HANOVER (SCOTLAND) HOUSING ASSOCIATION

Financial statements
for the year ended 31 March 2014

Hanover (Scotland) Housing Association Limited

Registered Address and Head Office:
Hanover (Scotland) Housing Association
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139 Fountainbridge
EDINBURGH
EH3 9QG

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Registered Housing Association No. 124
Financial Services Authority No. 1983 R (S)
Scottish Charity Registration SC014738

Hanover (Scotland) Housing Association Limited

Financial Statements for the year ended 31 March 2014

Committee of Management

Isobel Fowler BSc DAcad FRSAMD FRSA (Chairperson) (retired 31 March 2014)

Michael Martin (Chairperson elected 1 April 2014)

Gary Devlin ACA CPFA (co-opted 26 September 2013)

Wilma Dickson CBE PhD

Derek Fothergill (elected 26 September 2013)

David Griffin FRICS (elected 26 September 2013)

Dr Anne Hendry (elected 26 September 2013)

Ann MacDonald MCIH (elected 26 September 2013)

Anne McCamley BA LLB NP

Robin McGregor LLB (Hons) DipLP NP CA (resigned 28 November 2013)

Hugh Mitchell FCMA CGMA FCCA (resigned 4 July 2013)

Geoffrey Palmer Kt OBE DSc

Dr Alison Petch

Alan Savage

Barbara Walton BSc CA (retired 26 September 2013)

Brian Watt MD FRCPath FRCPE (retired 31 March 2014)

Roger Williams

Catherine Wyllie BA CA (elected 26 September 2013)

Officers

Helen Murdoch MBA FCIH MRICS ACIPD
Chief Executive

Andrew Aitken FCIPD
Director of Human Resources

Graham Bennie
Acting Director of Property and Development (appointed 19 August 2013, resigned 24 January 2014, reappointed 19 February 2014)

Gregor Booth BA (Hons)
Director of Housing & Care Services

Colin Gibson FCMA CGMA CIHM (retired 31 March 2014)
Director of Finance & Risk Management Services

Bruce Laing BSc MRICS (resigned 25 July 2013)
Director of Property & Development

Karen McIntosh FCCA (appointed 1 April 2014)
Acting Director of Finance & Risk Management Services

Christopher Milburn BA (Hons) MBCS
Director of Business & Communications

David Reid LLB ACIS
Company Secretary

Hanover (Scotland) Housing Association Limited

Review by the Committee of Management

at 31 March 2014

The Committee of Management presents its review and audited financial statements for the year ended 31 March 2014.

Review of the Business

Structure and Activities

Hanover (Scotland) Housing Association Limited (HSHA) (the Association) is incorporated under the Industrial & Provident Societies Acts 1965. A Scottish charity and Registered Social Landlord (RSL), the Association is part of a group of businesses traditionally focused on providing housing and related services, mainly, to older people. However, future strategy aims to assist a wider range of customers who can benefit from services it is able to deliver. Since the Association was founded in 1979, the Association has expanded, mainly organically, to become a national organisation that manages, on behalf of itself and others, over 5,200 properties across 24 local authorities.

The main trading entity within the group is:

Hanover (Scotland) Housing Association, which develops and manages purpose-built housing for rent to mainly older people. The Association also provides support services, both to its residents and to other people living in the wider community.

The Association forms part of a group, the other member of which is Hanover (Scotland) Housing Association Charitable Trust (The Charitable Trust). The Charitable Trust is a company registered in Scotland with charitable aims, details of which are provided within the Report and Financial Statements of the Trust. This company had net outgoing resources of £35,798 (2013: £80,723) in the year and net assets at 31 March 2014 of £nil (2013: £35,798). The Charitable Trust is in the process of being wound up and the assets were transferred to the parent organisation on 25 March 2014.

The Association is the ultimate parent undertaking of the group. Separate group accounts are not required as the group has been exempted from this requirement by the Financial Conduct Authority because of the insignificant amounts involved. Therefore, these accounts present the financial information for the parent undertaking and not for the group.

Turnover and Operating Surplus

Performance in the period

The results for the year to 31 March 2014 show turnover up from £28m in 2012/13 to £29m. The increase reflects the inflationary increases in charges, combined with additional revenue from new properties and the care at home contracts.

Review by the Committee of Management

at 31 March 2014

The Association's operating surplus for the year was £2.95m (2013: £2.83m). This is £0.24m less than the budgeted surplus of £3.19m. The funds available to meet interest due on loans were more than adequate and all interest cover covenants have been met. The surplus for the year, after interest charges on loans, was £2.13m, before transfers to reserves.

Total expenditure on repairs and maintenance in the year was £5.1m (2013: £5.5m). The Association received a total of £383k for the adaptation of 168 existing properties to meet the needs of tenants as they become more frail. These adaptations have been funded by government grant and the Association is pleased to note that, despite the political threat of cutbacks, the government has continued to provide the same level of funding as last year. The Association has, through research on the Social Return on Investment (SROI), demonstrated the value of adaptations where for every £1 spent there is a total return on investment of between £5.50 and £6.00. The Association will continue to work with others to demonstrate the benefits of this funding in an effort to persuade the Scottish Government not to reduce this valuable resource.

The Committee of Management considers the financial results of the Association for the year ended 31 March 2014 to be good and demonstrates the financial strength of the organisation.

The Association has not prepared group accounts taking advantage of the exemption under FRS2 relating to the immateriality of the individual accounts of the subsidiary. Relevant information is disclosed in note 26.

Financial Performance Headlines

	2014	2013	Mvmnt
Turnover £k	29,091	28,364	727
Operating Surplus £k	2,953	2,832	121
Operating Surplus %	10.0%	10.0%	-
Net surplus(deficit) £k	2,131	2,037	94
Net surplus(deficit) %	7.3%	7.2%	-
Total Fixed Assets £k	50,980	47,871	3,109
Total Loan Debt £k	18,508	19,132	-624
Total Reserves £k	34,684	32,644	2,040
Average cost of Funds	4.79%	4.82%	-

Business Strategy

The strategy for the Association is set out in a strategic plan that is reviewed annually and approved by the Committee of Management.

Hanover (Scotland) Housing Association Limited

Review by the Committee of Management

at 31 March 2014

The current three year strategic plan was first approved by the Committee of Management in March 2012 and the revised broad Strategic objectives agreed, are:

1. People, *'To help our customers to live the lives they want by providing them with modern and safe accommodation and supporting services. To promote their wellbeing, enabling them to live as healthy, independent and secure lives as possible and encourage and assist their participation and involvement as they choose in their communities.'*
2. Housing, '*To provide quality, well maintained, safe, sustainable and affordable housing for people wishing to live in the rented or owner-occupied sectors.'*
3. Support Services, *'To provide a range of quality, innovative, flexible and affordable support and care services to reflect what our customers want and need, to achieve best value and independent living.'*

The next strategy day is scheduled towards the end of August 2014.

Hanover (Scotland) Housing Association Limited

Review by the Committee of Management

at 31 March 2014

Performance Management Framework

A strong performance management framework is in place and is directly linked to our strategic objectives. All parts of the business work to key performance indicators and these are detailed along with departmental objectives in the Association's Business Plan. The senior management team have developed a series of key performance indicators some of which are noted in table 1 below.

Objective	Target	Performance
Development – to provide quality homes to people in need	• Develop 30 units annually	• 33 new build units completed at Corpach, Giffnock and Troon. Plus a day centre unit converted to 2 units.
Customer Service – to meet customer's needs and provide excellent service	• Improve standards of customer service • 95% of repairs completed within timescales • New service initiative or partnership working	• Most recent customer satisfaction survey was 91.2% of customers were very or fairly satisfied. This will set the future target for improvement. • 96% of emergency repairs within 24 hours, 95% of urgent repairs within 3 days and 94.2% of routine repairs within 20 days. • New integrated care and support service in Moray Council. • All care and support services registered with the Care Inspectorate were awarded a grade 5 – very good.
Finance – to improve efficiencies and increase financial strength of the group	• Achieve an operating surplus of 4% plus RPI • Meet lenders covenants • Manage rent arrears to 1.4% or rental income	• Target 6.5%, achieved 7.3%. • We have complied with lenders covenants throughout the year. • Rent arrears at the year end had risen to 2.28% (2013: 1.7%), due primarily to the timing of payment of housing benefit.
Good place to work – to invest in our people	• Staff turnover should not exceed 15% • Develop staff	• Average staff turnover for the year was 12.4%. • Achieved Investors in People. • All line managers are developing leadership and management skills through Institute of Leadership and Management.

Risks

The Association recognises the critical importance of monitoring and assessing the changes taking place in our operating environment and our risk map helps us assess the level of the main risks facing our organisation. Risk management is a continuous process and risks are regularly reviewed by Chief Officers and our committees. Key risks currently facing the Association are:

Key Risks – identified as High Risk

Key Risks Identified	Action being taken
Fire Safety for very sheltered development, resulting from new legislation and stricter controls. If very sheltered developments fire safety recommendations are not implemented, then the Association could face adverse publicity, and ultimately prosecution.	• Fire evacuation policy and procedure in place • Fire risk assessments carried out • Fire risk assessment remedial works being carried out • Development of specification for sprinkler systems and instalment
Reduction in income or increased costs outwith the Association's control If there is a reduction in income (including Housing Support from Local authorities) or increased costs, then this could increase pressure on the Association's viability.	• New income generation opportunities to be assessed • Housing Support exit strategy in place • Efficiency review – to reduce costs and improve procurement and contracting • Budget for an operating surplus of 4% over RPI
Affordability of housing and/or housing support to our customers If housing and /or housing support does not remain affordable to our client group, then this together with other factors, such as change in customer demographics may lead to reduction in demand, increasing voids and affect financial viability.	• Continuously monitor rent policy • Benchmarking of rent against other housing associations • Representation on Scottish Government working group on investment reform • Effective procurement

Reduced demand for our social housing If there is a drop in demand for social housing due to change in customer demography, then this could lead to higher voids levels.	• Review and further develop asset management strategy • Service redesign with more flexible services and products • Regular statistical reporting based on feedback from surveys
Increased competition for our Telecare service If Hanover faces increased competition and the service becomes no longer viable, then the service could be provided by an HSHA competitor	• Regular management and monitoring of business plan and results • Creation of business development to monitor clients and undertake competitor analysis • Provide high quality service at competitive pricing
The increasing cost of pension provision and deficit recovery The Association could face significant liabilities for meeting pension fund deficits. The Association's contribution to the fund may increase significantly in order to fund the scheme.	• Transfer of the default scheme from a higher cost to lower cost • Regularly monitor through review of valuations and discussions with professionals • Created a pension working group to consider future options

Market
The over-60/65 age group is forecast to continue growing and already outnumbers those under 16 by 2%. In particular, throughout the first half of the 21st century, the number of people aged over 80 is expected to rise substantially – a major target market for the Association. In considering this, it needs to be borne in mind that there is an increasing number of older people with long-term conditions such as dementia. Consequently, the Association is committed to helping to meet the demand for services that cater for the specific needs of frail, older people including those with dementia and believes that much more innovative housing solutions need to be provided for this group.

Housing
Housing has a significant contribution to make towards meeting the needs and aspirations of the Association's target market. It is inevitable that there will be an increasing role for supported housing/care housing, including care at home, as a substitute and replacement for residential care homes. We recognise, however, that the existing models of housing provision may no longer be appropriate in the current environment and we are considering new and innovative ways of providing housing and associated services. This, together with an asset management strategy of remodelling and/or reprovisioning of our housing stock and re-design of housing support services will ensure that the future needs and aspirations of customers continue to be met.

Care at Home and Integrated Services
The Association provides a Care at Home Service which offers customers assistance with personal care, domestic tasks, shopping, companionship and short breaks from caring. Our services are flexible and adaptable to individuals' changing needs. We plan to expand Care at Home and integrated care services in 2014 and beyond, when suitable opportunities arise.

Hanover Telecare
The recommendations from a strategic review of the Hanover Telecare service are currently being implemented and the service has recently benefitted from significant investment in upgraded technology, including the expansion of the control centre with the development of a second monitoring centre in Glasgow. This expansion allows the Association to proactively market various additional services, for example, an Out of Hours Repairs service and Lone Worker monitoring, in addition to being able to demonstrate a more resilient Telecare service, for both individual and corporate customers.

The Association now has the expertise and technology to develop new services, allowing us to enter new markets and strengthen our brand.

Marketing Strategy

In order to ensure that our customers and potential customers are fully aware of the range of services we provide, a Marketing Strategy for the period 2013-16 is being implemented. Work has commenced on achieving the objectives, which are closely aligned to the Association's overall business plan and are focused on increasing income and improving awareness and brand recognition of the Association in the market and of the services it provides.

Partnering

We will continue to work constructively with others where this can improve our efficiency and effectiveness and help us to achieve our strategic objectives. Therefore, partnership working might take place across the range of our activities including: construction of new properties; modernisation and/or remodelling of existing developments; management of our properties; delivery of key services, including financial services and the development of new services, including Telecare initiatives and Care at Home.

We have already put in place a number of joint initiatives with Bield, Trust and other Housing Associations. This has allowed us to pool resources, reduce costs and lead the field in innovation. Examples of our joint working include repairs and maintenance, public relations, human resources, tenancy applications through a common housing register, tenant participation and equal opportunities and benefits advice. We operate our joint repairs and maintenance service in the West of Scotland, Fife, the Lothians, Falkirk, Stirling, Perth & Kinross and Kincardineshire.

Discussions are also taking place with a number of other organisations to explore further opportunities for joint working.

Housing Support

This local authority funding stream is provided to the Association to finance tenant support services. Housing Support Funding is no longer ring fenced and is now included within local authorities' Care budgets. Since 2006 we have had in place a strategy to deal with changing Housing Support funding and this has assisted us to redesign services where housing support services have not been fully funded.

During 2011 this strategy was reviewed and a new one was put in place for 2012-15. This resulted in achievement of full cost recovery. The main aim of this new strategy is to continue to work with local authorities to obtain full cost recovery or to redesign services in keeping with the local authority's strategy for older people. It also includes an exit option where a local authority is no longer prepared to fund housing support services and no other option is available. This is, however, the option of last resort and all efforts would be undertaken to prevent this.

While this deals with the management of housing support services, it is hoped that this may be the beginning of a potentially organic process in the development of new transformational models, as part of the Government's "Shifting the Balance of Care" policy.

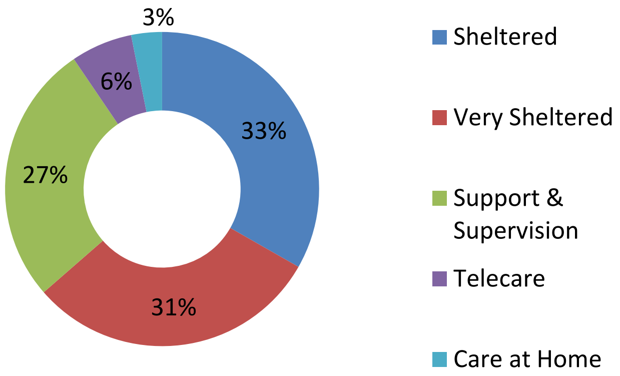
Development Grant
The Association continues to consider development opportunities on a case by case basis where there are strong strategic links underpinned by a robust business plan. A key issue for the viability and sustainability of individual development opportunities remains the availability and level of capital grant funding. While the Association has been able to support individual projects at the current levels of grant which are forecast to continue within the constrained public sector resources, these cannot underpin a long term sustainable development programme. However, the Association is well placed to manage a modest development programme as it retains a low level of debt as a percentage of the value of the business.

Housing Stock
The Association manages over 5,200 properties, of which it owns over 4,000. The remainder is managed on behalf of individual owners. Note 24 of the Financial Statements sets out the number of units that are both owned and managed. The updated business strategy document provides details of the proposed new build programme from 2012 – 2015.

Organisation Structure
During 2013 the Association embarked on a review of its organisational design. The overall aim of the review is to create a more customer focused organisation by linking mutually beneficial services for the benefit of its customers. The organisational design will be developed further in 2014.

Employees
During 2013/14, the average number of full-time equivalent staff employed by the Association was 375 (2012/13: 379), as shown in ***figure 1***.

Figure 1



Without a devoted, motivated and well trained workforce the Association would not be able to meet the needs of our customers. The Association continues to benchmark its working environment to ensure that it provides competitive terms and conditions and a number of additional non financial benefits have been introduced as part of our HR policies.

Levels of staff turnover, sickness absence, and other key HR indicators are closely monitored and benchmarked against available statistics on a regular basis. The Association's staff turnover is in line with industry averages for the public sector. The Association is committed to providing a safe and healthy environment for its staff and has in place a comprehensive manual of health and safety policies and procedures which are constantly being updated. The Association is keen to ensure the wellbeing of all members of staff while at work and has several policies covering areas such as flexible working, equalities and dignity at work.

The Association has been named among the top 20 'Scotland's Best Workplaces' every year since 2011 and reached number 4 in 2013 and also achieved the Bronze Award from Healthy Working Lives. During 2014 the Association is working towards consolidating its Investors in People (IIP) accreditation and Investors in Diversity (IID) accreditation.

These schemes recognise organisations that have achieved outstanding effectiveness in HR and people excellence.

Effective communication is important as the Association is a very dispersed organisation which makes full use of a variety of channels, including Information and Communications Technology.

Information and Communications Technology (ICT)

The Information & Communications Technology (ICT) section at the Association plays a crucial role in supporting the organisation. The primary focus of the ICT team is to deliver the objectives detailed in the ICT Strategy (2012-15), which has been developed to closely align with the Association's overall business plan.

Equality and Diversity

The Association has a legal and moral obligation as a good and socially responsible service provider and employer to be fair and equitable in the treatment of its customers, employees and others. With an increasingly diverse market place the Association is firmly committed to providing equal access to service and employment opportunities. Our policies, procedures and practices ensure that no one is disadvantaged.

Capital Structure

The group contains entities with differing legal forms (Industrial & Provident Society and a company limited by guarantee), neither of which is able to raise equity funding. Consequently, the group finances its operations by a combination of Government and other grants, housing loans from commercial banks and retained surpluses. Neither member of the Hanover (Scotland) Group pays dividends.

Housing Assets

A strong balance sheet and a growing asset base are key factors in enabling the Association to raise additional finance to support property development plans. The number of units and the value of the group's housing stock has generally increased over the past five years, driven mainly by organic growth.

These housing assets are included on the balance sheet at £44.6 million (2013, £41.7 million), which is gross historical cost less depreciation and Housing Association Grant. The Committee of Management believes that the current market value of these properties is still significantly in excess of their net book value, see note 9b. This assessment is based on valuations of elements of the portfolio undertaken during 2012/13, which take account of the Association's planned maintenance programme.

Details of fixed assets are set out in Note 9.

Impairment Review

The Association has conducted an impairment review and, although impairment exists on some newer properties, the Committee of Management does not believe that any accounting adjustments are required at this stage, as they relate to planned internal subsidies.

New Properties

During the 12 months ended 31 March 2014, there were 35 new units completed. The Association closed a 13 unit very sheltered development; a further 2 developments, 61 units, are in development at the year end.

The next few years are likely to present significant challenges in sustaining new development activity. The significant reduction in grant levels from the Scottish

Government as a result of spending reductions coupled with the introduction of new funding mechanisms, which seek far greater investment from the Association, mean it is more than ever essential to appraise each development on a case by case basis, ensuring that it will not impact on the long term viability of the Association. The delivery of housing for particular needs, specifically for older people, faces even greater hurdles in the current climate of financial austerity. According to a recent report from Shelter, "If current levels of demand, for affordable housing, remain constant, supply will have to increase by over 70% in the next 20 years" and, in the foreseeable future this target seems unlikely to be met.

Accounting Policies

Accounting Policies are covered in detail in Note 1 of the Financial Statements. A number of key policies are explained below:

Rent Policy

The aim of the policy is to have a common level of rents for all similar properties.

The policy is underpinned by three principal objectives:

a. Affordability to customers;
b. Viability for the Association; and
c. Marketability.

The first objective is to ensure that rents are affordable for each client group. The assessment of affordability takes into account basic retirement pension, housing benefit levels and sector guidance.

Income from rents should also be sufficient to meet the financial commitments of the Association in order to maintain continued financial viability. The Association is running a pilot which breaks the link between the retail price index and the level of rent increase. This has resulted in lower rent increases for both 2012/13 and 2013/14.

Marketability is also an important factor and the Association generally compares favourably with rents, of similar properties, of other providers.

Reserves Policy

The Association will build up sufficient reserves to keep it financially viable to enable it to achieve its overall aims. This requirement is reviewed annually. The Association will maintain any risk reserve which is considered necessary in accordance with the policy on risk management.

Designated Reserves

Following a review of the stock condition survey and future asset management, the Association anticipates that the annual spend on major repairs will be no more than £2m and that in future this will be funded through the income and expenditure account. Accordingly, the balance of £9.337m held in this designated reserve has been transferred to the Revenue Reserve.

The amount held in the Designated Reserve for the Replacement of Equipment on Rented Developments has decreased from £3.7m to £3.1m. These funds will be held to provide for years when there will be greater demand for replacement equipment on the developments and funding to ensure that properties continue to be maintained to a high standard without undue financial burden for residents in years of high expenditure.

During the year an amount of £10m has been transferred from Revenue Reserves to a new Designated Reserve for the Past Service Deficit on the Scottish Housing Association Pension Scheme (SHAPS). These funds will be held to provide for future liability. The amount transferred, together with the £5m transferred last year, equals the Net Present Value of the past service deficit currently estimated to be repaid over the next thirteen and a half years.

Further details of the full impact of the Association's pension commitment under the SHAPS scheme are detailed at note 22.

Pension Reserves

The Association has been informed that its share of the pension deficit in the Lothian Pension Fund as at 31 March 2014 amounts to £1.4m (2013: £1.257m) and this is shown on the balance sheet.

Revenue Reserves

The Association's revenue reserve should be set at a level which is adequate to cover both known and unforeseen risks. Our aim is to have a reserve of 6 months working capital which is £4m. A further amount of between £15m and £17m is recommended for known risks such as those mentioned previously. Current Revenue Reserves of £18m, are adequate to meet this commitment. Where possible, the potential cost of known risks is quantified to inform the annual review of the reserves policy. Further details are provided at Notes 1 h) and 18.

It should be noted that these reserves are not fully cash backed as this would be considered an inefficient use of resources.

Treasury Management Policy

The Association has an active treasury management function which operates in accordance with the Treasury Management Policy.

The Association manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst minimising excess cash and liquid resources held. At 31 March 2014, the Association had £3m undrawn loan facilities.

The Treasury Management Policy aims to manage liquidity, funding, investment and the Association's financial risk, including risk from volatility in interest rates and counterparty credit risk. The objective is to manage risk on a cost effective basis.

The Association manages interest rate risk by utilising a high proportion of fixed interest debt. At 31 March 2014, 79% of the debt portfolio was at a fixed rate (2013: 79%).

Creditor Payment Policy

This policy complies with the Confederation of British Industry guidelines, 30 days, and Hanover's average payment period is 19 days (2013: 19 days).

Maintenance Policies

The Association seeks to maintain its properties to the highest standard. Reactive maintenance is carried out in accordance with our published response targets.

Programmes of cyclical repairs and planned maintenance are carried out to deal with the deterioration of building components and the Association's long term programme of planned maintenance covers replacement or repairs to features of the property which have come to the end of their economic lives. The cost of these planned maintenance repairs would previously have been charged to the Income and Expenditure Account. However, under the terms of component accounting requirements, some major repairs will be capitalised. This programme also includes works required by legislation, such as the Scottish Housing Quality Standard (SHQS). Latest projections show that the works required to comply with the SHQS, will be met by the target date of 31 March 2015.

The Association's Committee of Management maintain a regular overview of all the Association's policies.

Employee Involvement and Health and Safety

The Association encourages employee involvement in all major initiatives. The Health, Safety and Wellbeing Manager reports to the Committee of Management through the HR sub-committee, three times during the year.

Balance Sheet Debt and Liquidity

The Balance Sheet continues to show a position of overall strength, including an increase in reserves.

Liquidity is measured in terms of cash available to meet short term liabilities and this was considered adequate at 31 March 2014.

Gearing is measured in terms of net debt compared with net assets and including capital grants received. The current position, at 10.2% (2013: 10.8%), provides considerable comfort in terms of ability to continue borrowing to fund future developments.

Going Concern

The Committee of Management has reviewed the results for this year and has also reviewed the projections for the next five years.

The Association's business activities, together with the factors likely to affect its future development, performance and position are set out in the Review on pages 3 to 21. The financial position of the Association, its cash flows, liquidity position and borrowing facilities are described on pages 26-27 and notes 11-13 to the financial statements.

The Association has considerable financial resources together with long-term income from its customers. As a consequence, the Committee of Management believe that the Association is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Committee of Management has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Cash Flow

The cash outflow in 2013/14 was just over £1.53m, just over £1.1m more than in 2012/13. The cash inflow of £5.3m from operating activities is £400k less than the figure for the prior year.

New Accounting Standards

The new Financial Reporting Standard, FRS102 will have a significant impact on the way the financial statements are presented in future. The anticipated date of application of this standard is in 2016. This will not, however, have any impact on the underlying financial performance of the Association.

Outlook

The Association continues to meet the challenges of reductions in public sector spending combined with sustained maintenance expenditure. These challenges were considered in detail at a two day strategy conference, held in August 2011 and are now covered in the Association's revised business strategy for 2012 – 2015. On the basis of the assumptions used in the projections of income and expenditure, longer term plans over the next 30 years offer a satisfactory picture of viability. The Association believes it is well placed to meet future challenges.

The Committee of Management

The Association has 311 (2013: 258) members, each of whom holds a single fully-paid £1 share. From their number, the Committee of Management is elected and members who served on it in the year are listed on page 1. Members are appointed with reference to experience, skills and qualifications and any potential skills gaps are taken into account when seeking new members. The Committee of Management is supported by nine Sub-Committees; Property and Development, Housing and Care Services, Business and Communications, Human Resources, Finance, Audit, Advisory, Membership and Nominations. Decisions are made by officers of the Association and Committees by reference to powers set out in the scheme of sub-committees and delegation.

All new members undergo induction training. Additional training is provided, both internally and externally, on specific topics as they arise.

The current Committee structure is also under review as part of the organisational design for the future of the Association.

Statement of Responsibilities of the Committee of Management

The Industrial and Provident Societies Acts 1965 to 2002 require the Committee of Management to ensure that financial statements are prepared for each financial year, which give a true and fair view of the Association's state of affairs and of the surplus or deficit of the Association for that period. In preparing those financial statements, the Committee of Management is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is not appropriate to presume that the Association will continue in business; and
- ensure a statement on Internal Financial Control is prepared.

The Committee of Management is responsible for the keeping of proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Association. The Committee must ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, Housing (Scotland) Act 2010 and the Registered Housing Associations Determination of Accounting Requirements 2012. It is responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring that the Association's suppliers are paid promptly.

The members of the Committee of Management at the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant information of which the auditors are unaware. They confirm that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Statement on Internal Financial Control

1. The Committee of Management acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

   - the reliability of financial information used within the Association, or for publication;
   - the maintenance of proper accounting records; and
   - the safeguarding of assets against unauthorised use or disposition.

2. It is the Committee of Management's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable, and not absolute, assurance against material financial mis-statement or loss or failure to meet objectives. Key elements of the Association's systems include ensuring that:

   - formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
   - experienced and suitably qualified staff take responsibility for the important business functions and annual appraisal procedures have been established to maintain standards of performance;
   - forecasts and budgets are prepared which allow the Management Team and Committee of Management to monitor the key business risks, financial objectives

and progress being made towards achieving the financial plans set for the year and for the medium term;

- monthly management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information, with significant variances from budget being investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Committee of Management;
- the Audit Committee receives reports from management and from the external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed, and that a general review of the major risks facing the Association is undertaken;
- formal procedures have been established for instituting appropriate action to correct any weakness identified through internal and external audit reports;
- the Internal Audit plan was amended during the year to focus on certain key areas arising following the issue of the Scottish Housing Regulation plan indicating medium engagement with the Association. This highlighted that a further focus on project management is required to improve the effectiveness of operations particularly within the Property and Development Department. This will be a focus for the next 12 months; and
- significant risks are identified, evaluated and managed, as previously outlined on page 10 of this review.

3. The Association's internal auditor was appointed in 2011 and the third year of the programme of work, based on the Audit Needs Assessment and an internal risk review, is nearing completion. In addition to individual reports resulting from the ongoing programme of work, the internal auditor prepares an annual report for the Audit Committee each year. These arrangements are considered appropriate to the scale and range of the Association's activities and comply with the requirements contained in the Scottish Housing Regulator's Guidance.

4. The effectiveness of the Association's system of internal financial control has been reviewed by the Audit Committee. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure

in these financial statements or in the auditor's report on the financial statements.

Auditors

Baker Tilly have indicated their willingness to be reappointed next year. However, under good governance the external audit for the Association is currently subject to a tender process. A decision on the appointment of the external auditor for next year will be made at the Annual General Meeting.

On behalf of the Committee of Management

Committee Member: Michael Martin

Date: 3 July 2014

Hanover (Scotland) Housing Association Limited

Independent Auditor's Report to the members of Hanover (Scotland) Housing Association Limited

We have audited the financial statements of Hanover (Scotland) Housing Association for the year ended 31 March 2014 on pages 24 to 53. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members as a body, in accordance with section 9 of the Friendly and Industrial and Provident Societies Act 1968. 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 Association's members as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of the Committee of Management and Auditor

As explained more fully in the Committee of Management's Responsibilities on page 18 and 19 the Committee of Management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2014 and of its income and expenditure for the year then ended; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements April 2012.

Hanover (Scotland) Housing Association Limited

Independent Auditor's Report to the members of Hanover (Scotland) Housing Association Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2002 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account of the Association; or
- we have not received all the information and explanations we require for our audit.

Baker Tilly UK Audit LLP

Baker Tilly UK Audit LLP

Statutory Auditors
Chartered Accountants
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG
Date: 3 July 2014

Hanover (Scotland) Housing Association Limited

Income and Expenditure Account

For the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Turnover	2	29,091	28,364
Less: Operating Costs	2	(26,138)	(25,532)
Operating Surplus		2,953	2,832
Surplus on disposal of assets		21	25
Interest receivable and other income	7	92	154
Interest payable and similar charges	8	(934)	(968)
Surplus on ordinary activities before taxation		2,132	2,043
Tax on surplus on ordinary activities	23	(1)	(6)
Surplus on ordinary activities after taxation	18	**2,131**	**2,037**

Statement of Total Recognised Gains and Losses

		2014 £'000	2013 £'000
Surplus for the Year		2,131	2,037
Actuarial (Loss) on pension obligations	19	(91)	(80)
Total surpluses recognised since last reporting period		**2,040**	**1,957**

The results for the year relate wholly to continuing activities.

Hanover (Scotland) Housing Association Limited

Balance Sheet As at 31 March 2014

	Notes	2014	2014	2013	2013
Fixed Assets		£'000	£'000	£'000	£'000
Tangible fixed assets:					
Housing properties: Cost less depreciation			185,090		182,459
Grants			(140,522)		(140,782)
	9		44,568		41,677
Fixed Asset Investment	9		51		51
Other tangible fixed assets	9		6,361		6,143
	9		50,980		47,871
Current Assets					
Debtors	10	1,475		1,457	
Cash at bank and in hand	11	6,711		8,247	
		8,186		9,704	
Current Liabilities					
Creditors: Amounts falling due within one year	12	(4,903)		(4,949)	
Net Current Assets			3,283		4,755
Total Assets less Current Liabilities			54,263		52,626
Creditors: Amounts falling due after more than one year	13		(18,166)		(18,725)
Net Assets Before Pension Liability			36,097		33,901
Pension Liability	19		(1,413)		(1,257)
			34,684		32,644
Capital and Reserves					
Share Capital	14		-		-
Designated Reserves	15/16/17		18,281		18,280
Revenue Reserve	18		17,816		15,621
Pension Reserve	19		(1,413)		(1,257)
			34,684		32,644

The Committee approved and authorised the financial statements for issue on 3 July 2014.

Chairperson: **Mike Martin**

Chairperson Finance Committee: **Gary Devlin**

CompanySecretary: **David G Reid**

Hanover (Scotland) Housing Association Limited

Cash Flow Statement
For the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Net cash inflow from operating activities	(i)	5,279	5,666
Returns on investments and servicing of finance			
Interest received		92	154
Interest paid loans		(894)	(929)
Interest paid finance lease		(2)	(4)
Finance Cost on Pension Scheme Assets		(38)	(35)
Net cash outflow from investments and servicing of finance		(842)	(814)
Taxation			
Corporation tax paid		(1)	(6)
Net cash outflow from taxation		(1)	(6)
Capital expenditure			
Payments to acquire and develop housing properties		(5,252)	(5,681)
HAG and other grants received		442	1,317
Payments to acquire other fixed assets		(578)	(289)
Net receipts from shared ownership property sales		107	82
HAG repaid on shared ownership property sales		(66)	(30)
Net cash outflow from investing activities		(5,347)	(4,601)
Net Cash (outflow) inflow before financing		(911)	245
Financing			
Finance lease obligations		(19)	(35)
(Loans repaid) / advances received		(606)	(612)
Net cash (outflow) from financing	(ii)	(625)	(647)
(Decrease) in cash	(iii)	(1,536)	(402)

Notes to the Cash Flow Statement for the year ended 31 March 2014

(i) Reconciliation of operating surplus for the year to net cash flow from operating activities

	2014 £'000	2013 £'000
Operating surplus	2,953	2,832
Depreciation	2,260	2,094
Increase/(Decrease) in pension provision	65	(32)
(Increase) in debtors	(18)	(57)
(Decrease)/ Increase in creditors	(38)	872
Increase/ (Decrease) in residents' funds	57	(43)
Net cash inflow from operating activities	**5,279**	**5,666**

(ii) Analysis of net debt

	At 31-Mar 2013 £'000	Cash flows £'000	Other changes £'000	At 31-Mar 2014 £'000
Cash and short term deposits	8,247	(1,536)		6,711
	8,247	(1,536)	-	6,711
Debt due within one year	(629)	625	(617)	(621)
Debt due after one year	(18,504)	-	617	(17,887)
Total	(10,886)	(911)	-	(11,797)

(iii) Reconciliation of net cash flow to movement in net debt

	2014 £'000
Decrease in cash and short term deposits in the period	(1,536)
Decrease in loans in the period	625
Change in net debt	(911)
Net debt at 1 April 2013	(10,886)
Net debt at 31 March 2014	(11,797)

1 Accounting Policies

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Financial Conduct Authority.

a) Basis of accounting
The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards. They comply with the Registered Housing Associations Determination of Accounting Requirements 2012 and with the Statement of Recommended Practice on Accounting by Registered Social Landlords 2010.

b) Turnover
Turnover represents rental and service charge income receivable from tenants and owner occupiers, income from sale of housing properties, fees and revenue based grants receivable from Local Authorities and the Scottish Government, and charges to users of the Hanover Telecare service.

c) Housing properties, Housing Association Grant and depreciation

i) Housing properties are stated at the lower of cost and net realisable value where cost includes the cost of acquiring land and buildings, development expenditure and interest charged on the funds used to finance housing projects in the development period less depreciation and Housing Association Grant. Net realisable value has been assessed with reference to the 'Open Market value for the Existing Use Value – Social Housing' (EUV-SH) criterion.

ii) Works to existing properties will generally be capitalised under the following circumstances: where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property. Works to existing properties which fail to meet the above criteria are charged to the Income and Expenditure account.

iii) The major components are deemed to be: Land, Structure, Roof Structure and Coverings, Bathrooms, Kitchens, Doors, Windows, Lifts, Intercom/Door Entry, Radiators/Pipework, Storage Heating and Boilers. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown in Note 1c vi. The accounting policy is compliant with the SORP 2010.

iv) Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income generating unit is recognised by a charge to the Income and Expenditure Account. Impairment is recognised where the carrying value of an income generating unit exceeds the higher of its net realisable value or its value in use. Value in use represents the net present value of expected future cash flows from these units. The length of forecast period used is 30 years.

v) For developments under the terms of the Housing (Scotland) Act 2010, Housing Association Grant (HAG) is paid directly to the Association as required to meet its liabilities during the development process. HAG is repayable under certain circumstances, primarily following the sale of property, but will normally be restricted to sale proceeds.

vi) Depreciation is charged on a straight line basis over the expected economic useful lives of each major component that makes up the housing property, not including land as land is not depreciated, based on Actual Cost less Grants Receivable, as follows:

Component	Useful Economic Life
Structure	60 years
Roof Structure	60 years
Roof Covering	35 years
Bathrooms	30 years
Radiators/Pipework	30 years
Windows	30 years
Kitchens	20 years
Lifts	20 years
Intercom/Door Entry	15 years
Doors	15 years
Storage Heating	15 years
Boilers	15 years

vii) The Shared Equity fixed asset investment reflects the Association's 30% interest share in three shared equity developments. This 30% share reflects the value of the Housing Association Grant received from the then Scottish Office and remains the property of the Association in perpetuity so that the benefit of the original grant is passed onto successive equity shareholders.

viii) Strictly attributable development administration costs relating to development activities are capitalised based on an apportionment of staff time spent on this activity.

ix) Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of the property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.

d) Other fixed assets

Other fixed assets purchased that are over the value of £1,000 are capitalised.

Depreciation is calculated to write down the cost of other fixed assets on a straight line basis over the expected useful lives at the following rates:

Office premises	2% - 15%
Garages	7%
Equipment	20% – 25%

e) Stock

Stock is stated at the lower of cost and net realisable value.

f) Fund for replacement of scheme equipment – owner occupiers

Transfers are made from the service charge to replace items of scheme equipment based on current replacement costs and estimated lives. The fund is included in deferred income and is split into amounts falling due within one year and after more than one year, based on budgeted figures for the following year.

g) Fund for repairs and replacement equipment – owner occupiers

Transfers are made from the service charge to meet the cost of future repairs on owner occupied developments where the owners have the responsibility to meet these costs. The fund is included in deferred income and is split into amounts falling due within one year and after more than one year, based on budgeted figures for the following year.

h) Reserves

i) Designated Reserve – Major repairs and remodelling reserve (excluding items capitalised as components)

Following a review of the stock condition survey and future asset management, the Association anticipates that the annual spend on major repairs will be no more than £2m and that in future this will be funded through the income and expenditure account. Accordingly, the balance held in this designated reserve has been transferred to the Revenue Reserve.

ii) Designated Reserve – Replacement Equipment Fund on Rented Developments

An annual amount is transferred to the reserve based on future replacement costs and the estimated economic useful lives of the equipment. Currently the Association anticipates annual expenditure of between £350k and £500k with a peak of £1m in the next financial year. The Association believes that the reserve balance held is sufficient to meet future demands (note 16).

iii) Designated Reserve – SHAPs Past Service Deficit

During the year an amount of £10m has been transferred from Revenue Reserves to the Designated Reserve for the Past Service Deficit on the Scottish Housing Association Pension Scheme (SHAPS). These funds will be held to provide for future liability (note 17), in line with the past service debt notified to the Association as payable over the next 13 and a half years (note 22).

iv) Revenue Reserve

The balance of any surpluses, over and above those transferred to the designated reserve for development expenditure and Pension Past Service Deficit, is held in a revenue reserve. The reserve, which is not cash backed, is held to meet any unforeseen risks encountered by the Association. The Committee of Management regularly considers the target level on a risk management basis and the future expected use of this reserve (note 18).

v) Pension Reserve

This reserve is based on the Association's liability with regard to the Lothian Pension Fund defined benefits, final salary scheme. In line with FRS17 the deficit is required to be disclosed on the face of the balance sheet (note 19).

i) Leasing

Rentals paid under operating leases are charged to Income and Expenditure on a straight line basis over the term of the lease.

Assets held under finance leases are included in tangible fixed assets and are depreciated on a straight line basis over their estimated useful lives. Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable; the finance charge being allocated to accounting periods over the lease term so as to produce a constant rate of charge on the remaining balance of the obligation. The Association's obligations under finance leases are secured on the asset to which the leases relate.

j) Taxation Policy

The Association pays corporation tax on its non-charitable activities. As a Registered Social Landlord, the Association is exempt from payment of corporation tax on its social letting activities.

k) Value Added Tax

The Association is VAT registered. However, a large proportion of the income, namely rents and service charges, are exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure as a result is shown inclusive of VAT.

l) Pensions

The Association participates in two defined benefits pension schemes, the Scottish Housing Association Pension Scheme (SHAPS) and the Lothian Pension Fund (LPF). Retirement benefits to employees are funded by contributions from employers and employees in the schemes.

Last year the Association underwent a review of the SHAPS due to the further escalating costs that has a bearing on the affordability to both the organisation and employees. The Committee of Management made the decision that from 1 April 2014 the Care 70ths scheme would be closed to new entrants and moved to CARE 80ths as the defined pension option.

Eighteen employees (2013: 12 employees) are members of the Lothian Pension Fund administered by The City of Edinburgh Council.

The expected cost to the Association of pensions is charged to the Income and Expenditure account so as to spread the cost of pensions over the service lives of the employees.

m) Group Accounts

The Association is registered in Scotland and forms part of a group. The other member is Hanover (Scotland) Housing Association Charitable Trust, a company registered in Scotland with Charitable aims.

Hanover (Scotland) Housing Association Limited is considered to be the ultimate parent undertaking of the group. These financial statements present the information only relating to Hanover (Scotland) Housing Association Limited. Separate Group accounts are not required by the Financial Services Authority because of the insignificant amounts involved.

Note that on 19 February 2014 the Council of Management of Hanover (Scotland) Housing Association Charitable Trust Ltd (the Trust) agreed to wind up the Trust and to apply to OSCR for dissolution. This was granted on 19 March 2014. The assets of the Trust were then transferred to the Association.

2 Turnover, Operating Costs and Operating Surplus

				2014	2013
	Notes	Turnover £'000	Operating costs £'000	Operating surplus £'000	Operating surplus £'000
Social Lettings	3a	22,556	(20,316)	2,240	2,304
Other Activities	3b	6,535	(5,822)	713	528
Total for 2014		**29,091**	**(26,138)**	**2,953**	**2,832**

3a Particulars of Income and Expenditure from Lettings

	General Needs Housing £'000	Supported Housing Accommodation £'000	Shared Ownership Accommodation £'000	Total 2014 £'000	Total 2013 £'000
Income from lettings					
Rent receivable net of Identifiable Service Charges	628	13,923	44	14,595	13,927
Service Charges receivable	67	8,204	-	8,271	8,127
Gross income from rents & service charges	695	22,127	44	22,866	22,054
Less: Voids	(13)	(774)	-	(787)	(698)
Net income from rents & service charges	**682**	**21,353**	**44**	**22,079**	**21,356**
Revenue Grants from Local Authorities and Other Agencies	-	477	-	477	444
Total turnover from social letting activities	**682**	**21,830**	**44**	**22,556**	**21,800**
Management & maintenance administration costs	142	3,990	10	4,142	3,944
Service costs	54	9,393	-	9,447	8,748
Planned and cyclical maintenance including major repairs costs	41	2,397	-	2,438	2,680
Reactive maintenance costs	73	2,273	-	2,346	2,380
Bad debts - rents and service charges	-	43	-	43	18
Depreciation of social housing	78	1,822	-	1,900	1,726
Operating Costs for social letting activities	**388**	**19,918**	**10**	**20,316**	**19,496**
Operating Surplus for social letting	**294**	**1,912**	**34**	**2,240**	**2,304**
Operating Surplus for social letting for previous period of account	183	2,086	35	2,304	

3b Turnover, Operating Costs and Operating Surplus/(Deficit) from Other Activities

	Grants from Scottish Ministers £'000	Other revenue grants £'000	Supporting people income £'000	Other income £'000	Total turnover £'000	Operating costs bad debts £'000	Other operating costs £'000	2014 Surplus/ (deficit) for the year £'000	2013 Surplus/ (deficit) for the year £'000
Wider Role Activities	-	-	-	-	-	-	-	-	-
Care & Repair of Property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	1,677	1,677	-	(1,677)	-	-
Development & construction of property activities	-	-	-	-	-	-	-	-	-
Support Activities	-	-	2,657	-	2,657	-	(2,271)	386	330
Care Activities	-	-	-	259	259	-	(241)	18	(66)
Agency/management services for RSLs	-	-	-	25	25	-	(24)	1	11
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Developments & improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Telecare	-	-	-	1,055	1,055	-	(925)	130	204
Stage 3 Adaptations	-	276	-	-	276	-	(276)	-	-
Other Activities*	-	-	-	586	586	-	(408)	178	49
Total from Other Activities	**-**	**276**	**2,657**	**3,602**	**6,535**	**-**	**(5,822)**	**713**	**528**
Total from other activites for year ended 31 March 2013	**-**	**391**	**2,681**	**3,492**	**6,564**	**-**	**(6,036)**	**528**	

* Under other activities – no single activity exceeds £250k.

4 Directors' Emoluments

The directors are defined as the members of the Committee of Management, the Chief Executive and any other person reporting directly to the directors or the Committee of Management whose total emoluments exceed £60,000 per annum.

	2014 £'000	2013 £'000
Total emoluments (excluding pension contributions and benefits in kind)	445	428
The emoluments (excluding pension contributions) of the highest paid director amounted to :	102	100

The number of directors (including the highest paid Director) who received emoluments (excluding pension contributions) in excess of £60,000 were within the following ranges:	No. of Directors	No. of Directors
£60,001 to £65,000	-	1
£65,001 to £70,000	1	-
£70,001 to £75,000	3	4
£95,001 to £100,000	-	1
£100,001 to £105,000	1	-

The Association made pension contributions of £113,161 (2013: £79,328) on behalf of those directors whose total emoluments, excluding pension contributions, are in excess of £60,000 per annum, including £16,491 to the highest paid director and a pension strain payment to the value of £34,014.

The Committee of Management had a membership of 15 as at 31 March 2014 and had a maximum of 15 members during the year. In accordance with the Rules of the Association the co-optees are not included in the expression 'Committee Members' or 'members of the Committee'. No payment or fees or other remuneration was made to the members during the year.

	2014 £'000	2013 £'000
Total expenses reimbursed to the Chief Executive insofar as not chargeable to UK Income Tax:	1	1
Total expenses incurred on behalf of Committee Members who were neither officers nor employees of the Association amounted to:	2	7

5 Employee Information

	2014 No.	2013 No.
The average full time equivalent number of persons employed in the year was:	376	379
The average number of persons employed in the year was:	505	514

5 Employee Information (continued)

	2014 £'000	2013 £'000
Staff costs (including directors' emoluments)		
Wages and salaries	9,146	9,090
Social security costs	635	625
Pension costs	936	897
BUPA	9	9
	10,726	10621

Payments to the value of £57,201 in respect of redundancy costs are included within the totals for staff costs.

Average FTE Employees per Month

Apr-13	376	Oct-13	375
May-13	379	Nov-13	373
Jun-13	379	Dec-13	374
Jul-13	378	Jan-14	374
Aug-13	377	Feb-14	376
Sep-13	376	Mar-14	374

6 Operating Surplus

	2014 £'000	2013 £'000
Operating surplus is stated after charging/ (crediting)		
Proceeds from HSHA Charitable Trust on dissolution	(36)	-
Depreciation	2,260	2,094
Repairs: cyclical, planned, day to day	6,393	6,623
Auditors' remuneration - external	22	23
Auditors' remuneration - internal	25	17
Hire of plant and machinery - rentals payable under operating leases	164	160

7 Interest receivable and other income

	2014 £'000	2013 £'000
Interest receivable on bank deposits	92	154

8 Interest payable and similar charges

	2014 £'000	2013 £'000
Housing loans:		
On loans from banks and building societies repayable in more than 5 years	887	923
Interest charged on finance leases	2	4
	889	927
Net return on pension assets	38	35
Interest on owner occupier funds	7	6
	934	968

9 Tangible Fixed Assets

	Housing Properties: Held for letting £'000	Housing Properties: Shared ownership £'000	Housing Properties: Under construction £'000	Housing Properties: Total housing £'000	Fixed Asset Investment Shared Equity £'000	Heritable office property £'000	Computer & leased equipment £'000	Total other £'000	Grand total £'000
Cost									
At 1 April 2013	197,152	646	3,313	**201,111**	**1,059**	6,723	2,525	**9,248**	**211,418**
Additions in the year	3,348	-	2,066	**5,414**	-	8	570	**578**	**5,992**
Transfers in the year	4,369	-	(4,369)	**-**	**-**	-	-	**-**	**-**
Disposals in the year	(834)	(75)	(162)	**(1071)**	**-**	-	-	**-**	**(1071)**
At 31 March 2014	204,035	571	848	**205,454**	**1,059**	6,731	3,095	**9,826**	**216,339**
Housing Association Grant (HAG)									
At 1 April 2013	130,173	462	1,016	**131,651**	**1,008**	-	-	**-**	**132,659**
Received in the year	-	-	335	**335**	**-**	-	-	**-**	**335**
Transfers in the year	1,351	-	(1,351)	**-**	**-**	-	-	**-**	**-**
Repaid and abated in the year	(636)	(66)	-	**(702)**	**-**	-	-	**-**	**(702)**
At 31 March 2014	130,888	396	-	**131,284**	**1,008**	**-**	**-**	**-**	**132,292**
Other grants									
At 1 April 2013	9059	-	72	**9,131**	**-**	**-**	**-**	**-**	**9,131**
Received in the year	107	-	-	**107**	**-**	**-**	**-**	**-**	**107**
Transfers in the year	72	-	(72)	**-**	**-**	**-**	**-**	**-**	**-**
At 31 March 2014	9,238	-	-	**9,238**	**-**	**-**	**-**	**-**	**9,238**
Depreciation									
At 1 April 2013	18,649	3	-	**18,652**	**-**	1,153	1,952	**3,105**	**21,757**
Provided during the year	1,900	-	-	**1,900**	**-**	142	218	**360**	**2,260**
Disposals in the year	(188)	-	-	**(188)**	**-**	-	-	**-**	**(188)**
At 31 March 2014	20,361	3	-	**20,364**	**-**	1,295	2,170	**3,465**	**23,829**
Net book value									
at 31 March 2013	39,271	181	2,225	**41,677**	**51**	5,570	573	**6,143**	**47,871**
at 31 March 2014	43,548	172	848	**44,568**	**51**	5,436	925	**6,361**	**50,980**

9 Tangible Fixed Assets (continued)

a) The Association has received £383,847 (2013: £390,787) in the year in respect of Housing Association Grant for Adaptations of which £276,383 (2013: £383,847) has been treated as revenue and £107,463 (2013: £nil) was capitalised in the Balance Sheet. No grants were received in the year for Major Repairs.

b) Notwithstanding the Balance Sheet position, the Association undertook a programme of property valuations in 2012. The average value of each unit was £24,160, using the existing use criteria. This compares to an average net book value of £10,828 per unit.

c) For major repairs during the year the Association spent £4.753m (2013: £4.191m): £3.194m (2013: £1.961m) was capitalised for replacement components; and £1.405m (2013: £1.752m) was expensed through the Income and Expenditure account. A further £154k (2013: £478k) of additions relate to improvements.

d) Development administration costs capitalised in the year amounted to £219,987 (2013: £224,225).

e) Interest capitalised in the year amounted to £22,500 (2013: £10,000) at an assumed interest rate of 4.8%.

f) Shares were held at nil cost from Barclays plc. Market value of 104 shares at 31 March 2014 is £243 (2013: £303). Also 89 shares in Banco Santander were held at nil cost. The market value of these shares at 31 March 2014 is £508.

g) No Land or Buildings included in Fixed Assets are held on a lease or managed by other association bodies.

h) Within Computer and Leased Equipment are assets owned under a Finance lease with a net book value of £nil (2013: £nil), depreciation on those assets is £217,182 (2013: £217,182).

i) Included within Housing Properties held for letting is an investment property with a net book value of £18,495 (2013: £19,785).

10 Debtors

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Rental debtors	511	366
Less: bad debt provision	(17)	(13)
	494	353
Development Funding Receivable	-	79
Major repairs / Adaptations HAG receivable	140	212
Owners service charge balances	89	48
Other debtors	302	434
Prepayments and accrued income	450	331
	1,475	1,457

11 Cash at bank and in hand

	2014 £'000	2013 £'000
Cash at bank and in hand	6,711	8,247

12 Creditors: Amounts Falling Due Within One Year

	2014 £'000	2013 £'000
Loan repayments: instalments of principal (see note 13)	602	594
Finance lease obligations (see note 13)	19	35
Owners' funds (see note 13)	395	449
Owners service charge balances	68	114
Corporation Tax	1	6
Other taxation and social security	223	248
Development 'work in progress' accruals	151	184
Accruals and deferred income	1,781	1,083
Rent in advance	83	112
Other creditors	1,580	2,124
	4,903	4,949

13 Creditors: Amounts Falling Due After More Than One Year

	2014 £'000	2013 £'000
Loans	17,887	18,484
Owners' funds	227	170
Finance lease obligation	-	19
Other	52	52
	18,166	18,725

13 Creditors: Amounts Falling Due After More Than One Year (continued)

Loans are secured by fixed charges on the Association's properties and interest is repayable at:

i. Fixed rates between 4.59% and 5.46%.
ii. Finance Lease charged at 6%
iii. Residents funds receive interest of between 1% and 0.5% (2013: 1% and 0.5%).

Loan instalments are due as follows:	2014 £'000	2013 £'000
Within one year (note 12)	602	594
Between one and two years	616	594
Between two and five years	1,943	1,867
In over five years	15,328	16,023
	18,489	19,078

Lease instalments are due as follows:	2014 £'000	2013 £'000
Within one year (note 12)	19	35
Between one and two years	-	19
Between two and five years	-	-
In over five years	-	-
	19	54

Owners' Funds	Balance at 31/03/13 £'000	Expenditure in year £'000	Provided in year £'000	Balance at 31/03/14 £'000
Owners replacement of scheme equipment	148	(33)	34	149
Owner occupier repairs	471	(378)	380	473
	619	(411)	414	622
split as follows :				
less than one year and included in note 12	(449)			(395)
more than one year	170			227

14 Share Capital

	2014 No.	2013 No.
Opening share capital	258	226
Shares allocated during the year	60	42
Shares relinquished during the year	(7)	(10)
Closing share capital	311	258

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings. Shares are fully paid as at 31 March 2014.

15 Designated Reserves – Major Repairs

	2014 £'000	2013 £'000
Balance at beginning of year	9,337	9,613
Transfer (to) Revenue Reserve for the year	(9,337)	(1,752)
Transfer from Revenue Reserve for the year	-	1,476
Balance at end of year	-	9,337

16 Designated Reserves – Rented Developments

	2014 £'000	2013 £'000
Balance at beginning of year	3,743	3,864
Transfer (to) Revenue Reserve for the year	(783)	(455)
Transfer from Revenue Reserve for the year	121	334
Balance at end of year	3,081	3,743

17 Designated Reserves – SHAPS Past Service Deficit

	2014 £'000	2013 £'000
Balance at beginning of year	5,200	-
Transfer from Revenue Reserve for the year	10,000	5,200
Balance at end of year	15,200	5,200

The amount transferred to this reserve equals the Net Present Value of the Past Service Deficit of the SHAPS Scheme payable over the next 13.5 years.

Total Designated Reserves	18,281	18,280

18 Reconciliation of Movements in Revenue Reserve

	2014 £'000	2013 £'000
Balance at beginning of year	15,621	18,419
Surplus for the year	2,131	2,037
Transfer from designated reserve (note 15)	9,337	276
Transfer from/(to) designated reserve (note 16)	662	121
Transfer (to) designated reserve (note 17)	(10,000)	(5,200)
Transfer from Pensions Reserve (note 19)	65	(32)
Revenue reserve at end of year	17,816	15,621

19 Pension Reserve

	2014 £'000	2013 £'000
Balance at beginning of year	(1,257)	(1,145)
Transfer to Revenue Reserve (note 18)	(65)	(32)
Actuarial (Loss)	(91)	(80)
Balance at end of year	(1,413)	(1,257)

20 Capital Commitments

Housing expenditure contracted less certified at 31 March 2014 amounted to £0.143m (2013: £2.288m). Expenditure authorised by the Committee of Management but not contracted at 31 March 2014 amounted to £4.226m (2013: £nil). Furthermore, Committee has authorised expenditure on capitalised major repairs and replacement components amounting to £5,148,000.

All of the amounts contracted for at 31 March 2014 have received approval from the Scottish Government for HAG funding, other grant providers and private finance.

Expenditure authorised by the Committee of Management but not contracted will ultimately be funded by the Scottish Government, other grant providers or from private finance.

In addition, the Committee of Management has authorised expenditure on other fixed assets amounting to £503,800 (2013: £467,116), which includes the purchase of computer equipment and software.

21 Leasing Commitments

	2014 £'000	2013 £'000
Operating leases which expire:		
Between two and five years	169	161

All operating leases are in relation to the lease of company cars.

22 Pension Commitments

In 2013/14 certain employees have elected to contribute to the Scottish Housing Associations' Pension Scheme (SHAPS) or the Lothian Pension Fund (LPF), both of which are defined benefit schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Association and employer contributions to the schemes are charged to the Income and Expenditure account so as to spread the costs of pensions over employees' working lives with the Association. The contributions are determined by a qualified actuary on the basis of triennial valuations.

The estimate of total contributions payable by the Association in 2014/15 is £1,490k to the SHAPS scheme and £116k to the LPF scheme.

Scottish Housing Associations Pension Scheme

General

The Association participates in the Scottish Housing Associations' Pension Scheme ('the Scheme'). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to an individual participating employer as the Scheme is a multi-employer arrangement where the assets are co-mingled for investment purposes, benefits are paid from the total Scheme assets, and the contribution rate for all employers is set by reference to the overall financial position of the Scheme rather than by reference to individual employer experience. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2012 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £394 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £304 million, equivalent to a past service funding level of 56.4%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £470 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £272 million, equivalent to a past service funding level of 63%.

The Association has also been notified by The Pensions Trust of a liability to be paid for the next thirteen and a half years in respect of the past service deficit in the Scottish Housing Associations' Pension Scheme. The amount to be paid in 2014/15 is £1,197,955; this figure is due to increase by 3% per annum based on the current past service deficit. This therefore equates to a Net Present Value of £15.2m, for which an equivalent amount has been transferred from Revenue Reserves to Designated Reserves to provide for future liability (Note 17). This amount may be subject to change following the results of the next valuation.

Growth Plan

The Association participates in the Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted out of the state scheme. The Plan is a multi-employer pension Plan.

The Association offers the Plan as an AVC investment option for members of the SFHA Pension Scheme. The members pay contributions at a rate of their choice. The Association does not pay any contributions to the Plan.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis.

Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Plan every 3 years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

As at the balance sheet date there was 1 active member of the Plan employed by The Association. The Association continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme where the Plan assets are co-mingled for investment purposes and benefits are paid from the total Plan assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of £148 million of assets compared with the value of liabilities, equivalent to a funding level of 84%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	%pa
Rate of Return pre retirement	4.9
Rate of Return post retirement:	
- Active/Deferred	4.2
- Pensioners	4.2
Bonuses on accrued benefits	0.0
Inflation: Retail Prices Index (RPI)	2.9
Inflation: Consumer Prices Index (CPI)	2.4

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary has prepared a funding position update as at 30 September 2012. The market value of the Plan's assets at that date was £790 million and the Plan's Technical Provisions (i.e. past service liabilities) was £984 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £194 million, equivalent to a funding level of 80%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to the Pensions Regulator on 2 October 2012, as is required by legislation.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan and the Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buyout basis i.e the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). The calculation basis that applies to the Growth Plan was amended due to a change in the definition of money purchase contained in the Pensions Act 2011 but the regulations that will determine exactly how the change will apply in practice are still awaited. As the law stands, it is not yet clear whether the statutory calculation should include or exclude Series 3 liabilities. However, based upon current advice, the most likely interpretation is that Series 3 liabilities will have to be included in the calculation of an employer's debt on withdrawal.

Owing to this situation, we have included 2 figures/calculations, namely:

- The cost of withdrawal if we include Series 3 liabilities in the calculation is £103,822.49
- The cost of withdrawal if we exclude Series 3 liabilities from the calculation is £112,331.32.

If an employer withdraws from the Growth Plan prior to the implementation of the regulations, the debt will be calculated on both bases and we would request payment of the higher amount with any adjustment being made when the regulations are implemented.

The Association has been notified of a liability to be paid in respect of the deficit in the Growth Fund. The amount to be paid in 2014/15 is £6,226, amounts will be paid for nine years commencing 1 April 2014, and will increase by 3% per annum. As this amount is in respect of additional voluntary contributions paid by members and not the Association, the Association is currently investigating its legal liability.

Lothian Pension Fund

The Association participates in the Lothian Pension Fund ("the Scheme") and had 18 active members at the balance sheet date (12 active members in 2013).

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme. The Association paid contributions at the rate of 17.1% during the accounting period and individual members paid contributions between 5.5% and 9.8%.

The last formal valuation of the Association's share of the Scheme assets and liabilities was performed at 31 March 2011 by a professionally qualified actuary using the projected unit method. The results from that valuation have been projected forward to 31 March 2014 using approximate methods.

The figures used to determine the overall expected rate of return on assets were based on the actuaries recommended return assumptions which were derived from the HRAM model, the proprietary stochastic asset model developed and maintained by Hymans Robertson LLP.

Principal actuarial assumptions at the balance sheet date	**2014**	**2013**
	p.a.	**p.a.**
Pension increase rate	2.6%	2.8%
Salary increase rate	4.9%	5.1%
Expected return on assets	6.1%	5.3%
Discount rate	4.1%	4.5%

Expected return on assets by category	**2014**	**2013**
Equities	6.6%	5.7%
Bonds	3.9%	3.5%
Property	4.8%	3.9%
Cash	3.7%	3.0%
	£'000	**£'000**
Actual Return on Assets	137	309

Fair value of employer assets	**2014**	**2013**
	£'000	**£'000**
Equities	1,878	1,806
Bonds	219	183
Property	195	206
Cash	146	91
Total Estimated Employer Assets	2,438	2,286

Movement in deficit during the year	**2014**	**2013**
	£'000	**£'000**
Deficit in scheme at beginning of year	(1,257)	(1,145)
Movements during the year:		
Current service cost	(136)	(110)
Contributions paid	128	111
Other finance costs	(56)	(33)
Actuarial (loss)	(91)	(80)
Deficit at the year end	**(1,412)**	**(1,257)**

The amounts recognised in the balance sheet are as follows:	**2014 £'000**	**2013 £'000**
Present value of funded liabilities	(3,830)	(3,523)
Fair value of employer assets	2,438	2,286
	(1,392)	(1,237)
Present value of unfunded liabilities	(20)	(20)
Deficit	(1,412)	(1,257)
Net Liability	(1,412)	(1,257)

Analysis of the amount charged to operating surplus	**2014**	**2013**
	£'000	**£'000**
Current service cost	(136)	(110)
Past service income /(cost)	-	-
Contributions	128	111
Losses/(Gains) on Curtailments and Settlements	(19)	-
Total operating (loss)/gain	(27)	1

Analysis of amount charged to other finance costs	**2014**	**2013**
	£'000	**£'000**
Expected return on employer assets	122	115
Interest cost on pension scheme liabilities	(160)	(150)
Total	(38)	(35)

Analysis of the amount recognised in statement of recognised gains and losses	**2014 £'000**	**2013 £'000**
Actuarial (losses)	(91)	(80)
Actuarial (losses) recognised in STRGL	(91)	(80)
Cumulative actuarial losses	**(1170)**	**(1079)**

Changes in the present value of the defined benefit obligations are as follows:

	2014	2013
	£'000	£'000
Opening defined benefit obligation	3,543	3,121
Current service cost	136	110
Interest cost	160	150
Contributions by members	48	48
Actuarial losses	106	273
Losses/ (gains) on curtailment	19	-
Estimated unfunded benefits paid	(1)	(1)
Estimated benefits paid	(161)	(158)
Closing defined benefit obligation	**3,850**	**3,543**

Changes in the fair value of plan assets are as follows:

	2014	2013
	£'000	£'000
Opening fair value of employer assets	2,286	1,977
Expected return on assets	122	115
Contributions by members	48	48
Contributions by the employer	128	111
Contributions in respect of unfunded benefits	1	1
Actuarial gains/ (losses)	15	193
Estimated unfunded benefits paid	(1)	(1)
Estimated benefits paid	(161)	(158)
Closing fair value of employer assets	**2,438**	**2,286**

	2014	2013	2012
	£'000	£'000	£'000
Fair Value of Employer Assets	2,438	2,286	1,977
Present Value of Defined Benefit Obligation	(3,850)	(3,543)	(3,121)
Surplus/ (Deficit)	(1,412)	(1,257)	(1,144)
Experience Gains/ (Losses) on Assets	15	193	(73)
Experience Gains/ (Losses) on Liabilities	2	8	(288)

	2011	2010
	£'000	£'000
Fair Value of Employer Assets	2,029	2,042
Present Value of Defined Benefit Obligation	(2,728)	(3,047)
Surplus/ (Deficit)	(699)	(1,005)
Experience Gains/ (Losses) on Assets	(35)	441
Experience Gains/ (Losses) on Liabilities	1	(1)

23 Taxation

	2014 £000	2013 £000
UK Corporation Tax Charge		
Based on the results for the year	1	6
Adjustment in respect of previous periods	-	-
Total Current tax	1	6
Factors affecting tax charge for the year		
Surplus on ordinary activities before taxation	2,098	2,043
Expected tax charge at 20% (2013: 20%)	420	408
Exempt charitable activities	(419)	(402)
Adjustment to tax charge in respect of previous period	-	-
Current tax charge	1	6

24 Housing Stock

The number of units in management as at 31 March 2014, was as follows:

	2014 No.	2013 No.
Rented - General needs housing	181	181
Rented - Supported housing accommodation	3934	3912
Shared ownership	27	29
Shared equity	88	88
Owner occupied	1,055	1,053
Totals	5,285	5,263

The number of units in development as at 31 March 2014, was as follows:

	2014 No.	2013 No.
Rented - General Needs housing	22	-
Rented - Supported housing accommodation	39	35
	61	35

25 Average Annual Scottish Secure Tenancy Rents

	2014	2013
	£	£
Average annual Scottish secure tenancy rents for housing accommodation	3,510	3,376
	%	%
Percentage increase/(decrease) from previous year	4.0%	4.20%
	No.	No.
Number of Scottish secure tenancies	3,901	3,874

26 Group Structure

The Association is registered in Scotland and forms part of a group, the other member is Hanover (Scotland) Housing Association Charitable Trust (the Trust), a company registered in Scotland with charitable aims. This company had net outgoing resources of £35,903

(2013: £80,723) in the year and net assets at 31 March 2014 of nil (2013: £35,798).

The Association is considered to be the ultimate parent undertaking of the group. Separate group accounts are not required as the group has been exempted from this requirement by the Financial Services Authority.
As noted previously the Trust applied to OSCR for dissolution and was granted this on 19 March 2014. The application for dissolution has been sent to the Registrar of Companies to complete the process. The assets of the Trust were then transferred to the Association on 25 March 2014.

27 Related Party Transactions

During the year, the Association incurred expenditure on behalf of Hanover (Scotland) Charitable Trust, a company limited by guarantee controlled by the Association, of £1,370. This was then invoiced from the Association to the Hanover (Scotland) Housing Association Charitable Trust. Furthermore, the Council of Management for the Hanover (Scotland) Housing Association Charitable Trust, came to the decision to wind up the Trust and to transfer the remaining assets to a separate account held within the Association.

There were no other related party transactions in the year.

28 Contingent Liabilities

The Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Associations' Pension Scheme (formerly the SFHA Pension Scheme) based on the financial position of the Scheme as at 30 September 2013. As of this date the estimated employer debt for The Association was £27,360,465. It has also been notified of the estimated employer debt on withdrawal from the Growth Plan based on the financial position of the Plan as at 31 March 2012. As of this date the estimated employer debt for the Association was either £103,822 or £112,331 as explained earlier.

There is a further contingent liability as referred to in note 22 in respect of the past service deficit in the Scottish Housing Association’s Pension Scheme. The present day value of the total commitment over the next thirteen and a half years discounted at 4% is £15.2m. The amount may be subject to change following the results of the next valuation and therefore as the liability cannot be properly quantified it has not been accrued or included in the balance sheet.

With the introduction of component accounting, Housing Association Grant received to fund developments had been allocated across the components. Therefore the grant, which relates to components replaced within 30 years, may have to be repaid, where the component has been disposed. The amount of grant received less than 30 years ago on replaced components amounts to £5.996m.

The Committee of Management is not aware of any other contingent liabilities as at 31 March 2014 and no other liabilities have emerged since.

29 Post Balance Sheet Events

Note that on 19 February 2014 the Council of Management of Hanover (Scotland) Housing Association Charitable Trust Ltd (the Trust) agreed to wind up the Trust and to apply to OSCR for dissolution. This was granted on 19 March 2014. The application for dissolution has been sent to the Registrar of Companies to complete the process. The assets were transferred to the Association on 25 March 2014. The Trust will cease after 31 March 2014.

Other than the above the Committee of Management is not aware of any post balance sheet events, which affect the Association as at 31 March 2014.