HANOVER (SCOTLAND) HOUSING ASSOCIATION

Financial statements for the year ended 31 March 2012

Hanover (Scotland) Housing Association Limited

Registered Address and Head Office:

Hanover (Scotland) Housing Association
95 McDonald Road
EDINBURGH
EH7 4NS

External Auditors:

Baker Tilly UK Audit LLP
First Floor, Quay 2
139 Fountainbridge
EDINBURGH
EH3 9QG

Internal Auditors:

Scott Moncrieff
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Solicitors:

TC Young
7 West George Street
GLASGOW
G2 1BA

Bankers:

NatWest
Scotland Corporate Service Centre
Drummond House
PO Box 1727
EDINBURGH
EH12 9JN

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 2012

Hanover (Scotland) Housing Association Limited

Committee of Management

Isobel Fowler BSc DAcad FRSAMD FRSA (Chairperson)

Fiona Bisset (co-opted 1 September 2011)

Annie Burnett OBE BA (retired 1 September 2011)
(died 22 February 2012)

Wilma Dickson CBE PhD

Graham Duncan RIBA ARIAS MRTPI FRSA (retired 1 September 2011)

David Essery CB

Michael Keohane FCIBS

Patricia MacCormick

Donna Mackay MA Hons

Michael Martin *(co-optee)*

Anne McCamley BA LLB NP

Robin McGregor LLB(Hons) DipLP NP CA

Hugh Mitchell FCMA CGMA FCCA

Geoffrey Palmer OBE DSc

Alison Petch *(co-optee)*

Alan Savage (elected 1 September 2011)

Stanley Thomson

Barbara Walton BSc CA

Brian Watt MD FRCPath FRCPE

Roger Williams (elected 1 September 2011, co-optee from 1 April 2011 to 31 August 2011)

Officers

Helen Murdoch MBA FCIH MRICS ACIPD
Chief Executive

Andrew Aitken FCIPD
Director of Human Resources

Gregor Booth BA Hons
Director of Housing & Care Services

Colin Gibson FCMA CGMA CIHM
Director of Finance & Risk Management Services

Bruce Laing BSc MRICS
Director of Property & Development

Chris Milburn BA (Hons) MBCS
Director of Business and Communications

David Reid LLB ACIS
Company Secretary

Hanover (Scotland) Housing Association Limited

Review by the Committee of Management
at 31 March 2012

The Committee of Management presents its review and audited financial statements for the year ended 31 March 2012.

Review of the Business

Structure and Activities

Hanover (Scotland) Housing Association Limited (HSHA) is incorporated under the Industrial & Provident Societies Acts 1965. A Scottish charity and Registered Social Landlord (RSL), HSHA 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 HSHA 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. HSHA 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 £1,093 (2011: £6,021 outgoing) in the year and net assets at 31 March 2012 of £116,549 (2011: £117,837).

Hanover (Scotland) Housing Association Limited 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 Services Authority because of the insignificant amounts involved. Therefore, these accounts present the financial information for the parent undertaking and not for the group.

Business Strategy

Following a Strategy Conference held by Hanover in 2011 a revised Business Strategy was 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 in their communities to whatever extent they wish.'

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.'*

Market
The over-65 age group is forecast to continue growing and will outnumber those under 16 by 2014. 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, Hanover 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. 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
The Association provides a Care at Home Service which offers clients assistance with personal care, domestic tasks, shopping, companionship and short breaks from caring. Our services are flexible and adaptable to individuals' changing needs. In 2011, we successfully tendered to provide Care at Home services for the City of Edinburgh Council over the next three years and we have a separate business plan in place to support this.

Hanover Telecare
Telecare has been identified for further service development over the next three years. There has been significant investment in upgraded technology, including the expansion of the control centre with the development of a second monitoring centre in Glasgow. This will provide the service with greater reliability and ensures robust in-house business continuity and backup provision will be put in place to preserve the quality of service at all times. This expansion allows Hanover 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.

Hanover 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, we are currently commissioning consultants to review our overall marketing strategy. This will culminate in the creation of a new marketing strategy for the organisation, clearly setting out how the marketing function will support business growth.

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 and Trust Housing Associations. This has allowed us to pool resources and reduce costs. Examples of our joint working include repairs and maintenance, public relations, human resources, tenancy applications through a common housing register, tenant participation, equal opportunities and benefits advice. We operate our joint repairs and maintenance service in the West of Scotland and plan to extend this to Dumfries and Galloway, the Borders, the Lothians, Falkirk and Stirling, Tayside and Perth and Kinross.

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

Hanover (Scotland) Housing Association Limited

Review by the Committee of Management
at 31 March 2012

Housing Support
This local authority funding stream is provided to HSHA 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 has been reviewed and a new strategy put in place for 2012-15. The main aim of the 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.

The strategy also includes an exit strategy 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.

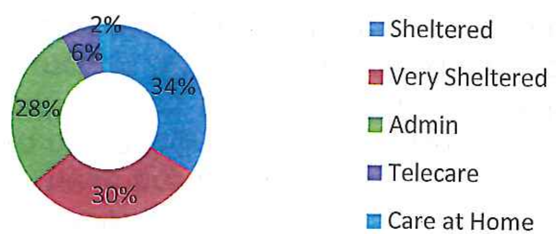
While the strategy deals with the management of housing support services, it is hoped that this may be the beginning of a potentially organic process in the development of new transformational models, as part of the Government's "Shifting the Balance of Care" policy.

Development Grant
HSHA continues to develop new properties and as for most other RSLs who develop new housing, a key issue is the availability of capital grant funding. New developments are usually financed through a mixture of funding from government and loans raised from commercial banks. HSHA has traditionally achieved high levels of grant allocation but these grant allocations which have underpinned HSHA's development programme are reducing to an extent which may not be sustainable in the long term. This combined with more difficult lending conditions will require fresh thinking to continue a sustainable development programme.

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 2011 the Association went through major organisational change. This is likely to continue as part of the drive for efficiency savings which will help the Association to be better focussed and prepared for future challenges.

Employees
During 2011/12, the average number of full-time equivalent staff employed by the Association was 373 (2010/11: 357), as shown in ***figure 1***.



The increase is mainly due to recruitment of care assistants to service the new contract with City of Edinburgh Council.

Without a committed, 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. Hanover 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 committed to ensuring 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 was named among the top 20 'Scotland's Best Workplaces' in both 2011 and 2012 and has also recently been awarded the Investors in People (IIP) accreditation.

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

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

Information and Communications Technology (ICT)
ICT is a key business enabler for the Association, assisting in the reduction of unnecessary paperwork; ensuring commonality of data across the different areas of the business; providing consistent business processes

across the dispersed organisation; and allowing staff at all levels to access the information relevant to them, as and when they need it. A major recent activity for the ICT service has been the creation of a new ICT Strategy (2012-15). This has been developed in consultation with staff and residents and in light of Hanover's new corporate business priorities. The ICT strategy outlines initiatives that will deliver significant benefits to the Association over the next three years.

In the last year the Association has invested in upgrades to its core ICT infrastructure to improve performance for staff. We are standardising on the latest versions of Microsoft Windows operating systems and remote desktop services. These are ideally suited to providing ICT services to our geographically distributed workforce. The Association has also removed all laser printers in favour for 'multifunction devices' (MFDs) which incorporate a printer, photocopier and scanner. These MFDs are a key element in our efforts to drive down the costs of printing. The Association has also re-launched its website, which is now hosted 'in-house' to allow it to publish information held on our corporate ICT systems dynamically.
Other areas being developed in the coming months will include the provision of new phone systems for the West and North area offices which will lead to improvements in collaboration between the offices and our dispersed teams (e.g. Property Services). We are also upgrading the data links between the offices which will lead to performance improvements for those staff based at remote locations.

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.

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. ***Figure 2*** shows performance against some of Hanover's measurable key objectives.

Indicator	Internal target	2011/12 %	2010/11 %
Arrears	less than 1.4%	**1.7**	1.4
Void loss percentage	less than 3.2%	**3.0**	2.4
Surplus as %age of turnover	greater than 4%	**11.8**	18.0 *(restated)*
Percentage repairs completed within target timescales	greater than 95%	**90.5**	93.6%

figure 2

Arrears due from Local Authorities for housing benefit (technical arrears) are more difficult to control and these are slightly above target. Arrears due directly from residents (non-technical) are also slightly above target.

Response times have deteriorated, although the new partnership initiative for reactive repairs, has resulted in improved response times for this category of repair. As the reactive repair contract is rolled out to the other areas it is expected to improve the overall performance.

Risks

Hanover 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

1. Fire safety for very sheltered developments, resulting from new legislation and stricter controls.
2. Reduction in income or increased costs outwith the association's control.
3. Affordability of housing and/or housing support to our customers.
4. Reduced demand for social housing.
5. Increased competition for our Telecare service.
6. The increasing cost of pension provision.

Appropriate steps have been taken to monitor and minimise the impact of these risks.

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 have generally increased over the past five years, driven mainly by organic growth.

These housing assets are included on the balance sheet at £39 million (2010/11, £37.7 million, restated), 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 2006, combined with the Association's planned maintenance programme. Valuations are being undertaken and updated during June and July 2012.

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.

New Properties

During the 12 months ended 31 March 2012, there were no completed projects; however 6 developments, 78 units, are in preparation for 2012-15, with 13 units 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 remain constant, supply will have to increase by over 70% in the next 20 years".

Accounting Policies

Following the implementation of the Statement of Recommended Practice – Accounting by registered social housing providers – Update 2010 (SORP 2010), the Association has implemented component accounting in these Financial Statements. As a result of the changes brought about by the SORP 2010 and the detailed guidance of the Technical Notes, the Association has adopted a new accounting policy, which has resulted in a prior period adjustment. Major components (Note 1ciii) of our housing properties are identified and depreciated over specific economic life spans. Their replacement is then capitalised in fixed assets as they occur. The resulting prior period adjustment is shown in the relevant notes to the financial statements and detailed in Note 29.

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;
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 a lower rent increase for 2012/13.

Marketability is also an important factor and as part of this, a comparison of the rent levels applied to properties of the Association with other providers' rents of similar properties, has been undertaken.

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

The Association will maintain an adequate reserve to cover future repairs liabilities on its properties over and above its normal day-to-day maintenance programme.

The current 30 year planned maintenance projections show a peak requirement of £4.3m in 2022/23 at today's values. This figure may change once the results of the recently completed stock condition survey are known.

The implementation of component accounting has resulted in a change in accounting policy which is explained at note 1 c) iii). As a result, an element of planned maintenance has been capitalised. In future, Designated Reserves for major repairs will only be required to meet the remaining, reduced revenue commitment. The Association will continue to maintain designated reserves for any other identifiable need as necessary such as the asset management review. This will result in a transfer of a proportion of the current balance to revenue reserves.

During the year, the Association released £3.7m from a provision in creditors to revenue reserves and subsequently designated an amount of £3.9m in a new Designated Reserve for the Replacement of Equipment on Rented Developments. 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. This is a change in accounting policy and considered to be a more reasonable treatment. The amounts held were clarified as being a general provision rather than a genuine liability in line with SORP 2010 and FRS12. Due to the change in accounting policy, this has resulted in a prior period adjustment, more details can be found at notes 17, 18 and 29.

Pension Reserves

The Association has been informed that its share of the pension deficit in the Lothian Pension Fund as at 31 March 2012 amounts to £1,145k and this is shown on the balance sheet.

The Association had not previously disclosed this information on the grounds that it was immaterial. However, due to an increase in members in the pension scheme in the year the liability has been recognised. A prior period adjustment of £699k has been processed through the accounts for comparative purposes. See notes 19, 22 and 29 for further information.

Further details of the full impact of the Association's pension commitment is detailed at notes 21 and 22.

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 £5m and £6m is recommended for known risks such as those mentioned previously. Current Revenue Reserves of £18.4m, are more than adequate to meet this commitment. Where possible, the potential cost of known risks are quantified to inform the annual review of the reserves policy. Further details are provided at Notes 1 h) and 18.

During the year, the Association released a net £1.9m from debtors and creditors in respect of service equalisation balances, as a similar treatment to the Replacement Equipment creditor. These amounts were clarified as being more of a general provision for future changes in service charges rather than a genuine debtor or creditor in line with SORP 2010. This represents a change in accounting policy and this was considered to be a more reasonable and appropriate treatment. Due to the change in accounting policy, this has resulted in a prior period adjustment, more details can be found at notes 18 and 29.

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 2012, the Association had £3m undrawn loan facilities, plus £2m available from its revolving credit facility.

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, which the Committee of Management currently believes to be in the region of 75 per cent. At 31 March 2012, 68 per cent of the debt portfolio was at a fixed rate (2011:68 per cent).

Creditor Payment Policy

This policy complies with the Confederation of British Industry guidelines and Hanover's average payment period is 28 days (2011: 22 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 Hanover'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. This programme also includes works required by legislation, such as the Scottish Housing Quality Standard (SHQS). The cost of these planned maintenance repairs would previously have been charged to the Income and Expenditure Account. However, under the terms of the new component accounting requirements, some major repairs will be capitalised. The major works required to comply with the SHQS, will be updated from the recently completed stock condition survey.

All Hanover's policies are regularly reviewed and approved by the Committee of Management.

Employee Involvement and Health and Safety
The Association encourages employee involvement in all major initiatives and holds an annual review day for staff to discuss major issues affecting the Association. 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 2012.

Gearing is measured in terms of net debt compared with net assets and including capital grants received. The current position, at 12.1 per cent (2010/11: 12.4 per cent), provides considerable comfort in terms of ability to continue borrowing to fund future developments.

Fixed Assets
Details of fixed assets are set out in Note 9.

Going Concern
The Committee of Management has reviewed the results for this year and has also reviewed the projections for the next five years. It therefore has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in these financial statements.

Cash Flow
The net cash inflow in 2011/12 was just under £900k, which was £600k less than in 2010/11. The net cash inflow of £5.6m from operating activities is £300k less than the restated figure for the prior year.

Turnover and Operating Surplus

Performance in the period

The results for the year to 31 March 2012 show turnover up from £26.8m in 2010/11 to £27.4m. The increase reflects the inflationary increases in charges, combined with additional revenue from new care at home contracts.

The Association's operating surplus for the year was £3.2m (2011: £4.8m, restated). This is £1.6m greater than the budgeted surplus of £1.6m and represents 11.6% of turnover, this position is mainly due to underspends on the planned maintenance programme and savings on overheads. The operating surplus is less than that achieved in the year ended 31 March 2011.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 just over £2.3m, before transfers to reserves.

Total expenditure on repairs and maintenance in the year was £5.2m (2011: £4.5m, restated). This includes a sum of £466k on the adaptation of 167 existing properties to meet the needs of tenants as they become more frail. These adaptations have been funded by government grant and Hanover 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.
Hanover has, through research on the Social Return on Investment (SROI), demonstrated the value of adaptations where for every £ spent there is a total return on investment of between £5.50 and £6.00. Hanover 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 2012 to be satisfactory.

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.

New Accounting Standards

Component Accounting has been mentioned previously and is now adopted.

International Financial Reporting Standards 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 higher than average long term maintenance expenditure. These challenges were considered in detail at a two day strategy conference, held in August last year 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 226 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 2. 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 eight Sub-Committees; Property and Development, Housing and Care Services, Business and Communications, Human Resources, Finance, Audit, Advisory 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 and additional training is provided, both internally and externally, on specific topics as they arise and in accordance with the policy on training and development of committee members.

Statement of Responsibilities of the Committee of Management

The Industrial and Provident Societies Acts 1965 to 2002 require the Committee of Management to prepare financial statements 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
- prepare a statement on Internal Financial Control.

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 2001 and the Registered Housing Associations (Accounting Requirements) (Scotland) Order 2010. 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;
- 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;

- quarterly 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; and
- significant risks are identified, evaluated and managed, as previously outlined on page 9 of this review.

3. The Association's new internal auditor was appointed in 2011 and the first year of a new 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 and the SFHA's publication Raising Standards in Housing.

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.

Hanover (Scotland) Housing Association Limited

Review by the Committee of Management
at 31 March 2012

Auditors

A resolution for the reappointment of Baker Tilly UK Audit LLP, as auditors of the Association, will be proposed at the Annual General Meeting.

On behalf of the Committee of Management

Chairperson: A Isobel [illegible]

Date: 5 July 2012

Hanover (Scotland) Housing Association Limited

Independent Auditor's report on Corporate Governance

Corporate Governance

In addition to our audit of the financial statements, we have reviewed the Committee of Management's statement on pages 17 to 19 concerning the Association's compliance with the information required by the section on Internal Financial Control within SFHA's publication Raising Standards in Housing.

Basis of Opinion

We carried out our review having regard to the Bulletin 2006/5 issued by the Auditing Practices Board. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for non compliance.

Opinion

In our opinion the statement on internal financial control on pages 17 to 19 has provided the disclosures required by the section on Internal Financial Control within SFHA's publication Raising Standards in Housing and is consistent with the information which came to our attention as a result of our audit work on the financial statements.

Baker Tilly UK Audit LLP
Statutory Auditors
First Floor, Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Date:

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 2012 on pages 23 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).

The 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 pages 16 and 17, 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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2012 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, Schedule 7 of the Housing (Scotland) Act 2001 and the Registered

Social landlords (Accounting Requirements) (Scotland) Order 2007.

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: 6 July 2012

Hanover (Scotland) Housing Association Limited

Income and Expenditure Account

For the year ended 31 March 2012

	Notes	2012 £'000	Restated 2011 £'000
Turnover	2	27,411	26,817
Less: Operating Costs	2	(24,166)	(21,977)
Operating Surplus		3,245	4,840
(Deficit)/Surplus on disposal of assets		(81)	198
Interest receivable and other income	7	119	59
Interest payable and similar charges	8	(964)	(972)
Surplus on ordinary activities before taxation		2,319	4,125
Tax on surplus on ordinary activities	23	(2)	(1)
Surplus on ordinary activities after taxation	18	**2,317**	**4,124**

Statement of Total Recognised Gains and Losses

	Notes	2012 £'000	Restated 2011 £'000
Surplus for the Year		2,317	4,124
Actuarial (Loss)/Gain on pension obligations	19	(433)	85
Prior period adjustment	29	9,261	-
Total surpluses recognised since last reporting period		**11,145**	**4,209**

The results for the year relate wholly to continuing activities.
The total effect of the prior period adjustment has been to increase reserves by £9.261m.

Hanover (Scotland) Housing Association Limited

Balance Sheet As at 31 March 2012

	Notes	2012 £'000	2012 £'000	Restated 2011 £'000	Restated 2011 £'000
Fixed Assets					
Tangible fixed assets:					
Housing properties: Cost less depreciation			179,126		178,022
Grants			(140,058)		(140,331)
	9		39,068		37,691
Fixed Asset Investment	9		51		51
Other tangible fixed assets	9		6,222		6,376
	9		45,341		44,118
Current Assets					
Stock	10	-		35	
Debtors	11	1,400		1,247	
Cash at bank and in hand	12	8,649		7,800	
		10,049		9,082	
Current Liabilities					
Creditors: Amounts falling due within one year	13	(4,066)		(3,591)	
Net Current Assets			5,983		5,491
Total Assets less Current Liabilities			51,324		49,609
Creditors: Amounts falling due after more than one year	14		(19,428)		(20,043)
Net Assets Before Pension Liability			31,896		29,566
Pension Liability	22		(1,145)		(699)
			30,751		28,867
Capital and Reserves					
Share Capital	15		-		-
Designated Reserves	16/17		13,477		9,837
Revenue Reserve	18		18,419		19,729
Pension Reserve	19		(1,145)		(699)
			30,751		28,867

The Committee approved and authorised the financial statements for issue on 5 July 2012.

Chairperson: A Isobel Fowler
Dr A Isobel Fowler

Chairperson Finance Committee:
Robin McGregor

Company Secretary:
David G Reid

Hanover (Scotland) Housing Association Limited

Cash Flow Statement

For the year ended 31 March 2012

	Notes	2012 £'000	Restated 2011 £'000
Net cash inflow from operating activities	(i)	5,627	5,915
Returns on investments and servicing of finance			
Interest received		119	59
Interest paid loans		(950)	(956)
Interest paid finance lease		(5)	(7)
Finance Cost on Pension Scheme Assets		(9)	(9)
Net cash outflow from investments and servicing of finance		(845)	(913)
Taxation			
Corporation tax paid		(2)	(1)
Net cash outflow from taxation		(2)	(1)
Capital expenditure			
Payments to acquire and develop housing properties		(3,585)	(4,422)
HAG and other grants received		381	1,566
Payments to acquire other fixed assets		(223)	(363)
Net receipts from shared ownership property sales		145	217
HAG repaid on shared ownership property sales		(47)	(62)
Proceeds from sale of other fixed assets		-	166
Net cash outflow from investing activities		(3,329)	(2,898)
Net Cash inflow before financing		1,451	2,103
Financing			
Finance lease obligations		(32)	(30)
Loans repaid		(570)	(555)
Net cash outflow from financing	(iii)	(602)	(585)
Increase in cash	(ii), (iii)	849	1,518

Hanover (Scotland) Housing Association Limited

Notes to the Cash Flow Statement for the year ended 31 March 2012

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

	2012 £'000	Restated 2011 £'000
Operating surplus	3,245	4,840
Depreciation	2,025	1,424
Decrease/(Increase) in stocks	35	(4)
Increase/(Decrease) in pension provision	13	(221)
(Increase) in debtors	(153)	(77)
Increase/(Decrease) in creditors	466	(160)
(Decrease)/ Increase in residents' funds	(4)	113
Net cash inflow from operating activities	**5,627**	**5,915**

(ii) Analysis of net debt

	At 31-Mar 2011 £'000	Cash flows £'000	Other changes £'000	At 31-Mar 2012 £'000
Cash and short term deposits	7,800	849		8,649
	7,800	849	-	8,649
Debt due within one year	(608)	602	(623)	(623)
Debt due after one year	(19,774)	-	611	(19,163)
Total	(12,582)	1,451	-	(11,131)

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

	2012 £'000
Increase in cash and short term deposits in the period	849
Decrease in loans in the period	602
Change in net debt	1,451
Net debt at 1 April 2011	(12,582)
Net debt at 31 March 2012	(11,131)

1 Accounting Policies

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Financial Services 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 (Accounting Requirements) (Scotland) Order 2007 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' 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 adoption of component accounting represents a change in accounting policy. Previously the major components of the Association's housing properties were deemed to be land and buildings. The major components are now 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 new 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 75 years.

v) For developments under the terms of the Housing (Scotland) Act 2001, 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)

An annual amount is transferred to the reserve in accordance with estimates required to fund future major repairs. Currently the Association anticipates annual spend of between £2.5m and £4.3m to meet the current programme of major repairs. The current 30 year planned maintenance projections show a peak requirement of £4.3m in 2022/23. Designated Reserves to meet this commitment currently stand at £9.6m and are believed to be sufficient to fund the future planned maintenance programme (see note 16).

ii) Designated Reserve – Replacement Equipment Fund on Developments

This fund had previously been held within creditors, split between amounts falling due within one year and after more than one year.

An amount of £3.7m was released to reserves in respect of balances held for the replacement of equipment and has subsequently been designated. An annual amount is transferred to the reserve based on future replacement costs and the estimated economic useful lives of the equipment. This represents a change in accounting policy and considered to be a more reasonable treatment. The amounts held were clarified as being a general provision rather than being a genuine liability in line with SORP 2010 and FRS12. Due to the change in accounting policy, this has resulted in a prior period adjustment, more details can be found at notes 17 and 29c.

Currently the Association anticipates annual expenditure of between £350k and £500k with a peak of £1m in 2012/13. The Association believes that the reserve balance held is sufficient to meet future demands.

iii) Revenue Reserve

The balance of any surpluses, over and above those transferred to the designated reserve for major repairs and development expenditure, 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.

During the year, the Association released a net amount of £1.9m to revenue reserves from debtors and creditors previously held as service equalisation balances. This is a change in accounting policy and considered to be a more reasonable treatment. The amounts held were clarified as being more of a general provision rather than a genuine liability in line with SORP 2010 where the service charge will not be adjusted in future years to reflect this. This has resulted in a prior period adjustment, details can be found at note 29c.

iv) 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. This is the first year the pension liability has been disclosed within the financial statements, where a prior period adjustment has been processed for comparative purposes (see note 29b).

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.

During the year the Association underwent a review of the SHAPS pension scheme due to the 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 2012 the final salary scheme would be closed to new entrants and moved to CARE 70ths as the defined pension option.

Fifteen employees (2011: 3 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.

2 Turnover, Operating Costs and Operating Surplus

		2012			2011		
	Notes	Turnover £'000	Operating costs £'000	Operating surplus £'000	Turnover £'000	Restated Operating costs £'000	Restated Operating surplus £'000
Social Lettings	3a	21,182	(18,347)	2,835	20,683	(16,120)	4,563
Other Activities	3b	6,229	(5,819)	410	6,134	(5,857)	277
Total for 2012		**27,411**	**(24,166)**	**3,245**	**26,817**	**(21,977)**	**4,840**

3a Particulars of Income and Expenditure from Lettings

	General Needs Housing £'000	Supported Housing Accommodation £'000	Shared Ownership Accommodation £'000	Total 2012 £'000	*Restated* Total 2011 £'000
Income from lettings					
Rent receivable net of Identifiable Service Charges	491	12,902	46	13,439	12,633
Service Charges receivable	44	7,955	-	7,999	8,127
Gross income from rents & service charges	535	20,857	46	21,438	20,760
Less: Voids	(5)	(659)	-	(664)	(491)
Net income from rents & service charges	**530**	**20,198**	**46**	**20,774**	**20,269**
Revenue Grants from Local Authorities and Other Agencies	-	408	-	408	414
Total turnover from social letting activities	**530**	**20,606**	**46**	**21,182**	**20,683**
Management & maintenance administration costs	126	3,776	10	3,912	3,259
Service costs	39	7,930	-	7,969	7,690
Planned and cyclical maintenance including major repairs costs	31	2,460	-	2,491	2,015
Reactive maintenance costs	95	2,210	-	2,305	2,054
Bad debts - rents and service charges	-	22	-	22	15
Depreciation of social housing	75	1,573	-	1,648	1,087
Operating Costs for social letting activities	**366**	**17,971**	**10**	**18,347**	**16,120**
Operating Surplus for social letting	**164**	**2,635**	**36**	**2,835**	**4,563**
Operating (Deficit)/Surplus for social letting for previous period of account – as restated	(147)	4,669	41	4,563	

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	2012 Surplus/ (deficit) for the year £'000	Restated 2011 Surplus/ (deficit) for the year £'000
Wider Role Activities	-	-	-	-	-	-	-	-	-
Care & Repair of Property	-	-	-	-	-	-	-	-	-
Factoring	-	-	-	1,522	1,522	-	(1,522)	-	-
Development & construction of property activities	-	-	-	-	-	-	-	-	-
Support Activities	-	-	2,593	-	2,593	-	(2,297)	296	196
Care Activities	-	-	-	163	163	-	(186)	(23)	(34)
Agency/management services for RSLs	-	-	-	-	-	-	-	-	-
Other agency/management services	-	-	-	-	-	-	-	-	-
Developments for sale to RSLs	-	-	-	-	-	-	-	-	-
Developments & improvements for sale to non RSLs	-	-	-	-	-	-	-	-	-
Telecare	-	-	-	1,109	1,109	-	(1,026)	83	76
Stage 3 Adaptations	-	466	-	-	466	-	(466)	-	-
Other Activities*	-	-	-	376	376	-	(322)	54	39
Total from Other Activities	**-**	**466**	**2,593**	**3,170**	**6,229**	**-**	**(5,819)**	**410**	**277**
Total from other activities for year ended 31 March 2011 (restated)	**-**	**426**	**2,569**	**3,139**	**6,134**	**-**	**(5,857)**	**277**	

* 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.

	2012 £'000	2011 £'000
Total emoluments (excluding pension contributions and benefits in kind)	376	296
The emoluments (excluding pension contributions) of the highest paid director amounted to:	99	98

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	-	2
£65,001 to £70,000	3	-
£70,001 to £75,000	1	1
£95,001 to £100,000	1	1

The Association made pension contributions of £68,646 (2011: £44,929) on behalf of those directors whose total emoluments, excluding pension contributions, are in excess of £60,000 per annum, including £16,026 to the highest paid director.

The Committee of Management had a maximum membership of 15 as at 31 March 2012 and had 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.

	2012 £'000	2011 £'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:	11	15

5 Employee Information

	2012 No.	2011 No.
The average full time equivalent number of persons employed in the year was:	373	357
The average number of persons employed in the year was:	504	494

	£'000	Restated £'000
Staff costs (including directors' emoluments)		
Wages and salaries	8,859	8,633
Social security costs	608	610
Pension costs	950	482
BUPA	12	8
	10,429	9,733

Payments to the value of £56,308 in respect of redundancy costs are included within the totals for staff costs.

Average FTE Employees per Month

Apr-11	366	Oct-11	374
May-11	365	Nov-11	378
Jun-11	371	Dec-11	376
Jul-11	370	Jan-12	375
Aug-11	370	Feb-12	376
Sep-11	373	Mar-12	376

6 Operating Surplus

	2012 £'000	Restated 2011 £'000
Operating surplus is stated after charging:		
Depreciation	2,025	1,424
Repairs: cyclical, planned, day to day (including management costs)	6,560	5,603
Auditors' remuneration - external	19	18
Auditors' remuneration - internal	21	15
Auditors' remuneration - non audit services	-	4
Hire of plant and machinery - rentals payable under operating leases	163	156

7 Interest receivable and other income

	2012 £'000	2011 £'000
Interest receivable on bank deposits	119	59

8 Interest payable and similar charges

	2012 £'000	Restated 2011 £'000
Housing loans:		
On loans from banks and building societies repayable in more than 5 years	944	951
Interest charged on finance leases	5	7
	949	958
Net return on pension assets	9	9
Interest on owner occupier funds	6	5
	964	972

9 Tangible Fixed Assets

	Housing Properties: Held for letting £'000	Housing Properties: Shared ownership £'000	Housing Properties: Under construction £'000	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 2011	183,096	750	760	**184,606**	1,059	6,713	2,044	8,757	**194,422**
Prior Period Adjustment (note 29a)	9,017	-	-	**9,017**	-	-	-	-	**9,017**
At 1 April 2011 - Restated	192,113	750	760	**193,623**	1,059	6,713	2,044	**8,757**	**203,439**
Additions in the year	2,354	-	1,231	**3,585**	-	10	213	**223**	**3,808**
Transfers in the year	91	-	(91)	**-**	-	-	-	**-**	**-**
Disposals in the year	(877)	(70)	-	**(947)**	-	-	(21)	**(21)**	**(968)**
At 31 March 2012	193,681	680	1,900	**196,261**	**1,059**	6,723	2,236	**8,959**	**206,279**
Housing Association Grant (HAG)									
At 1 April 2011	137,927	539	-	**138,466**	1,008	-	-	-	**139,474**
Prior Period Adjustment (note 29a)	(7,194)	-	-	**(7,194)**	-	-	-	-	**(7,194)**
At 1 April 2011 - Restated	130,733	539	-	**131,272**	1,008	-	-	-	**132,280**
Received in the year	-	-	381	**381**	-	-	-	-	**381**
Repaid and abated in the year	(607)	(47)	-	**(654)**	-	-	-	-	**(654)**
At 31 March 2012	130,126	492	381	**130,999**	**1,008**	-	-	-	**132,007**
Other grants									
At 1 April 2011 and 31 March 2012	9,059	-	-	**9,059**	-	-	-	-	**9,059**
Depreciation									
At 1 April 2011	3,687	3	-	**3,690**	-	869	1,512	2,381	**6,071**
Prior Period Adjustment (note 29a)	11,911	-	-	**11,911**	-	-	-	-	**11,911**
At 1 April 2011 - Restated	15,598	3	-	**15,601**	-	869	1,512	**2,381**	**17,982**
Provided during the year	1,648	-	-	**1,648**	-	142	235	**377**	**2,025**
Disposals in the year	(114)	-	-	**(114)**	-	-	(21)	**(21)**	**(135)**
At 31 March 2012	17,132	3	-	**17,135**	-	1,011	1,726	**2,737**	**19,872**
Net book value									
at 31 March 2011 - Restated	36,723	208	760	**37,691**	51	5,844	532	**6,376**	**44,118**
at 31 March 2012	37,364	185	1,519	**39,068**	**51**	5,712	510	**6,222**	**45,341**

9 Tangible Fixed Assets (continued)

a) The Association has received £465,507 in the year in respect of Housing Association Grant for Adaptations which has been treated as revenue and not 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 2006. The average value of each unit was £16,300, using the existing use criteria. This compares to an average net book value of £9,578 per unit.

c) During the year the Association spent £3.841m on major repairs, £2.354m was capitalised for replacement components and £1.487m was expensed through the Income and Expenditure account. A further £91k of additions relate to improvements.

d) Development administration costs capitalised in the year amounted to £233,808 (2011: £254,067) for which Housing Association Grants amounting to £6,173 (2011: £29,300) were received in the year.

e) Interest capitalised in the year amounted to £nil (2011: £17,000) 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 2012 is £245 (2011: £289).

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 £21,718 (2011: £65,155), depreciation on those assets is £195,464 (2011: £152,028).

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

10 Stocks

	2012 £'000	2011 £'000
Fuel oil stocks	-	16
Sundry stocks	-	8
Food stocks	-	11
	-	35

11 Debtors

	2012 £'000	Restated 2011 £'000
Amounts falling due within one year:		
Rental debtors	381	293
Less: bad debt provision	(17)	(9)
	364	284
Major repairs / Adaptations HAG receivable	120	81
Owners service charge balances	59	33
Other debtors	567	557
Prepayments and accrued income	290	292
	1,400	1,247

12 Cash at bank and in hand

	2012 £'000	2011 £'000
Cash at bank and in hand	8,649	7,800

Kaupthing, Singer and Friedlander went into administration on 8 October 2008. At that time, correspondence received from the administrator Ernst and Young, stated that the Association should receive at least 50p in the £1. As at 31 March 2012, £230,254 has been received from the administrators with a further £36,548 received since, this equates *to 73p* in the £.

13 Creditors: Amounts Falling Due Within One Year

	2012 £'000	Restated 2011 £'000
Loan repayments: instalments of principal (see note 14)	583	576
Finance lease obligations (see note 14)	34	32
Owners' funds (see note 14)	375	344
Owners service charge balances	105	112
Corporation Tax	2	1
Other taxation and social security	236	235
Development 'work in progress' accruals	126	176
Accruals and deferred income	1,166	649
Rent in advance	97	105
Other creditors	1,342	1,361
	4,066	3,591

14 Creditors: Amounts Falling Due After More Than One Year

	2012 £'000	Restated 2011 £'000
Loans	19,109	19,686
Owners' funds	213	217
Finance lease obligation	54	88
Other	52	52
	19,428	20,043

14 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% (2011: 1% and 0.5%).

	2012	2011
Loan instalments are due as follows:	£'000	£'000
Within one year (note 13)	583	576
Between one and two years	596	592
Between two and five years	1,869	1,857
In over five years	16,644	17,237
	19,692	20,262

	2012	2011
Lease instalments are due as follows:	£'000	£'000
Within one year (note 13)	34	32
Between one and two years	35	34
Between two and five years	18	54
In over five years	-	-
	88	120

Owners' Funds	Restated Balance at 31/03/11 £'000	Expenditure in year £'000	Provided in year £'000	Balance at 31/03/12 £'000
Owners replacement of scheme equipment	139	(11)	16	144
Owner occupier repairs	422	(388)	410	444
	561	(399)	426	588
split as follows :				
less than one year and included in note 13	(344)			(375)
more than one year	217			213

15 Share Capital

	2012 No.	2011 No.
Opening share capital	214	184
Shares allocated during the year	23	44
Shares relinquished during the year	(11)	(14)
Closing share capital	226	214

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 2012.

16 Designated Reserves – Major Repairs

	2012 £'000	2011 £'000
Balance at beginning of year	9,837	8,780
Transfer (to) Revenue Reserve for the year	(1,667)	(2,433)
Transfer from Revenue Reserve for the year	1,443	3,490
Balance at end of year	9,613	9,837

17 Designated Reserves – Rented Developments

	2012 £'000	Restated 2011 £'000
Balance at beginning of year	-	-
Transfer (to) Revenue Reserve for the year	(390)	-
Transfer from Revenue Reserve for the year	4,254	-
Balance at end of year	3,864	-
Total Designated Reserves	13,477	9,837

18 Reconciliation of Movements in Revenue Reserve

	2012 £'000	Restated 2011 £'000
Balance at beginning of year as originally reported	9,769	16,883
Prior Period Adjustment (note 29a)	4,300	-
Prior Period Adjustment (note 29c)	5,660	-
Revenue Reserve - restated	19,729	16,883
Surplus for the year	2,317	4,124
Transfer from/(to) designated reserve (note 16)	224	(1,057)
Transfer (to) designated reserve (note 17)	(3,864)	-
Transfer from/(to) Pensions Reserve (note 19)	13	(221)
Revenue reserve at end of year	18,419	19,729

19 Pension Reserve

	2012 £'000	Restated 2011 £'000
Balance at beginning of year as originally reported	-	(1,005)
Prior Period adjustment (note 29b)	(699)	-
Pension Reserve - Restated	(699)	(1,005)
Transfer (to)/from Revenue Reserve (note 18)	(13)	221
Actuarial (Loss)/Gain	(433)	85
Balance at end of year	(1,145)	(699)

20 Capital Commitments

Housing expenditure contracted less certified at 31 March 2012 amounted to £1.217m (2011: £0.287m). Expenditure authorised by the Committee of Management but not contracted at 31 March 2012 amounted to £1.341m (2011: £nil). Furthermore, Committee has authorised expenditure on replacement components amounting to £2,728,600.

All of the amounts contracted for at 31 March 2012 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 £360,861 (2011: £252,326), which includes the purchase of computer equipment and software.

21 Leasing Commitments

	2012 £'000	2011 £'000
Operating leases which expire:		
Between two and five years	154	176

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

22 Pension Commitments

In 2011-12 certain employees have elected to contribute to the Scottish Housing Associations' Pension Scheme or the Lothian Pension Fund, 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 company 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 company. The contributions are determined by a qualified actuary on the basis of triennial valuations.

Scottish Housing Associations Pension Scheme

General

Hanover (Scotland) Housing Association participates in the Scottish Housing Association's 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 2009 by a professionally qualified Actuary using the Projected Unit Credit method. The market value of the Scheme's assets at the valuation date was £295 million. The valuation revealed a shortfall of £160 million of assets compared to liabilities, equivalent to a past service funding level of 64.8%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2011. 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 £341 million and indicated an increase in the shortfall of approximately £207 million of assets compared to liabilities, equivalent to a past service funding level of 62.2%.

The Association has also been notified by The Pensions Trust of a liability to be paid for the next fourteen years in respect of the past service deficit in the Scottish Housing Associations' Pension Scheme. The amount to be paid in 2012/13 is £491,190, this is figure is due to increase by 4.5% per annum based on the current past service deficit. 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 include in the balance sheet.

Growth Plan

Hanover (Scotland) Housing 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.

Hanover (Scotland) Housing 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. Hanover (Scotland) Housing 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 were 2 active members of the Plan employed by Hanover (Scotland) Housing 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 2008 were completed in 2009 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 £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of £29 million of assets compared with the value of liabilities, equivalent to a funding level of 96%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	%pa
Investment return pre retirement	7.6
Investment return post retirement	
- Actives/Deferreds	5.1
- Pensioners	5.6
Bonuses on accrued benefits	0.0
Rate of price inflation	3.2

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 preliminary triennial valuation results as at 30 September 2011 were received in March 2012 but, as the valuation will not be finalised until later this year, this disclosure note must still refer to the 2008 valuation results as the last completed valuation.

The Scheme Actuary's preliminary results for 30 September 2011 show that the Plan's assets at that date were £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

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 2008 valuation was forwarded to the Pensions Regulator on 18 December 2009, 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 pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 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 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.

The Association has been notified of a liability to be paid in respect of the deficit in the Growth Fund. The amount be paid in 2013/14 is £6,045, amounts will be paid for ten years commencing 1 April 2013, 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

Hanover (Scotland) Housing Association Ltd participates in the Lothian Pension Fund ("the Scheme") and had 15 active members at the balance sheet date (3 active members in 2011) . Due to immaterialisation in the previous year this is the first year that full disclosure has been included within the financial statements, therefore a prior period adjustment has been processed through the accounts, more details are at note 29b.

The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme. Hanover (Scotland) Housing Association paid contributions at the rate of 22.7%

during the accounting period and individual members paid contributions between 5.5% and 9.9%.

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 next valuation will be as at 31 March 2014. The employers contributions to be paid to the Scheme for the next accounting period has been decreased to 17.1%.

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	**2012 p.a.**	**2011 p.a.**
Pension increase rate	2.5%	2.8%
Salary increase rate	4.8%	5.1%
Expected return on assets	5.8%	7.0%
Discount rate	4.8%	5.5%

Expected return on assets by category	**2012**	**2011**
Equities	6.2%	7.5%
Bonds	4.0%	4.9%
Property	4.4%	5.5%
Cash	3.5%	4.6%
	£'000	**£'000**
Actual Return on Assets	42	110

Fair value of employer assets	**2012 £'000**	**2011 £'000**
Equities	1,561	1,603
Bonds	158	162
Property	218	203
Cash	40	61
Total Estimated Employer Assets	1,977	2,029

Movement in deficit during the year	**2012 £'000**	**2011 £'000**
Deficit in scheme at beginning of year	(699)	(1,005)
Movements during the year:		
Current service cost	(51)	(23)
Contributions paid	47	16
Past service costs	-	237
Other finance costs	(9)	(9)
Actuarial (loss)/gain	(433)	85
Deficit at the year end	**(1,145)**	**(699)**

The amounts recognised in the balance sheet are as follows:

	2012 £'000	2011 £'000
Present value of funded liabilities	(3,103)	(2,710)
Fair value of employer assets	1,977	2,029
	(1,126)	(681)
Present value of unfunded liabilities	(19)	(18)
Deficit	(1,145)	(699)
Net Liability	(1,145)	(699)

Analysis of the amount charged to operating surplus

	2012 £'000	2011 £'000
Current service cost	(51)	(23)
Past service income	-	237
Contributions	47	16
Total operating (loss)/gain	(4)	230

Analysis of amount charged to other finance costs

	2012 £'000	2011 £'000
Expected return on employer assets	138	145
Interest cost on pension scheme liabilities	(147)	(154)
Total	(9)	(9)

Analysis of the amount recognised in statement of recognised gains and losses:

	2012 £'000	2011 £'000
Actuarial (losses)/gains	(433)	85
Cumulative actuarial losses	**(999)**	**(566)**

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

	2012 £'000	2011 £'000
Opening defined benefit obligation	2,728	3,047
Current service cost	51	23
Interest cost	147	154
Contributions by members	15	5
Actuarial losses/(gains)	360	(120)
Past service costs	-	(236)
Estimated unfunded benefits paid	(1)	(1)
Estimated benefits paid	(179)	(144)
Closing defined benefit obligation	**3,121**	**2,728**

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

	2012 £'000	2011 £'000
Opening fair value of employer assets	2,029	2,042
Expected return on assets	138	145
contributions by members	15	5
Contributions by the employer	47	16
Contributions in respect of unfunded benefits	1	1
Actuarial (losses)	(73)	(35)
Estimated unfunded benefits paid	(1)	(1)
Estimated benefits paid	(179)	(144)
Closing fair value of employer assets	**1,977**	**2,029**

	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Fair Value of Employer Assets	1,977	2,029	2,042	1,640
Present Value of Defined Benefit Obligation	(3,121)	(2,728)	(3,047)	(2,306)
(Deficit)	(1,144)	(699)	(1,005)	(666)
Experience (Losses)/Gains on Assets	(73)	(35)	441	(501)
Experience (Losses)/Gains on Liabilities	(288)	1	(1)	7

2008 were nil values.

23 Taxation

	2012 £'000	2011 £'000
UK Corporation Tax		
Based on the results for the year	2	1
Adjustment in respect of previous periods	-	-
Total Current tax	2	1
Factors affecting tax charge for the year		
Surplus on ordinary activities before taxation	2,319	4,125
Expected tax charge at 20% (2011: 21%)	464	866
Exempt charitable activities	(462)	(865)
Adjustment to tax charge in respect of previous period	-	-
Current tax charge	2	1

24 Housing Stock

The number of units in management as at 31 March 2012, was as follows:

	2012 No.	2011 No.
Rented - General needs housing	181	181
Rented - Supported housing accommodation	3,898	3,933
Shared ownership	30	32
Shared equity	88	88
Owner occupied	1,052	1,006
Totals	5,249	5,240

The number of units in development as at 31 March 2012, was as follows:

	2012 No.	2011 No.
Rented - General needs housing	-	-
Rented - Supported housing accommodation	13	-
	13	-

25 Average Annual Scottish Secure Tenancy Rents

	2012	2011
	£	£
Average annual Scottish secure tenancy rents for housing accommodation	3,240	3,072
	%	%
Percentage increase from previous year	5.60%	2.50%
	No.	No.
Number of Scottish secure tenancies	3,852	3,860

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, a company registered in Scotland with charitable aims. This company had net outgoing resources of £1,093 (2011: £6,021) in the year and net assets at 31 March 2012 of £116,549 (2011: £117,837).

Hanover (Scotland) Housing Association Limited 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.

27 Related Party Transactions

Two members of the Committee of Management, Mr Stanley Thomson and Mrs Patricia MacCormick who were elected on 26 September 2008 and 25 September 2009 respectively, hold arms length tenancies with the Association.

During the year, Hanover (Scotland) Housing Association Ltd incurred expenditure on behalf of Hanover (Scotland) Housing Association Charitable Trust, a company limited by guarantee controlled by the Association, totalling £1,110. This was then invoiced from Hanover (Scotland) Housing Association Ltd to the Hanover (Scotland) Housing Association Charitable Trust. At the year end £1,375 was due to Hanover (Scotland) Housing Association Ltd from the General Fund of the Charitable Trust.

There were no other related party transactions in the year.

28 Contingent Liabilities

Hanover (Scotland) Housing 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 2011. As of this date the estimated employer debt for Hanover (Scotland) Housing Association was £29,478,275. 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 Hanover (Scotland) Housing Association was £96,427.

With the introduction of component accounting Housing Association Grant received to fund developments had been allocated across the components. Therefore 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 £5.091m.

The Committee of Management is not aware of any other contingent liabilities as at 31 March 2012 (2011: Nil) and no other liabilities have emerged since.

29 Prior Period Adjustment

a) Component Accounting
The principle of component accounting is to account separately for each major component of a property asset with substantially different useful economic lives, and to depreciate them over their individual useful economic life. This change in accounting policy has resulted in major works expenditure written off in prior years being capitalised, and an additional depreciation charge now being recognised.

The effect of this change in accounting policy on the 31 March 2011 financial statements is shown below. As at 31 March 2011 opening reserves have been increased by £3.6m, of which £11.3m relates to increased depreciation (decreasing reserves), of which £7.7m relates to major repairs previously written off to the Income and Expenditure Account now capitalised as components (increasing reserves)and £7.2m relates to abated HAG now allocated across components (increasing reserves).

	£'000
Increase depreciation charge	(644)
Decrease major works charged against income	1,299
Increase in the surplus for the year to 31 March 2011	655

	£'000
Increase Fixed Asset Cost	9,017
Increase Fixed Asset Depreciation	(11,911)
Decrease in HAG	7,194
Net movement in the balance sheet at 1 April 2011	4,300

The impact of component accounting in the current year has been to increase the operating surplus by £1.2m, capitalised replacements previously expensed of £2.4m off set by increased depreciation of £1.2m.

b) Lothian Pension Fund
Hanover (Scotland) Housing Association has applied FRS17 Retirement Benefits to The Lothian Pension Fund, for the first time this year. The Association had not previously disclosed this information on the grounds that it was immaterial. However, due to an increase in members in the pension scheme in the year the liability has been recognised. The effect of this prior year adjustment on the 31 March 2011 financial statements is shown below. As at 31 March 2011, opening reserves have decreased by £1,005k, of which £651k relates to actuarial loss and £354k relates to other adjustments through the Income and Expenditure account. The effect on the comparative year surplus is as follows:

	£'000
Actuarial gain for the year	85
Effect on interest payable	(9)
Effect on wages and salaries	230
Increase in the surplus for the year to 31 March 2011	306

In addition the effect upon the Balance Sheet up to 31 March 2011 was:

	£'000
Increase in Pension Liability	(699)

The impact of the Lothian Pension Fund on the current year's figures has been to reduce the operating surplus by £13k.

c) Residents Funds and Service Equalisation
During the year Hanover (Scotland) Housing Association reviewed the policy on residents funds held for developments and due to the nature of the balances it was agreed that these balances should be released to reserves from debtors and creditors. This represents a change in accounting policy and is considered a more reasonable treatment in line with the SORP2010 and FRS12. Amounts held under debtors and creditors in respect of the service equalisation accounts were also released to revenue reserves.

The effect of this change on the comparative year's figures for 2011 has been to:

	£'000
Effect on service charge income	830
Increase in surplus for the year to 31 March 2011	**830**

In addition, the effect upon the balance sheet up to March 2011:

	£'000
Decrease on debtors	1,300
Decrease creditors	(6,960)
Increase in revenue reserves	**5,660**

The impact of the release of residents funds to reserves in the current year has been to increase the operating surplus by £457k.

The effect of the prior period adjustment on the 31 March 2011 financial statements is shown below. As at 31 March 2011, opening reserves have increased by £4,829k, which relates to the increase of service charge income.

30 Post Balance Sheet Events

The Committee of Management is not aware of any post balance sheet events as at 31 March 2012.