Impact Housing Association Limited

Financial Statements
For the Year Ended 31 December 2012

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For the Year Ended 31 December 2012

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Board of Management:

Adrian Waite	(Chair)
Malcolm Wilson Anderson	(Resigned 01 Feb 2012)
Heather Bland	(Resigned 26 June 2012)
Joanne Gibson	
Hazel Graham	
David Harrison	(Co-opted 26 June 2012)
Heather Vivienne Lee	
Alan Markbride	(Elected 26 June 2012)
Kenneth Meek	(Elected 26 June 2012)
Mike Muir	
Catherine Beatrice Parker	
Neil Waller	(Resigned 26 June 2012)
Peter Ward	
Ruth Elizabeth Willis	(Resigned 30 July 2012)

Chief Executive:	Mike Muir
Finance Director:	Graham Wilson
Operations Director:	Keith Dobson
Human Resources Director:	Steve Holliday
Director of Support & Communities	Lorraine Usher
Company Secretary:	Norman Hugh Parry

Registered Office:

Nook Street
Workington
Cumbria
CA14 4EH

Auditors:

Beever and Struthers
St George's House
215-219 Chester Road
Manchester
M15 4JE

Principal Bankers:

Clydesdale Bank PLC
Financial Solution Centre
Wakefield Road
Kingstown Industrial Estate
Carlisle
Cumbria
CA3 0HE

Solicitors:

Brockbank, Curwen,Cain and Hall
Norham House
71 Main Street
Cockermouth
Cumbria
CA13 9JS

Trowers and Hamlins
Heron House
Albert Square
Manchester
M2 5HD

Homes & Communities Agency LO917

Industrial and Provident Society Registration Number 21411R

The Board of Management presents its annual report and the audited accounts for the year ended 31 December 2012.

Results
The results for the year are set out on page 8 of the financial statements.

Principal activities
The Association's principal activities during the year were the provision of housing and support services.

Business review
This has been a successful year for the Association. Impact has consolidated its position across a range of services and the Association has continued to ensure that it achieves its stated vision for people to have a decent home, be able to live as independently as possible and enjoy a good quality of life.

It is anticipated that the financial performance of the Association will be maintained in the foreseeable future.

Board of Management members and their interests
The Board Members in office during the year are listed on page 1. Each elected Board Member holds one fully paid share of £1 in the Association.

Political and charitable contributions
During the year the Association made no political contributions and any charitable contributions were made within the Association's normal activity.

Fixed assets
The changes in fixed assets during the year are stated in note 10 to the financial statements.

Code of Governance
Impact uses the National Housing Federation's, 'Excellence in Governance, Code for Members and Good Practice Guide', July 2010 edition, as its adopted code of governance and is compliant with it in all respects except for provision A4: 'Boards should have at least five members and no more than twelve, including co-optees.'

Impact's rules state:

D2 The board shall consist of seven board members, or of such greater number not exceeding fifteen (including co-optees)...

Impact requires the flexibility to have up to a total of fifteen board members (including co-optees) in order to ensure both its Independent and Residents and Service Users constituencies are adequately represented and to provide scope to strengthen the board with the appointment of co-optees to fulfil specific needs that may arise from time to time.

Statement of Board of Management responsibilities

Industrial and Provident Society law requires the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the Income and Expenditure of the Association for that year. In preparing the financial statements, the Board is required to:

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

The Board of Management is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time, the financial position of the Association and to enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement from the Board on Internal Controls Assurance for the period January to December 2012

Impact's Board acknowledges that it has overall responsibility for establishing and maintaining a system of internal control, and of reviewing the effectiveness of that system.

In this Statement the Board confirms that it has considered the range of internal controls which Impact has in place, and reviewed their effectiveness for the year ended 31st December 2012. These include a number of controls which have been put in place to support the achievement of our business aims and objectives, reduce the possibility of material misstatement or loss, and safeguard Impact's assets and interests. While the Board recognises that no system of controls can provide absolute assurance, it aims, through the operation of the controls in place, to provide reasonable assurance.

The Board has adopted a risk-based approach to internal controls, and has ensured that these are embedded both in the normal governance and management processes, with risks to the organisation evaluated and responded to on an ongoing basis.
In reviewing Impact's internal controls and their effectiveness, the Board has taken account of the following:

The Risk Management Culture and Framework

Impact has an Assurance Framework in place which is reviewed annually by the Audit Committee and approved by Board. This requires the on-going identification, assessment and management of risks at all levels in the organisation by Senior Management Team. Assurance and risk is a standard item on the Audit Committee Agendas and the Chief Executive reports quarterly to Board on Risk. Risk identification is incorporated into the Annual Planning process, and each service area identifies key operational risks and actions in place or required to control these at least annually, so all staff contribute to risk identification and control at an appropriate level.

Available Assurance

The Association has a well established Audit Committee which reports directly and fully to the Board. The Committee takes an overview of the extent and effectiveness of internal controls, and produces a comprehensive annual report. During the year they considered the full range of assurance obtained by Impact, and required by external bodies that Impact has a relationship with, in the form of an Assurance Map. The assurance considered by Audit Committee linked to the assurance mapping process included Internal and External Audit reports and findings, independent inspection and validation reports and internal reports resulting from a comprehensive programme of internal review work. The Assurance and Risk Framework was subject to an independent Internal Audit evaluation, and the Auditors recommendations were followed up by the Audit Committee.

Environment and Control Procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues. Included in this are new initiatives, services and major developments. Detailed appraisals are carried out and presented to Board for approval on any new or significant areas of activity.

Board has agreed a set of values for the organisation, which all staff work to and the business plan supports. It has also agreed a comprehensive framework of policies including delegated authorities, treasury management, whistleblowing, diversity and equal opportunities, which provide firm direction in all areas of our operations. These are reviewed and updated annually. The Chief Executive is responsible for Health and Safety matters and reports to Board on these twice a year.

Reporting Systems

Budgets, detailed forecasts, and quarterly financial reports were presented to and approved by Board. Detailed financial monitoring and reporting took place throughout the management structure on a regular basis. Board receives minutes from Audit Committee plus a Chair's report as appropriate.

External Scrutiny

Impact is subject to a range of external scrutiny including inspections, audits, validation visits and accreditations.

During 2012 parts of our services were assessed by external bodies. As a result we retained the Gold Award from Investors In People, a nationally recognised accreditation. We also retained CAADA Leading Light Status which is a highly regarded national quality award for Domestic Violence services. Our Regulatory Body, the Homes and Communities Agency, received our statutory and financial returns and assessed our Governance arrangements all of which they confirmed were satisfactory. Other parts of the organisation which came under scrutiny also received positive ratings, including our Greenways to Work affordable warmth project and both of our Foyers.

We have an active Customer Engagement strategy and Customer Forum which means our tenants and other customers have a range of ways to comment on and influence services. Customers were involved in developing our organisational approach to Value for Money, and we published our first annual Value for Money statement during the year.

Monitoring, Corrective Action and Improvements

The organisation has a comprehensive system of formal appraisal, regular line management, and team meetings, which are coupled with clearly defined roles and responsibilities for staff and a targeted training programme to support staff to work effectively. These structures are underpinned by our annual plans, incorporating targets, which directly link to our objectives.

Recommendations from reviews of our Internal Support Services, including Finance, IT and Human Resources, which were carried out in 2011, were implemented during the year. This led to improvements in business support provided to the Organisation, communications and processes. Progress against these actions was actively monitored by the Senior Management Team. Further Service Improvement Reviews were carried out in the year as part of an ongoing programme. These led to a range of improvements including to Development processes, improved use of technology and value for money outcomes.

Both whistleblowing and fraud were considered at Audit Committee, but there were no cases to report during the year. There were also no cases reported to the Housing Ombudsman during the year.

Auditors

In accordance with the Industrial and Provident Societies Acts 1965 to 2002 a resolution to appoint External Auditors will be made at Impact's Annual General Meeting to be held on 25th June 2013.

Approved by the Board of Management on:- 27/3/2013

Signed on their behalf by:-

Catriona

Independent Auditor's Report to the Members of Impact Housing Association Limited

We have audited the financial statements of Impact Housing Association Limited for the year ended 31 December 2012 which comprise the Income and Expenditure Account, Statement of Total Recognised Surpluses & Deficits, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the housing association's members, as a body, in accordance with Section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and the auditor

As explained more fully in the Statement of Board's Responsibilities, set out on pages 3 to 4, the board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the board; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 December 2012 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts, 1965 to 2002, the Housing and Regeneration Act 2008 and The Accounting Requirements for Registered Social Landlords General Determination 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts, 1965 to 2002 require 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;
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Beever and Struthers
Chartered Accountants and Statutory Auditor
St George's House
215-219 Chester Road
Manchester M15 4JE Date: 5 · 7 · 2013

Income and Expenditure Account
For the Year Ended 31 December 2012

	Note	2012 £	Restated 2011 £
Turnover	2	**15,485,672**	15,260,278
Cost of Sales	2	**(325,000)**	(455,000)
Operating Costs	2	**(12,681,869)**	(12,582,441)
Operating Surplus		**2,478,803**	2,222,837
Surplus on Sale of Properties not developed for outright sale	24	**326,910**	41,971
Interest receivable and similar income	6	**5,754**	7,549
Interest payable and similar charges	7	**(2,285,215)**	(1,959,119)
Surplus on ordinary activities before taxation		**526,252**	313,238
Tax on surplus on ordinary activities	9	**-**	-
Surplus for the year after tax on ordinary activities		**526,252**	313,238
Extraordinary Item	25	-	(125,692)
Retained surplus for the year	18	**526,252**	187,546

There is no difference between surplus on ordinary activities before taxation and the retained surplus for the year stated above and their historical cost equivalents. All amounts relate to continuing activities.

The notes on pages 13 to 30 form an integral part of these financial statements.

Statement of Total Recognised Surpluses and Deficits
For the Year Ended 31 December 2012

	Note	2012 £	Restated 2011 £
Surplus for the financial year		**526,252**	187,546
Prior period adjustment	28	**2,492,925**	
Total surplus since last annual report		**3,019,177**	

	Note	2012 £	Restated 2011 £
Tangible Fixed Assets			
Housing properties	10	**150,177,602**	141,118,933
Less: Housing Association Grant and other grants	10	**79,956,670**	78,383,787
Less: Depreciation	10	**9,972,962**	9,037,111
		60,247,970	53,698,035
Other fixed assets	10	**1,265,076**	1,256,095
		61,513,046	54,954,130
Current Assets			
Stock	11	**290**	390,646
Debtors	12	**1,809,901**	1,593,770
Cash at bank and short term deposits	13	**2,523,508**	2,950,653
		4,333,699	4,935,069
Creditors: Amounts falling due within one year	14	**5,771,741**	5,497,499
Net Current Liabilities		**(1,438,042)**	(562,430)
Total Assets Less Current Liabilities		**60,075,004**	54,391,700
Creditors: Amounts falling due after more than one year	15	**52,184,587**	47,024,249
Capital and Reserves			
Share capital	16	**43**	28
Revenue reserve	18	**7,890,374**	7,367,423
		7,890,417	7,367,451
		60,075,004	54,391,700

The notes on pages 13 to 30 form an integral part of these financial statements.

The financial statements on pages 8 to 30 were approved by Board of Management on 27th March 2013 and were signed on its behalf by:

Board Member ....

Board Member ....

Director/Secretary ....

Cash Flow Statement
For the Year Ended 31 December 2012

		2012	Restated 2011
		£	£
Net cash inflow from operating activities	1	**2,864,367**	3,530,607
Returns on investments and servicing of finance	2	**(2,252,361)**	(1,882,093)
Net capital expenditure	3	**(6,345,031)**	(3,491,277)
		(5,733,025)	(1,842,763)
Finance	4	**5,305,880**	3,267,345
		(427,145)	1,424,582

1. Reconciliations of Operating Surplus to Net Cash Inflow from Operating Activities

	2012	Restated 2011
	£	£
Operating surplus	**2,478,803**	2,222,837
Depreciation charges	**1,153,113**	878,604
Less Capitalised Repairs	**(1,180,866)**	(611,566)
Extraordinary item	-	(125,692)
Change in stock	**390,356**	554,878
Change in debtors	**(216,131)**	666,617
Change in creditors	**239,092**	(55,071)
	2,864,367	3,530,607

2. Returns on Investments and Servicing of Finance

	2012	2011
	£	£
Interest received	**5,754**	7,549
Interest paid	**(2,258,115)**	(1,889,642)
	(2,252,361)	(1,882,093)

3. Net Capital expenditure

	2012	Restated 2011
	£	£
Acquisition and construction of housing properties	**(8,584,279)**	(7,831,695)
Capital grants received	**1,636,482**	3,643,751
Purchase of other tangible fixed assets	**(189,734)**	(236,388)
Proceeds on Sale of Properties	**792,500**	933,055
	(6,345,031)	(3,491,277)

Cash Flow Statement
For the Year Ended 31 December 2012

4. Financing

	2012	2011
	£	£
Loans received	7,000,000	4,250,000
Loans repaid	(1,716,271)	(1,039,839)
Issue costs amortised	22,151	57,184
	5,305,880	3,267,345

5. Reconciliation to Net Cash Flow to Movement in Net Debt

	2012	2011
	£	£
(Decrease)/Increase in cash in the period	(427,145)	1,424,582
Cash used to repay loans	1,716,271	1,039,839
Cash received from loans	(7,000,000)	(4,250,000)
Issue costs incurred/(amortised)	(22,151)	(57,184)
Change in net debt	(5,733,025)	(1,842,763)
Net debt at 1 January	(44,433,238)	(42,590,475)
Net debt at 31 December	(50,166,263)	(44,433,238)

6. Analysis of Changes in Net Debt

	1 January 2012	Flows	Changes	31 December 2012
	£	£	£	£
Cash and bank	2,950,653	(427,145)	-	2,523,508
Debt due within one year	(1,138,267)	-	(308,935)	(1,447,202)
Debt due after one year	(46,245,624)	(5,305,880)	308,935	(51,242,569)
	(44,433,238)	(5,733,025)	-	(50,166,263)

1. Principal accounting policies

The Association is incorporated under the Industrial and Provident Societies Acts 1965 to 2002 and is registered with the Homes and Communities Agency as a Registered Provider of Social Housing.

a). Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and Statements of Recommended Practice of the United Kingdom. The accounts comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008, the Accounting Requirements for Registered Social Landlords General Determination 2006, and the Statement of Recommended Practice: accounting by Registered Social Housing Providers Update 2010 published by the National Housing Federation. The accounts are prepared on the historical cost basis of accounting.

b). Turnover

Turnover represents rental income receivable, grants from local authorities and the Homes and Communities Agency, income from the sale of shared ownership and other properties developed for outright sale and other income.

c). Fixed assets and depreciation

Tangible fixed assets, except housing properties, are stated at cost less accumulated depreciation and capital grants. Depreciation is charged on a straight line basis over the expected useful economic lives of the assets at the following annual rates:

Scheme Equipment	20% per annum on cost
Office Equipment	10% per annum on cost
Computers	20% per annum on cost
Motor Vehicles	25% per annum on cost
Office Freehold	2% per annum on building cost

The useful economic lives of all tangible fixed assets are reviewed annually.

d). Housing Properties

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Improvements are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised.

Where a housing property comprises two or more major components with substantially different useful lives each component is accounted for separately and depreciated over its individual useful economic

Notes to the Financial Statements
For the Year Ended 31 December 2012 (Continued)

1. Principal accounting policies (Continued)

d). Housing Properties (Continued)

life. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The costs of shared ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

e). Depreciation of housing properties

Freehold land is not depreciated. Depreciation of buildings and other major components is charged on a straight-line basis after taking into account social housing grant and other grants over the assets expected economic useful life as follows:

Housing Structure	150 years
Roofs	100 years
Kitchens	30 years
Bathrooms	30 years
Heating	30 years
Major Electrical	45 years
Windows	30 years
Lifts	15 years

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business if shorter.

f). Capitalisation of administration costs

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the properties into their intended use.

g). Loan finance issue costs

These are written off evenly over the life of the related loan. Loans are stated in the Balance Sheet at the amount of the net proceeds after issue costs, plus increases to account for any subsequent amounts written off.

Notes to the Financial Statements
For the Year Ended 31 December 2012 (Continued)

1. Principal accounting policies (Continued)

h). Social Housing Grant (SHG) and Other Grants

Where developments have been financed wholly or partly by Social Housing Grant (SHG) and other grants the cost of those developments has been reduced by the amount of the grant received.

SHG received for items of cost written off in the income and expenditure account are matched against those costs as part of turnover.

SHG can be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases the SHG can be used for projects approved by the Homes and Communities Agency. However, SHG may have to be repaid if certain conditions are not met. The net SHG received and not spent is included in current liabilities, taking into account all properties under construction. In certain circumstances, SHG may be repayable and, in that event, is a subordinated unsecured repayable debt.

i). Recycling of Capital Grant

Where Social Housing Grant is recycled, as described above, the SHG is credited to a Recycled Capital Grant Fund (RCGF) which appears as a creditor until spent.

j). Pension costs

The Association operates a defined benefit scheme. The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services. The assets of the scheme are held separately from those of the Association in an independently administered fund. However, it is not possible to split the assets and liabilities as the Scheme is a multi-employer Scheme.

k). Property managed by agents

Where the Association carries the majority of the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the income and expenditure account.

Where the agency carries the financial risk, the income and expenditure account includes only that income and expenditure which relates solely to the Association.

In both cases, where revenue grants are claimed by the Association, these are included in the income and expenditure account.

1. **Principal accounting policies (Continued)**

l). Properties for sale

Properties developed for outright sale are included in Turnover and Cost of Sales. Properties developed for shared ownership are divided into first tranche sales and other sales. First tranche sales are deducted from the cost of the property concerned. Subsequent tranches are not included in Turnover and Cost of Sales, but are shown as a separate item after the operating surplus in the Income and Expenditure Account. All other sales of fixed asset properties are dealt with in this way.

Properties developed for outright sale are included in current assets as they are intended to be sold. Shared ownership properties are included in fixed assets.

m). Leased Assets

Rentals paid under operating leases are charged to the income and expenditure account as incurred.

n). Disposal Proceeds Fund

~~Voluntary Purchase Grant net disposal proceeds are credited to this fund which appears as a creditor~~ until spent.

o). Stock

Stock of furniture at Centre 47 is included at the lower of cost and net realisable value.

Notes to the Financial Statements
For the Year Ended 31 December 2012 (continued)

2. Turnover, Operating Costs and Surplus

	Turnover	Operating Costs	Cost of Sales	2012 Surplus/ (Deficit)	Restated 2011 Surplus/ (Deficit)
	£	£	£	£	£
Income and expenditure from social housing lettings					
General Needs Housing	10,011,885	7,867,511	-	2,144,374	1,823,442
Supported Housing	2,005,712	1,755,021	-	250,691	306,797
	12,017,597	9,622,532	-	2,395,065	2,130,239
Income and expenditure from other social housing activities					
Supporting People Contract Income	1,241,062	1,354,668	-	(113,606)	(51,975)
Community Investment Activities	1,306,367	1,251,138	-	55,229	4,655
Shared Ownership Property sales	325,000	-	325,000	-	-
	2,872,429	2,605,806	325,000	(58,377)	(47,320)
Income and expenditure from non social housing activities					
Student Accommodation	595,646	453,531	-	142,115	139,918
	15,485,672	12,681,869	325,000	2,478,803	2,222,837

<u>Thanks and Acknowledgement to Partners on CIT programmes</u>

The Association has worked with a number of partners during the year providing Community Investment programmes:

- Francis C Scott Trust
- Cumbria County Council Cultural Services
- Cumbria Community Foundation
- Cumbria County Council
- Creative Futures Cumbria
- HACT Age 2 Age
- Housing Association Charitable Trust
- N2N
- Penrith Neighbourhood Forum
- Riverside
- The Salvation Army
- The Lions Club of Penrith
- UK Online
- Youth Opportunities Fund
- Carlisle City Council
- CASS

We also acknowlege the financial contribution from the Northern Rock Foundation which has funded the Let Go project in Penrith. Funds received from the Northern Rock Foundation are restricted to the provision of the work carried out by the Let Go project in providing Domestic Violence Support Services in north Cumbria.

Notes to the Financial Statements
For the Year Ended 31 December 2012 (Continued)

We also acknowledge the financial contribution from CDRP, GONW, The Henry Smith Charity & The Figrid Rausing Trust (Hestia) which have funded the Let Go project in Carlisle. We also acknowledge the contribution from Northern Rock Foundation towards the Eden Rural Foyer Sunshine Project (£25,000 between 2009 and 2012), Northern Rock Foundation have also provided £75,000 restricted funding over three years to fund the part-time position of a Foyer Innovation Officer. Copeland Community Fund gave additional funding to make this post full time for one year. Impact's South Lakes Foyer was developed in 2011with financial contributions toward the furnishings and fittings costs in the resource centre from the Frieda Scott Trust and The Hadfield Trust.

Support for Impact's Greenways to Work Programme was provided by the European Social Fund as part of ESF's initiative to stimulate training and employment in climate change related activities.

Big Lottery Funding

Impact received 1 payment during the year from the Big Lottery Fund, totalling £9,462. The grant has been treated as a restricted grant and accordingly has been spent totally on the support and continued running of the West Coast Furniture Services based in Workington.

3. Income and Expenditure from Lettings	**General Housing**	**Supported Housing**	**2012 Total**	**Restated 2011 Total**
Income from lettings activities	**£**	**£**	**£**	**£**
Rent receivable net of identifiable Service Charges	9,428,973	762,990	**10,191,963**	9,524,730
Services Charges Receivable	570,108	799,640	**1,369,748**	1,273,834
Net Rents receivable	9,999,081	1,562,630	**11,561,711**	10,798,564
Other Income	12,804	443,082	**455,886**	452,741
Total Income from Lettings	10,011,885	2,005,712	**12,017,597**	11,251,305
Expenditure on lettings activities				
Services and Support Costs	443,882	370,272	**814,154**	807,829
Management	4,115,895	998,754	**5,114,649**	4,813,309
Routine Maintenance	2,054,419	227,209	**2,281,628**	2,506,632
Planned Maintenance	348,988	18,245	**367,233**	97,542
Rent Losses from bad debts	119,914	8,838	**128,752**	70,785
Depreciation of Housing Properties	784,413	131,703	**916,116**	824,970
Total expenditure on lettings	7,867,511	1,755,021	**9,622,532**	9,121,067
Operating Surplus on Letting Activities	2,144,374	250,691	**2,395,065**	2,130,238
Rent Losses from voids	(119,368)	(170,339)	**(289,707)**	(232,542)

Notes to the Financial Statements
For the Year Ended 31 December 2012 (Continued)

4. Directors Emoluments

The directors are defined as the members of the board, the Chief Executive and any other person who is a member of the Senior Management Team.
The board members did not receive any remuneration during the year.
The Directors' Emoluments are as follows:

		Gross Salary	Vehicle Benefit	Pension	Other	**2012 Total £**	2011 Total £
Mike Muir	Chief Executive	82,620	6,007	13,756	380	**102,763**	102,685
Graham Wilson	Finance Director	70,380	5,395	11,718	59	**87,552**	87,686
Keith Dobson	Operations Director	64,770	5,090	10,784	839	**81,483**	79,883
Steve Holliday	Human Resources Director	59,160	5,150	9,850	689	**74,849**	74,301
*Lorraine Usher	Director of Support & Communities	40,970	3,386	6,822	433	**51,611**	
Alison Coupe	Community Investment Director	-	-	-	-	-	73,918
		317,900	25,028	52,930	2,400	**398,258**	418,473

*From 21st May 2012

The Chief Executive is an ordinary member of the pension scheme. The pension scheme is a final salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by Impact Housing Association Limited of £13,756 (2011: £13,756) was paid in addition to the personal contributions of the Chief Executive.

5. Employee Information

	2012	2011
The average weekly number of persons (including the Chief Executive) employed during the year was:	**Number**	Number
Full time	**106**	111
Part time	**112**	100
	218	211
	£	£
Staff Costs:		
Wages and salaries	**4,315,207**	4,273,407
Social Security costs	**330,012**	343,903
Other Pensions costs	**427,657**	427,404
	5,072,876	5,044,714

Notes to the Financial Statements
For the Year Ended 31 December 2012 (Continued)

6. Interest Receivable and Similar Income	**2012**	Restated 2011
	£	£
Bank interest receivable	**5,754**	7,549

7. Interest Payable and Similar Charges

	£	£
On bank loans and other loans:		
Repayable wholly or partly in more than 5 years by instalments	**2,285,215**	1,959,119

8. Surplus on Ordinary Activities Before Taxation

	£	£	
Surplus on ordinary activities before taxation is stated after charging:			
Depreciation			
Tangible owned fixed assets	**1,153,113**	1,029,846	(2011 as restated)
Operating lease payments	**294,479**	247,760	
Auditors' Remuneration			
In their capacity as auditors	**16,600**	15,864	
In respect of other services	-	-	

9. Taxation

The Association has charitable status and is therefore exempt from UK Corporation Tax.

The Committee of Management know of no circumstances which will affect this taxation status in the future.

10. Tangible Fixed Assets	Housing Land & Buildings					Other Fixed Assets			
	Housing Properties Held for Lettings	Housing Properties Under Construction	Completed Shared Ownership Properties	Shared Equity Properties	Total Housing Properties	Freehold Offices	Furniture Equipment & Vehicles	Computer Equipment	Total Other Fixed Assets
	£	£	£	£	£	£	£	£	£
Cost									
At the start of the year as previously stated	119,573,106	6,987,359	1,608,038	4,847,165	133,015,668	1,289,857	1,435,856	503,296	3,229,009
Prior period adjustment	8,103,265	-	-	-	8,103,265	-	-	-	-
At 1 January 2012 as restated	127,676,371	6,987,359	1,608,038	4,847,165	141,118,933	1,289,857	1,435,856	503,296	3,229,009
Additions	1,180,866	8,460,319	-	-	9,641,185	-	129,736	59,998	189,734
Completed in the Year	10,328,706	(9,241,943)	2,271	(1,089,034)	-	-	-	-	-
Disposals	(404,917)	-	(132,463)	(45,136)	(582,516)	-	(222,275)	(313,041)	(535,316)
At 31 December 2012	**138,781,026**	**6,205,735**	**1,477,846**	**3,712,995**	**150,177,602**	**1,289,857**	**1,343,317**	**250,253**	**2,883,427**
Depreciation									
At the start of the year as previously stated	3,426,771	-	-	-	3,426,771	244,999	774,790	414,055	1,433,844
Prior period adjustment	5,610,340	-	-	-	5,610,340	-	-	-	-
At 1 January 2012 as restated	9,037,111	-	-	-	9,037,111	244,999	774,790	414,055	1,433,844
Charged for Year	972,764	-	-	-	972,764	25,797	125,734	28,818	180,349
Eliminated on Disposals	(36,913)	-	-	-	(36,913)	-	(221,871)	(313,041)	(534,912)
At 31 December 2012	**9,972,962**	-	-	-	**9,972,962**	**270,796**	**678,653**	**129,832**	**1,079,281**
Grants	SHG					Other Grants			
At 1 January 2012	69,154,507	5,115,716	795,586	3,317,978	78,383,787	539,070	-	-	539,070
Received in the Year	-	1,636,482	-	-	1,636,482	-	-	-	-
Completed in the Year	4,730,824	(4,736,984)	8,334	(2,174)	-	-	-	-	-
Disposals	(312,099)	-	-	-	(312,099)	-	-	-	-
Grants transferred	-	248,500	-	-	248,500	-	-	-	-
At 31 December 2012	**73,573,232**	**2,263,714**	**803,920**	**3,315,804**	**79,956,670**	**539,070**	-	-	539,070
At 31 December 2012	**55,234,832**	**3,942,021**	**673,926**	**397,191**	**60,247,970**	**479,991**	**664,664**	**120,421**	**1,265,076**
At 1 January 2012 restated	49,484,753	1,871,643	812,452	1,529,187	53,698,035	505,788	661,066	89,241	1,256,095

	2012	Restated 2011
	£	£
Freehold land and buildings (NBV)	**59,647,970**	53,098,035
Leasehold (NBV)	**600,000**	600,000
Net Book Value	**60,247,970**	53,698,035

Cost of properties includes £301,274 (2011: £323,885) for direct administrative costs capitalised during the year.

Notes to the Financial Statements
For the Year Ended 31 December 2012(Continued)

11. Stock

	2012 £	2011 £
Housing Stock held for resale	-	390,646
Other Stock	290	-
	290	390,646

12. Debtors

	2012 £	2011 £
Rental Debtors	1,291,659	1,017,190
Less: Provision for bad and doubtful debts	(372,759)	(286,209)
	918,900	730,981
Sundry Debtors	334,417	220,780
Prepayments and accrued income	556,584	642,009
	1,809,901	1,593,770

13. Cash at Bank and Short Term Deposits

	2012 £	2011 £
Short Term Deposits	1,553,805	1,037,944
Cash at Bank	969,703	1,912,709
	2,523,508	2,950,653

14. Creditors: Amounts falling due within one year

	2012 £	2011 £
Housing Loans and Other Loans	1,447,202	1,138,267
Rent creditors	86,869	173,706
Trade creditors	737,921	995,626
Capital expenditure on housing properties	1,292,140	1,416,101
Accruals, deferred income and other creditors	2,113,645	1,672,758
Taxation & Social Security	93,964	101,041
	5,771,741	5,497,499

Notes to the Financial Statements
For the Year Ended 31 December 2012 (Continued)

15. Creditors: Amounts falling due after more than one year		**2012** £	2011 £
Housing Loans and Other Loans		**51,242,569**	46,245,624
Recycled Capital Grant Fund	(Note 17)	**572,473**	260,374
Disposal Fund RTA	(Note 17)	**356,278**	508,282
Leaseholder Sinking Fund		**13,267**	9,969
		52,184,587	47,024,249

Loans from local authorities, building societies and banks are secured by specific charges on the Association's housing properties and other assets. The loans are repayable at varying rates of interest in instalments falling due as follows:-

	£	£
Within one year	**1,447,202**	1,138,267
Between one and two years	**1,683,222**	1,184,991
Between two and five years	**5,579,126**	4,205,174
In five years or more	**44,552,091**	41,209,510
	53,261,641	47,737,942
Less: Issue costs	**(571,870)**	(354,051)
	52,689,771	47,383,891

16. Called Up Share Capital	**2012** £	2011 £
Allotted, issued and fully paid at start of year	**28**	39
Issued during the year	**18**	3
Forfeited during the year	**(3)**	(14)
Allotted, issued and fully paid at 31December	**43**	28

The shares do not have a right to a dividend or distribiution in a winding-up and are not redeemable. Each share has full voting rights.

17. Capital Grant Funds	**1 January 2012**	**Additions**	**Extractions**	**31 December 2012**
Recycled Capital Grant	260,374	312,099	-	572,473
Disposal Proceeds Fund	508,282	96,496	248,500	356,278

18. Revenue Reserves

		£
At 31 December 2011 as previously stated		4,884,467
Prior year adjustment	Note 28	2,492,925
At 31st December 2011 restated		7,377,392
Transfer to Sinking Fund Long Term Creditors, cumulative to 2011	Note 15	(9,969)
At 31st December 2011 after Sinking Fund transfer		7,367,423
Transfer to Sinking Fund Long Term Creditors, for year to 2012	Note 15	(3,301)
Surplus for the year to 31 December 2012		526,252
At 31 December 2012		7,890,374

The Sinking Fund is for the relacement of equipment at a leaseholders scheme

19. Pension Obligations

1. Impact Housing Association Ltd participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

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

3. The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 three defined benefit structures have been available, namely:

   3.1. Final salary with a 1/60th accrual rate.

   3.2. Final salary with a 1/70th accrual rate.

   3.3. Career average revalued earnings (CARE) with a 1/60th accrual rate.

   From April 2010 a further two defined benefit structures have been available, namely:

   3.4. Final salary with a 1/80th accrual rate.

   3.5. Career average revalued earnings (CARE) with a 1/80th accrual rate.
   A defined contribution benefit structure was made available from 1 October 2010.

4. An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open defined benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Notes to the Financial Statements
For the Year Ended 31 December 2012 (continued)

19. Pension Obligations (continued)

5. Impact Housing Association Ltd has operated the final salary with a 1/60th accrual rate, benefit structure for active members for new entrants from 3rd December 1987. This does not reflect any benefit structure changes made from April 2010.
6. The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.
7. The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.
8. During the accounting period Impact Housing Association Ltd paid contributions at the rate of 8.5% on future service contributions rate (to ensure that the fund is sustainable in the future) and £19,639 per month From April 2012 to offset past service deficit; member contributions varied between 8.5% and 10.5%.
9. As at the balance sheet date there were 86 active members of the Scheme employed by Impact Housing Association Ltd. The annual pensionable payroll in respect of these members was £2,430,938. Impact Housing Association Ltd continues to offer membership of the Scheme to its employees.
10. It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Scheme is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.
11. The last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 69.7%.
12. The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

Valuation Discount Rates:	% p.a.
Pre-Retirement	7.8
Non Pensioner Post Retirement	6.2
Pensioner Post Retirement	5.6
Pensionable Earnings Growth	4.7
Price Inflation	3.2
Pension Increases:	
Pre 88 GMP	0.0
Post 88 GMP	2.8
Excess Over GMP	3.0

Expenses for death-in-service insurance, administration and Pension Protection Fund (PPF) levy are included in the contribution rate.

Notes to the Financial Statements
For the Year Ended 31 December 2012 (continued)

19. Pension Obligations (continued

13. The valuation was carried out using the following demographic assumptions:

    Mortality pre-retirement – PA92 Year of Birth, long cohort projection, minimum improvement 1% p.a.

    Mortality post retirement – 90% S1PA Year of Birth, long cohort projection, minimum improvement 1% p.a.

14. The long-term joint contribution rates required from April 2010 from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit Structure	Long-term Joint Contribution Rate (% of pensionable salaries)
Final salary with a 1/60th accrual rate	17.8
Final salary with a 1/70th accrual rate	15.4
Career average revalued earnings (CARE) with a 1/60th accrual rate	14.9
Final salary with a 1/80th accrual rate	13.5
Career average revalued earnings (CARE) with a 1/80th accrual rate	11.9

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

16. Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £663 million would be dealt with by the payment of deficit contributions of 7.5% of pensionable salaries, increasing each year in-line with salary growth assumptions, from 1 April 2010 to 30 September 2020, dropping to 3.1% from 1 October 2020 to 30 September 2023. Pensionable earnings at 30 September 2008 are used as the reference point for calculating these deficit contributions. These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

17. The Scheme's 30 September 2011 valuation was finalised after 31 December 2012, and the results of the 2011 valuation will be included in next year's Disclosure Note.

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

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

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

21. New employers that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and new employers joining the Scheme between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining the Scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

22. A copy of the Recovery Plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions

Notes to the Financial Statements
For the Year Ended 31 December 2012 (continued)

19. Pension Obligations (continued)

23. Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or Recovery Plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Scheme liabilities and hence impact on the Recovery Plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the Recovery Plan). The Regulator provided a response in respect of the September 2008 actuarial valuation in August 2011, stating that it does not propose to take any scheme funding action under Part 3 of the Pensions Act 2004.

24. The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2010. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,985 million and indicated a reduction in the shortfall of assets compared to liabilities to approximately £497 million, equivalent to a past service funding level of 80.0%.

25. As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

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

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

Potential employer debt is treated as a contingent liability

28. Impact Housing Association Ltd has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme, based on the financial position of the Scheme as at 30 September 2011. At this date the estimated employer debt for Impact Housing Association Ltd was £15,476,893.

Notes to the Financial Statements
For the Year Ended 31 December 2012 (Continued)

20. Capital Commitments

	2012 £	2011 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**2,357,452**	7,669,179
Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for	**7,371,120**	7,590,635
	9,728,572	15,259,814

It is anticipated that the committed amount will be funded by grants and private finance.

21. Revenue Social Housing Grant

Social Housing Grant received to date and dealt with in the income and expenditure account is £Nil (2011: £Nil)

22. Operating Leases

The Association holds properties,vehicles and office equipment under non-cancellable operating leases. At 31 December 2012 the Association had annual commitments under these leases as follows:-

Leases expiring:	2012 £	2011 £
Within one year	**222,080**	**180,612**
In one to two years	**153,092**	**160,617**
In two to five years	**198,961**	**116,807**
In more than five years	**228,675**	**237,205**

23. Units/Bedspaces

The Association had the following units in management at 31 December:

	2012 Nos.	2011 Nos.
Housing accommodation	2,328	2,171
Student Accommodation	201	201
Supported Housing	200	209
Shared Ownership	32	32
Managed by Agents	222	255
	2,983	2,868

Notes to the Financial Statements
For the Year Ended 31 December 2012 (Continued)

24. Sale of Properties not developed for outright sale:

	2012	2011
	£	£
Proceeds of sales	792,500	386,055
Less: Costs of sales	(465,590)	(344,084)
	326,910	41,971

25. Extraordinary Items

	2012	2011
	£	£
Uninsured losses owing to fraudulent activity	-	125,692
	-	125,692

Occurring in early 2011 this was commented upon as a post balance sheet event in last year's Board Report.

26. Related Parties

At 31 December 2012 there were two members of the Association's Board, Alan Markbride and Kenneth Meek, who were also tenants of the Association. Their tenancies are on normal terms and neither Mr Markbride nor Mr Meek can use his position on Impact's Board for any advantage.

One Board member, Catherine Parker, is a Director of West House, a partner organisation which provides social housing related services and support to those who are in need throughout North and West Cumbria. West House occupy a number of our properties with their own tenants. These tenancies are on normal terms and Mrs Parker's position on Impact's Board does not confer any advantage for the benefit of West House.

27. SHG Received (both Grant and Revenue)

	2012	2011
	£	£
	79,956,670	78,383,787

Notes to the Financial Statements
For the Year Ended 31 December 2012 (Continued)

28. Prior Year Adjustments

The Association has adopted the Statement of Recommended Practice (SORP) accounting by registered social housing providers update 2010 in this current year ended 31st December 2012. This has resulted in the provisions of component accounting being implemented this year.

Housing properties are now analysed by major component. Major repairs undertaken in recent years and representing replacement of components are now capitalised. Brought forward accumulated depreciation has been adjusted accordingly.

The financial impact of these changes are as follows:

	2012
	£
The transfer of spend from major repairs and routine maintenance to capital housing improvements	8,103,265
The effect of adoption of component accounting on depreciation charged	(5,610,340)
Total relating to revenue reserve (note 18)	2,492,925