



Creating a future where old age matters

**Anchor Trust financial statements
for the year ended 31 March 2007**

Anchor

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Operating and Financial Review

Legal status

Anchor Trust is a company limited by guarantee. It is registered with both the Charity Commission and the Housing Corporation.

Business overview

Anchor Trust is England's largest not-for-profit provider of housing, support and care for older people and exists to improve the lives of older people. We do this by anticipating and respecting the lifestyle choices of older people and by providing services they value. Anchor only operates in England and focuses its services on people over 70.

The year 2006/07 has again been one of investment:

- We have invested in our staff – improving our people processes and gaining accreditation with Investors in People in April 2007.
- We have invested in our properties – the planned works programme for each Anchor Homes care home and Anchor Retirement Housing scheme continued following the Stock Condition Survey completed in October 2004. 92% of Anchor Retirement Housing schemes complied with the Government's Decent Homes standard as at 31 March 2007.
- We have invested in processes – especially in financial systems replacement, procurement systems and business operating systems.
- We have invested in innovation – delivering additional services to enhance our customers' experiences and undertaking research to improve our understanding of the future service requirements of older people.
- We have invested in developing a culture of excellent customer service within each of our businesses and across Anchor as a whole.

Anchor's business, objectives and strategy

Anchor provides services to more than 50,000 customers each week.

Anchor is a diverse organisation working in a variety of ways to improve the lives of older people. Our main business areas are:

- Anchor Retirement Housing, providing sheltered housing for rent;
- Guardian Management Services, providing management services to leasehold retirement estates;
- Anchor Homes, providing nursing and residential care;
- Anchor Care, providing home care services;
- Anchor Staying Put, operating an England-wide chain of home improvement agencies; and
- Anchor Integrated Care and Housing, providing sheltered housing with the added support of an on-site care team.

As a major provider of older people's services, we understand the sector, its history and its challenges. Individuals and our society as a whole carry assumptions about older people and the services they should receive. Our mission is to anticipate and respect the lifestyle choices of older people by providing services they value.

Operating and Financial Review

Anchor's business, objectives and strategy (continued)

Demographic projections, feedback from customers and stakeholders and our assessment of the market tell us that there is an ongoing need for a range of care, support and housing services for older people.

In particular we will:

- continue to research and develop models for residential and nursing homes. We aim to develop new services in coming years which exceed current market standards;
- continue to seek opportunities to develop Staying Put services where they are financially viable, operating in partnership with informed commissioners;
- continue with the development of specialist care homes and Integrated Care and Housing through the Private Finance Initiative in Coventry;
- continue with the development of Denham Garden Village; and
- continue our significant investment into our buildings. This is being delivered through partnering contracts following best practice principles. We will also continue to review the viability of our sheltered housing stock to ensure it meets the needs and aspirations of the older people of today and the future.

The increasing care needs of England's ageing population mean we are focusing our services on "older" older people.

Our services are based on what our customers want, not simply regulatory requirements, and standards are high. The challenge of providing quality, innovative services must be seen in the context of increasing funding challenges for both the housing and care sectors.

Our focus on the individual means we adapt to meet the changing aspirations of our customers and potential customers. Denham Garden Village and the Coventry PFI are examples of how our services are evolving to meet customers' needs.

During 2006/07 we undertook a significant research project to understand the future requirements of older people and how Anchor's services could be developed to meet those requirements. A number of new service projects will be piloted during 2007/08 to further develop our strategy in the delivery of innovative services.

The Board uses a variety of measures to assess our success in achieving our objectives. These include financial measures such as operating surplus, operating margins, interest cover and gearing ratio and non-financial measures such as staff and customer satisfaction surveys and focus groups such as Anchor 500 and Guardian 100.

Operating and Financial Review

Anchor's business, objectives and strategy (continued)

Anchor and its businesses maintain risk registers, which identify risks to the delivery of Anchor's objectives and estimate the likelihood of their occurrence and the impact. This enables us to rank the risks, identify controls and take action to mitigate the risks to an acceptable level. The most significant challenges we identified in the year were:

- the impact of the property investment programme, which will ensure that all of our property meets the Decent Homes standard to schedule. We will achieve this by continuing to develop our asset management strategy and introducing repairs software to control the programme;
- government policy and funding, especially the reductions in funding and income from Supporting People/Housing Benefit; and
- workforce – our ability to recruit and retain the very best people within the challenging funding environment.

Financial highlights

In order to ensure ongoing sustainability and the opportunity to develop new services, it is important that Anchor is financially sound and effectively managed. Our financial performance remained satisfactory; turnover of £247.4m represented a 6% increase on the prior year. The operating surplus after corporate overheads was £13.8m in 2006/07, compared to £26.5m in 2005/06. Our solid performance over the past three years has provided the means to continue with the high investment programme in both properties and services that started in 2005/06 and will continue into 2008/09.

Surpluses have fallen in both of our two main businesses. In Anchor Retirement Housing (ARH), the major property investment programme continued. In the last year, the proportion of units not meeting Decent Homes criteria has reduced to 8% (previously 28%). This is a factor in the reduction in the operating surplus of ARH from £22.8m to £14.3m.

In Anchor Homes falls in occupancy in some areas of the portfolio, together with increases in occupational costs, resulted in a decrease in surplus from £5.9m to £3.6m. Anchor Staying Put has seen increased activity but made an operating deficit of £0.1m. Anchor Care faced difficult trading conditions in its market place. The deficit for Anchor Care was £1.5m, after all costs.

Income from non-social housing activities has increased during the year to £10.8m compared to £9.6m in 2005/06. Most of this income is the sales programme at Denham Garden Village. Work continued on the redevelopment of the site during the year: total expenditure to date is £37.9m; 63 properties have now been sold. The project, which offers integrated care and housing for older tenants and leaseholders, is being developed entirely without grant. When completed in 2011 it will provide 326 properties for rent and sale. The surplus for Denham Garden Village increased to £4.1m from £3.0m in 2005/06.

Our leasehold management business, Guardian Management Services has also recorded an increase in turnover to £2.5m from £2.3m in 2005/06.

Interest payable for the year fell by 8%, while interest receivable and other income fell by 63% as a result of reductions in cash balances as activity in our property investment programme increased, and a reduction in income from the sale of investments which resulted in a loss of £0.2m compared with a profit of £9.8m in 2005/06.

Operating and Financial Review

Land and buildings

The Directors do not consider the expense of a full and independent valuation of Anchor's properties to be justified. However, in the opinion of the Directors the value of these properties, calculated on an existing use cash flow basis, would be greater than their historic cost.

Capital structure

Total funds at the end of the year totalled £337m (2006: £323m), of which £213m (2006: £196m) comprised the income and expenditure reserve. Long term borrowings at the period end have reduced marginally to £102.3m from £103.4m in 2006. Balance sheet gearing has decreased to 30% (2006: 32%), remaining comfortably within our banking covenants. Anchor has access to undrawn borrowing facilities of £30m, and has substantial unutilised security on its balance sheet. These facilities, coupled with our continued strong cash generation from operating activities, ensure that we remain in a strong position to fund future growth plans and investment opportunities.

Net cash inflow of £39.0m from operating activities (£36.2m in 2006) was £2.8m higher than last year. The net movement in cash for the year was an outflow of £16.4m (2005/06: £4.1m inflow) arising from an increase in capital expenditure and financial investment to £52.7m (£25.6m 2005/06). The sale of investments gave rise to a deficit of £0.2m in 2006/07 compared with a surplus of £9.8m in 2005/06.

Pensions

We implemented FRS 17 'Retirement Benefits' during 2004/05 in order to aid clear understanding of the position of our pension fund, which is currently in deficit. The pension charge is influenced by the corporate bond rates which exist at the start of the reporting period and therefore leads to some volatility in earnings.

The latest full valuation of the Anchor Trust Final Salary Pension Scheme was carried out at 30 September 2003, and the next valuation will be based on data from 30 September 2006, with the full actuary's report due towards the end of the calendar year. At the 30 September 2003 valuation, the scheme had a deficit of £8.2m which the Board addressed by making a one-off payment to the fund equal to this amount. Contribution rates for both employer and employee were increased with effect from 1 April 2005 in order to fund the scheme's cost moving forward. The scheme was closed to new members with effect from 1 January 2003. In 2006/07 the scheme's assets increased by £6.6m (6%) and the scheme's liabilities increased by £3.8m. The scheme currently has a FRS 17 deficit of £0.8m. In 2006 the deficit was £3.6m.

Operating and Financial Review

Treasury management

Treasury activities are controlled and monitored by the Managing Director of Finance and Information Services, with the assistance of external consultants as required. They are carried out in accordance with policies approved by the Board. The purpose of the treasury management function within Anchor is to ensure that adequate cost-effective funding is available at all times and that exposure to financial risk is minimised. The key risks managed by the treasury function are interest rate risk, liquidity risk and counter-party risk. Treasury management activity is subject to review by both internal and external auditors on a regular basis.

Cash flow requirements are monitored through Anchor's ongoing forecasting process. It is our policy to minimise cash held by repaying debt as far as possible, while ensuring sufficient access to funding to cover investment plans. This is achieved by the use of detailed forecasts covering short, medium and long term cash flows, together with a substantial programme of short-term investment and maximum use of revolving facilities. Anchor uses external fund managers to invest surplus cash balances and to advise on investment decisions. Our policy is first to minimise counter-party risk and then to maximise return.

Interest rate exposure is managed via the use of interest rate fixings. Anchor has a policy that at least 50% of its total borrowing should be at fixed rates of interest. At the year end, 72.0% (2006: 71.3 %) of borrowings were at fixed rates of interest. Anchor does not currently use derivative financial instruments to manage its interest rate exposure. Interest cover stands at 1.9 times (2005/06: 3.3 times) and remains comfortably within our banking covenants.

Continuity of funding is ensured by arranging for short-term borrowings and committed facilities and by limiting the amount of debt repayable in any one year. At the year end, the average maturity of net debt, including undrawn committed facilities of £30m (2006: £30m), was over five years. We also ensure that Anchor maintains relationships with a variety of lenders to ensure access to a wide pool of funding when required.

Creditor payment policy

In the absence of dispute, amounts due to trade and other suppliers are settled in accordance with their terms of payment.

The Board and its Committees

As at 31 March 2007, the Board comprised seven members, led by the Chairman, Dianne Jeffrey. It controls Anchor's strategic direction and reviews its operating and financial position. There is a formal schedule of matters reserved specifically to the Board, which ensures that it takes all major strategy, investment and policy decisions affecting Anchor. The Board has an established governance framework, which encourages all members to bring an independent judgment to bear on issues of strategy, performance, resources (including key appointments) and standards of conduct. The Board met five times during the year. Member attendance at Board and Committee meetings was as follows:

Operating and Financial Review

The Board and its Committees (continued)

	Board (5 meetings)	Audit & Risk Committee (3 meetings)	Executive Remuneration & Nominations Committee (3 meetings)
Hamilton Anstead (Appointed 27 September 2006)	2	-	-
Stephen Brown	3	-	3
Aman Dalvi (stepped down from Audit & Risk Committee 8 November 2006)	5	1	-
Susann Hill (Retired 27 September 2006)	3	-	-
Dianne Jeffrey (Chairman)	5	-	3
Iain MacDonald (Retired 27 September 2006)	3	0	-
William McLaughlin	5	3	-
Graham Watts	5	3	3
Jane Wesson (Appointed to Audit & Risk Committee 8 November 2006)	4	1	-

The Board conducts an annual review of its effectiveness and that of its individual members, with a view to improving both individual contributions and group achievement. There is an ongoing training programme for both Board members and senior management.

Each member of the Board brings varying experiences and skills to the operation of the Board and its various sub-committees.

New Board members undergo a formal induction programme, which includes background information about Anchor, details of meeting procedures, Board member responsibilities and a number of other governance-related issues. Board members meet with the Chief Executive to be briefed on Anchor's strategy and with the Managing Directors in relation to each business portfolio. External training, particularly on matters relating to the role of a Board member and responsibilities of Board Committees, is arranged as appropriate.

The Board is supplied with timely and relevant information to enable it to discharge its duties. Board papers are normally distributed at least a week in advance of the relevant meeting, and the papers are sufficiently detailed to enable the members to obtain a thorough grasp of Anchor's management and financial performance. The Board's terms of reference make provision for it to receive independent professional advice to enable it to carry out its duties.

Operating and Financial Review

The Board and its Committees (continued)

The Executive Management Board comprises four members, led by Chief Executive John Belcher. Barbara Laing leads the Housing Services directorate, which encompasses Anchor Retirement Housing, Guardian Management Services and Anchor Staying Put. Jane Ashcroft has responsibility for Care Services, comprising Anchor Homes, Anchor Care and Anchor Integrated Care and Housing. Nick Townend is the Managing Director of Finance and Information Services, with responsibility for financial and support services. Jane Ashcroft is also Company Secretary.

There are two sub-committees of the Board: the Executive Remuneration and Nominations Committee and the Audit & Risk Committee.

Executive Remuneration and Nominations Committee

Dianne Jeffrey chairs the Executive Remuneration and Nominations Committee. Its other members are Steve Brown, Aman Dalvi and Graham Watts. It meets during the year to set the salary and performance-related bonus of the Chief Executive and receive recommendations from the Chief Executive in respect of salary levels for the Managing Directors. Salary scales for all staff are set according to performance and the scope and scale of responsibilities assessed against market rates and comparisons with a range of other organisations in the not-for-profit, public and private sectors.

The Committee meets periodically when required. No person other than the members of the Committee is entitled to be present at meetings but others may be invited by the Committee to attend. Neither the Company Secretary nor any of the Directors are present when the Committee considers matters relating to them. The Committee has access to such information and advice both from within Anchor and externally at the expense of Anchor, as it deems necessary.

The Board composition is kept under review and when a new appointment is to be made, consideration is given to the experience which a potential new member could add to the existing mix. A transparent recruitment process is used. Appointments to the Board are the responsibility of the full Board.

Audit & Risk Committee

Membership

Members of the Committee during the year were:

- **Aman Dalvi** appointed 21 September 2005, resigned 8 November 2006;
- **Iain MacDonald** appointed 19 September 2002, resigned 27 September 2006;
- **William McLaughlin** (Chairman) appointed 1 December 2003;
- **Graham Watts** appointed 1 December 2003; and
- **Jane Wesson** appointed 8 November 2006

Appointments are for an initial period of three years and are extendible for a further three years. The Committee comprises three non-executive directors: two members of which constitute a quorum.

Operating and Financial Review

Membership (continued)

The Committee structure requires the inclusion of one non-executive director with significant, recent and relevant financial experience. The current Chairman of the Committee fulfils this requirement.

Role of the Committee

The primary role of the Committee, which reports its findings to the Board, is to ensure:

- the integrity of the financial reporting and the audit processes; and
- the maintenance of a sound internal control and risk management system.

In pursuing these objectives, the Committee ensures that:

- appropriate relationships are maintained between Anchor and the internal and the external auditors;
- it considers the effectiveness of the internal and the external audit processes;
- it reviews Anchor's systems of internal control and the processes for monitoring and evaluating the risks facing Anchor; and
- it makes recommendations to the Board on the appointment of the internal and external auditors.

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

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

The Chairman of the Committee reports the outcome of the Committee meetings to the Board, and the Board receives the minutes of all meetings of the Committee.

The Chairman of the Committee will be present at the Annual General Meeting to answer questions, through the Chairman of the Board, on the report of the activities of the Committee, matters within the scope of the responsibilities of the Committee and significant matters brought to the attention of the Committee by the external auditor.

Report on the Committee's activities for the financial year 2006/07

Meetings and attendance

The Committee met on three occasions timed to coincide with the internal and external financial reporting cycles of Anchor.

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

Operating and Financial Review

Report on the Committee's activities for the financial year 2006/07 (cont)

Financial reporting

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

External auditors

The Committee is responsible for the development, implementation and monitoring of Anchor's policies on external audit. These policies, designed to maintain the objectivity and independence of the external auditors, regulate the appointment of former employees of the external auditors to positions in Anchor and the exclusion of the external auditors from undertaking non-audit work, unless there are compelling reasons to do otherwise.

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

- the external auditors' plans for the audit of Anchor's financial statements for 2006/07;
- the terms of engagement for the audit and the proposed audit fee and associated expenses; and
- the content of the formal annual audit letter provided by the external auditors and management's response, including major issues that arose on the audit and their resolution.

Internal auditors

The Committee reviewed:

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

Whistleblowing

Anchor's policy sets out arrangements for employees, contractors and third parties to raise concerns or complaints regarding accounting, risk issues, internal controls and related matters with relevant line management or senior company executives. These matters are advised to internal audit for consideration and report to the Committee as appropriate.

Internal control and risk management

The Board is responsible for Anchor's system of internal control and its effectiveness and therefore demands a strong control environment. However, the system is designed to manage rather than eliminate the risk of failure to achieve Anchor's business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. Senior management has undertaken a detailed examination of the internal control environment operating within Anchor and the specific elements and effectiveness of its internal control processes. Their reports, together with those from the internal and external auditors have been reviewed by the Audit and Risk Committee.

Operating and Financial Review

Internal control and risk management (continued)

The Board, through the Audit & Risk Committee, has reviewed the effectiveness of Anchor's internal financial controls and risk management for the year ended 31 March 2007. No significant weakness in the internal controls resulting in material losses, contingencies or uncertainties, which require disclosure in the financial statements has occurred.

Employee involvement and consultation

Our people strategy aims to cultivate focussed, well-managed staff who understand how they contribute to the organisation. We consult with employees in a range of ways, both formally and informally. In 2006/07 we completed a far reaching staff survey which covered areas including training and development, our culture and values and pay and benefits and we have acted on the findings.

We comply with employment legislation and seek to ensure that the workforce employed reflects the diversity of the population and customers of the areas in which we work. We emphasise employee involvement and keep employees informed through a programme of formal and informal briefings.

During 2006/07 we sought and achieved recognition against the Investors in People standard, with each service being assessed separately and the corporate assessment completed in April 2007.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the individuals concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within Anchor is continued and that appropriate training is arranged. It is Anchor's policy that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Health & Safety

This year we have been building on our strong foundations. Health & Safety performance measures are included in the key performance indicators of all Anchor businesses and compliance in areas such as gas safety and lift maintenance is consistently good. There is strong direction from the senior management of the organisation to strive for high standards of Health & Safety compliance and systems are in place to achieve this.

Post balance sheet events

There are no post balance sheet events that require disclosure in the financial statements.

Going concern

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

Operating and Financial Review

Auditors

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

Statement of Directors' responsibilities in respect of the Directors' Report and the financial statements

The Board is responsible for preparing the Operating and Financial Review and the financial statements in accordance with applicable law and regulations.

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

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the surplus or deficit for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable it to ensure that its financial statements comply with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. It has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

By Order of the Board



Jane Ashcroft

Company Secretary

24 July 2007

Five-Year Financial Highlights

Financial performance	2006/07	2005/06	2004/05	2003/04	2002/03
Turnover (£ '000)	247,430	233,368	223,542	205,894	192,260
Operating surplus (£ '000)	13,752	26,530	33,362	32,377	14,843
Gross Margin (%)	5.6	11.4	14.9	15.7	7.7
Surplus/(deficit) for the year (£ '000)	11,856	32,986	30,787	41,633	(7,394)
Interest payable (£ '000)	7,373	7,977	9,235	8,094	7,635
Interest cover	1.9	3.3	3.6	4.0	1.9
Cash flow					
Cash flow from operations (£ '000)	39,039	36,239	39,234	43,263	21,985
Cash flow for the year (£ '000)	(16,416)	4,098	(3,726)	15,369	211
Balance Sheet					
Housing properties (net) (£ '000)	243,345	206,997	197,550	191,634	170,369
Investments (£ '000)	105,751	103,570	82,514	75,225	44,937
Net current (liabilities) /assets (£ '000)	(20, 578)	8,194	1,511	4,898	2,809
Current ratio	0.6	1.2	1.0	1.1	1.1
Debt (£ '000)	102,327	103,415	104,719	122,931	111,220
Reserves (£ '000)	233,668	215,754	175,561	137,990	109,527
Gearing (%)	30.4	32.4	37.3	47.1	50.4

Board, Directors and Advisers

Patron

HRH Princess Alexandra

Members of the Board

Chairman

Dianne Jeffrey DL BA FRSA

Members*

Hamilton Anstead BSc FCA

(appointed 27 September 2006)

Stephen Brown FCA

Aman Dalvi OBE MSc MCIH

Susann Hill BA DipSocSc AIMS

(resigned 27 September 2006)

Iain MacDonald FRICS MCMI IRRV

(resigned 27 September 2006)

William McLaughlin CA

Graham Watts BSc C.Eng MIET

Jane Wesson BA (Solicitor)

Executive Management Board**

Chief Executive

John Belcher CBE PhD BA

Executives

Jane Ashcroft BA (Hons) FCIS MCIPD

Barbara Laing MSocSc CQSW

Nick Townend MA ACA (appointed 1 April 2006)

External Auditors

KPMG LLP

Internal Auditors

Deloitte & Touche Public Sector Internal
Audit Limited

Bankers

Lloyds TSB Bank PLC

Investment Managers

Schroder Investment Management Ltd
Sarasin Chiswell

Solicitors

Eversheds LLP

Company Secretary

Jane Ashcroft BA (Hons) FCIS MCIPD

Registered Office

2nd Floor

25 Bedford Street

London

WC2E 9ES

* Members of the Board are defined as Directors for the purpose of the Companies Act

** Members of the Executive Management Board are not members of the Board for the purposes of the Companies Act

Independent Auditors' Report

Independent Auditors' Report to the members of Anchor Trust

We have audited the Group and Parent Company financial statements (the 'financial statements') of Anchor Trust for the year ended 31 March 2007 which comprise the Group Income and Expenditure Account, Group and Company Balance Sheet, the Group Cashflow Statement, the Group Statement of Total Recognised Surplus and Deficits and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Directors and auditors

As described in the statement of Directors' Responsibilities the Company's Board is responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you if, in our opinion, the Operating and Financial Review is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the directors' remuneration and transactions is not disclosed.

We read other information contained in the Operating and Financial Review and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

Independent Auditors' Report

Basis of an audit opinion (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- Give a true and fair view in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and the Parent Company's affairs as at 31 March 2007 and of the Group's Surplus for the year then ended;
- Have been properly prepared in accordance with the Companies Act 1985, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006; and
- The information given in the Operating and Financial Review is consistent with the financial statements.

KPMG LLP

KPMG LLP

Chartered Accountants
Registered Auditor
24 July 2007

Consolidated Income and Expenditure Account

for the year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Turnover	4	247,430	233,368
Less: Operating cost	4	<u>(233,678)</u>	<u>(206,838)</u>
Operating surplus	4	13,752	26,530
Surplus/(deficit) on disposal of housing properties	12	41	(86)
Interest receivable and other income	8	5,436	14,519
Interest payable and similar charges	9	<u>(7,373)</u>	<u>(7,977)</u>
Surplus for the year		11,856	32,986
Transfer from investment revaluation reserve	24	3,890	4,894
Transfer (to)/from restricted reserves	24	<u>(18)</u>	<u>28</u>
Surplus for the year after transfers		15,728	37,908
Revenue reserves at beginning of year		196,085	159,220
Actuarial gains/(losses) taken to reserves	24	1,083	(1,043)
Revenue reserves at end of year		<u>212,896</u>	<u>196,085</u>

All turnover is derived from continuing operations

Statement of total recognised surpluses and deficits

	Note	2007 £'000	2006 £'000
Surplus for the financial year		11,856	32,986
Unrealised surplus on investments	24	5,166	8,441
Actuarial gain/(loss) on pension fund assets	24	1,083	(1,043)
Total recognised surpluses for the year		<u>18,105</u>	<u>40,384</u>

Note of historical cost surpluses and deficits

	Note	2007 £'000	2006 £'000
Reported surplus for the year		11,856	32,986
Realised investment gains	24	3,890	4,894
Historical cost surplus for the year		<u>15,746</u>	<u>37,880</u>

The accompanying accounting policies and notes on pages 23 to 44 form an integral part of these financial statements.

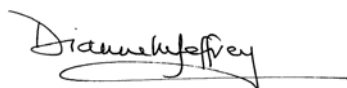
Consolidated Balance Sheet

as at 31 March 2007

	Note	2007 £'000	2006 £'000
Intangible Fixed Assets			
Goodwill	11	2,131	412
Tangible Fixed Assets			
Housing properties - gross cost			
less depreciation	12	851,516	810,664
Less: Social housing grant	12	(554,979)	(550,156)
Other capital grants and receipts	12	(53,192)	(53,511)
		<u>243,345</u>	<u>206,997</u>
Other tangible fixed assets	12	6,146	3,565
Investments	13	105,751	103,570
		<u>357,373</u>	<u>314,544</u>
Current Assets			
Stocks	14	3,551	3,847
Debtors: amounts due after more than one year	15	1,480	1,480
Debtors: amounts due within one year	16	22,589	24,647
Short term deposits and investments		5,522	6,063
Cash at bank		482	16,898
		<u>33,624</u>	<u>52,935</u>
Creditors: amounts falling due within one year	17	<u>(54,202)</u>	<u>(44,741)</u>
Net current (liabilities)/assets		(20,578)	8,194
Total assets less current liabilities		<u>336,795</u>	<u>322,738</u>
Creditors: amounts falling due after more than one year			
	18	102,327	103,415
Pension liability	22	800	3,569
Capital and Reserves			
Revaluation reserve	24	10,115	8,839
Restricted reserves	24	1,038	1,020
Negative goodwill	24, 25	9,619	9,810
Income and expenditure reserve	24	212,896	196,085
		<u>336,795</u>	<u>322,738</u>

The financial statements on pages 19 to 44 were approved by the Board on 24 July 2007 and signed on its behalf by:

Chairman
Dianne Jeffrey



Secretary
Jane Ashcroft



The accompanying accounting policies and notes on pages 23 to 44 form an integral part of these financial statements.

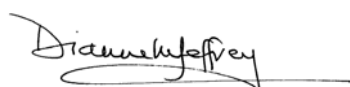
Company Balance Sheet

as at 31 March 2007

	Note	2007 £'000	2006 £'000
Intangible Fixed Assets			
Goodwill	11	360	412
Tangible Fixed Assets			
Housing properties - gross cost			
less depreciation	12	851,516	810,664
Less: Social housing grant	12	(554,979)	(550,156)
Other capital grants and receipts	12	(53,192)	(53,511)
		243,345	206,997
Other tangible fixed assets	12	6,146	3,565
Investments	13	105,751	103,570
Investments in subsidiary undertakings	13	2,301	1
		357,903	314,545
Current Assets			
Stocks	14	3,551	3,847
Debtors: amounts due after more than one year	15	1,480	1,480
Debtors: amounts due within one year	16	22,317	24,647
Short term deposits and investments		5,522	6,063
Cash at bank		482	16,898
		33,352	52,935
Creditors: amounts falling due within one year	17	(54,538)	(44,742)
Net current (liabilities)/assets		(21,186)	8,193
Total assets less current liabilities		336,717	322,738
Creditors: amounts falling due after more than one year			
Pension liability	22	800	3,569
Capital and Reserves			
Revaluation reserve	24	10,115	8,839
Restricted reserves	24	1,038	1,020
Negative goodwill	24, 25	9,619	9,810
Income and expenditure reserve	24	212,818	196,085
		336,717	322,738

The financial statements on pages 19 to 44 were approved by the Board on 24 July 2007 and signed on its behalf by:

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The accompanying accounting policies and notes on pages 23 to 44 form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Net cash inflow from operating activities	26	39,039	36,239
Returns on investments and servicing of finance			
Net cash outflow from returns on investments and servicing of finance	26	(1,784)	(3,244)
Capital expenditure and financial investment			
Net cash outflow from capital expenditure and financial investment	26	<u>(52,666)</u>	<u>(25,680)</u>
Net cash (outflow)/inflow before use of liquid resources and financing		(15,411)	7,315
Management of liquid resources	26	<u>541</u>	<u>(2,046)</u>
Net cash (outflow)/inflow before financing		(14,870)	5,269
Financing			
Net cash outflow from financing	26	(1,546)	(1,171)
(Decrease)/increase in cash		<u><u>(16,416)</u></u>	<u><u>4,098</u></u>

The accompanying accounting policies and notes on pages 23 to 44 form an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 March 2007

1. Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed asset investments and in accordance with accounting standards applicable in the United Kingdom.

They have been prepared in accordance with the Accounting Requirements for Registered Social Landlords General Determination 2006 and the Statement of Recommended Practice 'Accounting by Registered Social Landlords' (SORP) Update 2005.

2. Basis of consolidation

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

3. Principal accounting policies

i. Turnover

Turnover is net of voids and VAT and includes:

- rents and service charges;
- residential and nursing home charges;
- home care charges;
- revenue grants;
- charges to Staying Put clients;
- sales of leasehold properties; and
- Supporting People income receivable.

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

Turnover has been analysed in accordance with the requirements of Housing Corporation guidance 'Regulating a Diverse Sector' (see note 4).

ii. Interest payable

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

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

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

Notes to the financial statements

for the year ended 31 March 2007

iii. Pensions

Defined contribution pension costs are charged to the income and expenditure account in the year they are incurred. In respect of defined benefit pensions, the pension costs charged against income are based on an actuarial method and actuarial assumptions. These are designed to provide the anticipated pension cost over the average service lives of the employees in the scheme in a way that seeks to ensure that the regular pension cost represents a broadly level percentage of the current and expected future pensionable payroll in the light of current actuarial assumptions. Variations from the current cost are spread over the remaining service lives of current employees in the pension scheme.

iv. Taxation

Income and capital gains of Anchor Trust are generally exempt from tax if applied for charitable purposes.

v. Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

vi. Housing properties

Retirement housing and residential and nursing home properties are stated at cost less social housing grant, other capital grants and depreciation. Shared Ownership for the Elderly schemes (SOE) are held at the percentage of cost less social housing grant retained following completion of the initial sales and depreciation. The income received on disposal of first tranche shared ownership properties is shown as a deduction from the gross cost of those properties in the balance sheet. Income from the sale of second and subsequent tranches is shown as proceeds from the sale of housing properties in the income and expenditure account.

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

Directly attributable development administration costs are the labour costs of Anchor's own employees arising directly from the construction or acquisition of the property and the incremental costs that would have been avoided only if the property had not been constructed or acquired.

Expenditure on repairs to properties and equipment arising through normal wear and tear is charged to the income and expenditure account in the year in which it occurs.

Depreciation is provided on a straight line basis on the cost of all housing properties excluding land. For housing properties, cost is net of social housing grant and other capital grants.

Assets in the course of construction are not depreciated.

Social housing grant and other capital grants are apportioned against land and buildings in the same proportion as their carrying value.

Notes to the financial statements

for the year ended 31 March 2007

vi. Housing properties (continued)

The asset lives used are as follows:

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

Shared Ownership for the Elderly (SOE) schemes: 99 years.

Where major items of plant and equipment contained within housing properties have an estimated useful economic life which is materially different from that attributable to the property itself, those items are capitalised separately and attributed a separate useful economic life. The lives attributable to assets capitalised in this way range from four to 25 years.

vii. Social housing grant

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

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

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

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

viii. Other grants

The capital costs of housing properties are stated net of capital grants receivable from public bodies.

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

ix. Other tangible fixed assets

All other tangible fixed assets are included at cost less depreciation.

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

The asset lives used are as follows:

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

Notes to the financial statements

for the year ended 31 March 2007

x. Investments

All investments are stated at market value at the balance sheet date. Changes in valuation are reported in the statement of recognised surpluses and deficits and the investment revaluation reserve. If the investment revaluation reserve becomes fully utilised, further diminutions in value will be recognised in the income and expenditure account.

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

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

Dividend income from shares is recognised on receipt. All other investment income is recognised on an accruals basis.

xi. Restricted reserves

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

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

xii. Impairment

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

xiii. Stocks

Stocks comprise properties available for resale and goods for consumption, which are valued at cost. This is considered to be a reasonable approximation to the lower of cost and net realisable value due to high turnover of stocks.

xiv. Negative goodwill

Negative goodwill being the excess of fair value of the underlying separable net assets over the fair value of the consideration is shown as part of share capital and reserves.

Negative goodwill is amortised to the income and expenditure account over the expected remaining useful economic lives of the underlying housing properties estimated as from two to 50 years.

xv. Positive goodwill

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

Notes to the financial statements

for the year ended 31 March 2007

4. Particulars of turnover, operating costs and operating surplus

4.1 Analysis of turnover

	2007			2006		
	Turnover £'000	Operating costs £'000	Operating surplus/ (deficit) £'000	Turnover £'000	Operating costs £'000	Operating surplus/ (deficit) £'000
Social housing lettings ¹	208,844	(190,973)	17,871	196,193	(167,504)	28,689
Other social housing activities ²	24,325	(28,463)	(4,138)	24,259	(27,503)	(3,244)
Supporting People contract income ³	3,486	-	3,486	3,314	-	3,314
Non-social housing activities	10,775	(5,689)	5,086	9,602	(6,021)	3,581
Overheads and support activities	-	(8,553)	(8,553)	-	(5,810)	(5,810)
	<u>247,430</u>	<u>(233,678)</u>	<u>13,752</u>	<u>233,368</u>	<u>(206,838)</u>	<u>26,530</u>

4.2 Particulars of turnover from non-social housing activities

	2007 £'000	2006 £'000
Leasehold management	2,553	2,260
Sales of leasehold properties	7,733	6,941
Other activities	489	401
	<u>10,775</u>	<u>9,602</u>

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

¹ Social housing lettings comprise income from retirement housing and from residential care homes

² Other social housing activities comprise home care and home improvement agency income

³ This comprises block gross contract income for home improvement agencies and retirement housing

Notes to the financial statements

for the year ended 31 March 2007

4.3 Particulars of income and expenditure from social housing lettings

	Retirement housing £'000	Residential care homes £'000	Total 2007 £'000	Total 2006 £'000
Rent receivable net of identifiable service charges	57,209	96,961	154,170	145,293
Charges for support services	6,015	-	6,015	6,239
Service income	43,975	-	43,975	40,289
Gross income	107,199	96,961	204,160	191,821
Voids	(2,776)	-	(2,776)	(2,959)
Net rental income	104,423	96,961	201,384	188,862
Other revenue grants	-	2,326	2,326	2,944
Other income from social housing lettings	4,545	589	5,134	4,387
Turnover from social housing lettings	108,968	99,876	208,844	196,193
Management	20,792	10,644	31,436	26,824
Services	33,396	71,291	104,687	95,761
Care and support costs	1,025	-	1,025	992
Routine maintenance	7,275	1,620	8,895	8,637
Planned maintenance	20,574	3,628	24,202	20,522
Bad debts	1,013	333	1,346	725
Lease charges	-	1,901	1,901	352
Depreciation of housing properties	7,315	5,173	12,488	11,264
Other	3,300	1,693	4,993	2,427
Operating costs on social housing lettings	94,690	96,283	190,973	167,504
Operating surplus on social housing lettings	14,278	3,593	17,871	28,689

4.4 Property numbers

	Retirement housing units	Residential and nursing homes units
Unit numbers as at 31 March 2006	24,365	4,311
Additions	151	113
Disposals/de-registered	(44)	(31)
Unit numbers as at 31 March 2007	24,472	4,393

Notes to the financial statements

for the year ended 31 March 2007

5. Operating surplus

Operating surplus is stated after charging/(crediting):

	2007 £'000	2006 £'000
Depreciation of tangible owned fixed assets	14,680	13,117
Amortisation of positive goodwill	406	52
Amortisation of negative goodwill	(191)	(191)
Operating lease rentals - land and buildings	1,584	1,427
Auditor's remuneration inclusive of VAT:		
In their capacity as auditors	98	90
In respect of other services	132	442
Loss on disposal/write-off of housing properties	773	-
Loss/(surplus) on disposal of other fixed assets	4	(81)

6. Directors' emoluments

The Directors are defined as the members of the Board and Executive Directors. Members of the Board are defined as Directors for the purposes of the Companies Act 1985. Executive Directors are not classified as Directors under the Companies Act 1985.

£101,400 (2006: £107,500) was paid to Board members during the period.

	2007 £'000	2006 £'000
Total expenses reimbursed to members of the Board not chargeable to United Kingdom tax	6	2
Total aggregate remuneration paid to the Board and Executive Directors of Anchor Trust (2006 adjusted to include Board members) was:		
Emoluments (excluding benefits in kind)	882	830
Benefits in kind	27	14
Pension contributions	84	60
	<u>993</u>	<u>904</u>
Emoluments (excluding pension contributions) include amounts paid to:		
Chief Executive being the highest paid Director	248	245
Defined benefit pension scheme:		
Accrued pension of the highest paid Director at end of year	40	35

The Chief Executive is an ordinary member of the pension scheme and the employer's contribution in the year was £27,400 (2006: £14,837).

Notes to the financial statements

for the year ended 31 March 2007

7. Employee costs and numbers

7.1 Employee costs

	2007 £'000	2006 £'000
Wages and salaries	110,608	104,484
Social security costs	7,254	6,955
Pension costs	2,450	2,457
	<u>120,312</u>	<u>113,896</u>

7.2 The average number of employees, including part-time staff, during the period was:

	2007 Number	2006 Number
Office staff	819	804
Operational based staff	10,740	10,173
	<u>11,559</u>	<u>10,977</u>

7.3 The full-time equivalent number of employees, including part-time staff, during the period was:

	2007 Number	2006 Number
Office staff	692	648
Operational based staff	5,893	5,566
	<u>6,585</u>	<u>6,214</u>

Notes to the financial statements

for the year ended 31 March 2007

8. Interest receivable and other income

	2007 £'000	2006 £'000
Dividends and interest receivable from listed investments	3,108	2,599
(Loss)/surplus on sale of investments	(175)	9,800
Other interest receivable	2,503	2,120
	<u>5,436</u>	<u>14,519</u>

9. Interest payable and similar charges

	2007 £'000	2006 £'000
On bank loans, overdrafts and other loans repayable wholly or partly in more than five years	7,037	6,983
Less interest capitalised	(1,809)	(1,130)
Finance lease interest	1,678	1,674
Other interest payable	394	362
Exchange rate losses	73	88
	<u>7,373</u>	<u>7,977</u>

10. Taxation

Due to Anchor Trust's charitable status, no provision has been made for United Kingdom corporation tax.

11. Intangible fixed assets

	Group £'000	Company £'000
Goodwill		
As at 1 April 2006	412	412
Acquisitions	2,125	-
Amortisation for the year	(406)	(52)
As at 31 March 2007	<u>2,131</u>	<u>360</u>

Acquisitions

Anchor Trust acquired 100% of Rain Healthcare Services Ltd's share capital on 30 July 2006 for a total cash consideration of £2.2m, incurring £0.1m acquisition costs. This has been accounted for under acquisition accounting rules and has been included in Anchor Trust's group balance sheet as follows:

	Book value £'000	Fair value adjustments £'000	Fair value balance sheet £'000
Net assets	181	(6)	175
Total consideration			<u>2,300</u>
Positive goodwill arising on acquisition			2,125
Amortisation charge for the year			(354)
Balance at 31 March 2007			<u>1,771</u>

Notes to the financial statements

for the year ended 31 March 2007

12. Tangible fixed assets – Group and Company

12.1 Housing properties

	Retirement housing £'000	Residential and nursing homes £'000	Housing properties under construction £'000	Community amenities £'000	Completed shared ownership schemes £'000	Shared ownership schemes under construction £'000	Total housing properties £'000
Cost							
At 1 April 2006	705,987	173,845	13,596	2,832	5,357	236	901,853
Additions	9,584	9,601	37,197	-	-	42	56,424
Schemes completed	17,018	1,081	(18,099)	-	-	-	-
Disposals	(3,337)	(858)	-	-	-	-	(4,195)
Shared ownership sales	-	-	-	-	(335)	-	(335)
As at 31 March 2007	<u>729,252</u>	<u>183,669</u>	<u>32,694</u>	<u>2,832</u>	<u>5,022</u>	<u>278</u>	<u>953,747</u>
Depreciation							
At 1 April 2006	51,884	39,280	-	23	2	-	91,189
Provided in the year	7,186	5,728	-	7	-	-	12,921
Disposals	(1,465)	(414)	-	-	-	-	(1,879)
As at 31 March 2007	<u>57,605</u>	<u>44,594</u>	<u>-</u>	<u>30</u>	<u>2</u>	<u>-</u>	<u>102,231</u>
Net book value at 31 March 2007	<u>671,647</u>	<u>139,075</u>	<u>32,694</u>	<u>2,802</u>	<u>5,020</u>	<u>278</u>	<u>851,516</u>
Net book value at 31 March 2006	<u>654,103</u>	<u>134,565</u>	<u>13,596</u>	<u>2,809</u>	<u>5,355</u>	<u>236</u>	<u>810,664</u>
Social Housing Grant (SHG)							
As at 1 April 2006	501,305	36,047	6,393	-	6,858	(447)	550,156
Received during period	-	4,826	725	-	-	-	5,551
Transfer from Recycled Capital Grant Fund	-	-	454	-	-	-	454
Disposals	(908)	(274)	-	-	-	-	(1,182)
As at 31 March 2007	<u>500,397</u>	<u>40,599</u>	<u>7,572</u>	<u>-</u>	<u>6,858</u>	<u>(447)</u>	<u>554,979</u>
Other Capital Grants and Receipts							
As at 1 April 2006	26,105	24,727	297	2,380	2	-	53,511
Received during period	-	-	1	-	-	-	1
Disposals	(170)	(150)	-	-	-	-	(320)
As at 31 March 2007	<u>25,935</u>	<u>24,577</u>	<u>298</u>	<u>2,380</u>	<u>2</u>	<u>-</u>	<u>53,192</u>
Total SHG and capital grants as at 31 March 2007	<u>526,332</u>	<u>65,176</u>	<u>7,870</u>	<u>2,380</u>	<u>6,860</u>	<u>(447)</u>	<u>608,171</u>
Total SHG and capital grants as at 31 March 2006	<u>527,410</u>	<u>60,774</u>	<u>6,690</u>	<u>2,380</u>	<u>6,860</u>	<u>(447)</u>	<u>603,667</u>
Overall net book value as at 31 March 2007	<u>145,315</u>	<u>73,899</u>	<u>24,824</u>	<u>422</u>	<u>(1,840)</u>	<u>725</u>	<u>243,345</u>
Overall net book value as at 31 March 2006	<u>126,693</u>	<u>73,791</u>	<u>6,906</u>	<u>429</u>	<u>(1,505)</u>	<u>683</u>	<u>206,997</u>

Notes to the financial statements

for the year ended 31 March 2007

12.2 Other tangible fixed assets at the balance sheet date

	Office equipment and fittings £'000	Motor vehicles £'000	Total other tangible fixed assets £'000
Cost			
At 1 April 2006	2,963	3,074	6,037
Additions	3,260	1,276	4,536
Disposals	(78)	(590)	(668)
As at 31 March 2007	<u>6,145</u>	<u>3,760</u>	<u>9,905</u>
Depreciation			
At 1 April 2006	1,197	1,275	2,472
Provided in the year	983	776	1,759
Disposals	(4)	(468)	(472)
As at 31 March 2007	<u>2,176</u>	<u>1,583</u>	<u>3,759</u>
Net book value at 31 March 2007	<u>3,969</u>	<u>2,177</u>	<u>6,146</u>
Net book value at 31 March 2006	<u>1,766</u>	<u>1,799</u>	<u>3,565</u>

12.3 Housing properties

Additions to housing properties in the course of construction during the period included capitalised interest of £1.8m (2006: £1.1m).

	2007 £'000	2006 £'000
--	---------------	---------------

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

Freehold land and buildings	190,136	150,605
Long leasehold land and buildings	53,209	56,392
	<u>243,345</u>	<u>206,997</u>

The total amount of social housing grant received or receivable as at the balance sheet date was as follows: Social housing grant in housing properties £555.0m (2006: £550.2m).

12.4 Expenditure works to housing properties

	Note	2007 £'000	2006 £'000
Total expenditure works to housing		42,847	26,909
of which:			
Amounts capitalised		18,645	6,387
Amounts charged to income and expenditure	4.3	24,202	20,522

Notes to the financial statements

for the year ended 31 March 2007

12.5 Surplus/(deficit) on disposal of housing properties

	2007 £'000	2006 £'000
Receipts from disposal of housing and shared ownership properties	89	-
Net book value on disposal	-	(38)
Repayment of grant on disposal	(48)	(48)
Surplus/(deficit) on disposal of housing properties	<u>41</u>	<u>(86)</u>

13. Fixed asset investments – Group and Company

	£'000
Market value at 1 April 2006	103,570
Additions at cost	30,695
Disposals at market value	(33,505)
Investment revaluation gains	<u>4,991</u>
Market value at 31 March 2007	<u>105,751</u>
Historic cost at 31 March 2007 (2006: £94,731,000)	<u>95,177</u>

All investments are listed on a recognised stock exchange.

13.1 Fixed asset investments – Subsidiary undertakings

	Company £'000
Cost as at 1 April 2006	1
Additions	2,300
Cost at 31 March 2007	<u>2,301</u>

13.2 Investment gains

	Note	£'000
Historical gains		
Balance of unrealised investment gains at 1 April 2006	24	8,839
Gains realised during the year	24	(3,890)
Unrealised gains carried forward		<u>4,949</u>
Current year gains		
Investment gains	13	4,991
Realised investment loss recognised in income and expenditure account	8	175
Unrealised investment gains in year		<u>5,166</u>
Total unrealised investment gains at 31 March 2007	24	<u>10,115</u>

Notes to the financial statements

for the year ended 31 March 2007

13.3 Shares in subsidiary undertakings – Company

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

	Nature of Business	Share Capital
Care Alternatives Contracts Ltd	Nursing care placement agency	None
Care Alternatives Nurses Ltd	Dormant	£100
Anchor Trust Trading Ltd	Dormant	£1,000
AMSA Retirement Homes Ltd	Management and letting of sheltered housing	£100
Rain Healthcare Services Ltd	Domiciliary care agency	£1,000

Anchor Trust is regarded as the parent undertaking for these entities on the grounds that it either owns 100% of the issued share capital or it has the right to nominate Directors. None of the above subsidiary undertakings is a registered social landlord.

14. Stock – Group and Company

	2007 £'000	2006 £'000
Raw materials and consumables	129	119
Properties for resale	3,422	3,728
	<u>3,551</u>	<u>3,847</u>

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

15. Debtors: amounts falling due after more than one year – Group and Company

	2007 £'000	2006 £'000
Amounts due from related undertakings	1,480	1,480

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

Transactions with related undertakings are as follows. Interest receivable for 2007: £56,000 (2006: £113,000) and rent payable for 2007: £57,000 (2006: £111,000).

16. Debtors: amounts falling due within one year

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Rental debtors	7,192	7,276	7,192	7,276
Less: Provision for bad and doubtful debts	(743)	(696)	(743)	(696)
	<u>6,449</u>	<u>6,580</u>	<u>6,449</u>	<u>6,580</u>
Trade debtors	3,476	4,048	3,204	4,048
Deficits carried forward on variable service charge schemes	4,563	3,529	4,563	3,529
Prepayments	3,081	4,804	3,081	4,804
Other debtors and accrued income	5,020	5,686	5,020	5,686
	<u>22,589</u>	<u>24,647</u>	<u>22,317</u>	<u>24,647</u>

Notes to the financial statements

for the year ended 31 March 2007

17. Creditors: amounts falling due within one year

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade creditors	19,787	12,201	19,787	12,201
Prepaid rents	4,328	4,668	4,328	4,668
Surpluses carried forward on variable service charge schemes	4,262	4,377	4,262	4,377
Recycled capital grant fund	108	-	108	-
Housing loans: current instalments due on loans	1,183	1,376	1,183	1,376
Obligations under finance leases	1,616	1,586	1,616	1,586
Other creditors	6,914	7,121	6,915	7,122
Amounts owed to subsidiary undertakings	-	-	335	-
Social security and other taxes	272	102	272	102
Accruals and deferred income	15,732	13,310	15,732	13,310
	<u>54,202</u>	<u>44,741</u>	<u>54,538</u>	<u>44,742</u>

17.1 Average number of days between receipt and payment of purchase invoices

	2007 Days	2006 Days
Average trade creditors divided by the aggregate amount invoiced by suppliers during the year	25	25

Anchor's standard payment terms are net 30 days. The above figures also include payments made under construction contracts which are on shorter payment terms.

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

	2007 £'000	2006 £'000
Housing loans	79,470	80,823
Obligations under finance leases	11,398	10,962
Loan stock	332	332
Major repairs sinking funds for leasehold schemes	9,458	9,063
Recycled capital grant fund	790	1,328
Other creditors	879	907
	<u>102,327</u>	<u>103,415</u>

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 made up by residents on the resale of properties by reference to the length of occupation and original purchase price of the property. Some residents contribute through the service charge.

Notes to the financial statements

for the year ended 31 March 2007

19. Housing loans – Group and Company

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

		2007 £'000	2006 £'000
Fixed rates			
Orchardbrook Limited	Interest payable at 11.615%	30,071	30,101
HACO	10.625% debenture stock 2017	15,000	15,000
Banks	Between 6.15% - 6.58%	10,000	10,000
Local authorities	Between 9.1% - 13.0%	58	58
	Between 13.10% - 16.12%	135	138
Other	Between 0.0% - 3.0%	2,818	3,281
		<u>58,082</u>	<u>58,578</u>
Variable rates			
Banks	0.4 - 0.5% above LIBOR or bank base rate	22,525	23,575
Local authorities	Between 5.0% - 9.0%	46	46
		<u>22,571</u>	<u>23,621</u>
		<u>80,653</u>	<u>82,199</u>

Repayment instalments fall due as follows:

	2007 £'000	2006 £'000
In one year or less	1,183	1,376
Between one and two years	2,420	1,138
Between two and five years	5,061	6,226
In five years or more	71,989	73,459
	<u>80,653</u>	<u>82,199</u>

20. Operating lease obligations – Group and Company

Anchor Trust leases a number of properties under operating leases. The annual commitments under non-cancellable operating leases are set out below:

	2007 £'000	2006 £'000
Operating leases which expire:		
Within one year	-	-
In the second to fifth years inclusive	1,502	1,333
Over five years	82	94
	<u>1,584</u>	<u>1,427</u>

Notes to the financial statements for the year ended 31 March 2007

21. Finance lease obligations – Group and Company

Net obligations under finance leases are payable as follows:

	2007 £'000	2006 £'000
In one year or less	1,616	1,586
Between one and two years	1,627	1,616
Between two and five years	5,177	5,049
In five years or more	4,594	4,297
	<u>13,014</u>	<u>12,548</u>

22. Pension obligations – Group and Company

Anchor Trust operates two pension schemes:

Defined contribution scheme:

A defined contribution scheme was opened on 1 January 2003 for new employees. The pension cost for this scheme, which represents contributions payable by the Group, was £285,000 (2006: £276,000).

Defined benefit scheme:

Members of staff employed prior to 1 January 2003 are eligible to join a group life assurance and pension scheme which provides benefits based on final pensionable salary. The assets of the scheme were held separately by an independent fund manager, The Pensions Trust.

The total group charge for the year was £2,545,000 (2006: £2,181,000). The contributions were determined on the basis of actuarial advice using the projected unit method and relate entirely to current service costs. Anchor Trust paid contributions at 12.5% of pensionable salaries over the accounting period.

The last full actuarial valuation was carried out at 30 September 2003. The next valuation will be based on Data from 30 September 2006, with the full actuary's report due towards the end of 2007.

As the scheme was closed to new entrants on 1 January 2003, the September 2003 full actuarial valuation used the attained age method to calculate the future service contribution rate. The attained age method explicitly allows for the membership of the pension scheme to age. The contribution rate calculated under this basis will be higher than that calculated under the projected unit method due towards the end of 2007.

Notes to the financial statements

for the year ended 31 March 2007

Financial Reporting Standard 17 disclosures

Anchor applies the provisions of FRS 17 'Retirement Benefits' in preparing these accounts.

A valuation for the purposes of FRS 17 was prepared as at 31 March 2007 by a qualified independent actuary. The assumptions used by the actuary are (in nominal terms):

	At 31 March 2007	At 31 March 2006	At 31 March 2005
	% per annum	% per annum	% per annum
Inflation rate	2.75	2.50	2.50
Rate of increase in salaries	4.25	4.00	4.00
Rate of increase for pensions in payment	2.25	2.25	2.50
Rate of increase for deferred benefits during deferment	2.75	2.50	2.50
Discount rate	5.40	4.90	5.40

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

	Expected rate of return	Market value at 31 March 2007	Expected rate of return	Market value at 31 March 2006	Expected rate of return	Market value at 31 March 2005
	%	£'000	%	£'000	%	£'000
Equities	8.00	80,301	8.00	75,899	8.00	60,113
Bonds	5.00	30,496	4.50	28,529	5.00	23,768
Cash	5.25	770	4.50	525	4.25	663
Total market value of assets		111,567		104,953		84,544
Present value of scheme liabilities		112,367		108,522		88,423
Net pension liability		<u>(800)</u>		<u>(3,569)</u>		<u>(3,879)</u>

Movement in deficit during the year

	2007	2006
	£'000	£'000
Deficit at the start of the year	(3,569)	(3,879)
Movement during the year		
Contributions paid	2,182	2,275
Current service cost	(2,545)	(2,181)
Past service cost	-	-
Other finance income	2,049	1,259
Recognised actuarial gain/(loss)	1,083	(1,043)
Deficit at the end of the year	<u>(800)</u>	<u>(3,569)</u>

Notes to the financial statements

for the year ended 31 March 2007

Analysis of the amount charged to operating surplus

	2007 £'000	2006 £'000
Current service cost	2,545	2,181
Past service cost	-	-
Total charge to operating surplus	<u>2,545</u>	<u>2,181</u>

Analysis of the amount credited/(charged) to other finance income

	2007 £'000	2006 £'000
Expected return on assets	7,367	6,047
Interest cost	(5,318)	(4,788)
Net credit to other finance income	<u>2,049</u>	<u>1,259</u>

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

	2007 £'000	2006 £'000
Actual return less expected return	(409)	13,768
Experience loss on liabilities	(2,253)	(1,256)
Gain/(loss) on change of assumptions	3,745	(13,555)
Recognised actuarial gain/(loss)	<u>1,083</u>	<u>(1,043)</u>

History of experience gains and losses

		2007	2006
Difference between actual and expected returns on assets	Amount (£ '000)	(409)	13,768
	% of scheme asset	-0.4	13.1
Experience loss on scheme liabilities	Amount (£ '000)	(2,253)	(1,256)
	% of scheme liabilities	-2.0	-1.2
Total actuarial gain/(loss) recognised in statement of total recognised surpluses and deficits	Amount (£ '000)	1,083	(1,043)
	% of scheme liabilities	1.0	-1.0

Notes to the financial statements

for the year ended 31 March 2007

Reconciliation to the consolidated balance sheet

	2007 £'000	2006 £'000
Net assets		
Net assets excluding pension liability	234,468	219,323
Pension liability	(800)	(3,569)
Net assets including pension liability	<u>233,668</u>	<u>215,754</u>
Reserves		
Income and expenditure reserve excluding pension liability	213,696	199,654
Pension liability	(800)	(3,569)
Income and expenditure reserve including pension liability	<u>212,896</u>	<u>196,085</u>

23. Share capital – Company

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

24. Movement on reserves

24.1 Movement on income and expenditure account reserves

	Group £'000	Company £'000
At 1 April 2006	196,085	196,085
Surplus for the year	11,856	11,778
Realised investment surpluses	3,890	3,890
Transfer to restricted reserve	(18)	(18)
Actuarial gain on pension scheme	1,083	1,083
At 31 March 2007	<u>212,896</u>	<u>212,818</u>

24.2 Movement on other reserves – Group and Company

	Investment revaluation reserve £'000	Negative goodwill £'000	Restricted reserves £'000
At 1 April 2006	8,839	9,810	1,020
Amortisation of negative goodwill for the year	-	(191)	-
Movement in unrealised surpluses in the year	5,166	-	-
Realised investment surpluses	(3,890)	-	-
Transfer from income and expenditure account reserve	-	-	18
At 31 March 2007	<u>10,115</u>	<u>9,619</u>	<u>1,038</u>

25. Goodwill on acquisition of Licensed Victuallers National Homes – Group and Company

Negative goodwill arose on the acquisition of Licensed Victuallers National Homes.

Notes to the financial statements

for the year ended 31 March 2007

26. Notes to the consolidated cash flow statement

26.1 Reconciliation of operating surplus to net cash flow from operating activities:

	2007 £'000	2006 £'000
Total operating surplus	13,752	26,530
Depreciation	14,680	13,117
Amortisation of negative goodwill	(191)	(191)
Amortisation of positive goodwill	406	52
Difference between pension charge and cash contributions	363	(94)
Deficit on sale of fixed assets	777	(81)
Decrease in stock	296	740
Decrease/(increase) in debtors	1,836	(2,875)
(Decrease)/increase in creditors	7,120	(959)
Net cash inflow from operating activities	<u>39,039</u>	<u>36,239</u>

26.2 Reconciliation of net cash flow to movement in net debt

	2007 £'000	2006 £'000
(Decrease)/increase in cash in the period	(16,416)	4,098
Cash outflow from net decrease in debt	1,546	1,171
Change in debt resulting from movement in finance lease obligations	1,942	1,496
Cash flow from (decrease)/increase in liquid resources	<u>(541)</u>	<u>2,046</u>
Change in debt resulting from cash flows	(13,469)	8,811
Non-cash movements	<u>(2,408)</u>	<u>(1,674)</u>
Movement in net funds in the year	(15,877)	7,137
Net debt at 1 April 2006	(72,118)	(79,255)
Net debt at 31 March 2007	<u>(87,995)</u>	<u>(72,118)</u>

26.3 Analysis of changes in net debt

	As 1 April 2006 £'000	Cash flows £'000	Non cash movement £'000	At 31 March 2007 £'000
Cash at bank and in hand including overnight deposits	16,898	(16,416)	-	482
Other short term deposits and investments	6,063	(541)	-	5,522
Debt due within one year	(1,376)	1,336	(1,143)	(1,183)
Debt due after one year	(80,823)	210	1,143	(79,470)
Finance lease obligations	(12,548)	1,942	(2,408)	(13,014)
Loan stock	(332)	-	-	(332)
	<u>(72,118)</u>	<u>(13,469)</u>	<u>(2,408)</u>	<u>(87,995)</u>

Notes to the financial statements

for the year ended 31 March 2007

26.4 Analysis of cash flows for headings netted in the cash flow statement

	2007 £'000	2006 £'000
Returns on investments and servicing of finance		
Interest and dividends received	3,784	3,739
Interest paid	(5,568)	(6,983)
Net cash outflow from returns on investment and servicing of finance	<u>(1,784)</u>	<u>(3,244)</u>
Capital expenditure		
Payments to acquire and develop housing properties	(54,425)	(24,596)
Payments to acquire non-housing fixed assets	(4,536)	(2,823)
Receipts from disposal of housing fixed assets	41	-
Receipts from disposal of shared ownership fixed assets	-	1,124
Receipts from sale of non-housing fixed assets	192	232
Social housing grants received	5,552	3,246
Capital grants repaid	-	(48)
	<u>(53,176)</u>	<u>(22,865)</u>
Financial investment		
Payments to acquire investments	(32,995)	(95,333)
Receipts from sale of investments	33,505	92,518
	<u>510</u>	<u>(2,815)</u>
Net cash outflow from capital expenditure and financial investment	<u>(52,666)</u>	<u>(25,680)</u>
Management of liquid resources		
Receipts from/(payments into) term deposits	541	(2,046)
Net cash inflow/(outflow) from management of liquid resources	<u>541</u>	<u>(2,046)</u>
Financing		
Loans received	-	-
Loan repayments	(1,546)	(1,171)
Net cash outflow from financing	<u>(1,546)</u>	<u>(1,171)</u>

Notes to the financial statements for the year ended 31 March 2007

27. Capital commitments – Group and Company

	2007 £'000	2006 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	53,551	50,566
Capital expenditure that has been authorised by the Board but has not yet been contracted for	<u>603</u>	<u>1,090</u>
	<u>54,154</u>	<u>51,656</u>

28. Contingent liabilities – Group and Company

There were no contingent liabilities as at 31 March 2007 or 31 March 2006.

29. Legislative provisions

Anchor Trust is registered under the following Acts:

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

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এ দলিল অন্যান্য ভাষায় পাওয়া যাবে। ইংরেজী বলতে পারেন এমন কাউকে 020 7759 9100 এ নাথারে টেলিফোন করে একটি সংখ্যার জন্য অনুরোধ করতে বলুন।

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यह दस्तावेज़ दूसरी भाषाओं में भी मिल सकता है. एक प्रति पाने के लिये, कृपया अंग्रेज़ी बोलने वाले किसी व्यक्ति से कहिये कि 020 7759 9100 नंबर डायल करें.

Możemy udostępnić ten dokument w innych językach. Aby zamówić wersję w innym języku, poproś kogoś, kto zna język angielski, aby zadzwonił pod numer 020 7759 9100.

ਇਹ ਦਸਤਾਵੇਜ਼ ਦੂਸਰੀਆਂ ਬੋਲੀਆਂ ਵਿੱਚ ਵੀ ਉਪਲਬਧ ਕੀਤਾ ਜਾ ਸਕਦਾ ਹੈ। ਕਾਪੀ ਲੈਣ ਲਈ ਬੇਨਤੀ ਕਰਨ ਵਾਸਤੇ ਅੰਗਰੇਜ਼ੀ ਬੋਲਣ ਵਾਲੇ ਕਿਸੇ ਵਿਅਕਤੀ ਨੂੰ 020 7759 9100 ਤੇ ਟੈਲੀਫੋਨ ਕਰਨ ਲਈ ਕਹੋ।

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