

GRANTA HOUSING SOCIETY LIMITED

FINANCIAL STATEMENTS

for the year ended

31 MARCH 2002

FINANCIAL STATEMENTS for the year ended 31 MARCH 2002

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BOARD AND PROFESSIONAL ADVISORS

BOARD OF MANAGEMENT	A James (Chair) E Richardson (Deputy Chair) J Baird M Earle J Hall (resigned November 2000) S Jones R Knight E Utsi C Patton (Co-opted) R Cullum (Co-opted)
DIRECTORS	J R Connolly (Chief Executive) P Prince S Evans-Kerr R Heseltine K Ware
SECRETARY	J R Connolly
SOLICITORS	Manches & Co Aldwych House 81 Aldwych London WC2B 4RP Maclay Murray Spens 10 Foster Lane London EC2V 6HR Winters Solicitors 114A High Street Huntingdon Cambs PE18 6NN Taylor Vinters Merlin Place Milton Road Cambridge CB4 4DP
BANKERS	Midland Bank plc 62 Hills Road Cambridge CB2 1LA
AUDITORS	Smith & Williamson No. 1 Riding House Street London W1A 3AS

BOARD AND PROFESSIONAL ADVISORS - continued

REGISTERED OFFICE

1 Horizon Park
Barton Road
Comberton
Cambridge CB3 7AF

REGISTRATION

Incorporated under the Industrial and Provident Societies Act 1965 No. 21287R

Registered as a Social Landlord with the Housing Corporation No. LH 1831

The Society has charitable objectives and is recognised as a charity for taxation purposes

GRANTA HOUSING SOCIETY LTD

REPORT OF THE BOARD OF MANAGEMENT

The board of management presents their annual report and the audited financial statements for the year ended 31 March 2002.

PRINCIPAL ACTIVITY

The principal activity of the Society continues to be the provision, management and maintenance of affordable social housing to the highest standards for those with the greatest need.

OBJECTIVES

The Society aims to:

- Deliver high quality value for money housing management and care services to Granta residents in their homes.
- Maintain and improve its housing stock to preserve the amenity value for residents and its asset value for the Society.
- Provide associated facilities and services that improve the quality of life for residents and help create sustainable tenancies and socially inclusive communities.
- Continue to develop new affordable homes to help meet priority social housing or community care needs in the Eastern region.
- Ensure proper and efficient management of the organisation and its resources to protect its reputation and maintain the ability to achieve its long-term social objectives.

The Society has the ability and resources to safeguard its activities whilst continuing with prudent growth in response to identified need. This will be achieved within a framework of continuous improvement and the principles of the Best Value regime. The Society has no current plans for diversifying into new areas of work, but remains alert to the changing environment facing RSLs.

OPERATING AND FINANCIAL REVIEW

Turnover increased 7.1% in the year, within which there was a 6.7% net increase in the number of homes in management. Most of the new provision was family housing. In addition to the above £680k surplus was generated from the disposal of redundant stock.

Affordable land for social housing remains in short supply. However, the Society remains committed to sustaining a realistic, continuing development programme and anticipates bringing 220 more homes into management over the next two-three years.

The Society has not made any donations to political parties nor donations in excess of £200 to any charity.

Granta is committed to re-investing in its property as necessary, to ensure that the stock remains in good lettable condition and continues to meet changing housing needs. The Society completed a new Stock

GRANTA HOUSING SOCIETY LTD

REPORT OF THE BOARD OF MANAGEMENT (continued)

OPERATING AND FINANCIAL REVIEW

Condition Survey during the year and is now putting an updated, costed major repairs programme in place.

The Society has reviewed the role of its flats in multiple occupation (cluster flats) and has completed the programme of works, where appropriate, to bring such flats up to required standards or otherwise to convert such flats into self-contained accommodation. This action has left the Society with a small number of two person clusters. The great majority of the clusters have been converted into self-contained flats.

The Society expects to maintain a strong balance sheet and healthy cash flow. These will provide a sound financial basis for future activities in managing and maintaining its existing stock at affordable rents and developing more accommodation for people in housing need.

TREASURY MANAGEMENT POLICY

The fundamental aim of the Treasury Management Policy is to finance the development of new stock and refurbishment of existing stock, whilst maintaining adequate funds to finance the day-to-day operations of the Society.

A very important part of the overall policy is the Borrowing Strategy.

The Society recognises the need to increase the size of its borrowings to finance stock development. It also aims to do this in a way to minimise the associated risks.

In particular, the aims of the Society are, over the long-term, to achieve:

- A balanced mix of fixed-rate, variable-rate and index-linked loans;
- A spread of maturity dates for fixed-rate loans;
- The sourcing of borrowings from several lenders;
- The avoidance of onerous and risky loan covenants.

The Society's Liquidity Policy recognises the need to keep sufficient funds accessible to meet the relatively large revenue expenditure of the Society and the fluctuation in the cash requirements of the Development Programme. In particular, the Society has arranged an Evergreen revolving credit loan, which can be drawn down and repaid on set dates at the discretion of the Society. At the year end, the Society had drawn down £4.5million against this facility.

The Society's Investment Policy is only to invest in institutions approved by the Board to appropriate pre-set limits.

The Society's banking arrangements are set up to facilitate both the work of the Society across its many Care and/or Supported Housing projects and the payment of rent by general purpose housing tenants.

The Society has set out to improve the administration and cost-effectiveness of these banking arrangements by developing electronic data interfaces to the Society's accounting systems, whilst safeguarding the flexibility of the rent collection arrangements.

GRANTA HOUSING SOCIETY LTD

REPORT OF THE BOARD OF MANAGEMENT (continued)

RESERVES STRATEGY

The principal aim of the Society's reserve strategy is to give a more complete picture of the use of resources. It is particularly important for businesses such as an RSL, where so many large costs may be incurred irregularly.

In particular, reserves are designated to recognise the liabilities accruing for major repairs, cyclic maintenance and furniture replacement.

The designated reserve for major repairs is for those schemes not already covered by the restricted reserve called the re-investment fund. This restricted reserve is to fund the long-term major repairs to pre-1988 general purpose housing funded by Social Housing Grant (SHG). The re-investment fund is a reserve that is required by the Housing Corporation and is calculated according to a prescribed formula. The Stock Condition Survey has identified substantial levels of expenditure, which will serve to deplete this reserve over five – ten years.

The Society also recognises the extent to which it puts its own resources into new developments by designating the property reserve for such capital subsidies. This reserve is calculated as the difference between the net cost of each scheme, ie, after capital grant, and the size of the loan that can be supported by the net rents of each scheme over the long-term. The size of the capital subsidy requirement is also dependent upon the assumptions regarding borrowing costs, future inflation, and the change in net rent receipts relative to inflation. The Society has been consistently prudent in these assumptions, anticipating the Housing Corporation rent guidance and a low-inflation environment for the foreseeable future. The Society is planning to put substantially less Capital subsidy than in the recent past. However it is important that such subsidy is identified and reported.

RISK MANAGEMENT

The Board recognises that Granta faces a number of key business risks, which will become more significant as the Society continues to grow. It has a formalised risk management strategy to review all of its risks and key controls on an annual basis and this was reviewed during the year, prior to March 2002.

RENT POLICY

The Society's rent policy has traditionally been designed to offer affordable accommodation to people in housing need, whilst ensuring average rent increases are normally no greater than the Retail Price Index (RPI). The Society has voluntarily achieved annual average rent increases at below RPI for the last five years. An above average increase was implemented in August 2001, effective for the 20 months period to 21st March 2003, to bring the Society's rent review period in line with the April date used by Local Authorities and most housing associations. The new Government formula to achieve rent convergence within the next ten years means future rents will rise each year slightly above RPI rates, but the Board still believes resultant rents will meet with its affordability criteria.

GRANTA HOUSING SOCIETY LTD

REPORT OF THE BOARD OF MANAGEMENT (continued)

PERSONNEL MATTERS

The Society has Investor In People status and had in place throughout 2001/02 the following policies in relation to the employment, training and career development:

- Equal opportunities policy
- Training and development policy
- Study support policy
- Career development policy
- Harassment policy
- Appraisal and supervision policy
- Grievance policy and procedure
- Positive about Disability standards

Involvement of employees in the Society's affairs, policy and performance has included the following means:

- Joint Consultative Committee
- Workforce Opinion Survey
- Staff Suggestion scheme
- Staff appraisal system with individual performance and personal development plans in line with corporate objectives
- Policy on Raising Concerns
- Team Briefing cascade system with feedback channels
- Staff Conference
- Equality and Diversity Working Party

LONG-TERM MAINTENANCE AND REPAIR POLICY

The Society has policies, procedures, and an asset management strategy that:

- Deploys an efficient and effective responsive maintenance service (schedule of rates).
- Provides a reliable 24-hour emergency maintenance service (AON Home Assistance).
- Gives tenants a dedicated tenants repairs "hotline" (all calls charged at local rates only).
- Streamlines maintenance re-let procedures to minimise voids.
- Provides a 100% survey of tenants for satisfaction with maintenance service as requests are raised.
- Delivers a comprehensive regular service programme for gas boiler and electrical installations, plant and equipment.
- Programmes planned cyclical decoration (2-4 years as necessary).
- Allows for consultation with residents on improvement/major repairs programmes.
- Ensures good record keeping to enable good monitoring and reliable evidence for future budgeting.
- Regularly updates Stock Condition Survey and life cycle costing to plan costed repairs programme.
- Undertakes annual review to ensure insurance policies remain adequate and appropriate.
- Targets re-investment/re-modelling of older stock to meet changes in demand.
- Enables cost effective policy on selective disposal of any stock in need of significant re-investment, (following exhaustive option appraisal).
- Helps local authorities meet obligations under the Home Energy Conservation Act 1999.

GRANTA HOUSING SOCIETY LTD

REPORT OF THE BOARD OF MANAGEMENT (continued)

STATEMENT ON THE SOCIETY'S SYSTEM OF INTERNAL CONTROL

The Board are responsible for ensuring that the Society maintains a system of internal financial control, including suitable monitoring procedures. The system is designed to ensure the safeguarding of assets (against unauthorised use or disposition) and the maintenance of proper accounting records and the reliability of the financial information used within the business for publication.

In fulfilling these responsibilities, the Board has reviewed the effectiveness of the system of internal financial controls on the basis of the criteria set out in The Housing Corporation Circular 18/96 "Internal financial control and financial reporting". It has considered the major business and financial risks.

The Society's key internal financial controls during the year included:

- Clear responsibilities on the part of line and financial management for the maintenance of good financial controls and the production of accurate and timely financial management information;
- the control of key financial risks through clearly laid down authorisation levels and proper segregation of accounting duties;
- subjecting all planned major property developments and any new initiatives to a detailed risk assessment process, the results of which are reported to the Property Services Committee;
- detailed monthly budgeting and reporting of operating surpluses, capital development costs, balance sheets and cash flows, with regular review by management of variances from budgets, and quarterly review by the Board of Management of the variances from the budget;
- reporting to the Audit Committee on compliance with internal financial controls and procedures by internal audit and by external audit;
- reviews by the Audit Committee of the effectiveness of the system of internal financial controls.

On the basis that a system can provide only reasonable but not absolute assurance and that it relates only to the needs of the business at that time, the system as a whole was found at the time of approving the financial statements to be appropriate to the scale of the Society's activities. No weaknesses have resulted in any material losses, contingencies or uncertainties which would require disclosure as recommended by the Circular.

GRANTA HOUSING SOCIETY LTD

REPORT OF THE BOARD OF MANAGEMENT (continued)

The Board has also considered the more recent Housing Corporation Circular 25/01, extending the requirements of Circular 18/96, to cover all controls including financial, operational, compliance and risk management. The Board confirms it has reviewed the effectiveness of its systems of internal control in the light of the new guidance. Whilst such controls are designed to manage rather than eliminate risk and can only provide reasonable, not absolute, assurance the Board confirms that procedures necessary to implement the new guidance were established as of 1st April 2002.

Approved by the Board of Management on 25 September 2002 and signed on its behalf by

J. R. Connolly
Secretary

GRANTA HOUSING SOCIETY LIMITED

STATEMENT OF BOARD'S RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Industrial and Provident Societies Acts and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society and of its income and expenditure for that period. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards 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 Society will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and to enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 1978, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000. It has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Smith & Williamson

Independent auditors' report to Granta Housing Society Limited

Audit report on the Board's statement on internal financial controls

In addition to our audit of the financial statements, we have reviewed the Board's statement on page 7 on the Society's compliance with the Housing Corporation Circular R2-18/96 "Internal financial control and financial reporting" ("the Circular"). The objective of our review is to draw attention to non-compliance with the Circular.

Basis of opinion

We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the United Kingdom Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the Society's system of internal financial control.

Opinion

With respect to the Board's statement on internal financial control on page 7, in our opinion the Board has provided the disclosures required by the Circular and such statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

SMITH & WILLIAMSON
Chartered Accountants

No 1 Riding House Street
London W1A 3AS

Smith & Williamson

Independent auditors' report to the members of Granta Housing Society Limited

We have audited the accounts of Granta Housing Society Limited for the year ended 31 March 2002 on pages 12 to 36. These accounts have been prepared under the historical cost convention.

Respective responsibilities of the Board and auditors

As described on page 8 the Society's board are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards and the relevant Statement of Recommended Practice.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 1978, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000. We also report to you if, in our opinion, the Board Report is not consistent with the accounts, if the Society has not kept proper accounting records and if we have not received all the information and explanations we require for our audit.

We read the Board Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the accounts, and of whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the accounts give a true and fair view of the state of the Society's affairs as at 31 March 2002 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 1978, the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2000.

Smith & Williamson
Chartered Accountants
Registered Auditors

1 Riding House Street
London
W1A 3AS

INCOME AND EXPENDITURE ACCOUNT for the year ended 31 MARCH 2002

	Notes	2002 £	2001 £
Turnover	2	14,601,644	13,638,311
Operating costs	2	(13,122,969)	(12,646,702)
		<hr/>	<hr/>
Operating surplus		1,478,675	991,609
Surplus on sale of properties not developed for outright sale	4	681,929	68,993
Other interest receivable and similar income	7	122,662	401,884
Interest payable and similar charges	8	(1,179,256)	(1,299,641)
		<hr/>	<hr/>
Surplus for the year	9	1,104,010	162,845
Transfer from restricted reserves	20	128,741	426,337
Transfer to designated reserves	21	(899,989)	(1,086,786)
		<hr/>	<hr/>
Surplus/(deficit) for the year after transfers to restricted and designated reserves	22	332,762	(497,604)
		<hr/> <hr/>	<hr/> <hr/>

All of the income and expenditure was derived from activities of a continuing nature.

GRANTA HOUSING SOCIETY LIMITED

BALANCE SHEET as at 31 MARCH 2002

	Notes	2002 £	2001 £
Tangible fixed assets			
Housing properties at cost	11a	88,247,881	82,627,396
Less: Social Housing Grant	11a	(54,558,505)	(52,131,150)
Less: Other capital grant	11a	(2,437,193)	(2,437,193)
Less: Depreciation	11a	(4,319,077)	(3,272,320)
		<hr/>	<hr/>
		26,933,106	24,786,733
Other fixed assets	11b	4,035,645	2,225,891
		<hr/>	<hr/>
Total fixed assets		30,968,751	27,012,624
Current assets			
Work in progress	12	-	1,308
Debtors	13	920,402	803,226
Investments	14	764,097	3,173,750
Cash at bank and in hand	15	4,381,574	1,371,061
		<hr/>	<hr/>
		6,066,073	5,349,345
Creditors: amounts falling due within one year	16	(4,906,810)	(5,838,446)
		<hr/>	<hr/>
Net current assets/(liabilities)		1,159,263	(489,101)
		<hr/>	<hr/>
Total assets less current liabilities		32,128,014	26,523,523
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	17	19,945,381	15,474,984
Provisions for liabilities and charges	18	252,551	222,466
Capital & reserves			
Share capital	19	44	45
Restricted reserves	20	1,276,673	1,405,414
Designated reserves	21	7,382,428	6,482,439
Income and expenditure account	22	3,270,937	2,938,175
		<hr/>	<hr/>
		32,128,014	26,523,523
		<hr/>	<hr/>

These financial statements were approved by the board of management on 25 September 2002 and were signed on its behalf by:

GRANTA HOUSING SOCIETY LIMITED

CASH FLOW STATEMENT for the year ended 31 MARCH 2002

	Note	2002 £	2001 £
Net cash inflow from operating activities	A	2,757,694	2,839,594
Returns on investments and servicing of finance			
Interest received		122,662	401,884
Interest paid on housing loans		(1,250,110)	(1,292,637)
Net cash outflow from returns on investments and servicing of finance		(1,127,448)	(890,753)
Capital expenditure			
Payments to acquire other tangible fixed assets		(1,982,957)	(1,765,392)
Grants received on other tangible fixed assets		-	7,293
Payments for the acquisition and construction of housing properties		(5,566,938)	(9,177,569)
Capital grants received		4,163,718	4,357,950
Disposal proceeds from housing properties		902,676	156,633
Housing Association Grant repaid on sale of housing properties		(34,443)	(1)
Net cash outflow from capital expenditure		(2,517,944)	(6,421,086)
Net cash outflow before management of liquid resources and financing	B	(887,698)	(4,472,245)
Management of liquid resources			
Decrease in cash not available at 24 hour call		2,409,653	2,901,620
Financing			
Cancellation of ordinary shares		(1)	(11)
Housing loans received		4,470,397	31,831
Housing loans repaid		(2,981,838)	(54,244)
Net cash outflow from financing		1,488,558	(22,424)
Increase/(decrease) in cash in the year		3,010,513	(1,593,049)

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE CASH FLOW STATEMENT for the year ended 31 MARCH 2002

A Reconciliation of operating surplus to net cash inflow from operating activities

	2002 £	2001 £
Operating surplus	1,478,675	991,609
Profit on disposal of other fixed assets	(93,829)	(92,205)
Amortisation of grant	(813)	(37,432)
Depreciation charge	1,426,277	2,238,256
Decrease/(increase) in work in progress	1,308	(209)
Increase in debtors	(206,533)	(230,926)
Increase/(decrease) in creditors	122,524	(65,412)
Increase in provisions	30,085	35,913
	<hr/>	<hr/>
Net cash inflow from operating activities	2,757,694	2,839,594
	<hr/> <hr/>	<hr/> <hr/>

B Analysis of net debt

	At 1 April 2001 £	Cash flow £	At 31 March 2002 £
Cash	1,371,061	3,010,513	4,381,574
Current asset investments	3,173,750	(2,409,653)	764,097
Debt due within one year	(3,055,907)	2,981,838	(74,069)
Debt due after one year	(15,474,984)	(4,470,397)	(19,945,381)
	<hr/>	<hr/>	<hr/>
	(13,986,080)	(887,699)	(14,873,779)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

GRANTA HOUSING SOCIETY LIMITED**NOTES TO THE CASH FLOW STATEMENT for the year ended 31 MARCH 2002 (continued)****C Reconciliation of net cash flow to movement in net debt**

	2002 £	2001 £
Increase/(decrease) in cash	3,010,513	(1,593,049)
Cash released from liquid resources	(2,409,653)	(2,901,620)
Cancellation of ordinary shares	1	11
Housing loans received	(4,470,397)	(31,831)
Housing loans repaid	2,981,838	54,244
	<hr/>	<hr/>
Change in net debt resulting in the period	(887,698)	(4,472,245)
	<hr/>	<hr/>
Movement in net debt in the period	(887,698)	(4,472,245)
Net debt at start of year	(13,986,080)	(9,513,853)
	<hr/>	<hr/>
Net debt at end of year	(14,873,778)	(13,986,080)
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GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2002 (continued)

1 Accounting policies

Basis of preparation

The principal accounting policies of the Society are set out below.

The financial statements have been prepared in accordance with the Statement of Recommended Practice for Registered Social Landlords published in March 1999 (the "SORP"), and applicable financial reporting standards, under the historical cost accounting rules and in accordance with the Accounting Requirements for Registered Social Landlords General Determination 2000 ("the Determination").

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less grant and accumulated depreciation. Depreciation is charged over the expected useful economic lives of the assets on the cost of buildings less the relevant portion of the grant. Depreciation is charged on completed freehold properties and nursing homes unless the estimated residual value is deemed to be in excess of the net cost of the scheme. Annual rates are:

Completed freehold properties and nursing home on cost of building deducting, land, SHG and other capital grants	New build over 100 years, rehab/existing satisfactory over 35 years and special needs housing over 10 years
Non revenue generating improvements	100% in year of expenditure over the period of the lease
Leasehold properties	between 35 and 65 years
Freehold office buildings	10% to 33.3% on cost
Furniture and equipment	33.3% on cost or over period of lease
Motor vehicles	

Housing properties

The development cost of housing properties includes the following:

- cost of acquiring land and buildings prior to any local authority subsidy;
- all direct development expenditure;
- interest charged on the mortgage loans raised to finance the scheme's construction up to the relevant date for completion.

Shared ownership properties are included in fixed assets net of SHG, with properties under development being separately disclosed in the note to the accounts. Proceeds from the sale of the first tranche sales are credited against cost. Sales taking place after the initial purchase by the part-owner are accounted for as disposals of fixed assets, with the relevant proportion of cost being taken into cost of sales. Provision is made for all irrecoverable deficits after taking into account the abatement of SHG.

Housing properties in the course of construction are stated at cost and transferred to housing properties when completed. At the balance sheet date, properties under construction include a provision for all costs certified to date including the amount of the sum retained by the Society under the construction contract.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2002 (continued)

1 Accounting policies (continued)

Turnover

Turnover represents rental income receivable, fees and revenue grants from local authorities and the Housing Corporation.

Grants

Social housing grant (SHG) is recognised when receivable. Housing Association Grant (HAG) is included under SHG headings. Where developments have been financed wholly or partly by SHG the cost of those developments has been reduced by the amount of the grant received.

Where SHG is received on items treated as revenue expenditure, eg: elements of major repair expenditure, it is treated as a revenue grant and credited to the income and expenditure account. SHG may be repayable in certain circumstances, even where it has been treated as a revenue grant for accounting purposes, such as where a property is sold or if the development of the property is not completed. Total SHG receivable in excess of the total cost to date of schemes in the course of construction is included in current liabilities as SHG in advance. A similar treatment is applied for other grants where there continues to be a commitment or obligation attached to the grant.

Capitalisation of interest and administration costs

Salary costs relating to development are capitalised based on an apportionment of the time staff spent on this activity.

Interest on the net borrowing of the Association as a whole is capitalised to the extent that the borrowings are deemed to be financing the development programme. The interest capitalisation was calculated using the loan rate of LIBOR plus 0.35%.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and development overheads appropriate to the stage of development.

Cyclical maintenance creditor and reserve

The Society recognises the need to set aside monies for cyclical maintenance due to its liability to maintain the properties. This is shown in creditors for those properties where the Society is required, under the terms of an agreement, to carry out cyclical maintenance in accordance with a planned programme of works. A reserve is maintained for all other properties.

Furniture replacement creditor and reserve

The Society maintains a reserve for the replacement of furniture provided in specified properties. Where the Society is required under an agreement to replace furniture this is shown in creditors.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2002 (continued)

1 Accounting policies (continued)

Major repairs reserves / Re-investment Fund

The Society had two designated reserves for major repairs as follows:

- (a) The Society designated reserves for major repairs expenditure on housing properties developed under the pre-1988 Housing Act arrangements to the extent that any major repairs expenditure would not be eligible for grants from the Housing Corporation or local authorities in accordance with the Rent Surplus Fund regulations. This reserve has now been transferred to the Re-investment Fund and included in restricted reserves as described in note 20.
- (b) The Society has transferred an amount from revenue reserves to other designated reserves (major repairs reserves) in recognition of the likely scale of the major repairs programme. A provision is maintained for all property where the Society has an obligation under an agreement to provide for major repairs. The Society has included in creditors an amount for future major repairs where the Society has collected money in advance from third party topping-up grant or service charges.

Property reserve

The Society recognises that the funding of many of its developments require subsidy from its internal resources over the long-term. A property reserve is therefore maintained to reflect the funding commitment from internal resources for all developments approved by the board of management. The Society has also set aside a general reserve for this purpose in recognition of the higher level of subsidies likely to be required to fulfil its development programme in the medium term.

Void reserve

The Society designates void reserves on those schemes in receipt of topping-up grant on an individual basis where the impact of a void in any particular year could cause the scheme to otherwise go into deficit.

Pensions

The Society operates a defined benefit (final salary) contributory pension scheme administered independently by The Pensions Trust. The expected costs of providing pensions and other post retirement benefits, as calculated periodically by professionally qualified actuaries, is charged to the income and expenditure account so as to spread the cost over the service lives of employees in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll costs.

Leases

Assets held under finance leases are included in fixed assets and the capital element of the related lease/commitment is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit over the period of the lease.

Rental costs under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2002 (continued)

2 Turnover, operating surplus, and surplus before taxation by class of business

	Turnover	Operating costs	2002 Surplus/(deficit)	Turnover	Operating costs	2001 Surplus/(deficit)
	£	£	£	£	£	£
Social housing lettings						
Housing accommodation	3,908,381	2,535,978	1,372,403	3,512,813	3,092,605	420,208
Supported housing	2,253,470	1,844,181	409,289	2,105,369	1,662,590	442,779
Shared ownership accommodation	80,699	21,508	59,191	77,405	20,026	57,379
Leasehold scheme for the elderly	34,269	34,269	-	36,258	36,258	-
Registered care homes	6,685,917	6,840,368	(154,451)	6,393,980	6,308,457	85,523
Total from social housing lettings	12,962,736	11,276,304	1,686,432	12,125,825	11,119,936	1,005,889
Other social housing activities						
Laundry facilities	11,012	14,769	(3,757)	11,730	17,911	(6,181)
Training initiative	-	23,890	(23,890)	-	33,869	(33,869)
Stock condition survey	-	103,988	(103,988)	-	-	-
Abortive development costs	-	6,118	(6,118)	-	8,931	(8,931)
Development costs charged to revenue	84,160	115,399	(31,239)	92,839	152,684	(59,845)
Total from other social housing activities	95,172	264,164	(168,992)	104,569	213,395	(108,826)
Non-social housing activities						
Registered nursing homes	1,491,040	1,532,783	(41,743)	1,373,563	1,281,805	91,758
Other home ownership – service charges	49,378	49,379	(1)	30,802	30,802	-
Miscellaneous rents	3,318	339	2,979	3,552	764	2,786
Total from non-social housing activities	1,543,736	1,582,501	(38,765)	1,407,917	1,313,371	94,544
	14,601,644	13,122,969	1,478,675	13,638,311	12,646,702	991,609

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2002 (continued)

3 Particulars of income and expenditure from social housing lettings

	General needs housing £	Shared ownership housing £	Leasehold scheme for the elderly £	Supported housing £	Registered care homes £	2002 Total £	2001 Total £
Income							
Rents receivable net of identifiable service charges	3,700,984	60,138	-	437,559	827,943	5,026,624	4,566,074
Service charges	218,340	20,561	34,269	976,009	2,471,316	3,720,495	3,301,692
Gross rents receivable	3,919,324	80,699	34,269	1,413,568	3,299,259	8,747,119	7,867,766
Voids	(63,456)	-	-	(37,991)	(169,854)	(271,301)	(265,467)
Net rents receivable	3,855,868	80,699	34,269	1,375,577	3,129,405	8,475,818	7,602,299
Revenue grants from the Housing Corporation	-	-	-	206,976	294,720	501,696	482,755
Grants from local authorities and other agencies	-	-	-	670,917	3,261,791	3,932,709	3,939,628
Revenue grants received for major repairs	52,513	-	-	-	-	52,513	101,143
Total income from social housing lettings	3,908,381	80,699	34,269	2,253,470	6,685,916	12,962,736	12,125,825
Expenditure							
Management	446,037	3,442	-	399,513	1,673,683	2,522,675	2,351,440
Services	215,731	18,620	34,269	1,161,028	4,715,522	6,145,170	5,739,742
Routine maintenance	763,285	-	-	83,414	141,799	988,498	768,105
Planned maintenance	96,579	-	-	33,270	13,833	143,682	71,393
Major repairs expenditure	520,539	-	-	34,114	102,756	644,453	1,536,511
Losses from bad debts	121,812	(554)	-	17,953	40,151	179,362	34,846
Property leasing and rental costs	-	-	-	59,701	62,479	122,180	112,556
Depreciation of housing properties	326,741	-	-	36,834	6,805	383,336	362,071
Council tax	18,520	-	-	5,161	16,382	40,063	35,190
Private finance	28,513	-	-	-	-	28,513	22,438
Tenant welfare	71	-	-	12,509	65,371	77,951	83,470
Other	(1,850)	-	-	684	1,587	421	2,174
Total expenditure on social housing lettings	2,535,978	21,508	34,269	1,844,181	6,840,368	11,276,304	11,119,936
Operating surplus on social housing lettings	1,372,142	59,191	-	459,715	(204,877)	1,686,171	1,005,889

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2002 (continued)

4 Surplus on sale of properties not developed for outright sale

	Total 2002 £	Total 2001 £
Proceeds of sales	917,129	165,158
Cost of sales	(235,200)	(96,165)
	<hr/>	<hr/>
	681,929	68,993
	<hr/>	<hr/>

5 Remuneration of officers and senior executives

No member of the Board of Management received any remuneration in the year (2001: £nil).

The emoluments in respect of the five members (2001: five) of the Senior Executive Team were as follows:

	2002 £	2001 £
Emoluments including pension contributions and benefits in kind	304,612	285,248
	<hr/>	<hr/>
	£	£
Remuneration of the highest paid senior executive excluding pension contributions	79,378	76,840
	<hr/>	<hr/>
	£	£
Total expenses reimbursed in so far as not chargeable to United Kingdom income tax was	1,269	1,648
	<hr/>	<hr/>

The chief executive is a member of the company pension scheme, on standard terms.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2002 (continued)

6 Staff numbers and costs

The average monthly number of persons employed by the Society during the year expressed in full time equivalents (including senior executives), analysed by category, was as follows:

	2002 Number	2001 Number
Office staff	41	40
Wardens and caretakers	5	6
Project care staff	351	350
Maintenance staff	4	4
	<hr/>	<hr/>
	401	400
	<hr/>	<hr/>

The average monthly number of persons employed by the Society during the year (including part time employees and senior executives), analysed by category, was as follows:

	2002 Number	2001 Number
Office staff	41	40
Wardens and caretakers	11	12
Project care staff	387	377
Maintenance staff	4	5
	<hr/>	<hr/>
	443	434
	<hr/>	<hr/>

The aggregate payroll cost of these persons was as follows:

	2002 £	2001 £
Wages and salaries	6,270,886	5,957,027
Social security costs	449,639	446,749
Other pension costs	250,703	231,903
	<hr/>	<hr/>
	6,971,228	6,635,679
	<hr/>	<hr/>

7 Interest receivable and similar income

	2002 £	2001 £
Bank interest receivable	122,662	401,884
	<hr/>	<hr/>

GRANTA HOUSING SOCIETY LIMITED**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2002 (continued)**

8 Interest payable and similar charges	2002	2001
	£	£
Bank loans	1,233,264	1,278,591
Other loans	57,667	58,993
	<hr/>	<hr/>
	1,290,931	1,337,584
Less: interest capitalised	(111,675)	(37,943)
	<hr/>	<hr/>
	1,179,256	1,299,641
	<hr/>	<hr/>
9 Surplus for the year	2002	2001
	£	£
Surplus for the year is stated after charging:		
Auditors' remuneration - audit services (including VAT)	26,600	21,740
- other services (including VAT)	1,786	1,786
Depreciation:		
- housing properties and nursing homes	383,336	302,280
- other owned tangible fixed assets	191,049	177,612
Operating lease charges	52,019	52,019
	<hr/>	<hr/>

10 Tax on ordinary activities

The Society has charitable status for tax purposes and no liability to corporation tax arises.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2002 (continued)

11 Tangible fixed assets

a) Housing properties

	SHG funded furniture & equipment	General needs housing		Shared ownership		Supported housing		Registered care homes	Registered nursing homes	Total
	Completed	Completed	Under construction	Completed	Under construction	Completed	Under construction	Completed	Completed	
	£	£	£	£	£	£	£	£	£	£
Cost										
At 1 April 2001	131,524	58,758,518	5,436,622	952,303	-	8,739,675	274,611	6,443,476	1,890,667	82,627,396
Additions to housing properties	-	98,143	4,279,818	-	2,702	12,964	784,184	-	-	5,177,811
Additions to major repairs	-	554,683	-	-	-	23,079	-	85,659	-	663,421
Disposals	-	(220,747)	-	-	-	-	-	-	-	(220,747)
Transfer on completion	-	6,827,542	(6,827,542)	-	-	1,058,795	(1,058,795)	-	-	-
At 31 March 2002	131,524	66,018,139	2,888,898	952,303	2,702	9,834,513	-	6,529,135	1,890,667	88,247,881
Social Housing Grants										
At 1 April 2001	94,222	35,148,740	4,000,231	445,935	-	6,706,441	411,588	5,323,993	-	52,131,150
Receivable during the year	-	182,455	2,072,251	-	2,702	15,957	336,753	-	-	2,610,118
Repaid	-	(182,763)	-	-	-	-	-	-	-	(182,763)
Transfer on completion	-	3,183,584	(3,183,584)	-	-	748,341	(748,341)	-	-	-
At 31 March 2002	94,222	38,332,016	2,888,898	445,935	2,702	7,470,739	-	5,323,993	-	54,558,505
Other capital grants										
At 1 April 2001 and at 31 March 2002	37,302	-	-	-	-	13,959	-	736,091	1,649,841	2,437,193

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2002 (continued)

11 **Tangible fixed assets** (continued)

a) **Housing properties** (continued)

	SHG funded furniture & equipment	General needs housing		Shared ownership			Supported housing		Registered care homes	Registered nursing homes	Total
	Completed	Completed	Under construction	Completed	Under construction	Completed	Under construction	Completed	Completed		
	£	£	£	£	£	£	£	£	£	£	
Depreciation											
At 1 April 2001	-	2,513,447	-	3,204	-	364,163	-	329,000	62,506	3,272,320	
Transfer	-	(8,959)	-	-	-	(32,550)	-	39,109	2,400	-	
Charge for year on housing properties	-	326,368	-	375	-	36,834	-	15,283	4,476	383,336	
Charge for year on major repairs	-	554,683	-	-	-	23,079	-	85,659	-	663,421	
At 31 March 2002	-	3,385,539	-	3,579	-	391,526	-	469,051	69,382	4,319,077	
Net book value											
At 31 March 2002	-	24,300,584	-	502,789	-	1,958,289	-	-	171,444	26,933,106	
At 31 March 2001	-	21,096,331	1,436,391	503,164	-	1,655,112	(136,977)	54,392	178,320	24,786,733	

Under most circumstances, if housing properties are disposed of, SHG is repayable to the Housing Corporation or subject to restrictions on use and included in creditors within the recycled capital grant fund as applicable.

Included within additions are development administration costs of £142,398 (2001: £148,573). The interest capitalised during the period was £111,675 (2001: £37,943).

Total SHG of £136,674 (2001: £194,414) has been dealt with through the income and expenditure account for the year.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2002 (continued)

11 **Tangible fixed assets** (continued)

a) **Housing properties** (continued)

Housing properties at cost comprises:	2002	2001
	£	£
Freeholds	75,087,851	71,319,962
Long leaseholds	13,160,030	11,307,434
	<hr/>	<hr/>
	88,247,881	82,627,396
	<hr/> <hr/>	<hr/> <hr/>

b) **Other tangible assets**

	Freehold office buildings £	Plant, machinery, fixtures and buildings £	Office equipment and computers £	Total £
Cost				
At 1 April 2001	1,918,861	1,351,332	627,312	3,897,505
Additions	1,808,899	159,090	126,643	2,094,632
Disposals	-	(118,442)	6,361	(112,081)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2002	3,727,760	1,391,980	760,316	5,880,056
	<hr/>	<hr/>	<hr/>	<hr/>
Grant				
At 1 April 2001 and at 31 March 2002	-	586,713	-	586,713
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 2001	78,562	560,450	445,889	1,084,901
Charge for year	24,602	61,359	105,088	191,049
On disposals	-	(18,252)	-	(18,252)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2002	103,164	603,557	550,977	1,257,698
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2002	3,624,596	201,710	209,339	4,035,645
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2001	1,840,299	204,169	181,423	2,225,891
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

GRANTA HOUSING SOCIETY LIMITED**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2002 (continued)****12 Stocks and work in progress**

	2002 £	2001 £
Work in progress	-	1,308

13 Debtors

	2002 £	2001 £
Gross arrears of rent and service charges	445,259	551,604
Less: provision for bad debts	(279,517)	(341,700)
Net arrears of rent and service charges	165,742	209,904
Social Housing Grant receivable	-	89,356
Other debtors and prepayments	743,035	497,699
Car loans to employees	11,625	6,267
	920,402	803,226

14 Current asset investments

	2002 £	2001 £
Short term bank deposits	764,097	3,173,750

15 Cash at bank and in hand

Included in cash at bank are balances totalling £91,005 (2001: £89,510) which are charged to The Housing Finance Corporation.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2002 (continued)

16 Creditors: amounts falling due within one year

	2002 £	2001 £
Social Housing Grant received in advance	1,464,245	-
Housing loans	74,069	3,055,907
Prepayment of rent and services	158,888	159,945
Loan interest accrued	287,384	246,562
Capital expenditure on housing properties	895,664	621,370
Maintenance expenditure	213,958	175,845
PAYE and national insurance	135,635	134,403
Recyclable capital grant fund	290,114	141,795
Other creditors and accruals	1,380,131	1,296,057
Dilapidation deposits from tenants	6,722	6,562
	<hr/>	<hr/>
	4,906,810	5,838,446
	<hr/> <hr/>	<hr/> <hr/>

17 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Housing loans	19,945,381	15,474,984
	<hr/> <hr/>	<hr/> <hr/>

a) Security

Housing loans from The Housing Corporation, local authorities, the Cambridge Building Society and the Abbey National Bank and two loans from The Housing Finance Corporation are secured by specific charges on the Society's housing properties. The other housing loans from The Housing Finance Corporation are secured by floating charge on the Society's assets not otherwise specifically secured. The floating charge will be resolved by fixed charges on specific schemes.

Housing loans are repayable in instalments due as follows:	2002 £	2001 £
Between one and two years	78,969	60,375
Between two and five years	4,972,485	211,754
In five years or more	14,893,927	15,202,855
	<hr/>	<hr/>
	19,945,381	15,474,984
	<hr/> <hr/>	<hr/> <hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2002 (continued)

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

b) **Analysis of loans**

	Facility	Interest rate	Repayment basis	Repayment date	Outstanding loans	
	£	%			2002 £	2001 £
Abbey National	1,300,000	LIBOR + 0.55	Dev pd. + Annuity	2029	-	-
Abbey National	3,000,000	LIBOR + 0.55	Dev pd. + Annuity	2029	3,000,000	3,000,000
Abbey National	2,700,000	LIBOR + 0.55	Dev pd. + Annuity	2029	2,700,000	2,700,000
Abbey National	2,500,000	LIBOR + 0.55	Dev pd. + Annuity	2029	2,500,000	2,500,000
Cambridge Building Society	1,751,953	Base +0	Annuity	2031	1,717,422	1,751,953
THFC	3,000,000	LIBOR + 0.50	Bullet	2001	-	3,000,000
THFC	1,500,000	8.67	Bullet	2023	1,500,000	1,500,000
THFC	1,751,734	RPI + 5.50	Annuity	2024	1,791,263	1,751,734
THFC	2,000,000	LIBOR + 0.35	5 yrs notice	N/A	1,500,000	-
THFC	5,000,000	LIBOR + 0.40	4 yrs	N/A	3,000,000	-
Housing Corporation	1,556,133	12.01	Annuity	2036	1,552,697	1,556,133
Bedford Borough Council	11,416	6.50	Annuity	2020	11,091	11,416
Huntingdon District Council	714,328	7.63	Annuity	2024	702,773	714,328
Breckland District Council	45,327	PWLB 'A'	Annuity	2027	44,203	45,327
					<hr/>	<hr/>
Total					20,019,449	18,530,891
					<hr/>	<hr/>
Falling due within one year					74,068	3,055,907
Falling due after one year					19,945,381	15,474,984
					<hr/>	<hr/>
					20,019,449	18,530,891
					<hr/>	<hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2002 (continued)

18	Provisions for liabilities and charges	Major repairs (lease holders) £	SHG repayable on future RTB sales £	Total £
	At 1 April 2001	208,819	13,647	222,466
	Transferred from income and expenditure account:			
	Increase in provision	12,097	-	12,097
	Transferred from sale proceeds	14,306	-	14,306
	Interest earned on balance	3,682	-	3,682
		238,904	13,647	252,551
	At 31 March 2002	238,904	13,647	252,551
19	Share capital – non-equity		2002 £	2001 £
	Shares of £1 each allocated, issued and fully paid			
	At 1 April 2001		45	56
	Cancelled in the year		(2)	(12)
	Issued during year		1	1
			44	45
	At 31 March 2002		44	45

The shares have limited rights. They carry no entitlement to a dividend. They are not repayable and do not carry rights to participate in a winding up. They carry an entitlement to vote at the Society's General Meetings. During the year eight shares were forfeited.

Each member of the board of management with the exception of co-opted members holds one share of £1 in the Society, although not every shareholder is a member of the board.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2002 (continued)

20 Re-investment Fund

	£
Brought forward at 1 April 2001	1,405,414
Release of reserve	(315,446)
Transferred from income and expenditure	186,705
	<hr/>
Carried forward at 31 March 2002	1,276,673
	<hr/>

An equivalent amount of reserve is released to match the major repairs expenditure on eligible grant funded schemes. Each year an amount is transferred from the income and expenditure account based upon a historical formula determined by the Housing Corporation.

21 Designated reserves

	Property £	Major repairs £	Furniture replacement £	Cyclical maintenance £	Voids £	Total £
At 1 April 2001	3,703,994	2,118,744	423,399	135,198	101,104	6,482,439
Transferred from income and expenditure account:	-	-	(15,621)	(146,487)	-	(162,108)
Increase/(release) in reserve	315,600	509,572	9,407	192,803	34,715	1,062,097
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2002	4,019,594	2,628,316	417,185	181,514	135,819	7,382,428
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The purpose of each reserve is explained in Note 1 Accounting Policies.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2002 (continued)

22 Income and expenditure account

	2002 £	2001 £
As at 1 April 2001	2,938,175	3,435,779
Surplus/(deficit) for the year after designations	332,762	(497,604)
	<hr/>	<hr/>
Balance carried forward at 31 March 2002	3,270,937	2,938,175
	<hr/> <hr/>	<hr/> <hr/>

23 Capital commitments

	2002 £	2001 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	9,331,172	13,378,649
	<hr/>	<hr/>
Capital expenditure that has been authorised by the board of management but has not yet been contracted for	6,502,841	8,503,469
	<hr/>	<hr/>
The Society expects to finance the expenditure above by:		
SHG receivable	5,118,333	8,462,974
Loans to be received with loan offers	8,000,000	10,000,000
Run down of cash balances	2,605,680	2,719,144
Sales proceeds	110,000	700,000
	<hr/>	<hr/>
	15,834,013	21,882,118
	<hr/> <hr/>	<hr/> <hr/>

24 Contingent liability

Over the last few months, there has been considerable discussion within the housing association sector over the manner in which rent increases for assured periodic tenancies have been notified to tenants, and over the intervals between such notifications. The legal position on these issues is unclear and is likely to remain so for many months. Consequently, it is not possible to estimate the financial implications, if any, at this stage.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2002 (continued)

25 Analysis of accommodation

	Units under management		Units in development	
	2002	2001	2002	2001
Housing accommodation for letting				
Self-contained:				
New build	897	806	222	335
Rehabilitated	325	295	-	12
Shared ownership	72	72	2	-
Shared housing (non supported)	62	72	-	-
Supported housing (number of bed spaces)	217	203	-	17
Homeless family (number of bed spaces)	24	22	-	-
Residential care homes (number of bed spaces)	252	259	-	-
Nursing homes (number of bed spaces)	35	35	-	-
Other				
Leasehold scheme for elderly	22	22	-	-
Private sheltered housing	16	16	-	-
	<u>1,922</u>	<u>1,802</u>	<u>224</u>	<u>364</u>

The Society owns property managed by other bodies as follows: (Excluded from above)

Name of body	Supported Housing Management Grant		Number of units	
	£	£	2002	2001
Christian Family Care	27,439	28,547	18	18
Parochial Church of St Martin	-	-	8	8
St Matthews	-	-	10	10
Cambridge Cyrenians	6,612	6,452	8	8
Lifespan Health Trust	-	-	10	10
Richmond Fellowship	-	-	6	6
	<u>34,051</u>	<u>34,999</u>	<u>60</u>	<u>60</u>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2002

26 **Legislative provisions**

The Society is incorporated under the Industrial and Provident Societies Act 1965. It is also registered as a Social Landlord with the Housing Corporation.

27 **Purchases payment period**

The average number of days between receipt and payment of purchase invoices in the year was 24 days (2001: 22 days).

28 **Pension obligations**

The Association participates in the Social Housing Pension Scheme (SHPS). SHPS is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The last formal valuation of the Scheme was performed at 30 September 1999 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the last valuation date was £595 million.

The Association paid contributions at the rate of 10.6% during the accounting period. Member contributions vary between 1.6% and 5.0% depending on their age at the date of joining the Scheme.

It is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. Due to the nature of the Scheme, the income and expenditure account charge for the period under both SSAP24 and FRS17 represents the employer contribution payable.

Financial assumptions

The financial assumptions underlying the valuation were as follows:

	% pa
- Rate of return on future contributions	6.6
- Rate of return on accumulated assets	5.4
- Rate of salary increases	4.5
- Rate of pension increases	2.5
- Rate of price inflation	2.5

The accumulated assets of the Scheme were assumed to earn the same return as if they had been invested in a portfolio comprising 100% UK equities for non-pensioner liabilities and 50% UK equities/50% index-linked gilts for pensioner liabilities.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2002

28 Pension obligations (continued)

The valuation revealed a shortfall of assets compared with the value of liabilities of some £19 million (equivalent to a past service funding level of 97%). The employer's ongoing future service contribution rate, after allowing for changes in benefits, was 9.3% of pensionable salaries.

In view of the past service shortfall most employers (including Granta Housing Society Limited) are required to contribute at the standard rate of 10.6% of pensionable salaries in order to bring the value of assets and liabilities into balance.

The next valuation will be as at 30 September 2002 and the results will be available after June 2003.

29 Granta Home Ownership Limited

Granta Home Ownership Limited was incorporated on 21 February 1989 with an issued share capital of £100, all being held by, or for the benefit of, Granta Housing Society Limited. The nature of the business is the construction and sale of residential property, but the company has not yet commenced trading. The Society has not prepared group financial statements on the grounds that Granta Home Ownership Limited is not material.

30 Longsdale Limited

Longsdale Limited was incorporated on 1 March 1989 as a company limited by guarantee. The nature of the business is to act as a landlord for the development at Drakes Court, Longstanton, and to ensure that communal facilities are maintained and communal services provided. Granta Housing Society Limited have shared ownership of eight of the fourteen flats and became the company's managing agents on 1 June 1993, and Longsdale Limited became a subsidiary of the Society later that year. The Society has not prepared group financial statements on the grounds that Longsdale Limited is not material.