



FINANCIAL STATEMENTS

for the year ended 31st March 2026

2025-26

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The Board Members

Ashley Campbell | CIHCM (Vice Chairperson)
Robin Blacklock | BSc, MRICS (co-opted 22 May 2025)
Nicola Cooper | MFA, PG Cert (co-opted 22 May 2025)
Gary Devlin | ACA CPFA (Chairperson resigned 25 September 2025)
Adele Erwin | BEng (Hons)
Chris Elliott | BSc (Hons) (co-opted 22 May 2025)
Kathleen McAdams | FCIPD
Fraser Mitchell | MA MSc (resigned 25 September 2025)
Christa Reekie | Mag phil; LLB
Rob Rowe | MA (Hons) C Eng
James Rowney | MCIBS MBA MRICS
Alan Stewart | LLB Hons, DPLP
Andrew Watson (co-opted 21 August 2025)
Professor Margaret Whoriskey | MBE PhD MPhil BA (Hons) (Chairperson)
Bryony Willett | CIHCM

Officers

Angela Currie | CIHCM
Chief Executive
Wendy Russell | BSc Hons
Director of Business Support and Transformation
Donna Henderson | ACMA
Director of Strategic Finance
(resigned 8 May 2026)
Esther Wilson | CIHCM
Director of Customer Services
Steven Good |
Director of Asset Management (Interim)

Note: that the Chief Executive and the Directors, noted here, are deemed to be the key management personnel of Hanover.

Registered Address and Head Office:

Hanover Scotland Housing Association Limited
95 McDonald Road
Edinburgh
EH7 4NS

External Auditor:

AAB Audit & Accountancy Limited
81 George Street
Edinburgh
EH2 3ES

Internal Auditors:

Henderson Loggie
Level 5, Stamp Office
10-14 Waterloo Place
Edinburgh
EH1 3EG

Solicitors:

TC Young
7 West George Street
Glasgow
G2 1BA

Bankers:

The Royal Bank of Scotland PLC
Scotland Corporate Service Centre
Drummond House, PO Box 1727
Edinburgh EH12 9JN

Registered Housing Hanover No. 124. Financial Conduct Authority No. 1983 R (S).
Scottish Charity Registration SC014738. Registered Property Factor No PF000140.

Review by the Board

Year ended 31st March 2026

Report of the Board incorporating the Strategic Report for the period ended 31 March 2026

The Board of Management presents its report and the audited financial statements for the year ended 31 March 2026.

Structure and Activities

Hanover (Scotland) Housing Association Limited (Hanover) is incorporated in Scotland and registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 as a mutual society. As a registered social landlord (RSL), Hanover is considered systemically important in its engagement with the Scottish Housing Regulator. As a registered charity, Hanover is focused on providing housing and related services, mainly to older people and was founded in 1979. It has expanded both incrementally and through the transfer of Arklet Housing Association in November 2019 to become a national organisation that manages 4,887 properties across 22 Scottish local authority areas.

Hanover provides property factoring services to 4 owner occupied developments that have complex tenure types.

Governance and the Board

The Board has overall responsibility for managing Hanover and is supported by the Audit, Performance & Risk (APR) Committee and People Committee. At 31 March 2026, there were thirteen Board Members.

The APR Committee has specific responsibility for overseeing the integrity of financial and non-financial controls and reporting, performance scrutiny, including internal and external audit and risk management. This structure strengthens the Board and the control of Hanover's strategic direction and provides a streamlined and efficient governance structure.

There are clear reporting arrangements within the current structure with minutes of the APR Committee and the People Committee presented to the Board. The Board operates within the agreed Rules, Good Governance Framework and Financial Control Framework with delegated authority given to the Chief Executive and Executive Leadership Team, as set out in the Scheme of Delegation. Key reports on financial and strategic objectives, performance, customer satisfaction and strategic reports are provided to the Board to enable it to monitor progress in meeting the agreed objectives and set the direction of travel for the business.

The Board ensures appropriate levels of assurance and strategic risk management, including seeking external advice where appropriate. Board members are volunteers and are unpaid, except for expenses. We have an annual Board appraisal process to support skills development and identify succession planning requirements.

The Highlights of 2025-26

Governance Development

There were two resignations in 2025-26 and since 31 March 2025 four new Board Members have joined the Board, taking the current total of Board members to thirteen. We elected a new Chairperson who is a long-standing Board Member. Professor Margaret Whoriskey MBE brings fresh leadership to the organisation.

We held two strategy days in the year in addition to our standard Board and Committee meetings. This allowed us to focus on providing the Board with the opportunity to scrutinise strategic results and to help develop our new Growth and Innovation Plan and review the implementation of our Assets, Happy Customer and People & Engagement Strategies.

Strategy Progress

We successfully completed Year Four of our current 5 year strategy using our Delivery Plan to manage key strategic projects. We completed many of our key projects as set out further on in this document. Our project management framework continues to support effective delivery of all projects and service improvements.

We updated our 5 & 30-year financial plans which are captured in detail in our Business Plan. This was approved by the Board and shared with our funders and the Regulator. The focus in this final year of our Strategy is to embed our new housing management system, develop the new customer portal and focus on growing our technology enabled care and support services. Detailed in the 3 sections below is a summary of our achievements against our key strategies.



**Desirable
Homes**



**Happy
Customers**



**Resilient
Organisation**

Happy Customer Strategy



Our focus remains on strengthening customer satisfaction, participation and service accessibility. During the year, improvements in engagement, service delivery and customer insight have contributed to positive movement across key ARC indicators, demonstrating progress in rebuilding participation levels and enhancing customer experience and strengthening regulatory performance outcomes in this post pandemic era.

During 2025, we commissioned a customer satisfaction survey which was conducted by an independent market research company to regulatory requirements. Overall, satisfaction levels have increased significantly for 6 of the 7 key Annual Return on the Charter (ARC) indicators as set out in Table 1 below.

Table 1: Annual Return on the Charter (ARC) Satisfaction Indicators

ARC SATISFACTION DATA	2023-24	2025-26	23/24-25/26 Trend	Peer group average 24/25
Taking everything into account, how satisfied or dissatisfied are you with the overall service provided by your landlord?	76.6%	82.2%	+5.5%	83.9%
How good or poor do you feel your landlord is at keeping you informed about their services and decisions?	77.7%	84.7%	+7.0%	84.0%
How satisfied or dissatisfied are you with the opportunities given to you to participate in your landlord's decision-making processes?	51.8%	73.7%	+21.9%	73.3%
Overall, how satisfied or dissatisfied are you with the quality of your home?	70.6%	84.3%	+13.7 %	85.7%
Thinking about the LAST time you had repairs carried out, how satisfied or dissatisfied were you with the repairs service provided by your landlord?	77.6%	77.8%	+0.2%	83.1%
Overall, how satisfied or dissatisfied are you with your landlord's contribution to the management of the neighbourhood you live in?	63.0%	81.5%	+18.5%	78.5%
Taking into account the accommodation and the services your landlord provides, do you think the rent for this property represents good or poor value for money?	62.0%	69.6%	+7.5%	75.7%

Our Welfare Rights service continued to support tenant wellbeing and financial resilience. During the year, 173 tenants were supported to secure financial gains of £402,261, alongside targeted hardship funding to assist those most affected by cost pressures. Our Volunteering service continued to provide key support such as befriending and digital online support to our tenants. These services remain central to sustaining tenancy stability and supporting independent living.

People & Engagement Strategy



The second cohort of our managers have completed the leadership course. To increase capacity to deliver this type of programme for our future leaders, our People Team have been trained to deliver the programme going forward to ensure it is sustainable and reflects the challenges we face. Our work in this, coupled with our improvements to our general approach to Learning and Development helped us to win the CIH Scotland Housing Award – Winner of Excellence in Learning & Development - in November 2025. We were also the winner of the Wellbeing in the Workplace Award at the Cherries Awards in June 2025.

Asset Management Strategy



Investment in our homes continues to be guided by long-term asset performance and customer expectations. Progress during the year has focused on strengthening asset intelligence using Arniel Johnston's integrated assessment tool, progressing treasury review activity to support future investment capacity, and advancing sustainability priorities across both existing homes and new build development. This year our focus has been on ensuring compliance with requirements on customer safety. We have maintained a strong performance and have almost completed the introduction of the new software system to manage this complex function with a new team in place to adequately resource the improvement and transformation process.

Hanover continues to explore opportunities to increase investment in very sheltered housing with care provision, recognising the growing national shortfall in suitable accommodation for older people. Working with CIH Scotland, SFHA and sector partners, we are leading the national discussions aimed at strengthening future supply and informing policy development.

Delivery of our sustainability objectives continues to progress as we work toward net zero by 2045. Activity during the year focused on improving energy efficiency within existing homes, reducing organisational carbon emissions and embedding sustainable practices across operations.

Environmental, Social & Governance (ESG) Report

We published our second ESG Report which adopted the Sustainability Reporting Standard (SRS) for Social Housing framework. This report is assisting us to identify risks and pursue opportunities to create positive social and environmental outcomes while ensuring we evaluate our ethical impact and sustainability practices. We are committed to completing the annual ESG Report.

Pay & Living Wage Employer

We undertook a review of our Pay and Benefits, and the Board approved a number of enhancements to pensions, leave and our health benefits scheme that will be adopted in the year ahead. These improvements are aimed at supporting our ambition to be an employer of choice and ensure we attract and retain a highly skilled workforce. We continue to be an accredited Living Wage Employer.

Our Voice Employee Forum



Our Voice has continued to play an important part in our decision making. It played a key role in this year's pay and conditions review.

Progress Towards Strategic Objectives

Our mission is to provide excellent services to meet the housing needs of Scotland's older people and to support them to be as independent as possible. The table below shows our delivery plan for 2025-26 and what we have achieved against these objectives. In total, there were 14 projects for us to achieve. Five were fully complete with 9 having revised timelines and none being behind target.

Hanover Delivery Plan 2025-26

Table 2 Delivery Plan Performance

	On Target	Behind Target	Completed
Happy Customers	2	0	1
Digital Modernisation and Strategic Finance	4	0	0
Desirable Homes	3	0	0
Resilient Organisation	0	0	4
Total	9	0	5
Percentage	64%	0%	36%

In the year ahead we have identified 13 strategic projects to focus on. Three of those projects will be transformative in changing how we work and how we provide our services going forward.

- The replacement of our HR & Payroll System
- The replacement of our Care Management System
- The launch of our Customer Portal

We have a programme management structure in place to ensure we deliver on our strategic projects, which is reported to the Board every 6 months along with a strategic KPIs dashboard to show the impact on performance.

Performance Management

Hanover continues to closely monitor key performance indicators including those required by the Scottish Housing Regulator to demonstrate assurance on meeting the Scottish Social Housing Charter.

We also scrutinise key financial indicators through budget and treasury reporting to ensure compliance with our lending covenants and ensure ongoing financial stability.

Benchmarking is undertaken and reported to managers and to the APR Committee on a quarterly basis to show comparison with the sector and against internal targets. Performance over the last year shows a positive picture despite the many challenges, particularly in asset management around labour and material costs and the challenges of securing contractors.

Table 3 below shows strong performance against targets across key areas of the business.

Indicator	2025-26	2024-25	2023-24	Internal Target
Average time in working days for a full complaint response - 1 st stage	3.8	3.8	3.9	4
Average time in working days for a full complaint response - 2 nd stage	15.9	16.9	17.4	16
Average hours to complete emergency repairs	4.1	3.05	3.4	5
Average working days to complete non-emergency repairs	5.7	8.26	6.6	7
Repairs right first time	97.2%	88%	89%	90%
Gas safety checks not in line with statutory requirements	0	5	1	0
Rent loss due to voids	2.3%	2.9%	3.0%	3.0%
Average days to complete adaptations	66.8	85	40.9	60
Gross rent arrears	1.9%	1.7%	1.7%	1.6%
Time to re-let properties (calendar days)	47.2	67.2	75.9	50
Employee turnover	15%	23%	16%	12%

Financial and Non-Financial Performance

This section provides an appropriate assessment of the performance of Hanover during 2025-26. The key strategic objectives include remaining financially viable, delivering value for money and achieving a financial surplus to meet our long-term commitments.

The Board is pleased to report that despite the current economic challenges, Hanover's performance remained strong and returned an operating surplus for the year of £3.7m (2025: £3.3m).

Gross income from rent and service charges (note 3a) increased by 4.4%, total turnover by 3.3% to £52.4m while operating costs increased by 24% to £48.7m. Operating costs include expenditure on care of £3.5m, reactive maintenance of our properties of £4.5m and planned & cyclical investment costs of £4.6m.

The current gearing positions of 21.7% and 14% (2025: 19.4% and 12%) are shown in the Financial Performance Headlines below, which provides considerable comfort in terms of ability to continue borrowing to fund future developments. Cash outflow in 2025-26 was £202k. The closing cash balance at the end of the year remains healthy at £3.5m. Cash inflow from operating activities during the year was £4.8m.

During 2025-26 our regulatory status with the Scottish Housing Regulator was 'compliant'. We use the SFHA Assurance tool kit to monitor our compliance with the SHR Regulatory Framework. No areas of non-compliance have been identified in 2025-2026.



Financial Performance Headlines

Ratios	2026 £'000	2025 £'000
Financial Capacity		
Interest Cover	140%	135.7%
Gearing - Financial indebtedness as % of Net Worth (excl pensions)	21.7%	19.4%
Gearing - Financial indebtedness as % of Historic Cost of Properties	14%	12%
Efficiency		
Arrears	1.9%	1.7%
Former Tenant Arrears written off (as a % of former tenant arrears)	34.0%	36.6%
Staff Costs / Turnover	34.9%	35.0%
Turnover per unit	£11,126	£10,760
Profitability		
Gross Surplus	7.15%	6.40%
Net Surplus	2.39%	1.81%
Financing		

Housing Management

Our average void re-let times improved in 2025/26 to 47.2 days (2024/25: 67.22 days), We have yet to achieve pre-pandemic void re-let times. Void rent and service charge loss of £1,221k (2025: £1,408k) does not include a service charge write off of £314k deemed irrecoverable or the provision of £378k. Void loss has reduced in 2025-26 to reflect the reduction in relet times and we will continue to focus on reducing our relet times to make best use of our stock.

Maintenance

Hanover seeks to maintain its properties to the highest standard. Reactive maintenance is carried out in accordance with our published response targets. There were 18,893 (2024-25: 17,297) reactive repairs carried out in the year with 97% (2024-25: 88%) completed right first time.

Housing Assets

Hanover manages almost 4,900 properties, of which we own 4,712. The remainder are managed on behalf of individual owners and shared equity owners. Note 23 of the Financial Statements sets out the number of units that are both owned and managed. The majority of our stock is between 25 and 35 years old and has reached an age profile that now requires significant investment to maintain modern standards. It is anticipated that an average of £7.6m of capital investment will be required each year.

This programme also includes works required by legislation, such as the Scottish Housing Quality Standard (SHQS). Currently 85.95% of properties comply with the SHQS. Total expenditure on revenue repairs and maintenance in the year was £4.5m (2025: £4.8m), with a further £7.5m of expenditure on our capital investment programme (2025: £8.3m). Agreed amendments to existing covenants with our lenders allowed for up to £3m of additional spend.

We received Scottish Government grants of £869k (2025: £259k) for the adaptation of 262 (2025: 148) properties to meet the needs of tenants as they become increasingly frail.

Development Grant

We continue to consider development opportunities on a case-by-case basis where there are strong strategic links underpinned by a robust business plan. A key issue for the viability and sustainability of individual development opportunities remains the availability and level of capital grant funding. We are well placed to manage a modest development programme due to the low level of debt as a percentage of the value of the business. We have a pipeline of projects in place that will deliver a number of new homes in the coming years.

New Development

No new developments were completed in the year, but we undertook remodeling in one development. Barrland Court is a former Arklet development consisting mostly of bedsits. Phases 1 to 3 were completed in 2025/26 and the final phase is due on site in the year ahead. Our programme currently includes two developments noted below which are yet to go through our internal appraisal stage and Board approval process but could potentially start in early 2026-27.

Troon — Low St. Meddans	>32 Units	Early Stages
Forres — Leonchoil	> 40 Units	Planning Permission Granted

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Housing assets are included in the Statement of Financial Position (SOFP) at £189.7 million (2025: £188.7 million), which is gross historical cost less depreciation. Housing grant is included as deferred income and stands at £92.4m (2025:£95.1m). Details of fixed assets are set out in Note 9.

Pension Strategy

The changes we planned to make to our pension provision have been delivered and we provide two options for our employees to reflect the demographics of our workforce. Past service deficits have been re-introduced for the SHAPS pension scheme and built into our Business Plan assumptions and are fully budgeted for. We are also reviewing our auto-enrolment pension contributions to ensure that we are supporting our workforce to plan for their future retirement years.

Customer Engagement

Hanover has a strong track record in customer engagement, and our approach is led by our Customer Experience Manager. Local development and regional meetings take place regularly, and attendance at these is increasing. Our on-site teams play a critical role in engaging our customers, reducing isolation, and supporting people to be independent.

Our Customer Engagement Plan draws on feedback gathered through consultation and engagement with customers to deliver participatory activities locally in developments and provide greater support for informal opportunities.

Welfare Rights

We provide a dedicated Welfare Rights service to our tenants to support increased awareness and access to welfare benefits and support effective budgeting. We continue to provide a Tenant Welfare Fund, targeting support to those most affected by cost pressures.



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Volunteering

We operate a well-established volunteering programme to assist in providing vulnerable customers with access to a range of additional services, such as befriending. We are focusing on recruiting new volunteers in the year ahead to meet the demand for this service and continue to fund a dedicated post to show our commitment to this valuable activity. The Volunteering Plan responds to feedback from our most recent satisfaction survey through providing support to customers to enhance social opportunities at their developments.

Digital Transformation

The Digital Plan, which was approved by the Board in January 2023, signals a significant investment in the modernisation of our infrastructure, systems, hardware, and skills. Part of the plan has been to ensure our teams can work as effectively and efficiently as possible, and this has included the continued roll out and upgrading of the connectivity available in our developments.

As part of that significant investment, we have introduced a new Digital Alarm Receiving platform and rolled out new Digital Telephony across Hanover. The final phase of our Analogue to Digital Project will see the digitalisation of the Warden Call systems across our developments, which will be completed in 2026-27.

During 2025-26 we procured our new core Housing Management and Finance system, Rubixx, and fully prepared for launch on the 1st April this year. The significant planning has paid dividends in ensuring a successful launch.

As in previous years, we continue to strengthen our defences against the evolving threat of cyber-attacks with Cyber Essential and Cyber Essential Plus accreditation both being retained in 2025-26.



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Employees

We have a highly skilled and loyal workforce that have a real focus on customer service. Our teams across the country have now adopted a Hybrid Working approach where possible, and we have Team Charters in place that set out agreed working arrangements to maximise team working and a good balance with home working.

During the year we completed the refurbishment of our Glasgow Office to modernise and refresh the space, which completes the programme of our main office upgrades.

We achieved IIP Gold in the year which reflected the positive impact our focus on culture and employees following the introduction of our People & Engagement Strategy.



Employee Involvement and Health and Safety

Our Health, Safety & Wellbeing management framework was maintained throughout the year, along with a full suite of all Health & Safety related policies. The HSWB Framework is a critical feature of our organisation and is a strong foundation for supporting both our customers and our employees.

Our Health, Safety & Wellbeing Working Group continues to oversee all activities and projects in this area, including the 3-year Health Safety & Wellbeing Plan for 2024-27. The delivery of year two is now complete and that saw us procure a new lone working system and deliver a new slips, trips, and falls campaign. Year three will look to review and develop/procure a new Accidents, Incidents and Near Miss System as well as continuing our campaign to promote safety within our customer homes.

Equality Diversity & Human Rights

Hanover has a legal and moral obligation as a good and socially responsible service provider and employer to be fair and equitable in the treatment of its customers, employees and other stakeholders. Our Equality, Diversity and Inclusion champions have developed a programme of work linked to our Fair Work First requirements ensuring we are Equally Safe, have met our legal obligations and our workforce is reflective of the communities and customer we support.

Accounting Policies

The principal accounting policies are covered in detail in Note 1 of the Financial Statements on pages 32 - 39.

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Revenue Reserves

The revenue reserve represents our accumulated surpluses. The long-term target is an average of 4% return on investment (ROI) which will be reviewed as part of our Treasury Review in the year ahead.

It is important to generate sufficient reserves to pursue Hanover's objectives and to ensure that the level is adequate to cover both known and unforeseen risks. Where possible, the potential cost of known risks is quantified to inform the annual review of the reserves policy. The Statement of Changes to Reserves is provided on page 27. It should be noted that these reserves are not fully cash backed as this would be considered an inefficient use of resources.

Treasury Management

Hanover has an active treasury management function which operates in accordance with the Treasury Management Plan. A revised Framework was implemented in May 2023 with the key objective to manage risk on a cost-effective basis.

Hanover manages its borrowing arrangements to ensure that it is always in a position to meet its financial obligations as they fall due, whilst optimising excess cash and liquid resources held. Hanover manages interest rate risk by utilising a high proportion of fixed interest debt. At 31 March 2026, 62% of the debt portfolio was at a fixed rate (2025: 72%). Phase 1 and 2 of a Treasury review was completed during 2024-25. Phase 3 is now underway and will include a review of our existing loan book and assessment of our future borrowing needs and the options available to Hanover.

Creditor Payment Policy

This policy's intention is to comply with the Confederation of British Industry guidelines of payment within 30 days.

Going Concern

The Board has reviewed the financial performance and results for this year end. In addition, they have also reviewed the projections for the next five years. Stress testing and scenario planning has been undertaken and detailed financial forecasts have been provided.

Long-term financial forecasts have been updated to reflect the changes in the current operating environment due to the impact of current economic factors such as rising levels of National Insurance, the cost of living, interest rates and varying levels of inflation.

An update to our five-year Business Plan was approved which provides resourcing

plans for the delivery of the fifth and final year of our corporate strategy. Hanover's business activities, together with the factors likely to affect its future development, performance and position, are set out in this Review.

The financial position of Hanover, its cash flow, liquidity position and borrowing facilities are described on pages 29 to 31 and the accompanying notes to the financial statements. The level of cash balances at the end of 2025-26 of £3.5m reduced by £0.2m and loan draw downs supported increased levels of investment. A higher return on any surplus cash balances within the parameters detailed in the revised Treasury Management Framework is now being achieved whilst still ensuring there are sufficient funds available to meet the current liabilities as they fall due.

A £8m revolving credit facility is available, with £12m having been drawn from the original £20m facility. These funds will be sufficient to meet the development and investment requirements for the next two years.

Hanover has considerable financial resources together with long-term income from its customers, and the Board believe that Hanover is well placed to manage its business risks successfully despite the ongoing volatile economic environment. The volatile levels of inflation and ongoing relatively high levels of interest rates being experienced means our short-term plans are continuously monitored and will be adapted to recognise any financial implications from the changing economic landscape.

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

Outlook

Hanover continues to meet the challenges in relation to economic uncertainty, in the context of reductions in public sector spending, and remains committed to investment in the maintenance and upgrading of our customers' homes. On the basis of the assumptions used in the projections of income and expenditure, longer term plans over the next 30 years offer a satisfactory picture of viability.



Risks

Hanover recognises the critical importance of actively monitoring and assessing changes within its operating environment. The organisation's risk register and heat map provide a structured approach to evaluating the level and significance of the principal risks facing the business. Risk management is a continuous and proactive process. Risks are subject to regular review and scrutiny by the Executive Leadership Team, the Audit, Performance and Risk Committee, and the Board. During the year, a comprehensive review of the Risk Management Framework and Strategic Risk Register was undertaken to ensure full alignment with the organisation's five-year strategy. As at 31 March 2026, overall risk exposure remained stable. Only one key risk was assessed as operating outside the agreed risk appetite (appetite: ≤ 16), with a residual risk score of 16 or above. This risk has subsequently been brought back within appetite following the implementation of additional mitigating controls.

Key Risks

Ref	Risk Description	No. of Mitigating Controls in place	Residual Score Nov 25	Residual Score Feb 2026	Residual Score May 2026	Movement from prev. review	Target Score
STR0016	If Hanover is subject to a significant and successful cyber-attack (e.g. ransomware or large-scale systems compromise), resulting in loss of access to critical systems and/or data, then this could lead to prolonged business interruption, inability to deliver core services, regulatory breach, significant financial loss and material reputational damage.	18	12	17	13	↓	9
STR0055	If Hanover is unable to withstand current economic uncertainty, or, fails to ensure our rents and services are affordable then this could be detrimental to the homes and services we would be able to offer	18	13	13	13	↔	5
STR0049	If Hanover fails to align our current model and delivery of services to the future aspirations of our customers, then we would face a fall in demand as we wouldn't be fulfilling future aspirations	20	8	8	8	↔	8
STR0052	If Hanover fails to attract and retain employees with the right skills, knowledge and expertise needed to deliver our strategy, then this would have an adverse impact on service delivery	5	5	5	5	↔	5
STR0054	If Hanover fails to adhere to legislative/compliance frameworks, and Safeguarding regulations then there could be litigation, financial costs, SHR intervention and HSE investigations which could lead to significant negative sector wide reputational damage, customer satisfaction, and financial implications	29	9	9	9	↔	6
STR0053	If Hanover fails to develop our ICT infrastructure and digital transformation to enable us to provide the capacity to maintain our organisation and grow, then this leads to inefficiency and fragmented work resulting in a negative impact on staff and falling customer satisfaction	17	8	8	8	↔	2
STR0051	If we do not have a robust strategic plan with a clear annual action plan and targets in relation to net zero sustainability, then we may struggle to meet our internal and external targets which could have a negative impact on our ability to let stock and meet our regulatory requirements	7	8	8	8	↔	2
STR0050	If Hanover fails to invest wisely and in the right places within our stock, then we would suffer an increase in reactive costs and a fall in demand as properties are not to a modern desirable standard which could result in non-compliance.	21	8	8	8	↔	5
STR0007	If Hanover faces insolvency then liabilities would not be paid	18	5	5	5	↔	5

Statement of Responsibilities of the Board

The Co-operative and Community Benefit Societies Act 2014 requires the Board to ensure that financial statements are prepared for each financial year, which give a true and fair view of Hanover's state of affairs and of the surplus or deficit of Hanover for that period. In preparing those financial statements, the Board is required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures being disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is not appropriate to presume that Hanover will continue in business; and
- Ensure a statement on Internal Financial Controls is prepared.

The Board is responsible for the keeping of proper accounting records which disclose with reasonable accuracy, at any time, the financial position of Hanover.

The Board must ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, Housing (Scotland) Act 2010 and the Registered Housing Association's Determination of Accounting Requirements 2019. It is responsible for safeguarding the assets of Hanover and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is also responsible for ensuring that Hanover's suppliers are paid promptly.

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



Statement on Internal Financial Controls

1. The Board acknowledges its ultimate responsibility for ensuring that Hanover has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:
 - The reliability of financial information used within Hanover, or for publication.
 - The maintenance of proper accounting records; and
 - The safeguarding of assets against unauthorised use or disposition.
2. It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable, and not absolute, assurance against material financial misstatement or loss or failure to meet objectives. Key elements of Hanover's systems include ensuring that:
 - Formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority which allow the monitoring of controls and restrict the unauthorised use of Hanover's assets.
 - Experienced and suitably qualified staff take responsibility for the important business functions and annual appraisal procedures have been established to maintain standards of performance;
 - Forecasts and budgets are prepared which allow the Management Team and Board to monitor the key business risks, financial objectives and progress being made towards achieving the financial plans set for the year and for the medium term.
 - Monthly management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information, with significant variances from budget being investigated as appropriate.
 - Regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.
 - All significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through the Board;
 - The Audit, Performance & Risk Committee receives reports from management and from the external and internal auditors, to provide reasonable assurance that control procedures are in place and are being followed, and that a general review of the major risks facing Hanover is undertaken;

continued from the previous page

- Formal procedures have been established for instituting appropriate action to correct any weakness identified through internal and external audit reports.
- Significant risks are identified, evaluated and managed, as previously outlined on page 17 of this review.

3. The internal auditor was appointed in 2023 for a three-year period, with an option to extend for a further year. The third year of the programme of work, based on the Audit Needs Assessment and internal risk review, was completed in 2025-26. In addition to individual reports resulting from the ongoing programme of work, the internal auditor prepares an annual report for the Audit, Performance & Risk Committee each year. These arrangements are considered appropriate to the scale and range of Hanover's activities and comply with the requirements contained in the Scottish Housing Regulator's Regulatory Advice Note: Internal Financial Controls and Regulatory Standards September 2014.
4. The effectiveness of Hanover's system of internal financial control has been reviewed by the Audit, Performance & Risk Committee. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in these financial statements or in the auditor's report on the financial statements.
5. The introduction of our new financial control framework has continued to be rolled out this year.

Auditor

A resolution for the appointment of AAB Audit & Accountancy Limited as Hanover's auditors will be proposed at the Annual General Meeting.



On behalf of the Board

Board Member: Margaret Whoriskey (Chairperson)

Date: 20 August 2026

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

Opinion

We have audited the financial statements of Hanover (Scotland) Housing Association Limited (the Association) for the year ended 31 March 2026 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the state of the Association's affairs as at 31 March 2026 and of its income and expenditure for the year then ended.
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been properly prepared in accordance with the requirements of Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements — February 2019, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) regulation 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report to the Members of Hanover (Scotland) Housing Association Ltd. continued

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The other information comprises the information included in the Review by the Board, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Independent Auditor's Report to the Members of Hanover (Scotland) Housing Association Ltd. continued

Responsibilities of the Board

As explained more fully in the Board's Responsibilities Statement set out on page 18, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable Assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We obtained an understanding of the legal and regulatory frameworks within which the Association operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements.

The laws and regulations we considered in this context were Co-operative and Community Benefits Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements – February 2019, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of the Charities Accounts (Scotland) regulation 2006 (as amended).

Independent Auditor's Report to the Members of Hanover (Scotland) Housing Association Ltd. continued

We identified the greatest risk of material impact on the financial statements from irregularities including fraud to be:

- Management override of controls to manipulate the Association's key performance indicators to meet targets.
- Compliance with relevant laws and regulations which directly impact the financial statements and those that the company needs to comply with for the purpose of trading.

Our audit procedures to respond to these risks included:

- Testing of journal entries and other adjustments for appropriateness.
- Evaluating the business rationale of significant transactions outside the normal course of business.
- Reviewing judgments made by management in their calculation of accounting estimates for potential management bias.
- Enquiries of management about litigation and claims and inspection of relevant correspondence.
- Reviewing legal and professional fees to identify indications of actual or potential litigation, claims and any non-compliance with laws and regulations.
- Analytical procedures to identify any unusual or unexpected trends or relationship;
- Reviewing minutes of meetings of those charged with governance to identify any matters indicating actual or potential fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditor's-responsibilities>. This description forms part of our auditor's report.

Independent Auditor's Report to the Members of Hanover (Scotland) Housing Association Ltd. continued

Use of our report

This report is made solely to the Association's members as a body, in accordance with Part 7 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Shaw

AAB Audit & Accountancy Limited

Statutory Auditor

Eligible to act as auditor in terms of section 1212 of the Companies Act 2006

81 George Street

Edinburgh

EH2 3ES

Date: 8 September 2026

Independent Auditor's Report to the Members of Hanover (Scotland) Housing Association Limited on Corporate Governance Matters

In addition to our audit of the Financial Statements, we have reviewed your statement on pages 19 - 20 concerning the Association's compliance with the information required by Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements to corporate governance matters within Bulletin 2006/5 issued by the Financial Reporting Council through enquiry of certain members of the Management Committee and Officers of the Association and examination of relevant documents. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reason given for non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on pages 19 - 20 has provided the disclosures required by the relevant Regulatory Standards for systemically important RSLs within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial controls and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.



Andrew Shaw (Senior Statutory Auditor)

For and on behalf of
AAB Audit and Accountancy Limited,
Statutory Auditor
81 George Street,
Edinburgh, EH2 3ES
Date: 8 September 2026

Statement of Comprehensive Income

For the year ended 31 March 2026

	Notes	2026 £'000	2025 £'000
Turnover	2	52,426	50,744
Less: Operating Costs	2	(48,703)	(47,555)
Gain on disposal of housing property		23	597
Loss on revaluation of investment property	9	-	(536)
Operating surplus		3,746	3,250
Interest receivable and other income	7	51	53
Interest payable and financing costs	8	(2,553)	(2,387)
Surplus before taxation		1,244	916
Taxation	22	8	1
Surplus for the year		1,252	917
Actuarial Gain / (Loss) on pension obligations	21	412	362
Total comprehensive income for the year		1,664	1,279

The results for the year relate wholly to continuing activities. The notes on pages 30 to 62 form part of these financial statements.

Statement of Changes in Reserves

Income and Expenditure Reserve

	£'000
Balance at 31st March 2024	43,924
Surplus from the Statement of Comprehensive Income	917
Other Comprehensive Income:	
Actuarial gain in respect of pension schemes	362
Balance at 31st March 2025	45,203
Surplus from the Statement of Comprehensive Income	1,252
Other Comprehensive Income:	
Actuarial gain in respect of pension schemes	412
Balance at 31st March 2026	46,867

Statement of Financial Position

For the year ended 31 March 2026

Fixed Assets	Notes	2026 £'000	2025 £'000
Non-Current Assets			
Intangible Assets	9	892	618
Housing properties	9	189,693	188,668
Other tangible fixed assets	9	3,587	3,749
Investment Property	9	1,176	1,176
Investment in subsidiary	25	1	1
Total		195,349	194,212
Current Assets			
Asset held for sale	10	146	164
Trade and other debtors	11	4,024	3,878
Cash and cash equivalents	12	3,513	3,715
Total		7,683	7,757
Current Liabilities			
Creditors: Amounts falling due within one year	13	(12,194)	(15,101)
Net Current Liabilities		(4,511)	(7,344)
Total Assets less Current Liabilities		190,838	186,868
Creditors: Amounts falling due after more than one year	14	(140,880)	(138,352)
Provisions	16	(3)	(4)
Defined benefit pension liabilities	21	(3,088)	(3,309)
Total Net Assets		46,867	45,203
Capital and Reserves			
Share Capital	15	-	-
Income and Expenditure Reserve		46,867	45,203
Total Reserves		46,867	45,203

The Board approved and authorised the financial statements for issue on 20 August 2026 and are signed on its behalf by:

Margaret Whoriskey





Chairperson: Margaret Whoriskey | Board Member: Bryony Willett | Company Secretary: Wendy Russell

The notes on pages 30 to 62 form part of these financial statements.

Statement of Cash Flows

For the year ended 31 March 2026

	Notes	2026 £'000	2025 £'000
Net cash generated from operating activities	(i)	4,796	6,770
Cash Flow from Investing Activities			
Purchase of tangible fixed assets	9	(9,039)	(9,598)
Proceeds from sale of tangible fixed assets		381	1,011
Net proceeds from sale of assets held for resale	10	54	(164)
Grants received		504	516
Interest received		51	53
Net cash used in investing activities		(8,049)	(8,182)
Cash Flow from Financing Activities			
Interest paid		(2,362)	(2,217)
New loans		7,000	5,000
Repayments of borrowings		(1,587)	(1,249)
Net cash from financing activities		3,051	1,534
Net Increase / (Decrease) in cash		(202)	122
Opening cash at beginning of year		3,715	3,593
Closing cash at end of year		3,513	3,715

Notes to the Cash Flow Statement

For the year ended 31 March 2026

(i) Reconciliation of surplus to net cash generated from operations	2026 £'000	2025 £'000
Surplus	1,252	917
Depreciation on Housing Properties	6,938	6,524
Depreciation on Other Fixed Assets	386	371
Amortisation of Intangible Fixed Assets	135	95
Amortisation of Capital Grants	(2,968)	(3,003)
Gain on disposal of assets	(23)	(597)
Loss on property valuation	-	536
Changes in owners' funds	(90)	(472)
Changes in service and heating charges	103	(669)
Deferred Finance Charge write down	29	29
Pension Past Service Deficit paid in year	(1)	2
Interest receivable	(51)	(53)
Interest paid	2,553	2,387
Taxation paid	-	(5)
Operating cash flows before movement in working capital	8,263	6,062
Increase in trade and other debtors	(92)	(281)
(Decrease) / Increase in trade and other creditors	(3,375)	989
Cash generated from operations	4,796	6,770

(ii) Analysis of net debt	at 31 st March 2025 £'000	Cash Flow £'000	Other Change £'000	at 31 st March 2026 £'000
Cash and short-term deposits	3,715	(202)	-	3,513
Debt due within one year	(1,405)	1,587	(1,619)	(1,437)
Debt due after one year	(40,091)	(7,000)	1,590	(45,501)
Total	(37,781)	(5,615)	(29)	(43,425)

continued from the previous page

(iii) Reconciliation of net cash flow to movement in net debt	2026 £'000
Decrease in cash and short-term deposits in the period	(202)
Increase in loans in the period	(5,442)
Change in net debt	(5,644)
Net debt at 1 April 2025	(37,781)
Net debt at 31 March 2026	(43,425)

1. Accounting Policies

Hanover is incorporated under the Co-operative and Community Benefit Societies Act 2014, is registered in Scotland with the Financial Conduct Authority and is classed as a public benefit entity under FRS102. Hanover's registered housing association number is 124 and its registered office is 95 McDonald Road, Edinburgh EH7 4NS.

a) Going Concern

Hanover continues to conduct regular stress testing and forecasting and is confident that there will be no detrimental impact on loan covenants, liquidity or cash flows. Creditors, due after more than 1 year remain high due to the liability that has realised with Hanover's exit from Lothian Pension Fund, defined benefits scheme of £0.97m to be repaid over the remaining three-year period. This eliminates the risk of increased pension liabilities that being in the scheme presented. In addition, accruals and trade creditors were higher than the previous year due to the number of planned projects completed in the final quarter of the year.

Cash balances at the end of 2025-26 were lower than last year at £3.51m and sufficient to meet current liabilities due. There remains £8m of undrawn funding available to meet the commitment over the next three years and therefore Hanover continues to operate on a going concern basis.

b) Basis of accounting

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the Housing SORP 2018 "Statement of Recommended Practice for Registered Housing Providers" and comply with the Determination of Accounting Requirements 2019, and under the historical cost convention.

The financial statements are prepared in £ sterling and are rounded to the nearest £'000 unless otherwise stated.

c) Accounting judgements and estimations of accounting

Preparation of the financial statements requires management to make critical judgements and estimates concerning the future. Estimates and judgements are continually evaluated and are based on historical experience, advice from qualified experts and other factors.

Management reviews its estimates of the useful lives of depreciable assets at each reporting date, using both internal and external advice. See note f) v) for depreciation information.

[continued from the previous page](#)

Judgements have been made in determining Hanover's share of the underlying assets and liabilities of the SHAPS defined benefit scheme, the valuations prepared by the Scheme actuaries include estimations in relation to life expectancy, salary growth, inflation and the discount rate on corporate bonds (details as per note 20). Variations in these estimations may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 20). The net defined benefit pension liability as at 31 March 2026 was £3.1m. Our commitment to the SHAPS Growth Plan, of £1.5k per annum over the next year, has been discounted at a rate of 4.92%, amounting to a net present value of £1.5k.

Following SORP 2018 guidance, any gains or losses arising on the disposal of replacement components are recognised within operating surplus. These are disclosed separately from operating costs.

The former Arklet housing properties are valued on the basis of estimated use value for social housing (EUV-SH) which uses a significant level of estimation by the valuer. These properties will be subject to a triennial revaluation where future variations in rent levels may impact on valuations.

d) Turnover and Revenue Recognition

Turnover represents rental and service charge income receivable, income from the sale of housing properties is recognised in the period in which they are due. Fees and - grants receivable from Local Authorities and Scottish Government, and charges to Hanover Telecare service users are recognised in the period to which services were provided. Grant income is recognised when all conditions have been met and Hanover is entitled to the income.

e) Social Housing Grant and Other Grants

For developments under the terms of the Housing (Scotland) Act 2010, Housing Association Grant (HAG) is paid directly to Hanover as required to meet its liabilities during the development process.

Government grants received for housing properties are recognised in income over the useful economic life of the structure of the asset and, where applicable, the individual components of the structure (excluding land) under the accruals model. These are held as deferred capital grants.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, then any unamortised grant remaining is derecognised as a liability and recognised as income. Where there is a requirement to repay a grant, a liability is included in the Statement of Financial Position to recognise this obligation. Other grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

f) Housing Properties and Depreciation

- i) Housing properties are properties for the provision of social housing or to otherwise provide social benefit. Housing properties are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development expenditure and interest charged on the funds used to finance housing projects in the development period less depreciation.
- ii) Works to existing properties will generally be capitalised under the following circumstances: where a component of the housing property that has been treated separately for depreciation purposes and depreciated over its useful economic life is replaced or restored; or where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed assets in excess of the previously assessed standard of performance. Such enhancement can occur if the improvements result in an increase in rental income, a material reduction in future maintenance costs or a significant extension of the life of the property. Works to existing properties which fail to meet the above criteria are charged to operating costs within the Statement of Comprehensive Income.
- iii) The major components are deemed to be: Land, Structure, Roof Structure and Coverings, Bathrooms, Kitchens, Doors, Windows, Lifts, Intercom/ Door Entry, Radiators/Pipework, Storage Heating, Boilers and Smoke Alarms. Each component has a substantially different economic life and is depreciated over this individual life. Depreciation rates are shown in note f) v.
- iv) Reviews for impairment indicators of housing properties are carried out on an annual basis and any impairment in an income generating unit is recognised by a charge to the Statement of Comprehensive Income. Indicators of impairment can be: contamination of land; a change in government policy that has a material impact on the net income; a change in demand with a material increase in the level of voids; or obsolescence of a property. If there is an indication of impairment, the carrying amount of the asset should be compared to the recoverable amount. If the recoverable amount is lower than the carrying value, Hanover will need to record an impairment. The recoverable amount is the higher of value in use of the asset, based on its service potential, and fair value less costs to sell.
- v) Depreciation is charged on a straight-line basis over the expected economic useful lives of each major component that makes up the housing property, not including land, as land is not depreciated, as follows:

Component	Useful Economic Life	Component	Useful Economic Life
Structure	60 years	Kitchens	20 years
Roof Structure	60 years	Lifts	20 years
Radiators and Pipework for Commercial Boilers	40 years	Commercial Boilers	20 years
Roof Covering	35 years	Biomass Boilers	20 years
Windows	30 years	Boilers	15 years
Radiators/Pipework	30 years	Storage Heating	15 years
External Doors	30 years	Intercom / Door Entry	15 years
Bathrooms	30 years	Smoke Alarms	10 years

- vi) The Shared Equity properties reflect Hanover's 30% interest share in two shared equity developments. This 30% share reflects the value of the Housing Association Grant received from the then Scottish Office and remains the property of Hanover in perpetuity. The properties are stated at cost less accumulated depreciation. Shared Equity and Shared Ownership properties are depreciated over 60 years.
- vii) Strictly attributable development staff and administration costs relating to development activities are capitalised based on an apportionment of staff time spent on this activity.
- viii) Properties are disposed of under the appropriate legislation and guidance. All costs and grants relating to the share of the property sold are removed from the financial statements at the date of sale, except for first tranche sales. Any grants received that cannot be repaid from the proceeds of sale are abated and the grants removed from the financial statements.
- ix) Properties, which are no longer in use and are marketed for sale as at 31 March, are held as assets for sale at their estimated realisable sale value net of disposal costs.
- x) Gains or losses arising on the disposal of replacement components are recognised within operating surplus. These are disclosed separately from operating costs.

g) Other Fixed Assets

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

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

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

h) Intangible Fixed Assets

All intangible assets are considered to have a finite useful life. The useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights but can be shorter depending on the period over which the entity expects to use the assets. Intangible assets are depreciated on a straight-line basis at 20% per annum. This depreciation charge is included within Hanover's operating costs.

i) Fund for Replacement of Scheme Equipment – Owner Occupiers

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

j) Fund for Repairs and Replacement Equipment – Owner Occupiers

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

k) Service Equalisation Accounts – Tenanted Properties

Hanover maintains Service Charge Equalisation accounts for tenanted properties. These accounts hold the under/over recovery of costs at the tenanted developments and are recognised in debtors / long term creditors respectively.

l) Reserves Policy

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

m) Income and Expenditure Reserve

The reserve, which is not cash backed, is held to meet any unforeseen risks encountered by Hanover. The Board regularly considers the target level on a risk management basis and the future expected use of this reserve (see Revenue Reserves page 15).

n) Operating Leases

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

o) Taxation Policy

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

p) Value Added Tax

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

q) Retirement Benefits

The Board made the decision that from 1 April 2016 the Scottish Housing Associations' Pension Scheme (SHAPS), which was a defined benefit scheme, would be closed for Hanover staff and all participating staff would be moved to the SHAPS defined contribution option.

Retirement benefits to employees are funded by contributions from employers and employees in the schemes. The amount charged to the Statement of Comprehensive Income in respect of the defined contribution scheme are the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Hanover exited the Lothian Pension Fund scheme on 7 October 2021; the final cessation results showed a deficit of £2.58m. It was agreed that this would be paid over a period of eight years. The remaining balance resides within Creditors due within 1 year (£323k) and Creditors due after 1 year (£0.65m).

Hanover is able to identify its share of the scheme assets and liabilities for the Scottish Housing Association Pension Scheme (SHAPS) defined benefit scheme. The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

As at the year ended 31 March 2026, the net defined benefit pension deficit

liability was £3.1m, which has been included within the provisions for pensions liability in the financial statements. In the year ended 31 March 2026, the current service cost and costs from settlements and curtailments are charged against the operating surplus. Past service costs are recognised in the current period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to Note 20 for more details. For the Pensions Trust's Growth Plan, it is not possible for Hanover to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme. The estimated future liability for the Past Service Deficit is held as a provision and is shown in note 16.

For the Pensions Trust's Growth Plan, it is not possible for Hanover to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme. The estimated future liability for the Past Service Deficit is held as a provision and is shown in note 16.

r) Financial Instruments

Hanover has elected to apply the provisions of Section 11 "Basic Financial Instruments" and section 12 "Other Financial Instruments Issues" of FRS102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when Hanover becomes a party to the contractual provisions of the instrument and are offset only when a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial Assets – Debtors

Debtors, which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost being the transaction price less any amounts settled and any impairment losses. Where the arrangement with a trade debtor constitutes a financing transaction, the debtor is initially and subsequently measured at the present value of future payments, discounted at a market rate of interest for a similar debt instrument. A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor.

[continued from the previous page](#)

over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

Financial Liabilities – Trade Creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled. Where the arrangement with a trade creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payment discounted at a market rate of interest for a similar instrument.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar charges.

Commitments to receive a loan are measured at cost less impairment.

Cash and Cash Equivalents

Cash and cash equivalents include cash at bank and in hand and short-term deposits maturing within one year.

s) Provisions

Provisions are recognised when Hanover has an obligation at the reporting date as a result of a past event, which it is probable will result in the transfer of economic benefits and that obligation can be estimated reliably. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

t) Investment Property

Investment property is held to earn rental income, for capital appreciation or both. These are carried at their fair values, based on annual market valuations as determined by independent valuers. Any gain or loss on revaluation is recognised in the Statement of Comprehensive Income.

2. Turnover, Operating Costs and Operating Surplus

	Notes	Turnover £'000	Operating costs £'000	2026 Operating Surplus £'000	2025 Operating Surplus £'000
Social Lettings	3a	44,327	(40,744)	3,583	3,178
Other Activities	3b	8,099	(7,959)	140	11
		52,426	(48,703)	3,723	3,189
Gain on disposal of housing property		23	-	23	597
Loss on property revaluation	9	-	-	-	(536)
Total for 2026		52,449	(48,703)	3,746	3,250
Total for 2025		50,805	(47,555)	3,250	

3a. Income and Expenditure from Affordable Letting Activities

	General Needs Housing £'000	Supported Housing Accommodation £'000	Shared Equity & Ownership Accommodation £'000	Total 2026 £'000	Total 2025 £'000
Rent receivable net of Identifiable Service Charges	2,782	23,406	65	26,253	25,047
Service Charges Receivable	301	16,028	-	16,329	15,733
Gross income from rents & service charges	3,083	39,434	65	42,582	40,780
Less: Voids	(52)	(1,169)	-	(1,221)	(1,408)
Net income from rents & service charges	3,031	38,265	65	41,361	39,372
Other Revenue Grants	-	-	-	-	129
Grant released from deferred income	437	2,509	20	2,966	2,996
Total turnover from affordable letting activities	3,468	40,774	85	44,327	42,497
Management & maintenance administration costs	809	7,580	21	8,410	7,830
Service costs	222	15,536	-	15,758	15,170
Planned and cyclical maintenance including major repairs costs	492	4,132	-	4,624	4,420
Reactive maintenance costs	449	4,069	-	4,518	4,830
Bad debts - rents and service charges	44	405	47	496	546
Depreciation of affordable housing	918	5,990	30	6,938	6,523

	General Needs Housing £'000	Supported Housing Accommodation £'000	Shared Equity & Ownership Accommodation £'000	Total 2026 £'000	Total 2025 £'000
Operating Costs for affordable letting Activities	2,934	37,712	98	40,744	39,319
Operating Surplus / (Deficit) for affordable letting	534	3,062	(13)	3,583	3,178
Operating Surplus for affordable letting for previous period of account	659	2,530	(11)	3,178	

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

	Other Revenue Grants £'000	Supporting People Income £'000	Other Income £'000	Total Turnover £'000	Other Operating Costs £'000	2026 Surplus/ (Deficit) for the Year £'000	2025 Surplus/ (Deficit) for the Year £'000
Factoring	-	-	631	631	(631)	-	-
Support Activities	-	906	-	906	(885)	21	26
Care Activities	-	-	3,522	3,522	(3,512)	10	(133)
Telecare	-	-	1,744	1,744	(1,848)	(104)	6
Stage 3 Adaptations	869	-	-	869	(869)	-	-
Other Activities*	-	-	427	427	(214)	213	112
Total from Other Activities	869	906	6,324	8,099	(7,959)	140	11
Total from Other activities for year ended 31 March 2025	259	1,261	6,727	8,247	(8,236)	11	

*Under other activities – no single activity exceeds £250k or 5% of turnover.

4. Key Management's Emoluments

Key management personnel (KMP) are defined as the members of the Board, the directors, the Chief Executive and any other person reporting directly to the directors or the Board. The KMP consist of the Chief Executive and the Directors, as noted on page 1.

	2026 £'000	2025 £'000
Total emoluments for the above key management personnel (excluding pension contributions and benefits in kind):	417	518
The emoluments (excluding pension contributions) of the Chief Executive amounted to:	132	140
The total emoluments payable to the highest paid member of the key management personnel amounted to:	143	151

The number of key management personnel, who received emoluments (excluding pension contributions) were within the following ranges:	2026 No. of Key Mgt Personnel	2025 No. of Key Mgt Personnel
£0 to £60,000	0	1
£60,001 to £90,000	0	0
£90,001 to 100,000	3	1
£100,000 to £110,000	0	2
£110,001 to £120,000	1	0
£120,001 to £130,000	0	0
£130,001 to £140,000	1	0
£140,001 to £150,000	0	1

Hanover has made pension contributions of £35,511 (2025: £40,371) on behalf of those key management personnel including £11,333 (2025: £11,064) to the highest paid.

The Board had a membership of 13 as at 31 March 2026 and a maximum of 13 members during the year. No payment of fees or other remuneration was made to the members during the year.

4. Key Management's Emoluments (continued)

	2026 £'000	2025 £'000
Total expenses reimbursed to the Chief Executive insofar as not chargeable to UK Income Tax:	-	-
Total expenses incurred on behalf of Board Members who were neither officers nor employees of Hanover amounted to:	4	6

5. Employee Information

	2026 No.	2025 No.
The average monthly FTE number of persons (including key management personnel) employed in the year was:	432	447
The average number of persons (including key management personnel) employed in the year was:	569	576

Staff costs (including key management personnel emoluments)	2026 £'000	2025 £'000
Wages and salaries	15,700	15,667
Social security costs	1,863	1,369
Pension costs	755	709
TOTAL	18,318	17,745

Payments to the value of £45,558 (2025: £231,000), in respect of redundancy costs, are included within the totals for staff costs.

Average FTE Employees per Month			
Apr-25	430	Oct-25	432
May-25	430	Nov-25	431
Jun-25	432	Dec-25	429
Jul-25	428	Jan-26	436
Aug-25	437	Feb-26	432
Sep-25	436	Mar-26	434

6. Operating Surplus

Key management personnel (KMP) are defined as the members of the Board, the directors, the Chief Executive and any other person reporting directly to the directors or the Board. The KMP consists of the Chief Executive and the Directors, as noted on page 1.

	2026 £'000	2025 £'000
Operating surplus is stated after charging/(crediting):		
Depreciation (exc Intangible Assets)	7,324	6,895
Amortisation on Intangible Assets	135	95
Grant amortisation	(2,968)	(3,003)
Repairs: cyclical, planned, day to day	9,142	9,250
External auditors' remuneration – audit services	43	30
Internal auditors' remuneration	23	18
Hire of plant and machinery - rentals payable under operating leases	572	506

7. Interest Receivable and Other Income

	2026 £'000	2025 £'000
Interest receivable on bank deposits	51	53

8. Interest Payable and Similar Charges

	2026 £'000	2025 £'000
Housing loans:		
On loans from banks and building societies repayable in more than 5 years	2,360	2,207
	2,360	2,207
Interest on owner occupier funds	2	10
Net return on pension assets	191	170
	2,553	2,387

9. Fixed Assets

	Social Housing Properties				
	Held for Letting £'000	Shared Ownership £'000	Shared Equity £'000	WIP Properties/ Components £'000	Total Housing £'000
Cost					
At 1 st April 2025	308,946	713	1,059	2,532	313,250
Additions in the year	6,116	-	-	2,290	8,406
Transfers in the year	2,048	-	-	(2,048)	-
Disposals in the year	(1,616)	(7)	(9)	-	(1,632)
At 31st March 2026	315,494	706	1,050	2,774	320,024
Depreciation					
At 1 st April 2025	123,875	21	686	-	124,582
Provided during year	6,907	13	18	-	6,938
Disposals in the year	(1,179)	(4)	(6)	-	(1,189)
At 31st March 2026	129,603	30	698	-	130,331
Net book value					
at 31 st March 2025	185,071	692	373	2,532	188,668
at 31st March 2026	185,891	675	352	2,774	189,692

	Heritable Office Property £'000	Computer & Leased Equipment £'000	Total Other £'000	Intangible Fixed Assets £'000
Cost				
At 1 st April 2025	4,699	2,893	7,592	2,087
Additions in the year	110	114	224	409
Disposals in the year	-	-	-	-
At 31st March 2026	4,809	3,007	7,816	2,496
Depreciation				
At 1 st April 2025	1,738	2,105	3,843	1,469
Provided during year	100	286	386	135
Disposals in the year	-	-	-	-
At 31st March 2026	1,838	2,391	4,229	1,604
Net book value				
at 31 st March 2025	2,961	788	3,749	618
at 31st March 2026	2,971	616	3,587	892

9. Fixed Assets (continued)

- a) Hanover received £869,364 (2025: £259,128) in the year in respect of Housing Association Grant for Adaptations of which £869,364 (2025: £259,128) has been treated as revenue and £nil (2025: £nil) was capitalised in the Statement of Financial Position. No grants were received in the year for Major Repairs.
- b) Notwithstanding the required accounting in the Statement of Financial Position, Hanover undertook a programme of property valuations in 2021. The average value of each unit was £29,340, using the existing use criteria. This compares to an average net book value of £20,042 per unit at 31 March 2026.
- c) For major repairs during the year Hanover spent £10.7m (2025: £12.0m): £7.5m (2025: £8.3m) was capitalised for replacement components; and £3.2m (2025: £3.7m) was expensed through operating costs in the Statement of Comprehensive Income. £Nil (2025: £nil) of additions relate to improvements.
- d) Development administration costs capitalised in the year amounted to £Nil (2025: £Nil).
- e) Interest capitalised in the year amounted to £Nil (2025: £Nil). Interest capitalised is in respect of the interest paid on loans used specifically for new development expenditure. Interest capitalised was 0% of total loan interest (2025: 0%).
- f) No Land or Buildings included in Fixed Assets are held on a lease or managed by other association bodies.
- g) Included in fixed assets is land of £22,512k which is not depreciated.
- h) Investment Property

	£'000
Valuation	
At 1 April 2025	1,176
Revaluation	-
At 31 March 2026	1,176
Net Book Value	
At 31 March 2025	1,176
At 31 March 2026	1,176

The investment property was valued by an independent valuer in March 2025 and was stated at fair value. Following advice from the valuer during the current year, the valuation remains unchanged.

10. Asset Held for Sale

A share of one Trust Tenure property at Drumcastle Court, Dunblane was purchased during the year. Of the two properties held for sale at 31 March 2025, one property at Roseburn Court, Edinburgh was sold during the year. At 31 March 2026, two purchased properties are being held for sale; both at Drumcastle Court, Dunblane. Hanover previously held a 30% share of these properties. Hanover has purchased the remaining 70% share and the whole 100% will be sold as fully owned properties. The asset cost held in the Statement of Financial Position at 31 March 2026 was £146k.

11. Debtors

	2026 £'000	2025 £'000
Amounts falling due within one year:		
Rental debtors	1,118	1,033
Less: bad debt provision	(275)	(290)
	843	743
HAG receivable	78	24
Owners service charge balances	63	74
Tenants service charge Balances	562	580
Tenants heating charge Balances	58	65
Other debtors	936	927
Prepayments and accrued income	1,484	1,465
	4,024	3,878

12. Cash and Cash Equivalents

	2026 £'000	2025 £'000
Cash and cash equivalents	3,513	3,715

13. Creditors: Amounts Falling Due Within One Year

	2026 £'000	2025 £'000
Loan repayments: instalments of principal (see note 14)	1,437	1,405
Deferred capital grants (see note 17)	2,950	2,973
Owners' funds (see note 14)	88	178
Other taxation and social security	410	353
Accruals and deferred income	4,728	4,893
Rent in advance	712	799
Lothian Pension Fund cessation	323	323
Trade creditors	1,546	4,177
	12,194	15,101

14. Creditors: Amounts Falling Due After More Than One Year

	2025 £'000	2025 £'000
Loans	45,501	40,091
Deferred capital grants (see note 17)	89,479	92,141
Tenants Service Charge Balances	4,484	4,107
Tenants Heating Charge Balances	770	1,044
Lothian Pension Fund cessation	646	969
	140,880	138,352

Hanover's only debt constitutes loans as detailed below. Deferred finance costs of £246k (2025: £275k) have been offset against the loans.

Loans are secured by fixed charges of Hanover's properties and interest is payable at:

- i. Fixed rates between 3.52% and 6.64% (2025: between 3.52% and 6.64%)
- ii. Owners' funds receive interest of 1.2% (2025: 1.7%)

	2026 £'000	2025 £'000
Loan instalments are due as follows:		
Within one year (note 13)	1,437	1,405
Between one and two years	1,470	1,437
Between two and five years	18,676	8,946
In over five years	25,355	29,708
	46,938	41,496

15. Share Capital (Hanover Membership)

	2026 No.	2025 No.
Opening share capital	246	278
Shares allocated during the year	6	3
Shares relinquished during the year	(46)	(35)
Closing share capital	206	246

There are 206 Members of Hanover as at 31 March 2026. Each member holds one share of £1 in Hanover. These shares carry no rights to dividend or distributions on a winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of Hanover. Each member has a right to vote at members' meetings. Shares are fully paid as at 31 March 2026.

16. SHAPS Growth Plan Pension Provision

	2026 £'000	2025 £'000
Balance at start of year	4	2
Utilised in the year	(1)	(2)
Remeasurement	-	4
Unwinding of discount	-	-
Balance at end of year	3	4

The amount held within this provision represents an estimate of the future liability in respect of the Past Service Deficit of the SHAPS Growth Plan Scheme payable over the next year.

17. Deferred Capital Grants

	£'000
Grant	
As at 1 April 2025	182,106
Grant received in the year	558
Grant repaid / abated in the year	(315)
As at 31 March 2026	182,349

Amortisation of Grant	
As at 1 April 2025	86,992
Grant released during the year	2,968
Disposals / abatements	(40)
As at 31 March 2026	89,920

Net book value at 31 March 2025	95,114
Net book value at 31 March 2026	92,429

Shown as:	
Amount to be released within one year	2,950
Amount to be released after more than one year	89,479

18. Financial Instruments

As at 31 March 2026, Hanover held the following financial assets and liabilities:

	£'000
Financial assets measured at amortised cost	6,597
Financial assets measured at fair value	-
Total financial assets	6,597

	£'000
Financial liabilities measured at amortised cost	59,523
Financial liabilities measured at fair value	-
Total financial liabilities	59,523

19. Capital Commitments

Housing expenditure contracted less certified at 31 March 2026 amounted to £21k (2025: £0.3m). Expenditure authorised by the Board but not contracted at 31 March 2026 amounted to £5.0m (2025: £nil). Furthermore, the Board has authorised expenditure on capitalised major repairs and replacement components amounting to £8.0m (2025: £4.6m).

In addition, the Board has authorised expenditure on other fixed assets amounting to £0.3m (2025: £0.3m), which includes the purchase of computer equipment and software.

A £20m revolving credit facility is in place to finance future commitments of which £8m remained undrawn at 31 March 2026.

20. Leasing Commitments

	2026 £'000	2025 £'000
Amounts due:		
Within one year	622	512
Between one and five years	2,487	2,048
	3,109	2,560

The operating leases are in relation to the lease of laundry equipment.

21. Pension Commitments

The Board made the decision that from 1 April 2016 the Scottish Housing Associations' Pension Scheme (SHAPS), which was a defined benefit scheme, would be closed for Hanover staff and all participating staff would be moved to the SHAPS defined contribution option.

All participating staff were moved to the SHAPS defined contribution option or the Group Personal Pension Scheme.

The assets of the schemes are held separately from those of Hanover and employer contributions to the schemes are charged to operating costs, so as to spread the costs of pensions over employees' working lives with Hanover. The contributions are determined by a qualified actuary on the basis of triennial valuations.

Scottish Housing Association Pension Scheme

Hanover participates in the Scottish Housing Associations' Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 150 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2024. This valuation revealed a deficit of £79.5m. A Recovery Plan was put in place to eliminate the deficit which runs to 31 March 2030.

The Scheme is classified as a 'last man standing arrangement'. Therefore, Hanover is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September each year. The liability figures from this valuation were rolled forward to the relevant accounting dates.

The latest accounting valuation was carried out with an effective date of 30 September 2025. The liability figures from this valuation were rolled forward for accounting to the relevant accounting dates.

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The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to assets to calculate company's net deficit or surplus. The SHAPS net deficit as at 31 March 2026 is £3.088m (2025: £3.309m). The estimate of total contributions payable by Hanover in 2026/27 to the SHAPS scheme is £593.9k.

Principal actuarial assumptions at the balance sheet date

	2026 p.a.	2025 p.a.
Discount rate	6.02%	5.77%
Inflation (RPI)	3.33%	3.11%
Inflation (CPI)	3.02%	2.78%
Salary Growth	4.02%	3.78%

Fair value of employer assets	2026 £'000	2025 £'000
Equities	19,438	19,251
Bonds	-	-
Property	3,589	4,072
Cash	682	715
Total Estimated Employer Assets	23,709	24,038

continued from the previous page

Movement in deficit during the year	2026 £'000	2025 £'000
Deficit in scheme at beginning of year	(3,309)	(3,501)

Movements during the year:		
Expenses	(46)	(45)
Contributions paid	46	45
Other finance costs	(191)	(170)
Actuarial gain / (loss)	412	362
Deficit at the year end	(3,088)	(3,309)

The amounts recognised in the balance sheet are as follows:

	2026 £'000	2025 £'000
Present value of funded liabilities	(26,797)	(27,347)
Fair value of employer assets	23,709	24,038
Net Liability	(3,088)	(3,309)

Expense recognised in the statement of comprehensive income

	2026 £'000	2025 £'000
Expenses	(46)	(45)
Net interest on net defined benefit obligations	(191)	(170)
	(237)	(215)

The expense is recognised in the following line items in the statement of comprehensive income

	2026 £'000	2025 £'000
Current service costs in operating costs	48,703	47,555
Net interest in interest payable and financing costs	2,553	2,387

The total amount recognised in the statement of comprehensive income in respect of actuarial changes

	2026 £'000	2025 £'000
Actuarial gains / (losses)	412	362

Movements in present value of Defined benefit obligation	2026 £'000
Opening defined benefit obligation	27,347
Expenses	46
Interest cost	1,529
Actuarial gains	(403)
Estimated benefits paid	(1,722)
Closing defined benefit obligation	26,797

Movements in the fair value of plan assets are as follows:	£'000
Opening fair value of employer assets	24,038
Expected return on assets	1,338
Contributions by members	-
Contributions by the employer	46
Contributions in respect of unfunded benefits	-
Actuarial gains	9
Estimated unfunded benefits paid	-
Estimated benefits paid	(1,722)
Closing fair value of employer assets	23,709

Growth Plan

Hanover participates in the Pensions Trust's Growth Plan (the Plan). This is a multi-employer scheme. The scheme is a defined benefit scheme in the UK. It is not possible to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

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

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last man standing arrangement'. Therefore, Hanover is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2023. This valuation showed assets of £514.9m, liabilities of £531.0m and a deficit of £16.1m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme. The scheme's previous valuation was carried out with an effective date of 30 September 2020. This valuation showed assets of £800.3m, liabilities of £831.9m and a deficit of £31.6m. To eliminate this funding shortfall, the Trustee asked the participating employers to pay additional contributions to the scheme. The recovery plan contributions are allocated to each participating employer in line with their estimated share of scheme liabilities. As at the balance sheet date, there were 2 active members of the Plan employed by Hanover. Hanover continues to offer membership of the Plan to its employees.

Where the scheme is in deficit and where Hanover has agreed to a deficit funding arrangement Hanover recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate of 4.92% (2025: 4.84%). The unwinding of the discount rate is recognised as a finance cost. At 31 March 2026 the present value of Hanover's share of the deficit funding was £2.8k. This is held within provisions in the SOFP. This liability will be paid over the next year. The amount to be paid in 2026/27 is £1.5k.

22. Taxation

UK Corporation Tax Refund / (Charge)	2026 £'000	2025 £'000
Based on the results for the year	8	1
Total Current tax	8	1

Factors affecting tax charge for the year	2026 £'000	2025 £'000
Surplus / (Deficit) on ordinary activities before taxation	1,244	916
Expected tax charge at 19% (2025: 19%)	(236)	(174)

Exempt charitable activities	244	175
Current tax refund / (charge)	8	1

23. Housing Stock

The number of units in management as at 31 March 2026, was as follows:

	2026 No.	2025 No.
Rented - General needs housing	454	456
Rented - Supported housing accommodation	4,258	4,260
Shared ownership	12	12
Shared equity	81	81
Owner occupied	50	50
Totals	4,855	4,859

The number of units managed by others as at 31 March 2026, was as follows:

	2026 No.	2025 No.
Shared ownership	9	10
Shared equity	23	23
Totals	32	33

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In both above arrangements there is no cost to Hanover (Scotland) Housing Association Limited for leasing properties to the respective lessors.

Two rented units were sold in the year with sale proceeds of £291k and a gain on disposal of £275k. One shared ownership unit was sold in the year with sale proceeds of £101k and a gain on disposal of £75k. One Trust Tenure property was sold with sale proceeds of £144k and a gain of £31k.

The gains are recognised within the Statement of Comprehensive Income.

There were no units in development as at 31 March 2026.

24. Average Annual Scottish Secure Tenancy Rents

	2026 £	2025 £
Average annual Scottish secure tenancy rents for housing accommodation	5,465	5,200

	%	%
Percentage increase from previous year	4.86	5.64%

	No.	No.
Number of Scottish secure tenancies	4,556	4,573

25 Group Structure

Hanover has the following wholly owned subsidiary undertaking. As part of the transfer of engagements with Arklet Housing Association in November 2019, Arklet Homes Limited a wholly owned subsidiary, was also transferred. The registered office of the subsidiary is Barrland Court, Barrland Drive, Giffnock. Companies House registration number is SC268847.

Year ended 31 March 2026	Reserves £	Profit / (Loss) £
Arklet Homes Limited	1,000	-

25. Related Party Transactions

There were no related party transactions in the year.

26. Contingent Liabilities

The Board is not aware of any contingent liabilities as at 31 March 2026 and no other liabilities have emerged since.

27. Post Balance Sheet Events

The Board is not aware of any post balance sheet events, which affect Hanover as at 31 March 2026.

Get in touch

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