

**Hanover Housing Association and its Subsidiaries**

**Report and Financial Statements**

**Year Ended 31 March 2008**

Registered under the Industrial and Provident Societies Act 1965 (Number 16324R)

Registered with the Housing Corporation (Number L0071)

Registered with the Inland Revenue (Charities Division Number XN 9996)

# Annual Report and Accounts

For the year ended 31 March 2008

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## Board, Executives and Secretary

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### Board

<b>Name</b>	<b>Position &amp; responsibilities</b>	
Lord Richard Best	Group Chair	
Robert Banner	Chair, Hanover Heritage	
Penny Bennett	Chair, Group Audit Committee	
Pat Corless	Chair, Group Remuneration Committee	
Nina Del Monte	Chair, Hanover in Hackney Limited	<b>Resigned 30/04/2008</b>
Angela Gillibrand	Chair, Hanover Property Management Limited. From 23 October 2007	
Bruce Moore	Group Chief Executive	
Jill Preston	Champion Residents Council from 2007	
David Priestnall	Deputy Group Chair Champion Residents Council Champion Equalities and Diversity	
Jim Saunders	Resident	<b>Resigned 26/09/07</b>
John Steele	Chair, Hanover Property Management Limited to 23 October 2007	<b>Resigned 26/09/07</b>
Arvinda Gohil	Champion Equalities and Diversity from 2008	<b>Appointed 26/09/2007</b>
Tony Edwards	Resident	<b>Appointed 26/09/2007</b>

References in **bold** designate changes during the financial year.

## Advisers and bankers:

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### Bankers

Barclays Bank plc  
1 Churchill Place  
Canary Wharf  
London  
E14 5HP

### Principal solicitors

Winckworth Sherwood  
35 Great Peter Street  
Westminster  
London  
SW1P 3LR

### Auditors

**KPMG LLP**  
**Arlington Business Park**  
**Theale**  
**Reading**  
**RG7 4SD**

## Board, Executives and Secretary

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### Executives and Secretary

#### Group Management Team

Bruce Moore	Group Chief Executive	
Vera Brearey	Retirement Housing Director	
Gavin Cansfield	Strategy and Improvement Director	
Norman Courts	Property and Development Director	
Barry Hindson	Strategic Projects Director	
Barbara Matthews	Finance and Resources Director	<b>Appointed 16/07/07</b>
Tony Tench	Extra Care and Services Director	<b>Appointed 12/11/07</b>
Bobby Davis	Group People Director	<b>Resigned 14/01/08</b>
Paul Watson	Group Extra Care and Services Director	<b>Resigned 30/11/07</b>

#### Secretary

Michael Fuller	Secretary, Hanover Housing Association
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#### Registered Office:

Hanover House, 1 Bridge Close, Staines, TW18 4TB

Throughout this publication the term “Hanover Group Board” means the board of Hanover Housing Association which as the board of the group parent fulfils the role of the group board.

## Operating and Financial review

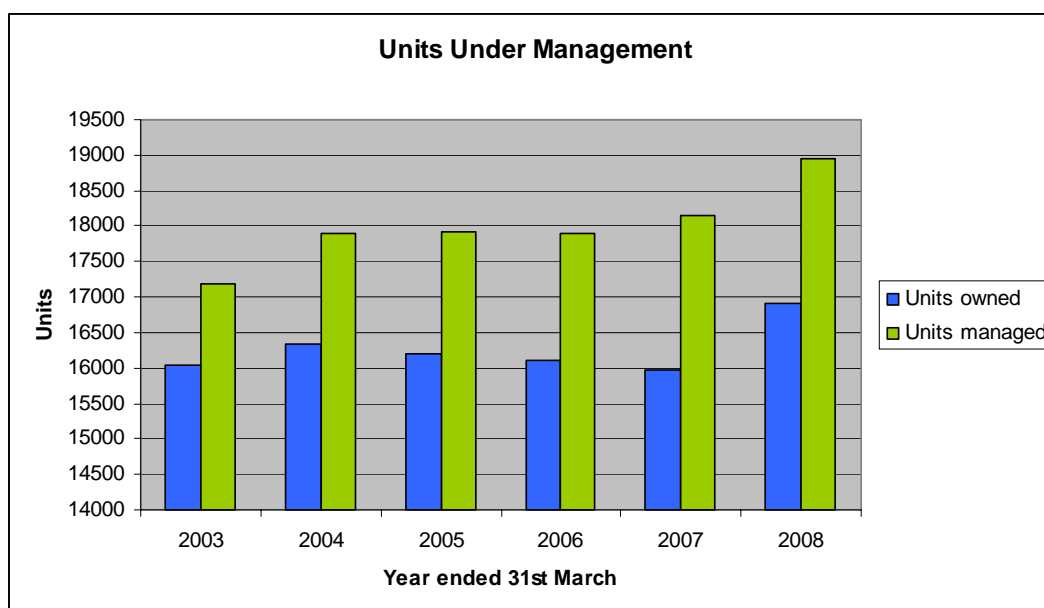
For the year ended 31 March 2008

### Review of the business

#### Principal activities

The Hanover Housing Group is a collection of organisations that specialise in the design, development and management of housing, support and services for older people. As a Group we provide over 18,000 properties to rent and for sale, and are continuously developing new housing and equity models that make our homes more accessible to a greater number of people. Details of all subsidiaries are shown in note 29 of the financial statements. The main organisations in the Hanover Group are:

- Hanover Housing Association (HHA), which is a charitable registered social landlord (RSL) with properties in over 200 local authority areas across England. Most of the association's housing stock is designed and managed to assist people aged over 55 to live their lives independently, with a growing emphasis on Extra Care facilities. HHA also operates a home improvement agency, Hanover at Home, in several locations.
- Hanover in Hackney Limited (HiH), which is a charitable RSL that provides housing for older people in the London Borough of Hackney.
- Hanover Heritage (HH), was a joint venture with the charity Friends of the Elderly until 31 March 2008 (previously known as Hanover Friends) that provided a mixture of residential care and retirement housing for older people. The joint venture was dissolved at 31 March 2008 and from 1 April 2008 Hanover Friends name was changed to Hanover Heritage.
- Hanover Property Management Limited (HPML), which provides management services to owners of leasehold retirement schemes across England.



As at 31 March 2008, the group managed a total of 18,947 properties (2007: 18,156) of which 16,908 properties (89.2%) were owned by the group (2007: 15,977 (88.0%)).

As at 31 March 2008, 1,812 of the properties owned by HHA were Extra Care properties (2007: 1,473), representing 14.7% (2007: 13.3%) of HHA's social housing stock.

As at 31 March 2008, HPML managed 5882 properties (2007: 5,607) and HiH owned and managed 832 (2007: 832) units. Note 34 of the financial statements provide further information on units owned and managed by the group.

## Operating and Financial review

For the year ended 31 March 2008

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### Our objectives and strategies

This year has seen the continued programme to review the management and organisation of the Hanover Group.

Hanover's Mission is:

- *To deliver excellent living environments and tailored services that support independence and individuality for older people.*

Hanover's Vision is:

- *By 2012 to be the number one provider for older people looking for high quality housing and related services.*

This vision puts Hanover at the forefront of the retirement housing sector and means that we are continually striving to evaluate and develop our services to meet the changing needs of our existing and future residents.

Following a review of Hanover's Strategy in September 2007 the board set out its future priorities and these were encapsulated in 12 Aims and Priorities:

- Setting Hanover's Strategic Intent and Approach
- Integration of the Hanover Group
- Enhancing Management Capacity
- Engaging Staff
- Improving Communications
- Developing and Defining Hanover's Service Classifications and Commitment
- Establishing 'Hanover Helps' Offer and other Additional Services
- Developing New and Innovative Housing and Extra Care
- Providing Housing Opportunities on a Mix of Tenures
- Engaging Residents and Reflecting their Views
- Improving Financial Performance and Value for Money
- Maintaining High Standards of Service and Performance

Good progress is being made in pursuit of these Aims and this is regularly reviewed and monitored by the Group Management Team and by the board.

### Business dynamics – risks and uncertainties

The group is affected by a wide range of external factors. Some of the more important factors include:

- Income restrictions – the group's businesses are to a large extent restricted in the fees that they can charge their customers, thus restricting future income levels.
- Supporting People – this source of government funding currently provides the group with £4.4m–(5.6%) of its turnover (2007: £4.7m (8.10%)). As this funding is reduced, Hanover will need to consider the nature and level of support service that it is able to sustain. Significant shifts in funding may present challenges to the traditional estate manager role and the consequential impact may be greater than merely the value of the Supporting People funding.
- Levels of funding – HHA's ability to develop new properties is dependent upon its ability to generate funds from outright or shared ownership sales as well as the availability of development grant from the Housing Corporation and Department of Health.

# Operating and Financial review

For the year ended 31 March 2008

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## Development and Property Services

In the past twelve months a full review has been carried out on the design brief and specification for Extra Care properties to ensure that Hanover are building to the latest government and Housing Corporation guidelines. The revised design brief allows an up to date value for money assessment to be implemented to ensure that Hanover can develop a high quality product across the country. Standardisation will also allow life cycle costs to be properly assessed and reduced.

During 2007/08, Hanover progressed the development of 21 schemes across England.

Practical completion was achieved on 14 schemes, predominantly of Extra Care, delivering 522 units, of which 126 units were intended for sale either outright or as shared ownership. As at 31 March 2008, 7 schemes were under construction of 419 units of which 102 will be marketed for sale.

The Facilities Management team completed their entire planned works programme in 07/08 amounting to circa £16m. Work also began on reducing the number of contractors for responsive repairs and this will continue when a new single partner is employed to deal initially with responsive repairs and in the longer term some of the planned works programme. In response to the Audit Commission findings, an Asset Management inspection programme was carried out in 2007. This produced detailed information on the property portfolio which will comprise a key part of the Asset Management strategy to be produced in October 2008. A Head of Asset Management was recruited in January 2008.

## Continuous improvement

Hanover is committed to embedding a culture of continuous improvement and regularly reviews its activities in order to find more efficient and effective ways of providing its services and delivering greater value for money. Recent initiatives include the establishment of an in-house procurement function and the expansion of computerised purchase order processing already in use in 2007/08.

We have made improvements across the organisation from central procurement functions through to improvements in the services delivered to our customers. We are reviewing the approach to continuous improvement to build on the success to date whilst ensuring that there is a clear link to quality, customer satisfaction and performance issues.

## Performance indicators (PIs)

To help support delivery against its key strategies, the group employs a range of quantitative and qualitative financial and non-financial PIs under a range of headings, including: housing management, asset management, human resources and financial management.

## Performance in the period

### Housing Corporation Assessment

HHA maintained a clean Housing Corporation Assessment of four green traffic lights for its effectiveness in the areas of financial viability, governance, management and property development.

### Decent Homes

As at 31 March 2008, 100% of HHA & HiH homes met the Decent Homes Standard (2007, 100% of HHA and 81% of HiH homes met the standard). Residents in 10% of HiH properties have given disclaimers because they do not want improvement works carried out. HiH aims to improve these properties as they become vacant. The performance compares well with an overall sector performance in 2006 of 84.5% of properties meeting DHS.

## Operating and Financial review

For the year ended 31 March 2008

### Customer services

Performance against some of HHA's more important customer focused PIs was:

As at 31 March	2008	2008 Internal target	2007	2006
Arrears	1.8%	< 1.90%	1.69%	1.95%
Void loss percentage	1.47%	<1.00%	1.04%	1.04%
Lettings to applicants from BME communities	4.8%	> 4.25%	4.78%	4.18%

**Percentage repairs complete:** *the percentage of repair jobs completed within their published timescales.* Any repair job that is raised is given one of three target timescales: 24 hours, 7 days or 28 days. HHA records the time taken from when the repair was reported to when it was carried out.

HHA's performance once again shows an improvement over the prior year and although the internal target for 2007/08 was not met, the gap has narrowed over the course of the year. This continually improving performance is a direct result of positive steps taken by HHA in relation to suppliers, staff and systems. Early indications from 2008/09 show the improvement is being maintained.

**Arrears:** *the total value of arrears as a percentage of the annual debit figure.* The annual debit is the amount charged to tenants for rent, services and utilities during the year. Performance was better than the target set internally and considerably better than the average performance of the sector.

**Void loss percentage:** *the cumulative value of void loss as a percentage of the projected annual debit figure.* As soon as a tenancy comes to an end, HHA will lose money on that property until a new tenancy begins. These are losses that can never be recovered and therefore considerable focus is given to avoiding rent losses through units standing empty. The success of HHA's performance rests with the involvement of staff at various levels in undertaking these tasks:

- Identifying properties and schemes where a letting problem is deemed to exist and then directing resources at marketing and promoting the properties in question.
- Making sure that the requirements of those applicants seeking re-housing are understood and that unnecessary and inappropriate offers are kept to a minimum i.e. they are only offered accommodation that suits their needs.

Reports highlight where problems may exist and staff constantly reassess their priorities as to where effort may be required.

**BME lettings:** *the cumulative quantity of lettings to Black and Minority Ethnic (BME) applicants as a percentage of total lettings – excluding transfers.* HHA's performance was better than both the previous year and target. Specific issues are generally recognised to exist in respect to attracting BME applicants into retirement housing and consequently the average of 14% across all RSLs is higher. However, HHA has held a series of training workshops with frontline staff and has created a number of initiatives to develop links with local ethnic communities during the year. HHA will continue to develop its approach in this area.

Building on this solid performance, HHA intends to pursue a holistic approach to performance management with the production of a performance dashboard. Some measures will require almost permanent visibility whilst others will be warning lights that only appear when corrective action is required. A key indicator of success will be a strong link between strategic objectives and the performance system. Central to this approach will be regular sampling of customer satisfaction and improved communication with staff and residents throughout the group.

## Operating and Financial review

For the year ended 31 March 2008

### Resident involvement

HHA has completed an Involvement Partnership Agreement with residents that meets the requirements of a tenants' compact. The agreement – which has been developed by the residents, staff and board working together – notes some of the successes of resident involvement. This Partnership Agreement is to be extended to other parts of the Group.

The Residents' Council and the Board have been keen to reduce the timescales for kitchen and bathroom replacements as financial resources become available. Hanover now holds regular scheme inspections, allowing residents to state what they think needs doing to upkeep and enhance grounds and buildings. This work also links into the Hanover Quality Standard work being undertaken by the Head of Asset Management.

Working at a local level, residents have made a whole host of improvements to the quality of life on individual schemes, examples include: improving specifications for cleaning and gardening contracts, deterring cold callers by erecting signs and increasing community spirit by holding social activities, open days and forging community links. Many other improvements have resulted from residents taking part in Hanover's continuous improvement programme.

### Staffing and employee involvement

The Human Resources department has been at the forefront of supporting and implementing organisational and cultural changes throughout the year. It began opening dialogues with staff as to the purpose and direction of Hanover through a series of events involving all staff, which led to the conscious identification of the organisation's values which are now being integrated in behaviour, practices and procedures.

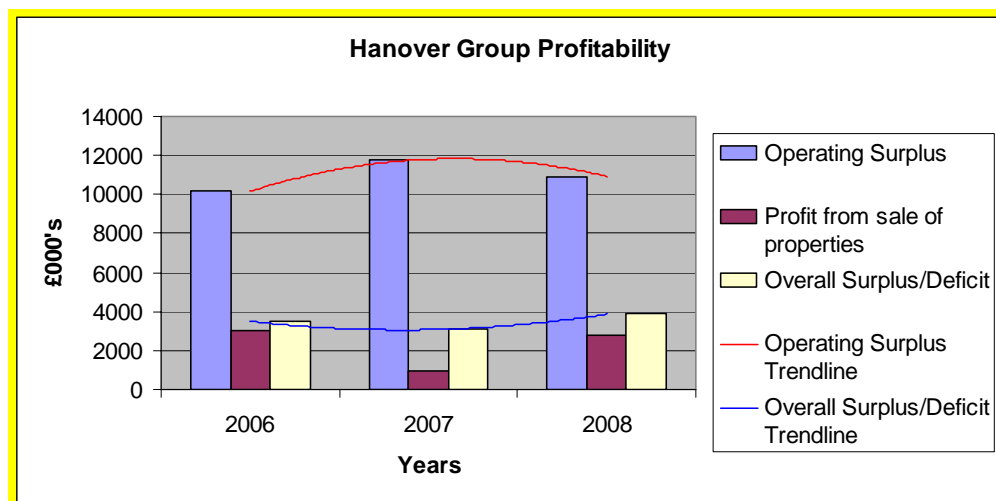
Innovative recruitment solutions have been developed to ensure business partners are able to recruit the "best fit" candidates, who demonstrate the values and attitudes that Hanover wishes to promote within the business.

In order to maximise the success of these recruitment innovations a new Estate Manager training programme has been introduced, supported by dedicated, internal trainers. This includes a new induction process, which will be used as a blueprint for the development of a company wide process in the coming year.

In conjunction with the training programme a new pay structure has been implemented for Estate Managers. In addition, a number of other job families and associated pay structures have been introduced, which provide clear career pathways and greater transparency.

Staff turnover within the organisation for the period was 22% which was an increase of 4% from the previous year. Whilst overall turnover increased, this reflected the number of redundancies that have taken place due to the restructuring within the period. Adjusted turnover figures for the period, (i.e. not including redundancies) showed an overall group rate of 16% which is slightly above the industry norm.

### Financial review

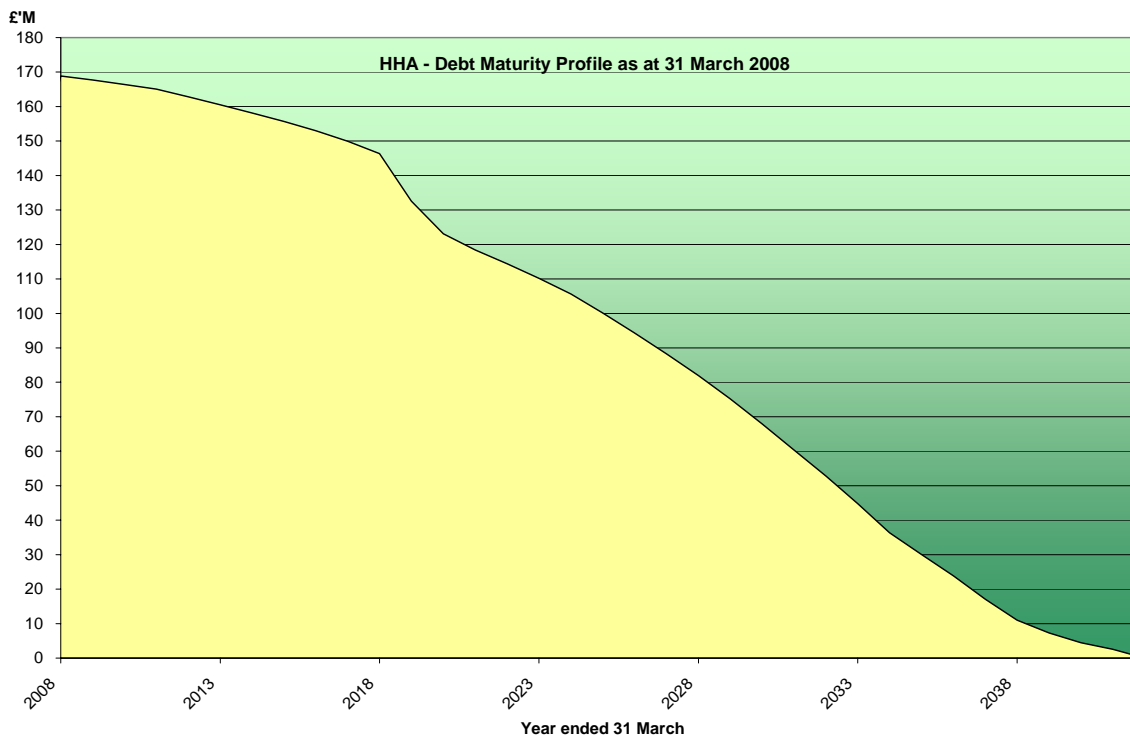




## Operating and Financial review

For the year ended 31 March 2008

At the current fixed variable split, a rise in interest rates of 1% would increase Group gross interest payable by £384k per annum.



Gearing increased from 44% in 2007 to 49.1% at the end of 2008. The gearing percentage reflects the extensive property development programme undertaken by HHA, which is funded in greater part by borrowings. The gearing is well within any limit set by HHA's individual bankers.

The group has a treasury function that operates to a strategy approved annually by the board. Treasury activities are designed to control risk, especially from volatility in interest rates and counterparty credit risk, on a cost effective basis rather than to generate profit.

- Speculative transactions are not permitted.
- Foreign currency transactions are not permitted.
- Borrowings should be primarily medium and long-term.
- An appropriate amount of reasonably priced funding should be available to meet current requirements as well as forecast growth.
- Committed facilities should be kept to a minimum of 115% of peak borrowing requirements.
- Gearing should be kept below 80% at the consolidated level and lower than 75% for HHA.
- Interest cover should be at least 150%.
- Within certain limits, treasury instruments may be used to mitigate exposure to adverse movements in interest rates.

The association's weighted average interest rate paid fell to 6.48% for the year ended 31 March 2008 (2007: 6.66%); the majority of the group's debt is held by HHA.

The group remains in compliance with all its financial covenants, which are primarily based on gearing and interest cover.

## Operating and Financial review

For the year ended 31 March 2008

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### Cash flow

The net cash inflow in 2008 was £2.2m (2007: £0.9m inflow), which was £1.3m higher than in 2007. The net cash inflow from operating activities of £22.4m (2007: £20.7m) was lifted by the sale of housing properties held as stock for outright sales, and an increase in creditors. Net interest paid was slightly higher than the prior year due to increased levels of borrowing to fund developments. The amount paid out in respect of new fixed assets rose significantly year on year, reflecting the association's increased development activity. Despite healthy grant receipts, the net investment in capital works required the group to borrow additional funds to support its development activities. **Note 26** to the financial statements contain the detailed cash flow disclosures.

### Accounting policies

The group's accounting policies are set out in **note 1** to the financial statements.

### Statement of compliance

In preparing this operating and financial review, the board has followed the principles set out in Part 3 of the SORP '*Accounting by registered social landlords*' (Update 2005).

### Fixed assets

Details of fixed assets are shown in **notes 11 and 12** of the financial statements.

Housing properties are included on the balance sheet at a net book value (gross historical cost less depreciation, Social Housing Grant and other public grants) of £254m (2007: £219m). The board believe that the current market value of these properties is significantly in excess of their net book value. This belief is based on valuations of elements of the portfolio undertaken since April 2000, coupled with the group's planned maintenance programme based on stock condition surveys. The group maintains its properties to a high standard and the board does not believe that any of its existing properties have suffered from any impairment during the year.

### Post balance sheet events

Avebury International Plc., the contractor working on the development project at Lawrence Weston in Bristol, went in to receivership in March 2008. The scheme had achieved practical completion in March 2008. The retention held by Hanover Housing Association in accordance with the terms of the contract was £91k. It is believed, at this time, that the sum held will be adequate to defray any post completion remedial works or defects.

### Going concern

After making enquiries, the directors of the group have a reasonable expectation that the group 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.

## Operating and Financial review

For the year ended 31 March 2008

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### Group highlights–five year summary

For the year ended 31 March	2008	2007	2006	2005	2004
	£m	£m	£m	£m	£m
<b>Group income &amp; expenditure account</b>					
Total turnover	78.9	70.9	66.0	60.3	55.1
Operating surplus	10.9	11.8	10.2	6.7	7.0
Interest payable	10.4	10.0	10.0	9.7	7.1
Surplus after interest and tax	3.9	3.0	3.5	2.6	1.4

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### Group balance sheet

Tangible fixed assets, net of depreciation	529.8	476.1	435.7	417.4	396.4
SHG and other capital grants	270.7	251.3	217.4	204.3	199.5
Net current liabilities	10.1	11.7	20.4	25.7	4.9
Net debt	186.7	154.0	139.8	145.2	135.1
Total reserves	63.2	55.0	49.7	47.1	52.7

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### Statistics

	%	%	%	%	%
Operating margin	13.8%	16.6%	15.4%	11.1%	12.7%
Surplus for the year as % of turnover	4.9%	4.3%	5.3%	4.4%	2.6%
Gearing (net debt as % of reserves plus grants plus housing depreciation)	49%	44%	46%	52%	49%

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Accommodation managed at the year end	Dwellings	Dwellings	Dwellings	Dwellings	Dwellings
Total housing stock owned	16,908	15,977	16,110	16,199	16,341
Total housing stock managed	18,947	18,156	17,888	17,925	17,907

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# Report of the Board

For the year ended 31 March 2008

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## Statement of the board's responsibilities

The board is responsible for preparing the Report of the Board and the financial statements, for each financial year, in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice which give a true and fair view of the group and association's financial activities during the year and of the financial position of the group and association at the end of the year.

In preparing those financial statements the board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and association will continue in operation.

The board is responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the association and to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulation 1969, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. The board is also responsible for safeguarding the assets of the group and association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Board members and Group Management Team

The present board members and the members of the Group Management Team are set out on pages 3 & 5.

## Corporate governance

HHA complies with all relevant recommendations in the NHF Code of Governance except for that in respect of the maximum term of office for board members. The length of service of one board member currently exceeds the recommended maximum. The board is content with this exception in order to ensure continuity of experience within the board.

## The board

The board bears ultimate responsibility for all group activities; these responsibilities include:

- Corporate strategy and approving, policies and plans to achieve it.
- Defining and upholding the values and objectives of the group.
- Ensuring the group's long term financial viability.
- Appointing the Group Chief Executive.
- Appointing the members of the governing bodies of group members.
- Acting on behalf of HHA in its role as corporate trustee in the case of almshouse trusts.

The board has a maximum membership of twelve. Certain subsidiaries are permitted to nominate board members. The board members are drawn from a wide range of backgrounds so as to ensure that there is an optimum mix of skills and experience to fulfil the function of the board. Board members are subject to a contract for services setting out their obligations, under which they are remunerated for their services and appraised annually.

The board met nine times during the financial year.

# Report of the Board

For the year ended 31 March 2008

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## Delegation

The board delegates some of its responsibilities to functional committees. Each committee has clear terms of reference and delegated authority established within standing orders. After each meeting they report back to the board, where their recommendations are fully reviewed and approved, as appropriate. As at 31 March 2008 the board had established these committees:

- **Group Audit Committee**

The committee is responsible for:

- Overseeing all aspects of governance and internal control.
- Ensuring that risks are properly assessed and controlled.
- Ensuring the group conducts its affairs to the highest standards of probity.
- Overseeing the operation of the Group Internal Audit Service.
- Ensuring that any audit findings are properly actioned.
- Reviewing the audited accounts and external auditors' report and ensuring that the processes involved are effective and that control issues are appropriately addressed.

- **Group Remuneration Committee**

The committee is responsible for:

- Determining and approving the salary, terms and conditions of employment, superannuation and benefits of executives.
- Reviewing, and advising the board, on changes to general terms and conditions of employment for all staff.

- **Nominations Committee**

The committee is responsible for:

- Recommending membership of the group board and that of other bodies to which HHA is entitled to make appointments

Following discussion and agreement with residents and in accordance with a recommendation from the Audit Commission, the Residents' Council ceased to be a committee of the board but became a consultative body.

- **Group Management Team**

GMT comprises the Group Chief Executive, the Finance & Resources Director, Property & Development Director, Retirement Housing Director, Extra Care and Services Director, Strategic Projects Director and Strategy & Improvement Director. Members of this group are referred to as executives. The GMT meets regularly and is responsible for directing, monitoring and co-ordinating the group's day to day operations within the policy and strategic framework set by the board. The GMT is not a Committee of the Board.

Executives only receive remuneration for their employment in HHA and not in connection with any boards or committees on which they serve. They are not members of the association and hold no interest in the share capital.

## Statement of current obligations of board and committee members

### Common Responsibility:

All board and committee members share responsibility for that board or committee's decisions. The board or committee should act only in the interests of HHA and not on behalf of any constituency or interest group.

The liability of board members (except for their own criminal acts) is limited provided they have acted in good faith.

# Report of the Board

For the year ended 31 March 2008

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## Individual responsibility:

Each board member is obliged to:

- uphold the values and objectives of HHA;
- act only in the interests of HHA and not on behalf of any constituency or interest group;
- uphold HHA's core policies (including those for equal opportunities);
- attend and participate in meetings of the board or committee;
- contribute to discussion and debate and to share responsibility for the resulting decisions;
- represent HHA on occasion;
- respect confidentiality of information;
- uphold HHA's Code of Conduct including the declaration of any relevant interest;
- act as mentor to new board or committee members as appropriate;
- Ensure private interests do not come into conflict with the individual's role on the board or committee.

## Statement of qualities, skills and experience required by the board amongst its members, committee members and staff

Board and committee members and staff are required to comply with HHA's Code of Conduct and the seven principles of public life identified by the Nolan Committee, which are:

- **Selflessness:** we will take decisions only in terms of HHA's corporate aims and objectives. We will not take such decisions to gain financial or other benefits for ourselves, our family or our friends.
- **Integrity:** we will not place ourselves under any financial or other obligation to other individuals or organisations that might influence us in the performance of our duties.
- **Objectivity:** we will ensure that impartiality will be applied and that choices will be made on merit alone in respect of the delivery of services, the appointment of staff and the awarding of contracts.
- **Accountability:** we accept responsibility for our decisions and actions to our residents, public and private funding providers, and all other stakeholders in our business, and will submit ourselves to whatever scrutiny is considered appropriate.
- **Openness:** we will be as open as possible about the decisions and actions we take and give reasons for those decisions and actions when asked. Information will be withheld only when individual or commercial confidentiality is demanded.
- **Honesty:** we will declare any private interests which relate to our duties and take whatever action is necessary to resolve or avoid potential conflicts arising, in a way that both is lawful and protects HHA's reputation.
- **Leadership:** we will actively promote and support these principles by leadership and example.

In constituting the board and committees, the group board is mindful of the need to ensure an appropriate balance of skills and experience in the key areas identified by the Housing Corporation, being:

- Housing needs HHA aims to meet.
- Resident needs and concerns.
- Strategic management.
- General business skills, including the management of staff, properties and contracts.
- Finance.
- Legal matters.
- Community relations and needs, including equal opportunities.
- Working with local authorities.
- Property development and building.

## Report of the Board

For the year ended 31 March 2008

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- Public relations.
- Management of information technology.

The level of skill or experience required should be that appropriate to a senior post in an organisation of the size and diversity of the group.

### Procedure for electing Resident Board Member

Full details of the arrangements have been published and are available on HHA's website.

### Policy for admitting new members (shareholders)

The following is an extract from HHA's Membership Policy (a full copy of which is available on HHA's website [www.hanover.org.uk](http://www.hanover.org.uk)):

**Membership policy:** the board will consider for membership those individuals and organisations which, in its view, can make a positive contribution to HHA's affairs.

The board recognises three broad groups of member:

**Residents** of properties owned or managed by HHA (or its subsidiaries) or recognised groups representing those residents. To ensure that the maximum number of residents are effectively represented, shares will generally be allocated only to residents acting in a representative capacity rather than as individuals.

**Community and partner organisations** that work with or have similar aims to HHA or that represent the communities in areas in which HHA operates.

**Individuals** who are not residents or representatives of community and partner organisations but who can contribute to achievement of the HHA's objects. In considering applications for membership the board will seek to ensure that:

- no single group is dominant;
- any statutory restrictions on the size of particular groups are met;
- accepted guidance from HHA's regulators is followed;
- HHA complies with its equal opportunities and diversity policy.

### Responsibility for internal control systems and review of their effectiveness

The board acknowledges responsibility for the group's system of internal control and for reviewing its effectiveness. This responsibility applies to all group entities. The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives and provides reasonable, not absolute, assurance against material misstatement or loss.

The board has established a framework to assess the effectiveness of the internal control system. This framework has been in place throughout the year to 31 March 2008 and up to the date of approval of the financial statements.

The process the board uses to review internal control effectiveness, together with key elements of the control framework includes:

- **Control environment**

The organisation structure has clearly defined levels of responsibility and authority, supported by documented controls and procedures appropriate to the specific areas concerned.

- **Financial monitoring procedures**

The board approve the annual budget, review quarterly performance, balance sheets and cash flows against plan, and receive explanations from management on significant variances.

# Report of the Board

For the year ended 31 March 2008

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- **Risk management**

The group's senior managers identify the nature and extent of the significant risks facing their areas of responsibility and the likelihood of their materialising, and the controls in place to manage such risks.

- **Management assurances**

The Group Chief Executive, group directors and chief executives of the various subsidiaries and joint ventures prepare formal statements, acknowledging responsibility for the internal control and risk management systems in their businesses and divisions and confirming that they have reviewed the effectiveness of those systems.

- **Internal Audit**

The group's control systems and processes are subject to risk focussed internal audit, which plays an important role in providing independent assurance on key control processes.

- **Group Audit Committee**

The Group Audit Committee reviews internal audit plans and reports, together with external audit plans and management letters. The scope of the work, authority and resources of the Internal Audit Service are reviewed by the Audit Committee, which also conducts an annual self-appraisal exercise to monitor its own effectiveness. The Group Audit Committee meets quarterly and reports its findings to the board after each meeting as well as in an annual summary.

## **Equal opportunities**

The group is committed to equal opportunities and in particular supports the employment of disabled people, both in recruitment and in the retention of employees who become disabled whilst in the employment of the group.

## **Health and safety**

The board is aware of its responsibilities on all matters relating to health and safety. The group has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

## **Charitable and political donations**

The members of Hanover in Hackney Limited have approved a political donations policy in order to permit staff time off to engage in legitimate trade union activities. In law such paid absences may be construed as political donations. The policy does not permit any member of the group to make political donations in any other circumstances and no donations to any political groups or parties have been made.

## **Big Lottery Funding**

During the year the Hanover Housing Association Charitable Trust, of which the HHA board members form the Council of Management, received £0 (2007: £6,235) in funding from the Big Lottery Fund.

## **Statement as to disclosure of information to auditors**

The current board members have taken reasonable steps to make themselves aware of any information needed by the group's auditors for the purpose of their audit and to establish that the auditors are aware of that information.

Board members are not aware of any relevant audit information of which the group's auditors are unaware.

## **Auditors**

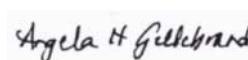
A resolution to reappoint KPMG LLP as auditors of the Hanover Housing Group is to be proposed at the forthcoming Annual General Meeting.

The Report of the Board was approved on 23 July 2008 and signed on its behalf by:

**Michael Fuller**  
Company Secretary



**Angela Gillibrand**  
Board Member





## Report of the independent auditors

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HANOVER HOUSING ASSOCIATION

We have audited the financial statements of Hanover Housing Association for the year ended 31 March 2008 which comprise the income and expenditure accounts and the balance sheets for the Group and the Association, the consolidated statements of total recognised surpluses and deficits, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and section 235 of the Industrial and Provident Societies Acts 1965 to 2002. 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 auditors' 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 opinions we have formed.

#### **Respective responsibilities of the Board and auditors**

The Board's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and UK accounting standards (UK Generally Accepted Accounting Practice) are set out on page 14.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006. We also report to you whether in our opinion the information given in the Report of the Board is consistent with the audited financial statements.

In addition we report to you if, in our opinion, a satisfactory system of control over transactions has not been maintained, if the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Board members' and directors' remuneration and other transactions with the Group and other members of the Group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

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

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



## Report of the independent auditors

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HANOVER HOUSING ASSOCIATION (Continued)

#### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and the Association's affairs as at 31 March 2008 and of the surplus of the Group and the Association for the year then ended;
- the financial statements have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006; and

In our opinion, the accompanying summarised financial statements are consistent, in all material respects, with the financial statements from which they are derived

*KPMG LLP*

#### KPMG LLP

Chartered Accountants and Registered Auditor

Arlington Business Park

Theale

Reading RG7 4SD

Date: 11 August 2008

## Income and expenditure accounts

For the year ended 31 March 2008

	Note	Group		Association	
		2008	2007	2008	2007
		£'000	£'000	£'000	£'000
Turnover	2	78,951	70,885	65,996	57,776
Operating costs	2	(68,025)	(59,088)	(54,337)	(45,968)
<b>Operating surplus</b>	2	10,926	11,797	11,659	11,808
Surplus/(deficit) on disposal of fixed assets	4	2,792	933	616	511
Interest receivable and other income	5	562	414	465	420
Interest payable and similar charges	6	(10,423)	(10,023)	(9,590)	(9,416)
Other finance cost	33	11	(51)	(26)	(80)
<b>Surplus on ordinary activities before tax</b>	7	3,868	3,070	3,124	3,243
Tax on surplus on ordinary activities	8	(6)	(2)	-	-
<b>Surplus on ordinary activities after tax</b>	23	<b>3,862</b>	<b>3,068</b>	<b>3,124</b>	<b>3,243</b>

All amounts relate to continuing activities.

The accompanying notes form part of these financial statements.

## Statements of total recognised surpluses and deficits

For the year ended 31 March 2008

	Note	Group		Association	
		2008	2007	2008	2007
		£'000	£'000	£'000	£'000
<b>Surplus for the financial year</b>		<b>3,862</b>	<b>3,068</b>	<b>3,124</b>	<b>3,243</b>
Actuarial gain/(loss) on pension schemes	33	4,663	2,410	4,416	2,143
Unrealised (deficit)/surplus on revaluation of long term investments	25	(357)	(179)	(7)	(179)
<b>Total recognised surpluses and deficits relating to the year</b>		<b>8,168</b>	<b>5,299</b>	<b>7,533</b>	<b>5,207</b>
Prior period adjustment		0	202	0	0
<b>Total recognised surpluses and deficits since the last financial statements</b>		<b>8,168</b>	<b>5,501</b>	<b>7,533</b>	<b>5,207</b>

The accompanying notes form part of these financial statements.

# Balance sheets

As at 31 March 2008

	Note	Group		Association	
		2008 £'000	2007 £'000	2008 £'000	2007 £'000
<b>Tangible fixed assets</b>					
Housing properties – cost	11	574,936	511,890	542,255	483,133
Less: Social Housing Grant	11	(242,321)	(225,483)	(242,321)	(225,483)
Less: Other public grants	11	(28,369)	(25,838)	(28,028)	(25,638)
Less: Depreciation	11	(50,177)	(41,286)	(46,605)	(39,033)
		254,069	219,283	225,301	192,979
Other fixed assets	12	5,127	5,466	4,725	4,935
		259,196	224,749	230,026	197,914
<b>Long term investments</b>	13	5,052	4,034	5,046	3,834
<b>Total fixed assets</b>		264,248	228,783	235,072	201,748
<b>Current assets</b>					
Stock	14	5,003	3,155	5,003	3,155
Debtors	15	11,312	8,729	14,036	12,517
Investments	16	–	184	–	–
Cash at bank and in hand	17	5,488	3,312	221	255
		21,803	15,380	19,260	15,927
<b>Creditors: amounts falling due within one year</b>	18	(31,976)	(27,099)	(25,367)	(21,811)
<b>Net current liabilities</b>		(10,173)	(11,719)	(6,107)	(5,884)
<b>Total assets less current liabilities</b>		<b>254,075</b>	<b>217,064</b>	<b>228,965</b>	<b>195,864</b>
<b>Creditors: amounts falling due after more than one year</b>	19	186,720	153,460	169,819	140,160
<b>Provision for liabilities and charges</b>	21	304	558	304	383
<b>Pension liability</b>	33	3,856	8,076	3,698	7,917
<b>Capital and reserves</b>					
Share capital	22	–	–	–	–
Revenue reserves	23	59,368	51,111	53,073	45,533
Restricted reserves	24	3,670	3,346	1,718	1,511
Investment revaluation reserve	25	157	513	353	360
		254,075	217,064	228,965	195,864

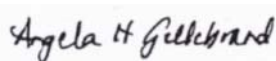
The accompanying notes form part of these financial statements.

These financial statements were approved by the board on 23 July 2008 and signed on its behalf by:

**Lord R Best**  
Chair – Board Member



**A Gillibrand**  
Board Member



**M Fuller**  
Secretary



## Consolidated cash flow statement

For the year ended 31 March 2008

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		<b>2008</b>	<b>2007</b>
	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
<b>Net cash inflow from operating activities</b>	26	20,834	20,730
<b>Returns on investments and servicing of finance</b>	26	(10,587)	(9,738)
<b>Taxation</b>	26	(1)	(1)
<b>Capital expenditure and financial investment</b>	26	(41,803)	(25,169)
<b>Cash (outflow) / inflow before use of liquid resources and financing</b>		(31,557)	(14,178)
<b>Management of liquid resources</b>	26	(834)	238
<b>Financing</b>	26	34,567	14,791
<b>Increase / (decrease) in cash in the year</b>	26	<b>2,176</b>	<b>851</b>

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The accompanying notes form part of these financial statements.

# Notes to the financial statements

For the year ended 31 March 2008

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## 1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom, the Statement of Recommended Practice: Accounting by Registered Social Landlords Update 2005 (SORP) and the Housing Corporation's Accounting Requirements for Registered Social Landlords General Determination 2006.

A summary of specific policies is set out below.

### **Basis of accounting**

The financial statements are prepared on the historic cost basis of accounting, modified to include the revaluation of long term investments.

### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of Hanover Housing Association and its subsidiaries. Intra-group transactions are eliminated on consolidation.

### **Turnover**

Turnover is shown net of voids and value added tax (VAT) and comprises rental and service charge income receivable, Supporting People income receivable, commissions, donations, fees and revenue based grants from local authorities and the Housing Corporation. Void losses are only recognised where the properties are available for letting.

### **Fixed assets**

Fixed assets are stated at cost less depreciation. In the case of housing properties, cost includes the incidental costs of development – including interest capitalised up to the date of practical completion of the scheme.

Housing properties in the course of construction are stated at cost and are transferred into housing properties when completed.

Scheme equipment is shown at cost less cumulative depreciation.

### **Capitalisation of interest**

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

- a) interest on borrowings specifically financing the development programme after deduction of interest on Social Housing Grant (SHG) in advance; or
- b) Interest on borrowings of the entity as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

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

### **Capitalisation of development overheads**

Development costs are capitalised where they are directly attributable to bringing the properties into working condition for their intended use. Directly attributable costs are the labour costs of employees relating directly to the construction or acquisition of the property, and incremental costs that would have been avoided only if individual properties had not been constructed or acquired.

### **Works to existing properties**

Works (including programmed works as a result of the stock condition survey) which result in an enhancement in the economic benefits of housing properties (i.e. an increase in rental income, reduction in future maintenance costs or significant extension of the life of the property) for a period of ten years or more are deemed to be improvements and capitalised.

# Notes to the financial statements

For the year ended 31 March 2008

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## 1 Accounting policies *(continued)*

All other expenditure on repairs incurred over a property's life to maintain the fabric of the original asset is charged to the income and expenditure account as incurred.

### Depreciation

Freehold land is not depreciated.

Housing under construction is not depreciated.

Housing properties are depreciated on a straight line basis with an expected life of 50 years as at 31 March 1999 or practical completion, whichever is the later.

Properties held on long leases and under finance leases are depreciated over the remaining period of the lease.

Using component costing principles, the works are depreciated according to the expected life of the component as follows:

Life	Depreciation
10 to 19 years	10%
20 to 29 years	5%
30 years plus	over the life of the building

Other tangible fixed assets are depreciated on a straight line basis on cost over the expected useful economic lives of the assets at the following annual rates:

Freehold buildings	2.5%
Leasehold premises	2.5%
Office equipment	20.0%
Scheme equipment	25.0%
Computer equipment	25.0%

### Impairment

Impairments that result from a major reduction in service potential of the property are recognised immediately in the income and expenditure account.

### Sale of properties

The surplus or deficit arising on the disposal of housing properties held as fixed assets is accounted for on the face of the income and expenditure account.

Under shared ownership arrangements, the group sells a long leasehold interest of shared ownership units to persons who occupy them at a lease premium equal to 75% of open market value. Proceeds of the sale of first tranches are deducted from the carrying cost of shared ownership housing properties. Subsequent tranches sold are reflected as costs of sales and any surplus or deficit on sale is disclosed in the income and expenditure account.

### Properties developed for sale – stock

Completed properties for outright sale are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales prices after allowing for all further costs of completion and disposal. Until sold these properties are held as current assets and represent the only items of stock on the balance sheet.

# Notes to the financial statements

For the year ended 31 March 2008

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## 1 Accounting policies *(continued)*

### **Social Housing Grant and other grants**

Social Housing Grant is a capital grant made to the group towards the cost of acquiring and/or building housing for rent or sale. Under shared ownership arrangements, social housing grant is paid by the Housing Corporation on a basis related to cost but varying according to area and type of scheme.

Where developments have been financed wholly or partly by grants, the cost of those developments has been reduced by the amount of grant received.

Where Social Housing Grant is received for properties in the course of construction and the amount received is in excess of the costs of construction incurred to date then the excess is shown as Social Housing Grant received in advance, within creditors: amounts falling due within one year.

Where grant is received on items treated as revenue expenditure, it is treated as revenue grant and credited to the income and expenditure account.

Grants are usually repayable unless formally abated, waived or recycled. Therefore they may be repayable in certain circumstances, primarily the sale of property. This can be the case even where the grant has been treated as a revenue grant for accounting purposes.

### **Long term investments**

HHA is required to set aside a debt service reserve as a condition of certain funding arrangements. These reserves are invested in the name of HHA and cannot be redeemed until maturity of the underlying financial instruments. These investments are shown at valuation.

### **Interest free loans**

Some residents of Hanover Friends have provided interest free loans in return for reduced accommodation charges. These loans were originally made to Help the Aged, but the monies passed to Hanover Friends as part of the transfer and are available to be used by Hanover Friends as part of its cash management. The loans are repayable on demand or at short notice.

### **Other long term creditors**

Other long term creditors include the costs of arranging long term funding and premiums received on the issue of bonds. These amounts are amortised over the period of the underlying financial instrument.

### **Leases**

Rentals paid under operating leases are charged to the income and expenditure account on the accruals basis.

The cost of assets held under finance leases is included under tangible assets and depreciation provided in accordance with the policy for the class of asset concerned. The corresponding obligations under these leases are shown as creditors. The finance charge element of rentals is charged to the income and expenditure account to produce a constant periodic charge on the remaining balance of the outstanding obligations.

### **Provisions**

The group only provides for contractual liabilities which exist at the balance sheet date.

# Notes to the financial statements

For the year ended 31 March 2008

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## 1 Accounting policies *(continued)*

### Retirement benefits

Pensions and related benefits are accounted for in accordance with Financial Reporting Standard 17 '*Retirement Benefits*'.

The regular cost of providing retirement pensions to employees during the year and the full cost of providing amendments to benefits in respect of past service are charged to operating surplus. A credit representing the expected return on assets held by pension schemes is included within 'other finance income'. This expected return is based on the market value of those assets at the start of the financial year. An interest charge is also included in 'other finance income'. This interest cost is the expected increase during the period in the present value of scheme liabilities because the benefits are one period closer to settlement. Differences between actual and expected returns on assets are recognised in the statement of total recognised surpluses and deficits, together with differences arising from changes in assumptions. The difference between the market value of the assets of a scheme and the present value of the accrued pension liabilities is shown as an asset/liability on the balance sheet.

Annual contributions relating to defined contribution schemes and schemes eligible to be accounted for as defined contribution are charged to the income and expenditure account on an accruals basis.

### Reserves

The group has established restricted reserves for specific purposes where their use is subject to external restrictions.

### Investment revaluation reserve

Surpluses arising from the revaluation of long term investments are taken to the investment revaluation reserve. Deficits arising on revaluation are charged against this reserve to the extent that a previous surplus on revaluation has occurred. Where there is no such surplus or the deficit exceeds such a surplus then the deficit, or balance thereof, is charged directly to the income and expenditure account.

### Taxation

The association and most of its subsidiaries have charitable status and consequently income and capital gains are generally exempt from taxation.

Non-charitable taxable surpluses are covered by gift aid payments.

### Value added tax

The group charges value added tax (VAT) on some of its income and is able to recover VAT it incurs on those activities. However a large proportion of the group's income comprises rental income which is exempt for VAT purposes and gives rise to a partial exemption claim. Expenditure is therefore shown inclusive of VAT. Recoverable VAT arising from partially exempt activities is credited to the income and expenditure account. The balance of VAT recoverable or payable at the year end is included as a current asset or liability.

### Related parties

Advantage has been taken of the exemption allowed by Financial Reporting Standard 8 '*Related Party Disclosures*' from disclosing transactions between the association and its wholly owned subsidiaries.

## Notes to the financial statements

For the year ended 31 March 2008

### 2 Turnover, operating costs and operating surplus

#### The Group

	2008			2007		
	Turnover	Operating costs	Operating surplus	Turnover	Operating costs	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income and expenditure from social housing lettings (note 3)</b>						
Housing accommodation	69,577	(60,874)	8,703	64,437	(53,561)	10,876
<b>Other income and expenditure from social housing</b>						
Supporting People contract income	1,221	(1,068)	153	1,509	(1,284)	225
Other – social housing income	3,873	(3,485)	388	2,436	(2,571)	(135)
	74,671	(65,427)	9,244	68,382	(57,416)	10,966
<b>Non social housing activities</b>						
Management services	2,023	(1,658)	365	1,902	(1,481)	421
Developments for sale	1,897	(800)	1,097	187	(46)	141
Other	360	(140)	220	414	(145)	269
<b>Total</b>	<b>78,951</b>	<b>(68,025)</b>	<b>10,926</b>	<b>70,885</b>	<b>(59,088)</b>	<b>11,797</b>

## Notes to the financial statements

For the year ended 31 March 2008

### 2 Turnover, operating costs and operating surplus (*continued*)

#### The Association

	2008			2007		
	Turnover	Operating costs	Operating surplus/ (deficit)	Turnover	Operating costs	Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income and expenditure from social housing lettings (note 3)</b>						
Housing accommodation	59,428	(49,911)	9,517	54,296	(43,061)	11,235
<b>Other income and expenditure from social housing</b>						
Supporting People contract income	774	(692)	82	707	(611)	96
Other – social housing income	3,675	(2,935)	740	2,357	(2,250)	107
	63,877	(53,538)	10,339	57,360	(45,922)	11,438
<b>Non social housing activities</b>						
Management services	–	–	–	–	–	–
Developments for sale	1,897	(800)	1,097	187	(46)	141
Other	223	–	223	229	–	229
<b>Total</b>	<b>65,997</b>	<b>(54,338)</b>	<b>11,659</b>	<b>57,776</b>	<b>(45,968)</b>	<b>11,808</b>

## Notes to the financial statements

For the year ended 31 March 2008

### 3 Particulars of income and expenditure from social housing lettings

<i>Supported housing and housing for older people</i>	Group		Association	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
<b>Income from social housing lettings</b>				
Rent receivable net of identifiable service charges and loss from voids	45,406	42,052	41,268	38,048
Service charges receivable	16,550	14,953	14,982	13,378
Charge for support services	3,878	3,576	2,905	2,598
Care fees receivable	3,231	3,336	-	-
<b>Net rental income and fees receivable</b>	<b>69,065</b>	<b>63,917</b>	<b>59,155</b>	<b>54,024</b>
Revenue grants from local authorities and other agencies	19	36	19	36
Other property and service income	493	484	254	236
<b>Total income from social housing lettings</b>	<b>69,577</b>	<b>64,437</b>	<b>59,428</b>	<b>54,296</b>
<b>Expenditure on social housing lettings</b>				
Management	(18,462)	(16,768)	(16,687)	(14,777)
Services	(19,679)	(14,679)	(14,456)	(12,481)
Care and support	(3,196)	(6,110)	(2,562)	(2,336)
Rent losses from bad debts	(98)	(21)	(69)	(11)
Routine maintenance	(6,647)	(6,568)	(6,002)	(5,878)
Major repairs expenditure	(2,729)	(1,539)	(2,473)	(1,054)
Depreciation of housing properties	(8,344)	(7,379)	(6,943)	(6,287)
Impairment of housing properties	(650)	(183)	(650)	(183)
Other costs	(1,069)	(314)	(69)	(54)
<b>Total expenditure on social housing lettings</b>	<b>(60,874)</b>	<b>(53,561)</b>	<b>(49,911)</b>	<b>(43,061)</b>
<b>Operating surplus from social housing lettings</b>	<b>8,703</b>	<b>10,876</b>	<b>9,517</b>	<b>11,235</b>
Void losses	(1,029)	(532)	(686)	(370)

The majority of the group's social housing income is derived from supported housing and housing for older people, income from other categories of social housing is not considered material.

## Notes to the financial statements

For the year ended 31 March 2008

### 4 Surplus/ (deficit) on disposal of fixed assets

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Proceeds of sale	4,337	1,209	907	648
Less: Net book value from fixed assets	(1,544)	(203)	(290)	(118)
Social Housing Grant abated	-	-	-	-
Associated costs	(1)	(73)	(1)	(19)
<b>Surplus/(deficit) on disposal of fixed assets</b>	<b>2,792</b>	<b>933</b>	<b>616</b>	<b>511</b>

As at 31 March 2008, there were four schemes owned by Hanover Friends legally transferred to charitable organisation, Friends of the Elderly at nil consideration. The book values of these properties were £10,040,300 . The net book value of fixed assets disposed of £1,544,000 shown above, includes the book values of properties transferred to Friends of Elderly.

### 5 Interest receivable and other income

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Interest receivable from banks, building societies and other investments	562	414	315	278
Interest receivable from subsidiary undertakings	-	-	150	142
<b>Interest receivable from banks, building societies and other investments</b>	<b>562</b>	<b>414</b>	<b>465</b>	<b>420</b>

## Notes to the financial statements

For the year ended 31 March 2008

### 6 Interest payable and similar charges

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Interest payable on bank loans, overdrafts and other loans	11,131	10,493	10,298	9,886
Interest payable on Recycled Capital Grant Fund	7	16	7	16
Less: Interest capitalised in housing properties*	(715)	(486)	(715)	(486)
	<b>10,423</b>	<b>10,023</b>	<b>9,590</b>	<b>9,416</b>

The rate used to capitalise interest in respect of housing properties is 6.50% (2007: 6.50%).

### 7 Surplus on ordinary activities before tax

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
<b>Surplus on ordinary activities before tax is stated after charging:</b>				
Depreciation	10,694	9,388	8,828	8,142
Impairment loss	650	183	650	183
Operating leases of offices	810	895	826	733
Operating leases of cars and equipment	291	320	308	279
Auditors' remuneration:				
– in their capacity as auditors	90	94	68	68
– in respect of other services	11	11	8	8

## Notes to the financial statements

For the year ended 31 March 2008

### 8 Tax on surplus on ordinary activities

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
UK corporation tax:				
Current tax on profits of the year	4	3	-	-
Under/(over)provision in respect of previous year	2	(1)	-	-
	<b>6</b>	<b>2</b>	<b>-</b>	<b>-</b>

The above tax charge arises on the activities of the group's non charitable subsidiary HPML and is arrived at as follows:

	2008	2007
	£'000	£'000
<b>Profit on ordinary activities before taxation</b>		
Income before tax	362	198
Income subject to charitable exemption	(356)	(195)
Income subject to corporation tax	6	3
Corporation tax on profit on ordinary activities at 20% (2007 - 19%)	2	1
Effects of:-		
Expenses not deductible for tax purposes	1	1
Depreciation in excess of capital allowances	1	1
	<b>4</b>	<b>3</b>

No provision for UK corporation tax arises in respect of the association, which has charitable status.

## Notes to the financial statements

For the year ended 31 March 2008

### 9 Directors' emoluments

The directors are defined as the board, including the Group Chief Executive, together with the other members of the Group Management Team. The emoluments of the non-executive board directors were £122,000 (2006: £140,000); the Group Chief Executive received no additional emoluments in respect of board duties.

The emoluments of the executive directors were as follows:	2008	2007
	£'000	£'000
Emoluments (including pension contributions and benefits in kind)	966	839
Emoluments, paid to the highest paid director (the Group Chief Executive)		
For service paid through the payroll (excluding pension contributions and including benefits in kind)	165	-
Fees payable to a professional services company for providing the services of the interim Group Chief Executive for the period 1 April 2006 to 20 December 2006	-	210
	<b>165</b>	<b>210</b>

The benefits in kind include the provision of leased cars and private healthcare cover.

### 10 Employee Information

The average number of employees expressed as full time equivalents (including the Group Chief Executive) during the year was:

	Group		Association	
	2008	2007	2008	2007
	No.	No.	No.	No.
Office staff	341	379	337	324
Estate staff	459	508	240	230
	<b>800</b>	<b>887</b>	<b>577</b>	<b>554</b>
	Group		Association	
	2008	2007	2008	2007
Staff costs for the above persons:	£'000	£'000	£'000	£'000
Wages and salaries	17,226	19,459	13,756	12,743
Social security costs	1,370	1,622	1,152	1,100
Pension costs (note 33)	1,294	1,429	1,082	1,040
	<b>19,890</b>	<b>22,510</b>	<b>15,990</b>	<b>14,883</b>

Included in the above group costs is £1,884,119 (2007: £1,703,000) paid in respect of Hanover Property Management Limited estate based staff that is recharged to the relevant schemes

## Notes to the financial statements

For the year ended 31 March 2008

### 11 Tangible fixed assets – housing properties

#### The Group

#### Tangible Fixed Assets – housing properties

	Completed housing properties	Completed LSE* / Shared ownership housing properties	Housing properties in the course of construction	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 April 2007	466,981	4,391	40,518	511,890
Additions	13,936	–	52,361	66,297
Schemes Completed	42,156	9,667	(51,823)	–
Disposals	(1,369)	(1,882)	–	(3,251)
At 31 March 2008	<b>521,704</b>	<b>12,176</b>	<b>41,056</b>	<b>574,936</b>
<b>Social Housing Grant</b>				
At 1 April 2007	(203,705)	(2,906)	(18,872)	(225,483)
Receivable for year	31	–	(16,869)	(16,838)
Schemes Completed	(24,244)	(2,175)	26,419	–
Disposals	–	–	–	–
At 31 March 2008	<b>(227,918)</b>	<b>(5,081)</b>	<b>(9,322)</b>	<b>(242,321)</b>
<b>Other public grants</b>				
At 1 April 2007	(4,659)	–	(21,179)	(25,838)
Receivable for year	(141)	–	(2,390)	(2,531)
Schemes completed	(1,000)	–	1,000	–
Disposals	–	–	–	–
At 31 March 2008	<b>(5,800)</b>	<b>–</b>	<b>(22,569)</b>	<b>(28,369)</b>
<b>Depreciation</b>				
At 1 April 2007	(41,067)	(39)	(183)	(41,289)
Charge for year	(8,202)	(142)	–	(8,344)
Impairment	–	–	(646)	(646)
Disposals	102	–	–	102
At 31 March 2008	<b>(49,167)</b>	<b>(181)</b>	<b>(829)</b>	<b>(50,177)</b>
<b>Net book value</b>				
At 31 March 2008	<b>238,819</b>	<b>6,914</b>	<b>8,336</b>	<b>254,069</b>
At 1 April 2007	<b>217,551</b>	<b>1,447</b>	<b>285</b>	<b>219,283</b>

\*Leasehold scheme for older people

All of the group's additions to completed housing properties relate to new build schemes and works to existing properties. Major repairs capitalised for the group amount to £12,273,000.

During the year to 31 March 2003, the subsidiary undertaking, Hanover in Hackney Limited (HiH), took a transfer of housing stock from the London Borough of Hackney (LBH) at a price of £25,882,000. At the same time, HiH invoiced LBH £25,882,000 for the required future works to the transferred properties. The terms of that contract had been completed by 31 March 2008.

## Notes to the financial statements

For the year ended 31 March 2008

### 11 Tangible fixed assets – housing properties (*continued*)

#### The Association

#### 10 Tangible Fixed Assets – housing properties

	Completed housing properties	Completed LSE*/ Shared ownership housing properties	Housing properties in the course of construction	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 April 2007	438,224	4,391	40,518	483,133
Additions	8,805	–	52,361	61,166
Schemes Completed	42,156	9,667	(51,823)	–
Disposals	(162)	(1,882)	–	(2,044)
At 31 March 2008	<b>489,023</b>	<b>12,176</b>	<b>41,056</b>	<b>542,255</b>
<b>Social Housing Grant</b>				
At 1 April 2007	(203,705)	(2,906)	(18,872)	(225,483)
Receivable for year	31	–	(16,869)	(16,838)
Schemes Completed	(24,244)	(2,175)	26,419	–
Disposals	–	–	–	–
At 31 March 2008	<b>(227,918)</b>	<b>(5,081)</b>	<b>(9,322)</b>	<b>(242,321)</b>
<b>Other public grants</b>				
At 1 April 2007	(4,459)	–	(21,179)	(25,638)
Receivable for year	–	–	(2,390)	(2,390)
Schemes completed	(1,000)	–	1,000	–
Disposals	–	–	–	–
At 31 March 2008	<b>(5,459)</b>	<b>–</b>	<b>(22,569)</b>	<b>(28,028)</b>
<b>Depreciation</b>				
At 1 April 2007	(38,812)	(39)	(183)	(39,034)
Charge for year	(6,801)	(142)	–	(6,943)
Impairment	–	–	(650)	(650)
Disposals	22	–	–	22
At 31 March 2008	<b>(45,591)</b>	<b>(181)</b>	<b>(833)</b>	<b>(46,605)</b>
<b>Net book value</b>				
At 31 March 2008	<b>210,055</b>	<b>6,914</b>	<b>8,332</b>	<b>225,301</b>
At 31 March 2007	<b>191,248</b>	<b>1,446</b>	<b>284</b>	<b>192,978</b>

\* Leasehold scheme for older people

All of the association's additions to completed housing properties relate to new build schemes and works to existing properties. Major repairs capitalised for the association amounts to £7,142,000.

## Notes to the financial statements

For the year ended 31 March 2008

### 11 Tangible fixed assets – housing properties (*continued*)

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
<b>Completed housing and other properties comprise:</b>				
Freeholds	226,839	191,489	199,309	165,858
Long leaseholds	10,041	11,275	9,068	10,403
Short leaseholds	17,189	17,336	16,924	17,096
	<b>254,069</b>	<b>220,100</b>	<b>225,301</b>	<b>193,357</b>

The total net book value, after deducting both accumulated depreciation and Social Housing Grant, of housing properties held under finance leases is £5,251,000 (2007: £5,257,000). Depreciation charged during the year on these assets was £120,000 (2007: £119,000).

The total amount of Social Housing Grant (covering both capital and revenue grant) received or receivable at the balance sheet date for both the group and the association was £242,321,000 (2007: £225,848,000).

## Notes to the financial statements

For the year ended 31 March 2008

### 12 Other fixed assets

The Group	Scheme Equipment	Leasehold/ freehold office premises	Plant, machinery, fixtures and vehicles	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 April 2007	11,873	1,919	9,419	23,211
Additions	1,606	-	179	1,785
Disposals	(98)	(54)	-	(152)
At 31 March 2008	<b>13,381</b>	<b>1,865</b>	<b>9,598</b>	<b>24,844</b>
<b>Depreciation</b>				
At 1 April 2007	(8,846)	(1,017)	(7,882)	(17,745)
Charge for year	(1,249)	(92)	(712)	(2,053)
Disposals	45	24	12	81
At 31 March 2008	<b>(10,050)</b>	<b>(1,085)</b>	<b>(8,582)</b>	<b>(19,717)</b>
<b>Net Book value</b>				
At 31 March 2008	<b>3,331</b>	<b>780</b>	<b>1,016</b>	<b>5,127</b>
At 1 April 2007	<b>3,027</b>	<b>902</b>	<b>1,537</b>	<b>5,466</b>
<b>The Association</b>				
The Association	Scheme equipment	Leasehold/ freehold office premises	Plant, machinery, fixtures and vehicles	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 April 2007	11,526	1,574	8,977	22,077
Additions	1,518	-	187	1,705
Disposals	-	(54)	-	(54)
At 31 March 2008	<b>13,044</b>	<b>1,520</b>	<b>9,164</b>	<b>23,728</b>
<b>Depreciation</b>				
At 1 April 2007	(8,732)	(912)	(7,498)	(17,142)
Charge for year	(1,156)	(57)	(688)	(1,901)
Disposals	3	25	12	40
At 31 March 2008	<b>(9,885)</b>	<b>(944)</b>	<b>(8,174)</b>	<b>(19,003)</b>
<b>Net book value:</b>				
At 31 March 2008	<b>3,159</b>	<b>576</b>	<b>990</b>	<b>4,725</b>
At 31 March 2007	<b>2,794</b>	<b>662</b>	<b>1,479</b>	<b>4,935</b>

## Notes to the financial statements

For the year ended 31 March 2008

### 13 Long term investments

	Group		Association	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
<b>Treasury Stock</b>				
8 3/4% Treasury Stock 2017	667	653	667	653
8% Treasury Stock 2021	1,400	1,400	1,400	1,400
<b>Bonds</b>				
European Investment Bank	219	215	219	215
North British Housing Association	242	251	242	251
Northern Counties Housing Association	260	271	254	271
<b>Bank investments</b>				
Dexia	2,264	1,044	2,264	1,044
<b>Investment properties</b>				
	-	200	-	-
	<b>5,052</b>	<b>4,034</b>	<b>5,046</b>	<b>3,834</b>

These investments represent the Debt Service Reserves for funding received from Funding for Homes Limited, Haven Funding Bond and Dexia Bank. The valuations have been supplied by the funding organisations.

## Notes to the financial statements

For the year ended 31 March 2008

### 14 Stock

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Work in progress on properties held for outright sale	3,021	3,155	3,021	3,155
Completed properties held for outright sale	1,982	-	1,982	-
	<b>5,003</b>	<b>3,155</b>	<b>5,003</b>	<b>3,155</b>

### 15 Debtors

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000

#### Amounts receivable within one year:

Rent and service charge arrears	1,267	1,183	917	914
Less: bad debt provision	(389)	(342)	(250)	(216)
	878	841	667	698
Deferred service charge debtors	352	206	352	206
Social Housing Grant receivable	5,606	1,000	5,606	1,000
Amounts owed by group undertakings	-	-	1,001	980
Other debtors, prepayments and accrued income	3,862	6,253	3,315	5,873
	<b>10,698</b>	<b>8,300</b>	<b>10,941</b>	<b>8,757</b>

#### Amounts receivable after one year:

Loans to subsidiary undertakings	-	-	2,481	3,331
Deferred service charge debtors	614	429	614	429
	614	429	3,095	3,760

<b>Total debtors</b>	<b>11,312</b>	<b>8,729</b>	<b>14,036</b>	<b>12,517</b>
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### 16 Current asset investments

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Short term deposits	-	184	-	-

## Notes to the financial statements

For the year ended 31 March 2008

### 17 Cash at bank and in hand

None of the group's cash balances are charged as security to lenders.

### 18 Creditors: amounts falling due within one year

	Group		Association	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Housing loans	5,665	4,484	5,665	4,484
Bank overdrafts	-	1,657	-	1,657
Finance leases	-	48	-	48
Trade creditors	3,349	3,453	2,942	3,252
Amounts owed to group undertakings	-	-	-	19
Social Housing Grant received in advance	-	-	-	-
Other public grants received in advance	-	-	-	-
Interest free loans	2,876	3,266	-	-
Other creditors including taxation	4,322	3,686	3,378	3,094
Accruals and deferred income	15,764	10,505	13,382	9,257
	<b>31,976</b>	<b>27,099</b>	<b>25,367</b>	<b>21,811</b>

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

	Group		Association	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Housing loans	177,302	143,806	160,402	130,506
Tenancy nominations	13	13	13	13
Finance leases	7,434	7,496	7,434	7,496
	184,749	151,315	167,849	138,015
Recycled Capital Grant Fund (note 20)	373	365	373	365
Other long term creditors	1,598	1,780	1,597	1,780
	<b>186,720</b>	<b>153,460</b>	<b>169,819</b>	<b>140,160</b>

The association has agreement for the sale and leaseback of a number of housing properties and in accordance with Financial Reporting Standard (FRS) 5, 'Reporting the Substance of Transactions', the proceeds have been recognised as secured loans. The lease terms are for 30 years and 120 years with interest being accrued on the balance of the loan outstanding.

## Notes to the financial statements

For the year ended 31 March 2008

### 19 Creditors: amounts falling due after more than one year (*continued*)

Housing loans from banks, building societies, local authorities and others comprises: £190,401,000 (2007: £148,290,000) secured by charges on housing properties and land. The loans are at varying rates of interest and repayable in instalments due as follows:

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Between one and two years	3,329	2,466	1,216	2,446
Between two and five years	5,773	5,773	5,468	5,773
In five years or more	168,200	135,587	153,718	122,287
	<b>177,302</b>	<b>143,806</b>	<b>160,402</b>	<b>130,506</b>

At the year end, the group had loan and overdraft facilities arranged, but undrawn, of £61m and £2.5m respectively (2007: £43.5m and £2.5m). These are provided to ensure liquidity and the flexibility to undertake effective treasury management.

Amounts due under obligations in respect of finance leases are as follows:

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Within one year	62	48	62	48
Between two and five years	422	358	422	358
In five years or more	6,950	7,138	6,950	7,138
	<b>7,434</b>	<b>7,544</b>	<b>7,434</b>	<b>7,544</b>

## Notes to the financial statements

For the year ended 31 March 2008

### 20 Recycled capital grant fund

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
At 1 April 2007	365	399	365	399
Grants recycled	-	-	-	-
Interest accrued	8	16	8	16
	373	415	373	415
Withdrawals:	-	-	-	-
New build	-	(50)	-	(50)
Major repairs to existing stock	-	-	-	-
<b>At 31 March 2008</b>	<b>373</b>	<b>365</b>	<b>373</b>	<b>365</b>

### 21 Provision for liabilities and charges

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
At 1 April 2007	558	134	383	134
Provided in year	-	424	0	249
Utilised in year	(254)	-	(79)	-
<b>At 31 March 2008</b>	<b>304</b>	<b>558</b>	<b>304</b>	<b>383</b>

The provision at 31 March 2008 is for staff redundancies at Hanover Housing Group.

### 22 Share Capital

	2008	2007
	£	£
Each member of Hanover Housing Association holds one share of £1		
<b>Allotted, issued and fully paid</b>	<b>64</b>	<b>71</b>

The share capital of the association consists of shares with a nominal value of £1 each and which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. The shares provide members with the right to vote at general meetings. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid up thereon becomes the property of the association. Therefore all shareholdings relate to non-equity interests; there are no equity interests in the association.

## Notes to the financial statements

For the year ended 31 March 2008

### 23 Revenue reserves

	Group 2008 £'000	Association 2008 £'000
At 1 April 2007	51,111	45,533
Surplus on ordinary activities after tax	3,862	3,124
Actuarial gain / (loss) on pension schemes	4,663	4,416
Transfer (to) / from restricted reserves	(137)	-
Transfer to revaluation reserves	(131)	-
<b>At 31 March 2008</b>	<b>59,368</b>	<b>53,073</b>

### 24 Restricted reserves

	Special reserves £'000	Major repairs £'000	Renewals £'000	Total 2008 £'000
<b>The Group</b>				
At 1 April 2007	3,339	-	2	3,341
Transfer from / (to) income and expenditure account	137	-	-	137
Transfer to friends of elderly	(15)	-	-	(15)
Transfer from subsidiary	207	-	-	207
<b>At 31 March 2008</b>	<b>3,668</b>	<b>-</b>	<b>2</b>	<b>3,670</b>
<b>The Association</b>				
At 1 April 2007	1,509	-	2	1,511
Transfer from subsidiary	207	-	-	207
<b>At 31 March 2008</b>	<b>1,716</b>	<b>-</b>	<b>2</b>	<b>1,718</b>

## Notes to the financial statements

For the year ended 31 March 2008

### 25 Investment revaluation reserve

	<b>Group</b>	<b>Association</b>
	<b>2008</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April 2007	513	360
(Decrease) / increase in long term investments	(356)	(7)
At 31 March 2008	<b>157</b>	<b>353</b>

The investment revaluation reserve represents the increase in value of long term investments over cost.

### 26 Notes on the consolidated cash flow statement

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>		
Operating surplus	10,926	11,797
Pension charge	248	305
Depreciation and impairment	10,775	9,571
Change in stock	(1,848)	(2,443)
Change in debtors	(2,583)	(4,063)
Change in creditors	3,570	5,139
Change in provisions	(254)	424
<b>Net cash inflow from operating activities</b>	<b>20,834</b>	<b>20,730</b>

#### Analysis of cash flow headings:

##### Returns on investment and service of finance

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Interest received	551	396
Interest paid	(11,138)	(10,134)
	<b>(10,587)</b>	<b>(9,738)</b>

##### Taxation

UK corporation tax paid	(1)	(1)
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## Notes to the financial statements

For the year ended 31 March 2008

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### 26 Notes on the consolidated cash flow statement *(continued)*

<b>Capital expenditure and financial investment</b>	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Construction and purchase of housing properties	(65,582)	(48,217)
Purchase of other fixed assets	(1,802)	(1,904)
Social Housing Grant received	16,838	4,517
Other public grants received	2,531	19,299
Cost of disposal of fixed assets	0	(73)
Proceeds from sale of fixed assets	6,212	1,209

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<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(41,803 )</b>	<b>(25,169)</b>
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#### Management of liquid resources

Decrease / (increase) in cash on short term deposit	(834)	238
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#### Financing

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Repayment of loans	(6,323)	(1,176)
New secured loans	41,000	16,000
New unsecured loans	-	-
Capital element of finance lease rental payments	(110)	(33)

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<b>Net cash inflow / (outflow) from financing</b>	<b>34,567</b>	<b>14,791</b>
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#### Reconciliation of net cash inflow to movement in net debt

	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Increase / (decrease) in cash in the year	2,176	851
Cash (inflow) / outflow from debt increase / decrease	(32,910)	(14,791)
Cash (inflow) / outflow from management of liquid resources	(184)	(238)

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Change in net debt resulting from cash flows	(30918)	(14,178)
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Net debt at 1 April	(153,995)	(139,817)
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Net debt at 31 March	(184,913)	(153,995)
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## Notes to the financial statements

For the year ended 31 March 2008

### 26 Notes on the consolidated cash flow statement *(continued)*

#### Analysis of changes in net debt

	At 1 April 2007	Cash flow	Non Cash flow	At 31 March 2008
	£'000	£'000	£'000	£'000
Cash at bank and in hand	3,312	2,176	-	5,488
Bank overdraft	(1,657)	1,657	-	-
	1,655	3,833	-	5488
Debt due after one year	(143,806)	(33,496)	-	(177,302))
Debt due within one year	(4,484 )	(1,181)	-	(5,665)
Finance leases	(7,544 )	110	-	(7,434)
Other liquid resources	184	(184 )	-	-
	(153,995)	(30,918 )	-	(184,913)

#### 27 Capital commitments

	Group		Association	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	39,408	69,266	39,408	69,028
Capital expenditure that has been authorised by the board but not yet contracted for	-	1,635	-	-

The capital expenditure will be financed by a mixture of capital grants, proceeds from property sales and existing loan facilities.

The subsidiary undertaking Hanover in Hackney Limited has entered into a contract for £25,882,000 for capital and revenue works to housing properties transferred from the London Borough of Hackney. The terms of that have been completed as at 31 March 2008.

## Notes to the financial statements

For the year ended 31 March 2008

### 28 Commitments under operating leases

The group and association had annual commitments under non-cancellable operating leases as follows:

	<b>Land and buildings</b>	<b>Other</b>	<b>Land and buildings</b>	<b>Other</b>
	<b>2008</b>	<b>2008</b>	<b>2007</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>The Group</b>				
Leases expiring within one year	-	91	39	81
Leases expiring between one and five years	414	178	360	210
Leases expiring after five years	529	-	450	-
	<b>943</b>	<b>269</b>	<b>849</b>	<b>291</b>
<b>The Association</b>				
Leases expiring within one year	-	76	39	80
Leases expiring between one and five years	414	151	360	169
Leases expiring after five years	475	-	405	-
	<b>889</b>	<b>227</b>	<b>804</b>	<b>249</b>

## Notes to the financial statements

For the year ended 31 March 2008

### 29 Subsidiary undertakings

The following comprise the subsidiary undertakings for incorporation into the consolidated accounts for the group in accordance with the Industrial and Provident Societies Acts and Financial Reporting Standards:

Organisation	Status	Principal activity	Basis of control by Hanover Housing Association
Hanover Property Management Limited	Private company limited by guarantee	Management of retirement and other owner-occupied housing	The board of HHA appoints the majority of the Board of Directors
Hanover Housing Limited	Industrial & Provident Society	Dormant	The board of HHA appoints the majority of the Committee of Management
Hanover in Hackney Limited	Private company limited by guarantee	Management of rented sheltered housing in Hackney	The board of HHA has the right to appoint a majority of the Board of Directors, as set out in the Memorandum and Articles of Association
Hanover Friends ( <i>Now called Hanover Heritage</i> )	Private company limited by guarantee	Management of private rented sheltered housing and residential care homes	HHA is the sole member of the Company and appoints the majority of the Board of Directors  With effect from 31/03/2008, Hanover Friends has its name changed to Hanover Heritage.
Care and Repair (Cheltenham) Limited	Industrial & Provident Society	Provision of care and repair services within Cheltenham	The board of HHA has the right to appoint the Committee of Management, as set out in the Rules of the Society.

The undertakings of the organisation were transferred to Hanover Housing Association with effect from 01/10/2007.

### 30 Associated organisations

**HHA acts as the corporate trustee for the following Almshouse Trusts:**

Alfred Stubbs Trust, Almshouse Charity of Elizabeth Smith, Collins Memorial Trust, Jane Cameron's Old People's Charity, The Margaret Jane Ashley Almshouse Charity, The Flood Charity, William Paul Housing Trust.

HHA has stated its support for any of the above requiring short term cash flow support.

**The Hanover Housing Association Charitable Trust:**

HHA Board members form the Council of Management of the Trust.

### 31 Contingent liabilities

The association has performance guarantees with Barclays Bank for £10,779 (2007: £10,779). The association has also provided a counter indemnity for £500,000 in favour of Zurich GSG Limited in respect of a pension bond for the same amount provided by the subsidiary undertaking Hanover in Hackney Limited in favour of the London Borough of Hackney Local Government Pension Scheme.

### 32 Related party transactions

It is confirmed and disclosed, in accordance with Financial Reporting Standard 8 '*Related Party Disclosures*', that resident members of any of the organisations in the Hanover Group occupy properties on normal terms.

## Notes to the financial statements

For the year ended 31 March 2008

### 33 Pension obligations

The pension liability in the consolidated balance sheet comprises liabilities in respect of two schemes:

		<b>2008</b>	<b>2007</b>
		<b>£000</b>	<b>£000</b>
Surrey County Council Pension Fund	(Association)	(3,698)	(7,917)
London Borough of Hackney Pension Fund		(159)	(159)
<b>Total pension liability</b>	<b>(Group)</b>	<b>(3,856)</b>	<b>(8,076)</b>

The details relating to each of these schemes are set out separately below.

#### Surrey County Council Pension Fund

Employees of Hanover Housing Association who joined prior to 1 July 2003 were admitted to the Surrey County Council Pension Fund ("the Fund"), this is a defined benefit scheme administered by Surrey County Council under the regulations governing the Local Government Pension Scheme ("LGPS").

The pension costs of this arrangement are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The latest actuarial valuation of the Fund was undertaken as at 31 March 2004 and the results of this valuation have been rolled forward to 31 March 2008.

The main financial assumptions used in the valuation of the pension liabilities were:

	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>% per annum</b>	<b>% per annum</b>	<b>% per annum</b>
Retail price inflation	<b>3.6</b>	<b>3.2</b>	<b>3.1</b>
Increases in salaries	<b>5.1</b>	<b>4.7</b>	<b>4.6</b>
Increases in pensions and deferred pensions	<b>3.6</b>	<b>3.2</b>	<b>3.1</b>
Discount rate	<b>6.9</b>	<b>5.4</b>	<b>4.9</b>

## Notes to the financial statements

For the year ended 31 March 2008

### 33 Pension obligations (*continued*)

The fair values of the assets held by the Fund and the expected annual rates of return are:

	31 March		31 March		31 March	
	Fair value	Expected return	Fair value	Expected return	Fair value	Expected return
	2008	2008	2007	2007	2006	2006
	£m	%	£m	%	£m	%
Equities	15.6	7.7	17.5	7.8	16.1	7.4
Bonds	4.2	5.7	4.2	4.9	3.8	4.6
Property	1.6	5.7	1.5	5.8	1.2	5.5
Cash	0.5	4.8	0.4	4.9	.4	4.6
<b>Total</b>	<b>21.9</b>	<b>7.1</b>	<b>23.6</b>	<b>7.1</b>	<b>21.5</b>	<b>6.8</b>

(average)

(average)

(average)

#### The net pension liability was:

	2008	2007	2006
	£000	£000	£000
The fair value of the above assets related to HHA was	22,025	23,693	21,460
The value placed on the liabilities related to HHA was	(25,723)	(31,610)	(31,230)
The deficit related to HHA at 31 March was	(3,698)	(7,917)	(9,770)

#### Analysis of amount charged to operating surplus:

	2008	2007	2006
	£000	£000	£000
Employer service cost	918	1,056	1,000
Past service cost	-	28	-
Curtailement cost	-	9	30
Total operating charge	918	1,093	1,030

## Notes to the financial statements

For the year ended 31 March 2008

### 33 Pension obligations *(continued)*

#### Analysis of amount credited/ (charged) to other financing income:

	2008	2007	2006
	£000	£000	£000
Expected return on employer assets	1696	1,474	1,180
Interest on pension scheme liabilities	(1,722)	(1,554)	(1,360)
Net return	(26)	(80)	(180)

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

	2008	2007
	£000	£000
Actual return less expected return on pension scheme assets	(2,487)	-
Experience gains and losses on liabilities	1,911	1
Changes in assumptions	4,992	2,142
Actuarial gain / (loss) on assets and liabilities	4,416	2,143

#### Movement in pension liability during the year:

	2008	2007
	£000	£000
Pension liability at the beginning of the year	(7,917)	(9,770)
Current service cost	(918)	(1,084)
Employer contributions	747	883
Curtailments	-	(9)
Net return on assets	(26)	(80)
Actuarial (losses)/gains	4,416	2,143
Pension liability at the end of the year	(3,698)	(7,917)

## Notes to the financial statements

For the year ended 31 March 2008

### 33 Pension obligations (*continued*)

#### History of experience gains and losses in the year:

	31 March 2008 £000	31 March 2007 £000	31 March 2006 £000	31 March 2005 £000	31 March 2004 £000
Difference between expected and actual return on scheme assets:					
Amount	(2,487)	–	2,910	610	1,680
Percentage of scheme assets	(11.3%)	0.0%	13.5%	3.7%	13.6%
Experience gains and losses on pension liabilities:					
Amount	1,911	1	10	345	825
Percentage of the present value of pension liabilities	7.4%	0.0%	0.0%	1.4%	3.9%
Amount recognised in statement of total recognised gains and losses:					
Amount	4,416	2,143	(1,200)	915	1,175
Percentage of the present value of pension liabilities	17.2%	(6.8)%	(3.8)%	3.7%	5.6%

#### Stakeholder Pension Schemes

Hanover Housing Group closed its defined benefit pension scheme to new employees on 30 June 2003. Employees joining from 1 July 2003 had the option of being admitted to a new contributory defined contributions scheme with **Standard Life** Stakeholder Pension Scheme. The scheme provides benefits directly determined by the value of the contributions paid in respect of each member.

With effect from 1 January 2007, new employees had the option of being admitted to a contributory defined contributions scheme with **Scottish Equitable** Stakeholder Pension Scheme and all employees in the Standard Life Stakeholder Pension Scheme were transferred to Scottish Equitable. The scheme provides benefits directly determined by the value of the contributions paid in respect of each member.

Employer's contributions during the year amounted to £211k for Standard Life and £91k for Scottish Equitable – total contributions £302k (2006: £315k).

No contributions in respect of these schemes were outstanding or prepaid at the balance sheet date.

#### The Pensions Trust SCVO Final Salary Pension Scheme

Hanover Heritage participates in the SCVO Pension Scheme.

The SCVO Pension Scheme is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

## Notes to the financial statements

For the year ended 31 March 2008

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### 33 Pension obligations (*continued*)

#### The Pensions Trust SCVO Final Salary Pension Scheme (*continued*)

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate, to March 2007. From April 2007 there are two benefit structures available. These are final salary with a 1/60th accrual rate and final salary with a 1/80th accrual rate. Participating employers must choose which benefit structure that they wish to offer to their employees.

Hanover Heritage has decided to continue to offer the 1/60th accrual benefit structure to employees from 1 October 2007.

The Trustee commissions an actuarial valuation of the scheme every 3 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 actuarial valuation assesses whether the scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Hanover Heritage paid contributions at the rate of 15.4%. Member contributions were 6.0%.

As at the balance sheet date there were 29 active members of the scheme employed by Hanover Friends. Hanover Friends has closed the scheme to new entrants.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the scheme was performed as at 30 September 2005 by a professionally qualified actuary using the "projected unit credit" method.

The financial assumptions underlying the valuation as at 30 September 2005 were as follows:

	% pa
- Investment return pre retirement	6.10
- Investment return post retirement	4.80
- Rate of salary increases	4.00
- Rate of pension increases:	
For pensionable service pre 6 April 2005	2.50
For pensionable service post 5 April 2005	2.25
- Rate of price inflation	2.50

## Notes to the financial statements

For the year ended 31 March 2008

### 33 Pension obligations (*continued*)

#### The Pensions Trust SCVO Final Salary Pension Scheme (*continued*)

The market value of the scheme's assets at the valuation date was £33.2 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £6.7 million (equivalent to a past service funding level of 83%).

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary 1/60th accrual rate	20.0% comprising employer contributions of 13.0% and member contributions of 7.0%

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.

In view of the past service shortfall it was agreed that the joint contribution rates shown in the table below would be payable with effect from 1 October 2007.

Benefit structure	Joint contribution rate (% of pensionable salaries)
Final salary 1/60th accrual rate	22.7% comprising employer contributions of 15.7% and member contributions of 7.0%

New employers joining the scheme, including Hanover Friends, pay contributions at the ongoing employer future service contribution rate. This rate applies from the date the employer joins the scheme to the date of the second actuarial valuation of the scheme following the date of joining. In the case of Hanover Friends this reduction applies until 30 September 2008.

New employers, including Hanover Friends, also pay an additional age loading if the average age of their members is higher than the average age of the scheme membership. This loading applies from the date the employer joins the scheme to the date of the second actuarial valuation of the scheme following the date of joining, or such earlier date as agreed between the SCVO Pensions Committee and the scheme actuary. Hanover Friends currently pays an age loading of 2.0% which is payable until 30 September 2008.

Employers that have closed the scheme to new entrants, including Hanover Friends, are required to pay an additional contribution loading to reflect the higher costs of a closed arrangement. This loading is based on actuarial advice and is subject to change from time to time. The loading is currently 3.5%.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an on-going funding basis, by 31 March 2022.

A copy of the recovery plan must be sent to the Pensions Regulator. The 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 scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan).

## Notes to the financial statements

For the year ended 31 March 2008

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### 33 Pension obligations (*continued*)

#### The Pensions Trust SCVO Final Salary Pension Scheme (*continued*)

A copy of the recovery plan has been sent to the Pensions Regulator. The Regulator had not issued his response to the recovery plan as at the date of the date of approval of these financial statements.

The next actuarial valuation of the Scheme will be carried out as at 30 September 2008. Actuarial reports will be prepared as at 30 September 2006 and 30 September 2007 in line with statutory regulations.

#### Career Average Revalued Earnings Pension Scheme

Hanover Friends also participates in the CARE Pension Scheme.

CARE is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

The main benefits provided by the scheme are:

- A pension of one-eightieth of the member's career average revalued earnings for each year (and months proportionately) of pensionable service, plus
- Each member has a money purchase account (which is also administered by The Pensions Trust) into which monies are transferred as a result of bonus declarations by the Trustee.

Employers pay contributions at the rate of 10.0% of earnings and members pay contributions based on an age-related scale (equal to age divided by ten). It is expected that contributions at these levels will be more than sufficient to meet the cost of the core pension benefit.

The rules of the scheme allow for the declaration of bonuses if this is within the financial capacity of the scheme assessed on a prudent basis. Bonuses are not guaranteed and are declared at the discretion of the Trustee.

The Trustee commissions an actuarial valuation of the scheme every 3 years. The actuarial valuation assesses whether the scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

As at the balance sheet date there were 7 active members of the scheme employed by Hanover Friends. Hanover Friends has closed the scheme to new entrants.

During the accounting period Hanover Friends paid contributions at the rate of 10%.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the scheme was performed as at 30 September 2004 by a professionally qualified actuary using the "projected unit credit" method. The market value of the scheme's assets at the valuation date was £1.9 million. The valuation revealed a surplus of assets compared to liabilities of £0.3 million.

## Notes to the financial statements

For the year ended 31 March 2008

### 33 Pension obligations (*continued*)

#### Career Average Revalued Earnings Pension Scheme (*continued*)

The financial assumptions underlying the valuation as at 30 September 2004 were as follows:

	% pa
- Rate of return pre retirement	6.0
- Rate of return post retirement	5.3
- Rate of revaluation on accrued pensions	4.5
- Rate of pension increases	2.5
- Rate of price inflation	2.5

The valuation revealed a surplus of assets compared with the value of liabilities of £0.3 million (equivalent to a past service funding level of 116%).

The employer's on-going future service contribution rate was assessed at 10.0% of pensionable salaries.

The next actuarial valuation will be carried out as at 30 September 2007.

#### London Borough of Hackney Pension Fund

Employees of the Hanover in Hackney Limited (HiH) are admitted to the London Borough of Hackney Pension Fund ("the Fund"); this a defined benefit scheme, administered by the London Borough of Hackney under the regulations governing the Local Government Pension Scheme (LGPS).

The pension costs of this arrangement are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The latest actuarial valuation of the Fund was undertaken as at 31 March 2004 and the results of this valuation have been rolled forward to 31 March 2008.

The main financial assumptions used in the valuation of the pension liabilities were:

	31 March 2008 % per annum	31 March 2007 % per annum	31 March 2006 % per annum
Retail price inflation	3.6	3.2	3.1
Increases in salaries	5.1	4.7	4.6
Increases in pensions and deferred pension	3.6	3.2	3.1
Discount rate	6.9	5.4	4.9

## Notes to the financial statements

For the year ended 31 March 2008

### 33 Pension obligations (*continued*)

#### London Borough of Hackney Pension Fund (*continued*)

The fair values of the assets held by the Fund and the expected annual rates of return are:

	31 March		31 March		31 March	
	Fair value	Expected return	Fair value	Expected return	Fair value	Expected return
	2008	2008	2007	2007	2006	2006
	£m	%	£m	%	£m	%
Equities	477.6	7.7	477.6	7.8	433.1	7.4
Property	91.5	5.7	91.5	5.8	78.4	5.5
Bonds	91.5	5.7	91.5	4.9	76.2	4.6
Cash	26.1	4.8	26.1	4.9	17.7	4.6
<b>Total</b>	<b>671.7</b>	<b>7.2</b>	<b>671.7</b>	<b>7.1</b>	<b>605.4</b>	<b>6.7</b>
		(average)		(average)		(average)

#### The net pension liability was:

	2008	2007	2006
	£000	£000	£000
The fair value of the above assets related to HiH was	4,777	3,051	2,570
The value placed on the liabilities related to HiH was	(4,935)	(3,210)	(2,930)
The deficit related to HiH at 31 March was	(158)	(159)	(360)

As part of the undertaking between HiH and the London Borough of Hackney, the London Borough of Hackney has agreed to indemnify HiH in respect of any shortfall in the pension fund, at the date of transfer.

#### Analysis of amount charged to operating surplus:

	2008	2007	2006
	£000	£000	£000
Employer service cost	235	282	242
Past service cost	-	-	-
Curtailement cost	206	-	3
<b>Total operating charge</b>	<b>441</b>	<b>282</b>	<b>245</b>

## Notes to the financial statements

For the year ended 31 March 2008

### 33 Pension obligations (*continued*)

#### London Borough of Hackney Pension Fund (*continued*)

##### Analysis of amount credited/ (charged) to other financing income:

	2008	2007	2006
	£000	£000	£000
Expected return on employer assets	221	180	135
Interest on pension scheme liabilities	(184)	(151)	(124)
Net return	37	29	11

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

	2008	2007	2006
	£000	£000	£000
Actual return less expected return on pension scheme assets	(337)	69	358
Experience gains and losses on liabilities	(455)	1	3
Changes in assumptions	1,039	197	(351)
Actuarial gain on assets and liabilities	247	267	10

##### Movement in pension liability during the year:

	2008	2007	2006
	£000	£000	£000
Pension liability at the beginning of the year	(159)	(360)	(340)
Current service cost	(235)	(282)	(242)
Employer contributions	158	187	204
Curtailments	(206)	-	(3)
Net return on assets	37	29	11
Actuarial gains	247	267	10
Pension liability at the end of the year	(158)	(159)	(360)

## Notes to the financial statements

For the year ended 31 March 2008

### 33 Pension obligations (*continued*)

#### London Borough of Hackney Pension Fund (*continued*)

History of experience gains and losses in the year:

	31 March 2008 £000	31 March 2007 £000	31 March 2006 £000	31 March 2005 £000
Difference between expected and actual return on scheme assets:				
Amount	337	69	358	82
Percentage of scheme assets	7.1%	2.2%	13.9%	4.5%

Experience gains and losses on pension liabilities:

Amount	(455)	1	3	(43)
Percentage of the present value of pension liabilities	9.2%	0.0%	0.1%	(2.0)%

Amount recognised in statement of total recognised gains and losses:

Amount	247	267	10	54
Percentage of the present value of pension liabilities	5.0%	8.3%	0.3%	2.5%

#### Social Housing Pension Scheme (SHPS)

Care and Repair (Cheltenham) Limited participates in the Social Housing Pension Scheme (SHPS). The scheme is funded and is contracted out of the state scheme.

SHPS are a multi-employer defined benefit scheme. Employer participation in the scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The scheme operated a single benefit structure, final salary with a 1/60th accrual rate, to March 2007. From April 2007 there are three benefit structures available, namely:

- Final salary with a 1/60th accrual rate.
- Final salary with a 1/70th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Care and Repair (Cheltenham) Limited has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2008.

## Notes to the financial statements

For the year ended 31 March 2008

### 33 Pension obligations (*continued*)

#### Social Housing Pension Scheme (SHPS) (*continued*)

The Trustee commissions an actuarial valuation of the Scheme every 3 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, in respect of each benefit structure, so that the scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate

The actuarial valuation assesses whether the scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Care and Repair (Cheltenham) Limited paid contributions at the rate of 11.7%. Member contributions varied between 3.1% and 6.1% depending on their age.

As at the balance sheet date there were 3 active members of the scheme employed by Care and Repair (Cheltenham) Limited. Care and Repair (Cheltenham) Limited has closed the scheme to new entrants.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the scheme was performed as at 30 September 2005 by a professionally qualified actuary using the projected unit method. The market value of the scheme's assets at the valuation date was £1,278 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £283 million, equivalent to a past service funding level of 82%.

The scheme actuary has prepared an actuarial report that provides an approximate update on the funding position of the scheme as at 30 September 2006. 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 £1,515 million and indicated a decrease in the shortfall of assets compared to liabilities to approximately £235 million, equivalent to a past service funding level of 87%. Annual funding updates of the SHPS are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

Since the contribution rates payable to the scheme have been determined by reference to the last full actuarial valuation the following notes relate to the formal actuarial valuation as at 30 September 2005.

The financial assumptions underlying the valuation as at 30 September 2005 were as follows:

	% pa
- Investment return pre retirement	7.2
- Investment return post retirement	4.8
- Rate of salary increases to 30 September 2010	5.0
- Rate of salary increases from 1 October 2010	4.0
- Rate of pension increases	2.5
- Rate of price inflation	2.5

## Notes to the financial statements

For the year ended 31 March 2008

### 33 Pension obligations *(continued)*

#### Social Housing Pension Scheme (SHPS) *(continued)*

The valuation was carried out using the PA92C2025 mortality table for non-pensioners and PA92C2013 mortality table for pensioners. The table below illustrates the assumed life expectancy in years for pension scheme members at age 65 using these mortality assumptions:

	Males	Females
	Assumed life expectancy in years at age 65	Assumed life expectancy in years at age 65
Non-pensioners	20.4	23.3
Pensioners	19.4	22.4

The long-term joint contribution rates required from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit structure	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60th accrual rate	17.6
Final salary with a 1/70th accrual rate	15.3
Career average revalued earnings with a 1/60th accrual rate	14.1

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.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £283 million would be dealt with by the payment of deficit contributions of 4.4% of pensionable salaries with effect from 1 April 2007. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

With effect from 1 April 2007 the employer and employee contribution rates for Care and Repair (Cheltenham) Limited will be 11.7% and 6.1% of pensionable salaries respectively.

Employers that participate in the scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the scheme to new entrants are required to pay an additional employer contribution loading of 3.0% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS Scheme.

Employers joining the scheme after 1 October 2002 that do not transfer any past service liabilities to the scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the second valuation after the date of joining the scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit by 30 September 2020.

## Notes to the financial statements

For the year ended 31 March 2008

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### 33 Pension obligations (*continued*)

#### Social Housing Pension Scheme (SHPS) (*continued*)

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The 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 scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the SHPS and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The next full actuarial valuation will be carried out as at 30 September 2008. An Actuarial Report will be prepared as at 30 September 2007 in line with statutory regulations.

#### SCVO/CARE/SHPS

Following a change in legislation in September 2005 there is a potential debt on the employers that could be levied by the trustees of these schemes. In the case of each scheme: the debt is due in the event of the employer ceasing to participate in the scheme or the scheme winding up. The debt for the scheme as a whole is calculated by comparing the liabilities for the scheme (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 scheme. 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 scheme's liability attributable to employment with the leaving employer compared to the total amount of the scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total scheme liabilities, scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Care and Repair (Cheltenham) Limited has closed SHPS to new members. Hanover Housing Association has agreed to underwrite the debt in respect of this scheme. The Scheme Actuary has estimated the employer debt that would have been payable if Care and Repair (Cheltenham) Limited had withdrawn from the SHPS as at 30 September 2005 as £249,000; this amount has been provided in the accounts of Hanover Housing Association for the year-ended 31 March 2008.

## Notes to the financial statements

For the year ended 31 March 2008

### 34 Housing stock in management

	2008	2008	2008	2007	2007	2007
	Managed by the Group	Managed by the Association	Managed by non-Group body	Managed by the Group	Managed by the Association	Managed by non-Group body
<b>Owned by the Group:</b>						
Designated housing for older people (sheltered housing)	10,560	9,725	-	10,442	9,610	-
Housing for older people, some special design features (Extra Care housing)	1,733	1,733	59	1,394	1,394	40
Supported housing	79	79	-	79	79	-
<b>Total housing for older people and supported housing</b>	<b>12,372</b>	<b>11,537</b>	<b>59</b>	<b>11,915</b>	<b>11,083</b>	<b>40</b>
Care bed spaces	-	-	-	-	-	162
General needs	170	170	-	170	170	-
Shared ownership/LSOP	330	73	-	217	-	-
Other leasehold	4,036	-	-	3,675	-	-
Other rented	-	-	-	-	-	-
<b>Total owned and managed</b>	<b>16,908</b>	<b>11,780</b>	<b>59</b>	<b>15,977</b>	<b>11,253</b>	<b>202</b>
<b>Not owned by the Group:</b>						
Non-Group rented	413	413	-	414	414	-
Associated organisations rented	258	258	-	258	258	-
<b>Total rented</b>	<b>671</b>	<b>671</b>	<b>-</b>	<b>672</b>	<b>672</b>	<b>-</b>
Non-Group leased	1,368	-	-	1,507	-	-
<b>Total managed but not owned</b>	<b>2,039</b>	<b>671</b>	<b>-</b>	<b>2,179</b>	<b>672</b>	<b>-</b>
<b>Total accommodation in management</b>	<b>18,947</b>	<b>12,451</b>	<b>59</b>	<b>18,156</b>	<b>11,925</b>	<b>202</b>

“Associated organisations” consist of a number of almshouse trusts of which HHA is Corporate Trustee.

## Notes to the financial statements

For the year ended 31 March 2008

### 35 Group results

	Hanover Housing Association	Hanover in Hackney	Hanover Friends	Hanover Property Management Limited	Care and Repair (Cheltenham) Limited
	£'000	£'000	£'000	£'000	£'000
<b>2008</b>					
Turnover	65,996	5,825	4,855	2,144	131
Operating surplus/(deficit)	11,659	(590)	(263)	(12)	(4)
Surplus/(deficit) on disposal of fixed assets	616	0	(871)	-	-
Net interest (payable)/receivable	(9,125)	(821)	5	66	5
Other finance (cost)/income	(26)	37	-	-	-
Surplus/(deficit) on ordinary activities before tax	3,124	(1,374)	(1,129)	54	1
Net assets	55,144	5,593	9,028	253	0
	<b>number</b>	<b>number</b>	<b>number</b>	<b>number</b>	<b>number</b>
Employee numbers (FTE)	577	45	133	41	4
<b>2007</b>					
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Turnover	57,776	6,104	4,848	2,070	286
Operating surplus/(deficit)	11,808	442	(504)	(31)	(68)
Surplus on sale of fixed assets	511	(16)	149	-	-
Net interest (payable)/receivable	(8,996)	(656)	(5)	36	12
Other finance (cost)/income	(80)	29	-	-	-
Surplus/(deficit) on ordinary activities before tax	3,243	(201)	(360)	5	(56)
Net assets	47,404	6,721	10,170	206	206
	<b>number</b>	<b>number</b>	<b>number</b>	<b>number</b>	<b>number</b>
Employee numbers (FTE)	545	53	124	157	8

## Notes to the financial statements

For the year ended 31 March 2008

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### 36 Transfer of engagement

On 31 March 2008, Care and Repair (Cheltenham Limited) (an Industrial & Provident Society) had a special resolution for transfer of engagements to Hanover Housing Association under the Industrial & Provident Societies Act 1965 registered by the Financial Services Authority. This transfer included fixed assets with a book value of £3,068, which were fair valued at £nil, and net current assets with a book, and fair value, of £214,684. The current assets included £5,744 of cash, which was brought into Hanover Housing Association's accounts.