive
Jane Ashcroft CBE

Group Company Secretary
Michelle Holt

The Association's results relate wholly to continuing activities.

The accompanying accounting policies and notes on pages 61 to 102 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ending 31 March 2022

	Income & Expenditure Reserve £'000	Restricted & Designated Reserve £'000	Cash Flow Reserve £'000	**Total £'000**
Balance as at 1 April 2020	504,855	51,491	(642)	555,704
(Deficit) / surplus for the year	(12,813)	840	–	(11,973)
Utilisation of Restricted Reserve	–	(38)	–	(38)
Utilisation of Designated Reserve	–	(270)	–	(270)
Transfer (from) / to major repairs	(99)	99	–	-
Transfer (from) / to major renewals	(1,273)	1,273	–	-
Actuarial loss in respect of pension schemes	(2,040)	–	–	(2,040)
Movement in fair value of hedged financial instrument	–	–	642	642
Balance as at 31 March 2021	488,630	53,395		542,025
Surplus for the year	24,360	–	–	24,360
Utilisation of Restricted Reserve	–	(165)	–	(165)
Utilisation of Designated Reserve	–	(266)	–	(266)
Actuarial gain in respect of pension schemes	4,528	–	–	4,528
Movement in fair value of hedged financial instrument	–	–	1,464	1,464
Balance as at 31 March 2022	**517,518**	**52,964**	**1,464**	**571,946**

Restricted and designated reserves comprise monies collected in advance for the purpose of funding future repairs and legacies bequeathed to Anchor for specific purposes.

Association Statement of Changes in Equity

for the year ending 31 March 2022

	Income & Expenditure Reserve £'000	Restricted & Designated Reserve £'000	Cash Flow Reserve £'000	**Total £'000**
Balance as at 1 April 2020	536,955	51,491	(642)	587,804
(Deficit) / surplus for the year	(21,001)	840	–	(20,161)
Utilisation of Restricted Reserve	–	(38)	–	(38)
Utilisation of Designated Reserve	–	(270)	–	(270)
Transfer (from) / to major repairs	(99)	99	–	–
Transfer (from) / to major renewals	(1,273)	1,273	–	–
Actuarial loss in respect of pension schemes	(2,040)	–	–	(2,040)
Movement in fair value of hedged financial instrument	–	–	642	642
Balance as at 31 March 2021	512,542	53,395	–	565,937
Surplus for the year	44,068	–	–	44,068
Utilisation of Restricted Reserve	–	(165)	–	(165)
Utilisation of Designated Reserve	–	(266)	–	(266)
Actuarial gain in respect of pension schemes	4,528	–	–	4,528
Movement in fair value of hedged financial instrument	–	–	1,464	1,464
Balance as at 31 March 2022	**561,138**	**52,964**	**1,464**	**615,566**

Restricted and designated reserves comprise monies collected in advance for the purpose of funding future repairs and legacies bequeathed to Anchor for specific purposes.

Consolidated Statement of Financial Position

as at 31 March 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Fixed Assets					
Tangible fixed assets: Housing	12.1	1,175,300		1,201,278	
Tangible fixed assets: Other	12.9	25,192		26,126	
Investments	13.1	785		2,629	
			1,201,277		1,230,033
Current Assets					
Stock: properties held for sale	14	205,174		146,556	
Stock: raw material and other consumables	14	296		172	
Trade and other debtors: amounts due within one year	15	26,855		30,337	
Trade and other debtors: amounts due after more than one year	16	17,122		23,394	
Short term deposits and investments	17	117		117	
Cash and cash equivalents		83,926		150,197	
		333,490		350,773	
Creditors: amounts falling due within one year	18	(143,482)		(230,177)	
Net current assets			190,008		120,596
Total assets less current liabilities			**1,391,285**		**1,350,629**
Creditors: amounts falling due after more than one year	19		(811,128)		(794,428)
Provisions for liabilities and charges					
Provisions for liabilities and charges	20		–		(1,326)
Pension liability	25		(8,211)		(12,850)
Total net assets			**571,946**		**542,025**
Reserves					
Income and expenditure reserve			517,518		488,630
Restricted and designated reserve			52,964		53,395
Cash flow hedge reserve			1,464		–
Total reserves			**571,946**		**542,025**

The financial statements on pages 53 to 102 were approved by the Board on 27 July 2022 and signed on its behalf by:

Chair
Christopher Kemball

Chief Executive
Jane Ashcroft CBE

Group Company Secretary
Michelle Holt

Association Statement of Financial Position

as at 31 March 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Fixed Assets					
Tangible fixed assets: Housing	12.2	1,218,640		1,119,158	
Tangible fixed assets: Other	12.9	25,192		26,126	
Investments	13.1	785		2,629	
Investments in subsidiary undertakings	13.2	–		33,682	
			1,244,617		1,181,595
Current Assets					
Stock: properties held for sale	14	57,834		16,704	
Stock: raw material and other consumables	14	296		136	
Trade and other debtors: amounts due within one year	15	28,774		30,528	
Trade and other debtors: amounts due after more than one year	16	156,084		214,450	
Short term deposits and investments	17	117		117	
Cash and cash equivalents		83,000		135,979	
		326,105		397,914	
Creditors: amounts falling due within one year	18	(135,036)		(217,396)	
Net current assets			191,069		180,518
Total assets less current liabilities			**1,435,686**		**1,362,113**
Creditors: amounts falling due after more than one year	19		(811,909)		(783,326)
Provisions for liabilities					
Pension liability	25		(8,211)		(12,850)
Total net assets			**615,566**		**565,937**
Reserves					
Income & expenditure reserve			561,138		512,542
Restricted and designated reserve			52,964		53,395
Cash flow hedge reserve			1,464		–
Total reserves			**615,566**		**565,937**

The financial statements on pages 53 to 102 were approved by the Board on 27 July 2022 and signed on its behalf by:

Chair
Christopher Kemball

Chief Executive
Jane Ashcroft CBE

Group Company Secretary
Michelle Holt

Consolidated Statement of Cash Flows

for the year ending 31 March 2022

	Note	**2022 £'000**	2021 £'000
Net cash generated from operating activities	28.1	46,516	96,084
Cash flow from investing activities			
Purchase of tangible fixed assets		(49,596)	(49,079)
Grants received		–	890
Receipts from sale of investments		1,844	2,985
Interest received		1,584	1,867
		(46,168)	(43,337)
Cash flow from financing activities			
Interest paid		(28,444)	(25,591)
Refinancing costs		–	(40,268)
New unsecured loans		350,000	350,000
Drawdown from revolving credit facilities		68,000	–
Settlement of financial instruments		(18,223)	–
Financing transaction costs		(2,777)	–
Repayments of borrowings		(433,881)	(311,483)
Capital element of finance lease rental payments		(1,294)	(5,335)
		(66,619)	(32,677)
Net change in cash and cash equivalents		(66,271)	20,070
Cash and cash equivalents at 1 April		150,197	130,127
Cash and cash equivalents at 31 March		**83,926**	**150,197**

The accompanying accounting policies and notes on pages 61 to 102 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ending 31 March 2022

1. Basis of accounting

The Association is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Regulator of Social Housing as a social housing provider. The Association is a public benefit entity.

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 2018: (SORP) Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022.

Disclosure exemptions

In preparing the financial statement of Anchor Hanover Group, advantage has been taken of the following disclosure exemptions available under FRS 102:

- No cash flow statement has been presented for the parent Association;
- Disclosures in respect of the parent Association's financial instruments have not been presented as equivalent disclosures, however 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 Company financial statements incorporate solely the activity of Anchor Hanover Group.

The consolidated financial statements incorporate the financial statements of Anchor Hanover Group 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.

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 both short and 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.

The Board has considered the ongoing impact of COVID-19 and the current inflationary and supply pressures on its short-term forecasts, applying stress tests to the early years of the long-term financial plan that reflect the potential for heightened financial risk.

The Board considers these tests to represent a severe yet plausible view of the risks that may impact the Group. The tests consider the impact of adverse movements in macroeconomic indicators, as well as sharp reductions in development sales income and significant above-inflationary increases in costs.

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 £9,716,000 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 12.10.

  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 2022 was £1,318,529,000.

  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 amount 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.

  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 provision 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 25). The liability as at 31 March 2022 was £8,211,000.

  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 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.

iii Investment in subsidiaries and associated undertakings

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

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long-term interest and where the Group has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The results of associates are accounted for using the cost method of accounting.

iv Turnover and revenue recognition

Turnover is net of voids and Value Added Tax 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 2022 (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.

Rental income from social housing and other rental properties owned by the Group is recognised, net of void losses, on a straight-line basis over the applicable lease term.

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 2022. Void losses are only recognised where the properties are available for letting.

Service charge income is recognised on an accruals basis as it falls due. The Group operates both fixed and variable service charges on a scheme-by-scheme basis in full consultation with residents. The service charges on all schemes are set on the basis of budgeted spend. Where variable service charges are used the budget will include an allowance for the surplus or deficit from prior years, with a surplus being returned to residents in the form of a reduced charge in the following year and a deficit being recovered via a higher service charge or by alternative methods if the contract allows. Service charge income from home owners is only recognised in the financial statements where there is a fixed service charge and the risk and reward therefore sits with the Group.

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.

Other defined benefit pension plans

The Association'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 Association 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 Association's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Association 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 bringing 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 economic 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 useful 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 construction 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 99 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:	25 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 ('SHG') 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 materialises 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.

Social Housing Grant becomes recyclable at the point the related property is sold and is transferred to a recycled capital grant fund until it is reinvested in a replacement

property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income in the statement of comprehensive income. Grants which cannot be recycled are returned to the funder.

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 fair value at the balance sheet date. Changes in fair value arising from the revaluation of investments at each reporting date are recognized 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 isconsidered 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 useful 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.

Basic Financial Instruments

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 bligation (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 the Group's consolidated Financial Statements.

xxvi Operating surplus/(deficit)

Operating surplus includes all turnover and costs relating to operations, including the surplus / (deficit) on disposal of assets used in the ordinary course of business.

xxvii Operating Segments

As we have publicly traded securities with the Group we are required to disclose information about the operating segments under IFRS 8. Segmental information is disclosed in notes 4.1, 4,2, 4.3 and 4.4 and as part of the analysis of housing properties in notes 12.1 and 12.1. Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the nature and function of housing assets held by the Group rather than geographical location.

As permitted by IFRS 8 this is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, the type and class of customer and the nature of the regulatory environment across all of the geographical locations in which the Group operates. The Board does not routinely receive segmental information disaggregated by geographical location.

4. Particulars of turnover, operating costs and operating surplus / (deficit)

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

	Note	Group 2022 Turnover £'000	Operating Expenditure £'000	Operating Surplus / (Deficit) £'000
Social housing lettings	4.3	474,072	(415,728)	58,344
Other social housing activities				
Home care		3,408	(3,724)	(316)
First tranche shared ownership sales		–	–	–
Charges for support services		274	(274)	–
Other social housing income		422	(402)	20
Activities other than social housing activities				
Management services		12,944	(9,997)	2,947
Sale of leasehold properties[1]		32,679	(28,591)	4,088
Other[2]		2,354	(13,904)	(11,550)
Total		**526,153**	**(472,620)**	**53,533**
Surplus on disposal of fixed assets				256
Operating surplus before exceptional items				**53,789**

	Note	Group 2021 Turnover £'000	Operating Expenditure £'000	Operating Surplus / (Deficit) £'000
Social housing lettings	4.3	462,868	(417,019)	45,849
Other social housing activities				
Home care		3,133	(4,079)	(946)
First tranche shared ownership sales		626	(395)	231
Charges for support services		1,982	(2,294)	(312)
Other social housing income		3,173	(2,500)	673
Activities other than social housing activities				
Management services		7,825	(7,520)	305
Sale of leasehold properties[1]		45,586	(32,613)	12,973
Other[2]		3,029	(17,548)	(14,519)
Total		**528,222**	**(483,968)**	**44,254**
Surplus on disposal of fixed assets				3,668
Operating surplus before exceptional items				**47,922**

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.

[1]Sale of leasehold properties in the year ended 31 March 2022 has been impacted by a construction contractor going into liquidation. Costs for defects for properties sold both in year and in prior years that would otherwise have been recoverable have been incurred in year reducing margins.

[2]Operating costs within "Other" include those governance costs not attributible to an an individual service.

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

	Note	Association 2022 Turnover £'000	Operating Expenditure £'000	Operating Surplus / (Deficit) £'000
Social housing lettings	4.4	471,009	(414,694)	56,315
Other social housing activities				
Home care		3,408	(3,724)	(316)
First tranche shared ownership sales		–	–	–
Charges for support services		274	(274)	–
Other social housing income		422	(402)	20
Activities other than social housing activities				
Management services		12,944	(9,997)	2,947
Sale of leasehold properties[1]		343	(150)	193
Other[2]		6,350	(13,902)	(7,552)
Total		**494,750**	**(443,143)**	**51,607**
Surplus on disposal of fixed assets				249
Operating surplus before exceptional items				**51,856**

	Note	Association 2021 Turnover £'000	Operating Expenditure £'000	Operating Surplus / (Deficit) £'000
Social housing lettings	4.4	422,259	(377,481)	44,778
Other social housing activities				
Home care		3,133	(4,079)	(946)
First tranche shared ownership sales		626	(395)	231
Charges for support services		1,982	(2,294)	(312)
Other social housing income		3,173	(2,500)	673
Activities other than social housing activities				
Management services		7,825	(7,520)	305
Sale of leasehold properties[1]		–	–	–
Other[2]		5,650	(17,548)	(11,898)
Total		**444,648**	**(411,817)**	**32,831**
Surplus on disposal of fixed assets				3,689
Operating surplus before exceptional items				**36,520**

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.
Activities other than social housing activities - other includes within turnover £102,200 (2021: £26,700) of grant funding from the Workforce Development Fund. This grant has been fully expended in the year with 107 of the workforce becoming qualified.
All turnover has been derived from activities within the United Kingdom.

[1]Sale of leasehold properties in the year ended 31 March 2022 has been impacted by a construction contractor going into liquidation. Costs for defects for properties sold both in year and in prior years that would otherwise have been recoverable have been incurred in year reducing margins

[2]Operating costs within "Other" include those governance costs not attributible to an an individual service.

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

	Retirement housing to let £'000	Residential care homes £'000	Total 2022 £'000	Total 2021 £'000
Income				
Rent receivable net of identifiable service charges	161,223	201,960	363,183	351,329
Service charge income	75,503	–	75,503	82,493
Net rental income	236,726	201,960	438,686	433,822
Amortised government grants	14,111	290	14,401	14,015
Other revenue grants	–	11,438	11,438	13,707
Other income from social housing lettings	9,536	11	9,547	1,324
Turnover from social housing lettings	**260,373**	**213,699**	**474,072**	**462,868**
Expenditure				
Management	39,819	25,751	65,570	65,703
Service charge costs	68,821	165,587	234,408	236,809
Routine maintenance	19,142	2,816	21,958	25,356
Planned maintenance	25,122	3,907	29,029	26,969
Bad debts	447	230	677	915
Lease charges	194	179	373	263
Depreciation of housing properties	45,155	15,275	60,430	60,022
Impairment of housing properties	1,327	–	1,327	123
Depreciation of other assets	1,692	94	1,786	151
Other costs	64	106	170	708
Operating costs on social housing lettings	**201,783**	**213,945**	**415,728**	**417,019**
Operating surplus / (deficit) on social housing lettings	**58,590**	**(246)**	**58,344**	**45,849**
Prior year surplus / (deficit) on social housing lettings	**56,183**	**(10,334)**	**45,849**	

The value of void losses was £4,879,000 (2021: £4,447,000).

Other revenue grants includes UK Government Infection Control Grant ("ICG"), Local Authority Sustainability Funding, and furlough grants under the Coronavirus Job Retention Scheme.

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

	Retirement housing to let £'000	Residential care homes £'000	Total 2022 £'000	Total 2021 £'000
Income				
Rent receivable net of identifiable service charges	161,223	198,921	360,144	314,112
Service charge income	75,503	–	75,503	82,493
Net rental income	236,726	198,921	435,647	396,605
Amortised government grants	14,111	290	14,401	14,015
Other revenue grants	–	11,438	11,438	10,315
Other income from social housing lettings	9,536	(13)	9,523	1,324
Turnover from social housing lettings	**260,373**	**210,636**	**471,009**	**422,259**
Expenditure				
Management	39,819	25,682	65,501	64,468
Service charge costs	68,821	162,880	231,701	203,154
Routine maintenance	19,142	2,802	21,944	25,061
Planned maintenance	25,122	3,898	29,020	26,484
Bad debts	447	228	675	951
Lease charges	194	179	373	263
Depreciation of housing properties	46,482	17,051	63,533	–
Impairment of housing properties	1,327	–	1,327	535
Depreciation of other assets	365	95	460	56,074
Other costs	64	96	160	491
Operating costs on social housing lettings	**201,783**	**212,911**	**414,694**	**377,481**
Operating surplus / (deficit) on social housing lettings	**58,590**	**(2,275)**	**56,315**	**44,778**
Prior year surplus / (deficit) on social housing lettings	**56,183**	**(11,405)**	**44,778**	

The value of void losses was £4,879,000 (2021: £4,447,000).

Other revenue grants includes UK Government Infection Control Grant ("ICG"), Local Authority Sustainability Funding, and furlough grants under the Coronavirus Job Retention Scheme.

5. Operating surplus

The operating surplus is arrived at after charging:

	Group		Association	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Depreciation of housing properties	62,009	60,274	63,785	55,995
Impairment of housing properties	1,327	123	1,327	535
Depreciation of other tangible fixed assets	1,648	4,774	1,648	4,774
Impairment of other tangible fixed assets	1,016	–	1,016	–
Operating lease rentals - land and buildings	1,345	1,424	1,345	1,424
Auditor's remuneration (excluding VAT)				
In their capacity as auditor	160	154	160	154
In respect of other services:				
Covenant compliance review	2	2	2	2
Grant compliance review	1	2	1	2
Corporate bond reporting accountant	20	20	20	20
Due diligence	26	–	26	–
ESG compliance	8	–	8	–
Total non-audit services	**57**	**24**	**57**	**24**

6. Exceptional items

The exceptional items arising are as follows:

	Group		Association	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Group restructuring				
Legal and professional fees	(18)	(492)	(12)	(492)
Realisation of investment in subsidiaries	-	-	20,793	-
	(18)	(492)	20,781	(492)
Refinancing costs	(1,813)	(1,125)	(1,813)	(1,125)
Total exceptional items included in operating surplus	**(1,831)**	**(1,617)**	**18,968**	**(1,617)**

Anchor Hanover Group purchased the entire trade and assets of Anchor Carehomes Limited on 30 April 2021 for £35,319,607. A final gift aid payment was received by Anchor Hanover Group from Anchor Carehomes of £35.3m of which £33.7m was credited against the investment in Anchor Carehomes Limited.

Hanover Housing Developments Limited ceased to trade during the year following the sale of its remaining trade and assets and made a final gift aid payment of £19.2m to Anchor Hanover Group.

Group restructuring costs have arisen from ongoing work to simplify the group structure. This work started in the year ended 31 March 2021 and completed in October 2021 with the merger of Anchor 2020 Limited and Hanover Housing Limited

Refinancing costs are consultancy and legal costs associated with the refinancing of the groups funding arrangements which has commenced in year ended 31 March 2021 and completed with the issue of the corporate bond in July 2021.

7. Directors' emoluments

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

	2022 £'000	2021 £'000
Payments to non-executive Board Members during the year	283	293
Total aggregate remuneration payable in respect of the Executive Management Committee including Executive Directors was:		
Emoluments (excluding benefits in kind)	1,870	2,054
Benefits in kind	7	34
Pension contributions	164	86
Compensation paid in respect of loss of office	227	–
	2,268	**2,174**
Payments to the highest paid director:		
Total emoluments, excluding pension contributions	535	540
Defined benefit pension scheme:		
Accrued pension of the highest paid director	57	53

The highest paid director was the Chief Executive who received a base salary of £335,000 (2021: £335,000) and a bonus for the year of 28.5% of base salary (2021: 30.0%). The Chief Executive is entitled to a car allowance and private medical cover. The value of the car allowance paid was £15,000 (2021: £15,000). The value of the private medical cover, as a benefit in kind, was £1,260 (2021: £1,404). 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 £88,313 (2021: £88,313) all of which was taken as cash (2021: same).

8. Employee costs and numbers

8.1 Employee costs:

	Group		Association	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Wages and salaries	176,986	183,055	176,018	159,969
Social security costs	14,525	14,278	13,865	12,540
Pension costs	12,920	12,086	12,354	10,787
	204,431	**209,419**	**202,237**	**183,296**

On 30 April 2021 Anchor Hanover Group acquired the trade and assets of it's subsidiary Anchor Carehomes Limited. All colleagues employed by Anchor Carehomes Limited have now transferred to Anchor Hanover Group resulting in a year on year increase in the Association payroll costs.

The 2021 employee costs include a one-off £4.8m "thank you" payment to colleagues which was made in December 2020.

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

	Group		Association	
	2022 Number	2021 Number	**2022 Number**	2021 Number
Office staff	946	925	946	924
Operational staff	8,431	9,004	8,329	7,684
	9,377	**9,929**	**9,275**	**8,608**

On 30 April 2021 Anchor Hanover Group acquired the trade and assets of it's subsidiary. Anchor Carehomes Limited. All colleagues employed by Anchor Carehomes Limited have now transferred to Anchor Hanover Group resulting in a year on year increase in staff numbers in the Association.

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

	Group		Association	
	2022 Number	2021 Number	**2022 Number**	2021 Number
Office staff	904	894	904	893
Operational staff	7,044	7,284	6,958	6,193
	7,948	**8,178**	**7,862**	**7,086**

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 Association	
	2022 Number	2021 Number
£60,001 to £70,000	74	64
£70,001 to £80,000	46	43
£80,001 to £90,000	22	13
£90,001 to £100,000	9	10
£100,001 to £110,000	8	8
£110,001 to £120,000	8	6
£120,001 to £130,000	4	4
£130,001 to £140,000	5	6
£140,001 to £150,000	4	3
£150,001 to £160,000	3	2
£160,001 to £170,000	2	1
£180,001 to £190,000	2	–
£200,001 to £210,000	1	–
£220,001 to £230,000	2	–
£230,001 to £240,000	3	2
£250,001 to £260,000	–	1
£260,001 to £270,000	1	–
£270,001 to £280,000	2	–
£280,001 to £290,000	–	1
£290,001 to £300,000	–	1
£310,001 to £320,000	–	1
£340,001 to £350,000	1	–
£530,000 to £540,000	1	–
£540,001 to £550,000	–	1

9. Interest receivable and other income

		Group		Association	
	Note	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000
Interest receivable and similar income		1,489	1,867	1,489	1,715
Income from other investments		95	–	95	–
Interest receivable from subsidiary undertakings		–	–	1,657	2,039
Movement in fair value of financial instruments	27	–	6,273	–	6,273
		1,584	**8,140**	**3,241**	**10,027**

10. Interest payable and financing costs

	Note	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Loans and bank overdrafts		17,411	19,787	17,411	18,664
Other interest payable		22	75	22	70
Net interest on net defined benefit liability		253	282	253	282
Finance lease interest		6,046	5,807	6,046	5,807
Refinancing costs		–	40,268	–	40,268
Movement in fair value of financial instruments	27	6,265	–	6,265	–
		29,997	**66,219**	**29,997**	**65,091**
Financing cost charged through Other Comprehensive Income:					
Change in fair value of hedged financial instruments		**(1,464)**	**(681)**	**(1,464)**	**(681)**

11. Tax on surplus on ordinary activities

Group:

	2022 £'000	2021 £'000
Current tax		
UK corporation tax at 19% (2021: 19%)	–	–
Total current tax	–	–
Deferred tax		
Origination and reversal of timing differences	(815)	199
Total deferred tax	(815)	199
Total tax (credit) / charge	**(815)**	**199**

	2022 Current tax £'000	2022 Deferred tax £'000	2022 Total tax £'000	2021 Current tax £'000	2021 Deferred tax £'000	2021 Total tax £ '000
Recognised in income and expenditure reserve	–	(815)	(815)	–	199	199
Total tax charge	**–**	**(815)**	**(815)**	**–**	**199**	**199**

Reconciliation of effective tax rate

The tax assessed for the period is lower (2021: lower) than the standard rate of corporation tax in the United Kingdom of 19% (2021: 19%). The differences are explained below:

	2022 £'000	2021 £'000
Surplus / (deficit) on ordinary activities before tax	**23,545**	**(11,774)**
Tax on surplus / (deficit) on ordinary activities at 19% (2021: 19%)	4,474	(2,237)
Effects of:		
Fixed asset permanent differences	–	805
Fixed asset timing differences	(2,761)	(391)
Short term timing differences	–	1
Other timing differences	–	(56)
Expenses not deductible for tax purposes	421	68
Utilisation of brought forward tax losses	(285)	(126)
Adjustments to deferred tax in respect of prior periods	–	(45)
Origination/reversal of timing differences	816	423
Effect of changes in tax rate	–	(179)
Income not taxable	(1,850)	(1,573)
Dividends received from subsidiary companies	–	3,505
Fixed asset loss on disposal	–	4
Total tax charge	**815**	**199**

Factors affecting tax charge for future periods

A UK corporation rate of 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly.

Association:

Anchor Hanover Group is exempt from UK corporation tax on activities which fall under its charitable objects. Current tax for the year is £nil (2021: £nil), deferred tax is £nil (2021: £nil) and total tax is £nil (2021: £nil)

12. Tangible fixed assets

12.1 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 2021	1,837,595	523,268	23,248	16,224	2,400,335
Additions:					
Works to existing properties	32,462	4,787	9,716	2	46,967
Transfers to stock	(9,434)	–	–	–	(9,434)
Schemes completed	10,483	–	(10,483)	–	–
Disposals	(1,776)	(160)	–	–	(1,936)
At 31 March 2022	**1,869,330**	**527,895**	**22,481**	**16,226**	**2,435,932**
Depreciation					
At 1 April 2021	992,186	204,109	–	2,762	1,199,057
Depreciation charged in the year	46,482	15,275	–	252	62,009
Impairment charge in the year	1,327	–	–	–	1,327
Released on disposal	(1,614)	(147)	–	–	(1,761)
At 31 March 2022	**1,038,381**	**219,237**	**–**	**3,014**	**1,260,632**
Net book value at 31 March 2022	**830,949**	**308,658**	**22,481**	**13,212**	**1,175,300**
Net book value at 31 March 2021	**845,409**	**319,159**	**23,248**	**13,462**	**1,201,278**

12.2 Housing properties - Association

	Retirement housing £'000	Residential care homes £'000	Properties under construction £'000	Shared ownership schemes £'000	**Total housing properties £'000**
Cost					
At 1 April 2021	1,837,482	416,214	13,097	16,224	2,283,017
Additions:					
Works to existing properties	46,270	5,371	9,726	2	61,369
Transfer to stock	(9,434)	–	–	–	(9,434)
Properties acquired*	–	112,834	–	–	112,834
Disposals	(1,776)	(160)	–	–	(1,936)
At 31 March 2022	**1,872,542**	**534,259**	**22,823**	**16,226**	**2,445,850**
Depreciation					
At 1 April 2021	992,186	168,911	–	2,762	1,163,859
Depreciation charged in the year	46,482	17,051	–	252	63,785
Impairment charge in the year	1,327	–	–	–	1,327
Released on disposal	(1,614)	(147)	–	–	(1,761)
At 31 March 2022	**1,038,381**	**185,815**	**–**	**3,014**	**1,227,210**
Net book value at 31 March 2022	**834,161**	**348,444**	**22,823**	**13,212**	**1,218,640**
Net book value at 31 March 2021	**845,296**	**247,303**	**13,097**	**13,462**	**1,119,158**

* Anchor Hanover Group acquired the assets of it's subsidiary, Anchor Carehomes Limited, at open market vluation on 30 April 2021. The difference between the market valuation and the net book value at the time of sale is eliminated on consilidation.

12.3 Housing properties held under finance leases - Group and Association

The total net book value of housing properties held under finance leases after deducting accumulated depreciation is £83,781,000 (2021: £84,633,000). Depreciation charged during the year on these assets was £3,509,000 (2021: £5,015,000).

12.4 Finance costs - Group and Association

	2022 £'000	2021 £'000
Aggregate amount of finance costs included in the cost of housing properties	**691**	**691**

12.5 Housing properties book value net of depreciation

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

	Group		Association	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Freehold land and buildings	1,009,318	1,032,440	1,052,658	955,503
Leasehold land and buildings	165,982	168,838	165,982	163,655
	1,175,300	**1,201,278**	**1,218,640**	**1,119,158**

12.6 Expenditure works to housing properties

		Group		Association	
	Note	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000
Total expenditure works to housing properties		66,278	63,325	80,661	61,793
of which:					
Maintenance works capitalised		37,249	36,356	51,641	35,309
Amounts charged to income and expenditure (planned maintenance)	4.3	29,029	26,969	29,020	26,484

12.7 Surplus / (deficit) on sale of fixed assets

		Group		Association	
	Note	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000
Disposal proceeds		1,004	7,288	1,004	7,288
Carrying value of property disposals		(1,074)	(2,208)	(1,074)	(2,185)
Other disposal costs		326	(1,412)	319	(1,414)
		256	**3,668**	**249**	**3,689**

12.8 Social housing assistance - Group and Association

Total accumulated social housing grant received or receivable at 31 March:	**2022 £'000**	2021 £'000
Capital grant	822,034	821,558
	822,034	**821,558**

12.9 Tangible fixed assets - other

	Group			
	Office buildings £'000	Motor vehicles £'000	Office equipment and fittings £'000	**Total £'000**
Cost				
At 1 April 2021	6,040	102	75,217	81,359
Additions	6	–	2,623	2,629
Disposals	–	–	(899)	(899)
At 31 March 2022	**6,046**	**102**	**76,941**	**83,089**
Depreciation				
At 1 April 2021	1,343	96	53,794	55,233
Charged in the year	88	3	1,557	1,648
Impairment charge in the year	1,016	–	–	1,016
At 31 March 2022	**2,447**	**99**	**55,351**	**57,897**
Net book value at 31 March 2022	**3,599**	**3**	**21,590**	**25,192**
Net book value at 31 March 2021	**4,697**	**6**	**21,423**	**26,126**

	Association			
	Office buildings £'000	Motor vehicles £'000	Office equipment and fittings £'000	**Total £'000**
Cost				
At 1 April 2021	6,040	83	75,173	81,296
Additions	6	–	2,623	2,629
Disposals	–	–	(899)	(899)
At 31 March 2022	**6,046**	**83**	**76,897**	**83,026**
Depreciation				
At 1 April 2021	1,343	77	53,750	55,170
Charged in the year	88	3	1,557	1,648
Impairment charge in the year	1,016	-	-	1,016
At 31 March 2022	**2,447**	**80**	**55,307**	**57,834**
Net book value at 31 March 2022	**3,599**	**3**	**21,590**	**25,192**
Net book value at 31 March 2021	**4,697**	**6**	**21,423**	**26,126**

12.10 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 2018.

The Directors have identified three properties that are planned for disposal at a deficit based on the expected selling price. These properties have therefore been impaired down to their forecast realisable value. In addition an office property no longer in use has also been impaired down to the forecast realisable value. In 2021 there were two properties where local operational issues have led to ongoing lower occupancy and higher costs. 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 £2,343,000 was required for the year (2021: £535,000).

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.

13. Fixed asset investments

13.1 Fixed asset investments - Group and Association

	2022 £'000	2021 £'000
Treasury Stock		
8.75% Treasury Stock 2021	–	1,068
Bonds		
Northern Counties Housing Association	–	199
Total of listed investments	**–**	**1,267**
Investments in associated undertakings		
Invisible Creations Limited	–	450
Other Investments		
Schroders Private Equity Fund	785	912
Total value of investments	**785**	**2,629**

Anchor Hanover Group owns 29% of the issued share capital of Invisible Creations Limited, a private limited company that designs and sells home adaptions for older people. This investment has been written off during the year as Invisible Creations Limited is in the process of being liquidated.

13.2 Fixed asset investments - subsidiary undertakings	Association £'000
Cost at 1 April 2021	33,682
Credited by gift aid	(33,682)
Cost at 31 March 2022	**–**

On 30 April 2021, Anchor Carehomes Limited (ACHL) sold it's trade and assets to Anchor Hanover Group and following a reduction in share capital to £1 made a final gift aid payment to Anchor. Anchor Carehomes Group Limited's (ACGL) investment in ACHL was subsequently written down to £1 and ACHG also reduced it's share capital to £1. Following this Anchor Hanover Group's investment in ACHG was written down to £1 during the year.

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 2022:

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 Carehomes Group Limited [1]	Non trading	£1
Anchor Carehomes (Five) Limited [2]	Dormant, dissolved 31 May 2022	£1
Anchor Carehomes (Number One) Limited [3]	Dormant, dissolved 31 May 2022	£1
Anchor Carehomes Limited [2]	Non trading	£1
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

14. Stock

14.1 Stock: Properties for sale

	Group		Association	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Completed properties	46,119	94,409	515	4,913
Work in progress	159,055	52,147	57,319	11,791
	205,174	**146,556**	**57,834**	**16,704**

14.2 Stock: Raw materials and consumables

	Group		Association	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Raw materials and consumables	296	172	296	136
	296	**172**	**296**	**136**

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

15. Debtors: amounts falling due within one year

	Group		Association	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Rent and service charges receivable	11,084	12,732	11,084	10,406
Less: Provision for bad and doubtful debts	(2,775)	(2,046)	(2,775)	(2,046)
	8,309	10,686	8,309	8,360
Trade debtors	1,695	656	1,695	656
Prepayments	8,387	9,829	11,857	13,118
Deficits carried forward on variable service charge schemes	5,635	5,779	5,635	5,779
Other debtors and accrued income	2,829	3,387	1,278	2,615
	26,855	**30,337**	**28,774**	**30,528**

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

	Note	Group		Association	
		2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Finance debtor		13,934	14,804	13,934	14,804
Amounts due from subsidiary undertakings		–	–	140,146	192,750
Deferred tax	24	1,184	1,694	–	–
Amounts due from related companies		–	83	–	83
Derivative financial instruments	27	1,464	6,273	1,464	6,273
Other debtors		540	540	540	540
		17,122	**23,394**	**156,084**	**214,450**

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 Invisible Creations Limited, a company registered in England and Wales, of which Anchor Hanover Group owns 29% of the company's share capital. Anchor Hanover Group has made a loan of £83k (2021: £83k) to Invisible Creations Limited. During the year, Invisible Creations Limited went into administration and Anchor Hanover Group has subsequently made provision of £83k against this loan. Interest is payable on the loan at fixed rate of 8.0% per annum.

17. Short term deposits and investments - Group and Association

	Note	**2022 £'000**	2021 £'000
Money market fund investments	27	117	117
		117	**117**

18. Creditors: amounts falling due within one year

	Note	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Trade creditors		28,556	23,249	27,082	18,627
Rents received in advance		10,429	12,995	10,429	12,995
Surpluses carried forward on variable service charge schemes		9,747	6,875	9,747	6,875
Recycled capital grant fund	19.3	7,373	7,849	7,373	7,849
Deferred capital grant	19.2	13,127	13,482	13,127	13,482
Debt	21	1,646	83,884	1,646	82,884
Bank overdraft		–	113	–	113
Obligations under finance leases	23	1,595	1,303	1,595	1,303
Other taxation and social security		3,848	4,131	3,848	3,762
Other creditors		4,722	8,626	4,722	8,610
Accruals and deferred income		62,439	67,670	55,467	60,896
		143,482	**230,177**	**135,036**	**217,396**

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

	Note	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Deferred capital grant	19.2	211,351	224,018	211,351	224,018
Debt	21	500,244	454,545	500,244	437,020
Obligations under finance leases	23	96,504	98,090	96,504	98,090
Major repairs sinking funds for leasehold schemes	19.1	–	13,302	–	13,302
Amounts due to subsidiary undertakings		–	–	781	6,423
Other creditors		3,029	4,473	3,029	4,473
		811,128	**794,428**	**811,909**	**783,326**

19.1 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.

In April 2021 the Association took the decision to ringfence all cash collected from customers for sinking funds in a client monies accounts. Following this neither the ring-fenced cash or the associated sinking fund liability are reported in Anchor's balance sheet.

19.2 Deferred capital grant - Group and Association

	2022 £'000	2021 £'000
Fund at 1 April	237,500	249,570
Grant received in the year	–	890
Released to income in the year	(13,498)	(14,025)
Grants recycled from the recycled capital grant fund	476	1,065
Fund at 31 March	**224,478**	**237,500**
Falling due within one year	13,127	13,482
Falling due after more than one year	211,351	224,018
	224,478	**237,500**

19.3 Recycled capital grant fund - Group and Association

	Homes England £'000	**Total £'000**	Homes England £'000	Total £'000
Fund at 1 April	7,849	7,849	8,914	8,914
Withdrawals	(476)	(476)	(1,065)	(1,065)
Fund at 31 March	**7,373**	**7,373**	**7,849**	**7,849**
Falling due within one year	7,373	7,373	7,849	7,849
	7,373	**7,373**	**7,849**	**7,849**

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

20. Provisions for liabilities and charges

	Group		
	Deferred taxation (note 24) £'000	**2022 £'000**	2021 £'000
Balance at 1 April	1,326	1,326	933
Additions in the year	–	–	99
Utilised in the year	(1,326)	(1,326)	–
Remeasurement	–	–	294
Balance at 31 March	**–**	**–**	**1,326**

There are no provisions for liablities and charges at Association level (2021: £nil).

21. Debt analysis

Borrowings		Group		Association	
		2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Fixed rates	**Interest rate**				
Orchardbrook Limited	Between 11.295% - 11.615%	38,976	39,492	38,976	39,492
Banks	Between 0.610% - 6.795%	17,525	18,525	17,525	–
Local authorities	Between 5.000% - 16.500%	148	157	148	157
Bond	2.00%	329,343	–	329,343	–
Other	Between 0.000% - 7.7318%	47,898	48,416	47,898	48,416
		433,890	106,590	433,890	88,065
Variable rates	**Interest rate**				
Banks	Between 0.250% - 1.750% above LIBOR	–	81,839	–	81,839
Banks (unsecured)	Between 0.500% - 1.150% above SONIA	68,000	350,000	68,000	350,000
		68,000	431,839	68,000	431,839
Total housing loans		**501,890**	**538,429**	**501,890**	**519,904**

Anchor Hanover Group completed its refinancing and corporate restructure in the year resulting in year on year changes to borrowings from banks.

A public bond was issued repaying unsecured bridging finance and a sustainability-linked revolving credit facility (RCF) was put in place and drawn on in-year. The RCF is unsecured bank borrowing to which an unencumbered asset test is applied.

All LIBOR-linked loans were repaid in-year and the new variable rate borrowing uses SONIA as its fixing.

Security

Some of the 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 £217,846,000 (2021: £137,166,000). This reduction in secured properties is a result of the repayment of existing secured loans and the replacement with an unsecured revolving credit facility during the year.

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

	Group		Association	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
In one year or less	1,646	83,884	1,646	82,884
Between one and two years	69,749	352,150	69,749	351,150
Between two and five years	21,520	22,216	21,520	5,691
In five years or more	408,975	80,179	408,975	80,179
	501,890	**538,429**	**501,890**	**519,904**

The changes in repayment profiles year on year follows the culmination of the refinancing. A number of loans were paid off during the first quarter of the year and bridging finance of £350,000,000 was repaid following the issuance of a corporate bond.

22. Operating lease commitments - Group and Association

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

	Properties £'000	**Motor vehicles £'000**	**2022 £'000**	2021 £'000
Operating leases which expire:				
In one year or less	1,071	31	1,102	1,286
Between two and five years	1,910	12	1,922	2,875
In five years or more	7,130	8	7,138	7,286
Total	**10,111**	**51**	**10,162**	**11,447**

23. Obligations under finance leases

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

	Group		Association	
	2022 Net obligations £'000	2021 Net obligations £'000	**2022 Net obligations £'000**	2021 Net obligations £'000
In one year or less	1,595	1,303	1,595	1,303
Between two and five years	6,286	5,909	6,286	5,909
In five years or more	90,218	92,181	90,218	92,181
Total	**98,099**	**99,393**	**98,099**	**99,393**

24. Deferred taxation

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000
Decelerated capital allowances	(5)	(777)	–	–	(5)	(777)
Short term timing differences	–	28	–	–	–	28
Unrelieved tax losses	(1,179)	(945)	–	–	(1,179)	(945)
Revaluation of tangible fixed assets	–	–	–	1,326	–	1,326
Net tax (assets) / liabilities	**(1,184)**	**(1,694)**	**–**	**1,326**	**(1,184)**	**(368)**

The Group has unrelieved tax losses of £4,713,356 (2021: £8,816,000) 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 2023 is £1,183,643. This primarily relates to the reversal of timing differences on capital allowances and the utilisation of tax losses.

Association

The Association deferred tax asset is £nil (2021: £nil) and the Association deferred tax liability is £nil (2021: £nil).

25. Pension obligations - Group and Association

Anchor Hanover Group operates or participates in two defined benefit pension schemes for its employees, Anchor Trust Final Salary Scheme and Surrey County Council 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.

Deficit in defined benefit schemes:

	Note	**2022 £'000**	2021 £'000
Anchor Trust Final Salary Scheme	25.2	–	–
Surrey County Council Pension Fund	25.3	(8,211)	(12,850)
Total deficit in defined benefit schemes to be recognised		**(8,211)**	**(12,850)**

25.1 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 £12,690,000 (2021: £10,520,000).

25.2 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 was 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 £299,000 (2021: £303,000). 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 ongoing and is being 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 2022 by a qualified independent actuary.

The assumptions used by the actuary are:

	At 31 March 2022 % per annum	At 31 March 2021 % per annum	At 31 March 2020 % per annum
Discount rate	2.78	2.10	2.30
Inflation rate (RPI)	3.60	3.30	2.70
Inflation rate (CPI)	3.29	2.95	1.70
Rate of increase in salaries	3.29	2.70	2.70
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	3.14	2.85	1.85
Allowance for revaluation of deferred pensions of CPI or 2.5% p.a. if less	2.13	2.00	1.50
Allowance for revaluation of deferred pensions of CPI or 3% p.a. if less	2.44	2.30	1.60
Mortality in retirement	108% S3PXA [1.50%m; 1.25%f]	103% S2PXA [1.25%m; 1.25%f]	103% S2PXA [1.25%m; 1%f]
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

	Life expectancy at age 65 (years)
Male retiring in 2022	21.7
Female retiring in 2022	24.2
Male retiring in 2042	23.4
Female retiring in 2042	25.6

The assets in the scheme were:	**Market value at 31 March 2022 £'000**	Market value at 31 March 2021 £'000	Market value at 31 March 2020* £'000
Equity type	44,374	35,136	30,441
Bonds	32,087	51,269	108,462
Property	14,995	12,451	10,724
Cash	2,723	5,955	–
Other	80,335	75,188	77,563
LDI	71,109	62,202	–
Total assets	**245,623**	**242,201**	**227,190**

*The categorisation of the assets has been amended to provide better consistency in the classification of funds, this new analysis is not availabe for the market value as at 31 March 2020.

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

	Market value at 31 March 2022 £'000	Market value at 31 March 2021 £'000	Market value at 31 March 2020 £'000
Fair value of scheme assets	245,623	242,201	227,190
Present value of defined benefit obligation	(219,107)	(238,504)	(206,671)
Surplus / (deficit)	26,516	3,697	20,519
Effect of asset ceiling	(26,516)	(3,697)	(20,519)
Deficit in the scheme to be recognised	**–**	**–**	**–**

The rules of the pension scheme do not permit a refund of surplus to the Association. In the event of the scheme being wound up any surplus must be used to either augment benefits to members or to make a charitable donation.

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Defined benefit obligation at start of year	238,504	206,671
Interest expense	4,925	4,674
Actuarial (gains) / losses	(16,348)	34,127
Benefits paid and expenses	(7,974)	(7,019)
Losses due to benefit changes	–	51
Defined benefit obligation at end of year	**219,107**	**238,504**

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

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Fair value of scheme assets at start of year	242,201	227,190
Interest income	5,003	5,162
Actuarial gains	6,395	15,366
Contributions by the sponsoring employer	297	1,805
Benefits paid and expenses	(8,273)	(7,322)
Fair value of scheme assets at the end of year	**245,623**	**242,201**

Defined benefit costs recognised in income or expenditure

	2022 £'000	2021 £'000
Expenses	299	303
Net interest cost	(78)	(488)
Interest on effect of asset ceiling	78	488
Benefit changes	–	51
Defined benefit costs recognised in income and expenditure account	**299**	**354**

Defined benefit costs recognised in other comprehensive income

	2022 £'000	2021 £'000
Return on scheme assets (excluding amounts included in net interest cost) - gain	6,395	15,366
Experience gains and losses arising on the scheme liabilities - gain	3,859	1,325
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities -gain / (loss)	12,489	(35,452)
Effect of changes in the amount of surplus that is not recoverable - (losses) / gains	(22,741)	17,310
Total amount recognised in other comprehensive income - gain / (loss)	**2**	**(1,451)**

25.3 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 2022 % per annum	At 31 March 2021 % per annum
Discount rate	2.70	2.00
Rate of increase in salaries	3.20	3.75
Pension increase rate	3.20	2.00
Expected return on assets	2.70	2.30

The breakdown of expected return on asset by category:

	At 31 March 2022 % per annum	At 31 March 2021 % per annum
Equities	2.70	2.30
Bonds	2.70	2.30
Property	2.70	2.30
Cash	2.70	2.30

The assets in the scheme were:

	Market value at 31 March 2022 £'000	Market value at 31 March 2021 £'000
Equity type	38,162	43,293
Bonds	15,503	9,114
Property	4,770	2,848
Other	1,193	1,709
Total assets	**59,628**	**56,964**

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	**Females**
Current pensioners	22.1 years	24.5 years
Future pensioners	23.1 years	26.2 years

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

	Market value at 31 March 2022 £'000	Market value at 31 March 2021 £'000
Fair value of scheme assets	56,928	56,964
Present value of defined benefit obligation	(65,139)	(69,814)
Deficit in the scheme to be recognised	**(8,211)**	**(12,850)**

Reconciliation of opening and closing balances of the defined benefit obligation

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Defined benefit obligation at start of year	69,814	57,290
Current service cost	398	338
Past service cost (including curtailments)	122	–
Interest expense	1,382	1,300
Members' contributions	59	67
Changes in demographic assumptions	(307)	745
Changes in financial assumptions	(4,535)	12,643
Other experience	147	(677)
Benefits paid and expenses	(1,941)	(1,892)
Defined benefit obligation at end of year	**65,139**	**69,814**

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

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Fair value of scheme assets at start of year	56,964	44,796
Interest income	1,129	1,018
Actuarial (losses) / gains	(169)	12,122
Contributions by the sponsoring employer	878	845
Members' contributions	59	67
Benefits paid and expenses	(1,933)	(1,884)
Fair value of scheme assets at end of year	**56,928**	**56,964**

Defined benefit costs recognised in income or expenditure

	2022 £'000	2021 £'000
Expenses	520	338
Net interest cost	253	282
Defined benefit costs recognised in income and expenditure account	**773**	**620**

Defined benefit costs recognised in other comprehensive income

	2022 £'000	2021 £'000
Return on scheme assets (excluding amounts included in net interest cost) - (loss) / gain	(169)	12,122
Experience gains and losses arising on the scheme liabilities - (loss) / gain	(147)	677
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities - gain / (loss)	4,842	(13,388)
Total amount recognised in other comprehensive income - gain / (loss)	**4,526**	**(589)**

25.5 Reconciliation to the balance sheet - Group

	2022 £'000	2021 £'000
Net assets		
Net assets excluding pension liability	580,157	554,875
Pension liability	(8,211)	(12,850)
Net assets including pension liability	**571,946**	**542,025**
Reserves		
Revenue reserve excluding pension liability	525,729	501,480
Pension liability	(8,211)	(12,850)
Revenue reserve including pension liability	**517,518**	**488,630**

26. Share capital

	Association £'000
Cost at 1 April 2021	9
Cost at 31 March 2022	**9**

27. 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:

	2022 £'000	2021 £'000
Financial assets		
Financial assets measured at historical cost		
Rent and service charges receivable	11,084	12,732
Trade debtors	1,695	656
Other debtors	2,829	3,387
Derivative financial instruments	1,464	6,273
Investments in short term deposits	117	117
Cash and cash equivalents	83,926	150,197
Total financial assets	**101,115**	**173,362**
Financial liabilities		
Financial liabilities measured at amortised cost		
Loans payable	501,890	538,429
Financial liabilities measured at historical cost		
Trade creditors	28,556	23,249
Other creditors	7,751	13,099
Finance leases	98,099	99,393
Total financial liabilities	**636,296**	**674,170**

Hedge of variable interest rate risk arising from bank loan liabilities

In March 2021, Anchor Hanover Group reviewed its hedging strategy and entered into new derivative financial instruments following the refinance of its bank loan portfolio. The National Bank of Australia swap carries a link to the Sustainability Framework KPIs.

The derivatives in place as at March 2022 are accounted for as complex financial instruments and are in hedge relationships, 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 for effective hedge relationships are presented in a separate cash flow hedge reserve. Where movements in fair value adjustments relate to the ineffective part of the swap or are not hedge accounted for, they are recognised in the statement of comprehensive income. Fair value is determined by reference to the mark-to-market position of the derivative instruments at each reporting date.

The derivative financial instruments are analysed as follows:

			2022		2021	
		Maturity date	**Notional value £'000**	**Fair value £'000**	Notional value £'000	Fair value £'000
Instrument type	**Counterparty**					
Interest Rate Cap	Santander UK Plc	30/03/2022	–	–	350,000	9
Gilt lock	Banco Santander S.A.	29/07/2021	–	–	115,000	2,781
Gilt lock	Barclays Bank Plc	29/07/2021	–	–	230,500	3,483
Interest rates swaps	MUFG	08/02/2031	10,000	733	–	–
Interest rates swaps	National Bank of Australia	08/02/2031	10,000	731	–	–
			20,000	**1,464**	**695,500**	**6,273**

28. Notes to the consolidated cash flow statement

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

	2022 £'000	2021 £'000
Operating surplus for the year	51,958	46,305
Depreciation of tangible fixed assets	63,657	65,048
Impairment charge	2,343	123
Carrying value of property disposals	1,074	2,207
Movement in restricted reserves	(431)	(308)
Difference between pension charge and cash contributions	142	(1,402)
Increase in stock	(49,307)	(12,939)
Decrease / (increase) in debtors	9,753	(8)
(Decrease) in creditors	(32,673)	(2,942)
Net cash inflow from operating activities	**46,516**	**96,084**

28.2 Analysis of changes in net debt

	At 31 March 2021 £'000	Cash flow £'000	Non cash movement £'000	**At 31 March 2022 £'000**
Cash at bank and in hand including overnight deposits	150,197	(66,271)	–	83,926
Other short term deposits and investments	117	–	–	117
Debt due within one year	(83,884)	83,884	(1,646)	(1,646)
Debt due after one year	(454,545)	(47,345)	1,646	(500,244)
Finance lease obligations	(99,393)	1,294	–	(98,099)
Net debt	**(487,508)**	**(28,438)**	**–**	**(515,946)**

29. Capital commitments - Group and Association

	2022 £'000	2021 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	60,126	112,205
Capital expenditure that has been authorised by the Board but has not yet been contracted for	474,242	258,910
	534,368	**371,115**

The year on year increase in capital commitments is a result of the groups increased development ambitions. As a result there is a significant increase in expenditure for eleven other sites that have received Board authorisation but re not yet contracted for. All of this anticipated expenditure is expected to be covered by existing cash and agreed banking facilities together with £4,163,112 of social housing grant.

30. Contingent assets and liabilities - Group and Association

Anchor is preparing for a pensioner buy-in as part of a plan to manage the future liabilities of the ATFSS. 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 changes to the indexation of pension increases during this period. Anchor believes the changes to be valid. The Trustee has carried out a review into all schemes under its administration and concluded the uncertainty is widespread among the majority of schemes it administers. The Trustee intends to seek high court review of their administration practices, which may take up to two years to conclude. The estimated impact on Anchor if the pension changes are ruled not to have been valid is £36.9m.

As part of this review the Trustee has identified several further potentially significant items on which it intends to seek a ruling, including dating of documents and matters relating to the inflation index applied to benefits earned before December 2003. Prior to 2011 pre-2003 benefits were inflated in line with RPI capped at 5% but in 2011 The Trustee changed its approach to apply increases in line with CPI. The Trustee is seeking a ruling on whether the pension increases should have continued to be indexed against RPI. The estimated impact on Anchor if the change is ruled not to have been valid is £14.3m

The Group and Association had no other contingent assets or liabilities at 31 March 2022 (2021: same).

31. 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 the each of the five entities:

	Management fees		Interest	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Anchor 2020 Limited	200	209	–	–
Anchor Lifestyle Developments Limited	343	348	1,657	1,228
Anchor Carehomes Group Limited[1]	54	646	–	809
Hanover Housing Limited[2]	–	32	–	–
Hanover Housing Developments Limited[3]	–	135	–	–
	597	**1,370**	**1,657**	**2,037**

[1] Anchor Carehomes Limited sold it's trade and assets to Anchor Hanover Group on 30 April 2021 for £35,319,607 and has been dormant since.

[2] On 31 October following a transfer of engagements the trade and assets of Hanover Housing Limited were transferred to Anchor 2020 Limited and Hanover Housing Limited was subsequently de-registered on 8 February 2022. Merger accounting has been applied by Anchor 2020 Limited and as such all transactions relating to Hanover Housing Limited have been reported as Anchor 2020 Limited for the current financial year.

[3] Hanover Housing Developments Limited ceased to trade during the year following the sale of its remaining trade and assets. Prior to the cessation of trade it sold completed properties intended for rent and the retained equity on properties sold on a shared ownership basis to Anchor for £9,907,878. In addition Hanover Housing Developments Limited sold the freehold reversionary interest in the land at Walrond House and Woodside Square to Anchor Hanover Group at a combined market value of £3,325,310. The remaining unsold stock was sold to Anchor Lifestyle Developments Limited at the book value of £826,270.

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:

	2022 £'000	2021 £'000
Anchor Hanover Group	201	3,993
Anchor Lifestyle Developments Limited	34,175	31,430
	34,376	**35,423**

Prior to merger with Anchor 2020 Limited, Hanover Housing Limited provides design and build serviced to two other group entities. Charges made to group entities during FY22 are reported as being by the merged entity, Anchor 2020 Limited. The table below shows the charges made during 2021 by Hanover Housing Limited to each entity:

	2022 £'000	2021 £'000
Anchor Hanover Group	–	107
Anchor Lifestyle Developments Limited	–	1,616
	–	**1,723**

The table below shows the amounts owed to/(from) Anchor Hanover Group (to)/from other group companies as at 31 March 2022. All these companies are 100% owned by Anchor Hanover Group.

	2022 £'000	2021 £'000
Anchor 2020 Limited	(781)	(6,423)
Anchor Lifestyle Developments Limited	140,145	128,167
Anchor Carehomes Group Limited	–	64,563
Hanover Housing Limited	–	115
Hanover Housing Developments Limited	–	–
	139,364	**186,422**

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

	2022 £'000	2021 £'000
Alfred Stubbs Trust	3	8
Almshouse Charity of Elizabeth Smith	5	12
Collins Memorial Trust	20	48
Jane Cameron's Old People's Charity	43	103
The Flood Charity	5	11
The Margaret Jane Ashley Almshouse Charity	1	3
William Paul Housing Trust	34	82
	111	**267**

During the year one member of the Executive Committee had relationships with organisations with which Anchor Hanover Group has immaterial transactions. Jane Ashcroft was a Non Executive Director at ARCO Limited and National Housing Federation, which had transactions with Anchor Hanover Group totalling £52,564 (2021: £30,360) and £100,974 (2021: £103,154) respectively.

Christopher Kemball, the chairman of Anchor Hanover Group, was chairman of PHS Services Limited until 7 May 2020 an organisation with which Anchor Hanover Group had transactions totalling £76,865 (2021: £87,951) during the year.

Richard Petty, a Non Executive Director of Anchor Hanover Group, is also a Director of Jones Lang LaSalle Limited (JLL) an organisation with which Anchor Hanover Group had transactions totalling £4,718,270 (2021: £4,452,247). Of this, £4,633,370 (2021: £4,444,062) relates to rent for five care homes which JLL collects as managing agent for the landlord of those properties.

Katy Taylor, a Non Executive Director of Anchor Hanover Group,became Chief Customer Officer at Southern Water during the year an organisation with which Anchor Hanover Group had transactions totalling £416,304 (2021: £368,541).

Anchor Hanover Group owns 29% of the share capital of IC Realisations 2021 Limited (formerly Invisible Creations Limited). Sarah Jones, Chief Financial Officer of Anchor Hanover Group, and Robert King, former Director of Corporate Finance of Anchor Hanover Group, were both Directors of IC Realisations 2021 Limited until 14 September 2021 and 22 October 2021 respectively. On 21 December 2021, IC Realisations 2021 Limited appointed administrator and Anchor Hanover Group consequently wrote down it's investment in the company to £nil. During the year, Anchor Hanover Group had transactions totalling £4,064 (2021: £1,850) with IC Realisations 2021 Limited and also made a loan of £83,333 (2021: same) to the company. Following the appointment of administrators Anchor Hanover Group has provided against the loan balance in full. Further details of the loan are set out in note 17.

There are no other related party transactions in the year to 31 March 2022 (2021: £nil).

32. 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

33. Post year end events - Group and Association

On 28 July 2022, Anchor exchanged contracts to acquire the entire share capital of Halcyon Care Homes Topco Limited ("HC Topco"). The purchase, due to complete in Autumn 2022 once the CQC transfer of registration has taken place, will bring all the business and assets of HC Topco under the ownership of Anchor Hanover Group. The group of companies, collectively branded as Halcyon Care Homes, operate six mature and three new homes, alongside two in development, mainly in the East Midlands and the South of England. The homes are leased from two institutional landlords with the exception of one asset that is being acquired on a freehold basis.

The homes provide a total of 726 en-suite rooms for older people, including those living with dementia. The deal will bring the total number of care homes operated by Anchor to 125.

34. Housing stock in management

	As at 1 April 2021	Acquired or Developed	Sold, transferred or demolished	Adjustments and reclassifications	**As at 31 March 2022**
Housing for older people	35,306	25	(2)	64	35,393
General needs	228	–	(2)	–	226
Non-social rented	14	–	–	(2)	12
Low cost home ownership	118	–	–	1,285	1,403
Care home rooms	5,860	–	–	1	5,861
Other leasehold housing	12,393	65	(74)	(1,293)	11,091
Total units managed	**53,919**	**90**	**(78)**	**55**	**53,986**

1 - Comprises one rented estate that has returned to Anchor management, some units previously occupied by location managers and eight leasehold units purchased for rent and therefore reclassified. New guidance published by the Regulator of Social Housing during the year has additionally seen 1,285 leasehold units reclassified as low cost home ownership units.

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 جاسکتا 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.

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Thanks

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

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A charitable housing association registered as a society under the Co-operative and Community Benefit Societies Act 2014, No. 7843 and registered with the Regulator of Social Housing, No. LH4095.