

GRANTA HOUSING SOCIETY LIMITED

FINANCIAL STATEMENTS

for the year ended

31 MARCH 2003

GRANTA HOUSING SOCIETY LIMITED

FINANCIAL STATEMENTS for the year ended 31 MARCH 2003

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GRANTA HOUSING SOCIETY LIMITED

BOARD AND PROFESSIONAL ADVISORS

BOARD OF MANAGEMENT

A James (Chair)
R Cullum (Deputy Chair)
J Baird
M Earle (resigned December 2002)
S Jones
R Knight
C Patton
E Richardson
E Utsi

DIRECTORS

J R Connolly (Chief Executive)
P Prince
S Evans-Kerr
R Underwood (resigned January 2003)
K Ware
C Holland (appointed June 2003)

SECRETARY

J R Connolly

SOLICITORS

Manches & Co
Aldwych House
81 Aldwych
London WC2B 4RP

Sherrards & Co
45 Grosvenor Road
St Albans
Hertfordshire AL1 3AW

Winters Solicitors
114A High Street
Huntingdon
Cambs PE18 6NN

Taylor Vinters
Merlin Place
Milton Road
Cambridge CB4 4DP

BANKERS

HSBC plc
62 Hills Road
Cambridge CB2 1LA

AUDITORS

Nexia Audit Limited
No. 1 Riding House Street
London W1A 3AS

GRANTA HOUSING SOCIETY LIMITED

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 LIMITED

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 2003.

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 is exploring “intermediate market” housing needs (e.g. sub-market rental) and remains alert to the changing environment facing RSLs but otherwise has no current plans for diversifying into new areas of work.

OPERATING AND FINANCIAL REVIEW

Turnover increased 8.4% in the year, within which there was a 1.1% net increase in the number of homes in management. The turnover increase was boosted by the full-year effect of the 7% growth in units last year as well as the higher rentals due to an increasing proportion of self-contained accommodation in the total stock. Most of the new provision was family housing offset by a fall in the number of shared accommodation bed-spaces. This was as a result of Granta’s policy to convert the remaining flats in multiple occupation (cluster flats) into self-contained units as properties become vacant. Some of these units will be allocated as Supported Housing units following a review of Supported Housing during the year.

The review of Supported Housing resulted in several schemes, principally but not exclusively homes for people with Mental Health problems, being de-registered before the end of the year. The review also considered the operation of the Learning Disability schemes in Cambridgeshire and consequently a consultation process has commenced in 2003/4 with a view to re-providing homes in purpose-built and purpose-converted accommodation during 2004/5. The Society is expecting to make a deficit after transfers to reserves in 2003/4 but is anticipating reducing this deficit from 2004/5 onwards when positive surpluses before transfer to reserves

GRANTA HOUSING SOCIETY LIMITED

will be generated.

REPORT OF THE BOARD OF MANAGEMENT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

In particular the Society is planning to eliminate the deficits arising from the remaining Registered Care homes.

The Society made a surplus of £451,000 in 2002/3, (2.8% of turnover in the year). This included £226,000 of surplus from right-to-buy sales and the disposal of redundant stock. Without this additional input the surplus would have reduced to 1.4% of turnover. Operating costs increased by 6.8% in the year with a disproportionate increase in costs for General Needs housing caused mainly by an increase in the costs of routine and planned property maintenance. Falling interest rates had only a small effect as the Society has secured much of its borrowings on fixed interest rates and some on Index-linked rates.

Affordable land for social housing remains in short supply. However, the Society remains committed to sustaining a realistic, continuing development programme and anticipates bringing 266 more homes into management over the next two to 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 Stock Condition Survey during 2001/2 and is now implementing a costed major repairs programme.

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 Evergreen revolving credit loans, which can be drawn down and repaid on

GRANTA HOUSING SOCIETY LIMITED

set dates at the discretion of the Society. At the year-end, the Society had utilised £2.5 million of this facility.
REPORT OF THE BOARD OF MANAGEMENT (continued)

TREASURY MANAGEMENT POLICY (continued)

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.

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, cyclical 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, i.e. 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 invest 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.

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 in accordance with Government Policy. The new Government formula to achieve rent convergence for housing associations and local authorities 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 its affordability criteria.

GRANTA HOUSING SOCIETY LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

PERSONNEL MATTERS

The Society has Investor In People status and had in place throughout 2002/03 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

A NVQ Strategy is also in place.

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

- Joint Consultative Committee
- 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
- An annual staff conference has been introduced

Investors In People re-accreditation was again achieved in early 2003.

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 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.

GRANTA HOUSING SOCIETY LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

LONG-TERM MAINTENANCE AND REPAIR POLICY (continued)

- 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.
- Will achieve compliance with Decent Home Standards within the required time-table.
- Will achieve compliance with the 'Control of asbestos at work' Regulations prior to their implementation in May 2004.

STATEMENT ON THE SOCIETY'S SYSTEM OF INTERNAL CONTROL

The Board has overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to identify the many potential risks to which the Society is exposed, evaluate the scope and impact of these and ensure that effective monitoring and control systems are in place to reduce the impact on the organisation and provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Society's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Society is exposed and is consistent with Turnbull principles as incorporated in the Housing Corporation's circular R2-25/01: internal controls assurance.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the elements of the control framework includes:

- Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Society's activities. The Senior Management Team regularly considers and receives reports on significant risks facing the Society and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

- Monitoring and corrective action

A process of control, assessment and regular monitoring on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of our services.

GRANTA HOUSING SOCIETY LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

STATEMENT ON THE SOCIETY'S SYSTEM OF INTERNAL CONTROL (continued)

- Environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, and financial and compliance issues including treasury strategy and new business initiatives. The Board has adopted, and disseminated to all employees a Code of Conduct for Employees. This sets out the Society's values and policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

- Information and financial reporting systems

Financial reporting procedures include detailed budgets for the year ahead, detailed management accounts produced monthly and forecasts for the remainder of the financial year and for subsequent years. These are reviewed in detail by the Senior Management Team and are considered and approved by the Board. The Board and its Committees also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

- Internal Audit Assurance

The internal control framework and the risk management process are subject to regular review by Internal Audit who advise the Senior Management Team and report to the Audit Committee. The Audit Committee considers internal control and risk at its meetings during the year.

The Board conducts an annual review of the effectiveness of the risk management and control process.

The Board confirms that there is an ongoing process for identifying, and managing significant risks faced by the Society. This process has been in place throughout the year under review, up to the date of the annual report and accounts, and is regularly reviewed by the Board and its Committees.

Approved by the Board of Management on 24 September 2003 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.

Nexia Audit

— · Limited · —

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 2003 on pages 11 to 36. These accounts have been prepared under the historical cost convention. This report is made solely to the Society's members, as a body. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and its members as a body, for our audit work, for the report or for the opinions we have formed.

Respective responsibilities of the Board and auditors

As described on page 9 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 2003 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.

Nexia Audit Limited
Chartered Accountants
Registered Auditors

1 Riding House Street
London
W1A 3AS

GRANTA HOUSING SOCIETY LIMITED**INCOME AND EXPENDITURE ACCOUNT for the year ended 31 MARCH 2003**

	Notes	2003 £'000	2002 £'000
Turnover	2	15,825	14,602
Operating costs	2	(14,015)	(13,123)
		<hr/>	<hr/>
Operating surplus		1,810	1,479
Surplus on sale of properties not developed for outright sale	4	226	682
Other interest receivable and similar income	7	43	123
Interest payable and similar charges	8	(1,279)	(1,179)
		<hr/>	<hr/>
Surplus for the year	9	800	1,105
Transfer from restricted reserves	19	276	128
Transfer to designated reserves	20	(625)	(900)
		<hr/>	<hr/>
Surplus for the year after transfers to restricted and designated reserves	21	451	333
		<hr/> <hr/>	<hr/> <hr/>

All of the income and expenditure was derived from activities of a continuing nature. There are no recognised gains or losses other than the surplus for the year.

GRANTA HOUSING SOCIETY LIMITED

BALANCE SHEET as at 31 MARCH 2003

	Notes	2003 £'000	2002 £'000
Tangible fixed assets			
Housing properties at cost	11a	97,013	88,249
Less: Social Housing Grant	11a	(58,255)	(54,559)
Less: Other capital grant	11a	(2,437)	(2,437)
Less: Depreciation	11a	(5,253)	(4,320)
		<hr/>	<hr/>
Other fixed assets	11b	31,068 3,874	26,933 4,036
		<hr/>	<hr/>
Total fixed assets		34,942	30,969
		<hr/>	<hr/>
Current assets			
Debtors	12	955	848
Investments	13	270	764
Cash at bank and in hand	14	2,221	4,382
		<hr/>	<hr/>
Creditors: amounts falling due within one year	15	3,446 (3,563)	5,994 (4,908)
		<hr/>	<hr/>
Net current (liabilities)/assets		(117)	1,086
		<hr/>	<hr/>
Total assets less current liabilities		34,825	32,055
		<hr/> <hr/>	<hr/> <hr/>
Creditors: amounts falling due after more than one year	16	21,812	19,873
Provisions for liabilities and charges	17	283	252
		<hr/>	<hr/>
Capital & reserves			
Share Capital	18	-	-
Restricted reserves	19	1,001	1,277
Designated reserves	20	8,007	7,382
Income and expenditure account	21	3,722	3,271
		<hr/>	<hr/>
		34,825	32,055
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the board of management on 24 September 2003 and were signed on its behalf by:

GRANTA HOUSING SOCIETY LIMITED

CASH FLOW STATEMENT for the year ended 31 MARCH 2003

	Note	2003 £'000	2002 £'000
Net cash inflow from operating activities	A	2,889	2,757
Returns on investments and servicing of finance			
Interest received		43	123
Interest paid on housing loans		(1,332)	(1,250)
Net cash outflow from returns on investments and servicing of finance		(1,289)	(1,127)
Capital expenditure			
Payments to acquire other tangible fixed assets		(137)	(1,983)
Payments for the acquisition and construction of housing properties		(8,870)	(5,566)
Capital grants received		2,505	4,164
Disposal proceeds from housing properties		431	903
Social Housing Grant recyclable on sale of housing properties		(116)	(34)
Net cash outflow from capital expenditure		(6,187)	(2,516)
Net cash outflow before management of liquid resources and financing	B	(4,587)	(886)
Management of liquid resources			
Decrease in cash not available at 24 hour call		494	2,410
Financing			
Housing loans received		1,982	4,470
Housing loans repaid		(50)	(2,982)
Net cash inflow from financing		1,932	1,488
(Decrease)/increase in cash in the year		(2,161)	3,012

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE CASH FLOW STATEMENT for the year ended 31 MARCH 2003

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

	2003 £'000	2002 £'000
Operating surplus	1,810	1,479
Surplus on disposal of other fixed assets	-	(94)
Amortisation of grant	-	(1)
Depreciation charge	1,231	1,426
Decrease in work in progress	-	1
Increase in debtors	(99)	(207)
(Decrease)/increase in creditors	(84)	123
Increase in provisions	31	30
	<hr/>	<hr/>
Net cash inflow from operating activities	2,889	2,757
	<hr/> <hr/>	<hr/> <hr/>

B Analysis of net debt

	At 1 April 2002 £'000	Cash flow £'000	At 31 March 2003 £'000
Cash	4,382	(2,161)	2,221
Current asset investments	764	(494)	270
Debt due within one year	(74)	(1)	(75)
Debt due after one year	(19,946)	(1,931)	(21,877)
	<hr/>	<hr/>	<hr/>
	(14,874)	(4,587)	(19,461)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE CASH FLOW STATEMENT for the year ended 31 MARCH 2003 (continued)

C Reconciliation of net cash flow to movement in net debt

	2003 £'000	2002 £'000
(Decrease)/increase in cash	(2,161)	3,012
Cash released from liquid resources	(494)	(2,410)
Housing loans received	(1,982)	(4,470)
Housing loans repaid	50	2,982
	<hr/>	<hr/>
Change in net debt resulting in the period	(4,587)	(886)
Net debt at start of year	(14,874)	(13,988)
	<hr/>	<hr/>
Net debt at end of year	(19,461)	(14,874)
	<hr/> <hr/>	<hr/> <hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2003

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 updated in 2002, 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
Leasehold properties	over the period of the lease
Freehold office buildings	between 35 and 65 years
Furniture and equipment	10% to 33.3% on cost
Motor vehicles	33.3% on cost or over period of lease

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 2003 (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.

Disposal Proceeds Fund

The Society is required to credit a Disposal Proceeds Fund with the net proceeds of Right to Acquire. Net proceeds comprise the sales proceeds and grant towards the discount, less permitted deductions. The purpose of the fund is to provide replacement properties for rent, at no greater cost than properties provided through the approved development programme. If unused within a three year period it may be repayable to The Housing Corporation with interest. The development programme of the company is such that the Disposal Proceeds Fund is likely to be used before it becomes repayable. Any unused proceeds held within the Disposal Proceeds Fund are disclosed in the balance sheet under 'creditors due within one year'.

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 Society 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%.

Finance and issue costs

Finance and issue costs in respect of long term borrowing are carried forward in the balance sheet as a deduction from housing loans and written off to the Income and Expenditure Account over the remaining term of the loans.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2003 (continued)

This is a change in presentation of issue costs from previous years. There is no impact on the income and expenditure account of the current or prior year of this change in presentation.

1 Accounting policies (continued)

Major repairs provision

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.

Designated reserves

The Society has transferred an amount from revenue reserves to designated reserves for a number of reasons:

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.

Major repairs reserves - the Society has transferred an amount from revenue reserves to designated reserves in recognition of the likely scale of the major repairs programme the Society has designated amounts to meet future major repairs costs.

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.

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.

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.

Community investment - the Society has transferred an amount from revenue reserves for establishing certain community development initiatives for tenants at some schemes.

Re-investment Fund

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

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2003 (continued)

reserves as described in note 19.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2003 (continued)

1 Accounting policies (continued)

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 2003 (continued)

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

	Turnover	Operating costs	2003 Surplus/(deficit)	Turnover	Operating costs	2002 Surplus/(deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings						
Housing accommodation	4,109	3,019	1,090	3,909	2,536	1,373
Supported housing	3,087	2,232	855	2,254	1,844	410
Shared ownership accommodation	78	23	55	81	22	59
Leasehold scheme for the elderly	42	41	1	34	34	-
Registered care homes	6,785	6,850	(65)	6,686	6,841	(155)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total from social housing lettings	14,101	12,165	1,936	12,964	11,277	1,687
Other social housing activities						
Laundry facilities	11	17	(6)	11	15	(4)
Training initiative	-	46	(46)	-	24	(24)
Stock condition survey	-	-	-	-	104	(104)
Abortive development costs	-	-	-	-	6	(6)
Development costs charged to revenue	59	101	(42)	84	115	(31)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total from other social housing activities	70	164	(94)	95	264	(169)
Non-social housing activities						
Registered nursing homes	1,593	1,628	(35)	1,491	1,533	(42)
Other home ownership – service charges	58	58	-	49	49	-
Miscellaneous rents	3	-	3	3	-	3
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total from non-social housing activities	1,654	1,686	(32)	1,543	1,582	(39)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	15,825	14,015	1,810	14,602	13,123	1,479
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2003 (continued)

3 Particulars of income and expenditure from social housing lettings

	General needs housing £'000	Shared ownership housing £'000	Leasehold scheme for the elderly £'000	Supported housing £'000	Registered care homes £'000	2003 Total £'000	2002 Total £'000
Income							
Rents receivable net of identifiable service charges	3,937	59	-	542	798	5,336	5,027
Service charges	231	19	42	1,809	2,062	4,163	3,720
Gross rents receivable	4,168	78	42	2,351	2,860	9,499	8,747
Voids	(59)	-	-	(65)	(157)	(281)	(271)
Net rents receivable	4,109	78	42	2,286	2,703	9,218	8,476
Revenue grants from the Housing Corporation	-	-	-	274	275	549	502
Grants from local authorities and other agencies	-	-	-	527	3,807	4,334	3,933
Revenue grants received for major repairs	-	-	-	-	-	-	53
Total income from social housing lettings	4,109	78	42	3,087	6,785	14,101	12,964
Expenditure							
Management	515	8	-	539	1,790	2,852	2,523
Services	267	15	41	1,396	4,650	6,369	6,145
Routine maintenance	1,036	-	-	107	143	1,286	989
Planned maintenance	214	-	-	30	68	312	144
Major repairs expenditure	482	-	-	19	27	528	644
Losses from bad debts	55	-	-	37	25	117	179
Property leasing and rental costs	-	-	-	52	60	112	122
Depreciation of housing properties	341	-	-	32	5	378	383
Council tax	11	-	-	4	12	27	40
Private finance	40	-	-	-	-	40	29
Tenant welfare	26	-	-	15	70	111	78
Other	32	-	-	1	-	33	1
Total expenditure on social housing lettings	3,019	23	41	2,232	6,850	12,165	11,277
Operating surplus on social housing lettings	1,090	55	1	855	(65)	1,936	1,687

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2003 (continued)

4 Surplus on sale of properties not developed for outright sale

	2003 £'000	2002 £'000
Proceeds of sales	459	917
Cost of sales	(182)	(235)
Transfer to disposal proceeds fund	(51)	-
	<hr/>	<hr/>
	226	682
	<hr/> <hr/>	<hr/> <hr/>

5 Remuneration of officers and senior executives

No member of the Board of Management received any remuneration in the year (2002: £nil).

The emoluments in respect of the five members (2002: five) of the Senior Executive Team were as follows:

	2003 £'000	2002 £'000
Emoluments including pension contributions and benefits in kind	275	305
	<hr/> <hr/>	<hr/> <hr/>
	£'000	£'000
Remuneration of the highest paid senior executive excluding pension contributions	82	79
	<hr/> <hr/>	<hr/> <hr/>
	£'000	£'000
Total expenses reimbursed in so far as not chargeable to United Kingdom income tax was	1	1
	<hr/> <hr/>	<hr/> <hr/>

The chief executive is a member of the Society's pension scheme, on standard terms.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2003 (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:

	2003 Number	2002 Number
Office staff	41	41
Wardens and caretakers	5	5
Project care staff	364	351
Maintenance staff	5	4
	<hr/>	<hr/>
	415	401
	<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:

	2003 Number	2002 Number
Office staff	45	41
Wardens and caretakers	13	11
Project care staff	400	387
Maintenance staff	6	4
	<hr/>	<hr/>
	464	443
	<hr/>	<hr/>

The aggregate payroll cost of these persons was as follows:

	2003 £'000	2002 £'000
Wages and salaries	6,750	6,271
Social security costs	478	450
Other pension costs	260	251
	<hr/>	<hr/>
	7,488	6,972
	<hr/>	<hr/>

7 Interest receivable and similar income

	2003 £'000	2002 £'000
Bank interest receivable	43	123
	<hr/>	<hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2003 (continued)

8 Interest payable and similar charges	2003 £'000	2002 £'000
Bank loans	1,280	1,233
Other loans	57	58
	<hr/>	<hr/>
	1,337	1,291
Less: interest capitalised	(58)	(112)
	<hr/>	<hr/>
	1,279	1,179
	<hr/>	<hr/>
9 Surplus for the year	2003 £'000	2002 £'000
Surplus for the year is stated after charging:		
Auditors' remuneration - audit services (including VAT)	27	27
- other services (including VAT)	-	2
Depreciation:		
- housing properties and nursing homes	380	383
- other owned tangible fixed assets	298	191
Operating lease charges	90	52
	<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 2003 (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	Completed	Completed		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Cost										
At 1 April 2002	131	66,019	2,889	952	3	9,835	6,529	1,891	88,249	
Additions to housing properties	-	85	8,092	-	192	47	-	-	8,416	
Additions to major repairs	-	482	-	-	-	19	27	25	553	
Disposals	-	(141)	-	(64)	-	-	-	-	(205)	
Transfer on completion	-	3,518	(3,518)	-	-	-	-	-	-	
Transfer on de-registration	-	-	-	-	-	1,551	(1,551)	-	-	
At 31 March 2003	131	69,963	7,463	888	195	11,452	5,005	1,916	97,013	
Social Housing Grants										
At 1 April 2002	94	38,332	2,889	446	3	7,471	5,324	-	54,559	
Receivable during the year	-	-	3,773	-	39	-	-	-	3,812	
Recycled on disposals	-	(88)	-	(28)	-	-	-	-	(116)	
Transfer on completion	-	1,494	(1,494)	-	-	-	-	-	-	
Transfer on de-registration	-	-	-	-	-	1,207	(1,207)	-	-	
At 31 March 2003	94	39,738	5,168	418	42	8,678	4,117	-	58,255	
Other capital grants										
At 1 April 2002	37	-	-	-	-	14	736	1,650	2,437	
Transfer on de-registration	-	-	-	-	-	221	(221)	-	-	
At 31 March 2003	37	-	-	-	-	235	515	1,650	2,437	

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2003 (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 £'000	Completed £'000	Under construction £'000	Completed £'000	Under construction £'000	Completed £'000	Completed £'000	Completed £'000	£'000
Depreciation									
At 1 April 2002	-	3,386	-	4	-	392	469	69	4,320
Transfer on de-registration	-	-	-	-	-	128	(128)	-	-
Charge for year on housing properties	-	341	-	-	-	32	5	2	380
Charge for year on major repairs	-	482	-	-	-	19	27	25	553
At 31 March 2003	-	4,209	-	4	-	571	373	96	5,253
Net book value									
At 31 March 2003	-	26,016	2,295	466	153	1,968	-	170	31,068
At 31 March 2002	-	24,301	-	502	-	1,958	-	172	26,933

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 £149,000 (2002: £142,000). The interest capitalised during the period was £58,000 (2002: £112,000).

Total SHG of £50,000 (2002: £137,000) 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 2003 (continued)

11 **Tangible fixed assets** (continued)

a) **Housing properties** (continued)

Housing properties at cost comprises:	2003	2002
	£'000	£'000
Freeholds	80,702	75,089
Long leaseholds	16,311	13,160
	<hr/>	<hr/>
	97,013	88,249
	<hr/>	<hr/>

b) **Other tangible assets**

	Freehold office buildings £'000	Plant, machinery, fixtures and buildings £'000	Office equipment and computers £'000	Total £'000
Cost				
At 1 April 2002	3,728	1,392	761	5,881
Additions	(56)	67	126	137
Disposals	-	(44)	(1)	(45)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	3,672	1,415	886	5,973
	<hr/>	<hr/>	<hr/>	<hr/>
Grant				
At 1 April 2002 and at 31 March 2003	-	587	-	587
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 2002	103	604	551	1,258
Charge for year	78	107	113	298
On disposals	-	(44)	(1)	(45)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	181	667	663	1,511
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2003	3,491	161	222	3,874
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2002	3,625	201	210	4,036
	<hr/>	<hr/>	<hr/>	<hr/>

The credit to additions to freehold office buildings represents recovery of VAT on historic costs incurred.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2003 (continued)

12 Debtors

	2003 £'000	2002 £'000
Gross arrears of rent and service charges	600	445
Less: provision for bad debts	(224)	(280)
	<hr/>	<hr/>
Net arrears of rent and service charges	376	166
Other debtors and prepayments	574	670
Car loans to employees	5	12
	<hr/>	<hr/>
	955	848
	<hr/> <hr/>	<hr/> <hr/>

13 Current asset investments

	2003 £'000	2002 £'000
Short term bank deposits	270	764
	<hr/>	<hr/>

14 Cash at bank and in hand

Included in cash at bank are balances totalling £92,000 (2002: £91,000) which are charged to The Housing Finance Corporation.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2003 (continued)

15 Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Social Housing Grant received in advance	-	1,465
Housing loans	75	74
Prepayment of rent and services	181	159
Loan interest accrued	235	288
Capital expenditure on housing properties	995	896
Maintenance expenditure	247	214
PAYE and national insurance	142	136
Disposal proceeds fund	51	-
Recyclable capital grant fund	397	290
Other creditors and accruals	1,236	1,379
Dilapidation deposits from tenants	4	7
	<hr/>	<hr/>
	3,563	4,908
	<hr/>	<hr/>

16 Creditors: amounts falling due after more than one year

	2003 £'000	2002 £'000
Housing loans	21,812	19,873
	<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:	2003 £'000	2002 £'000
Between one and two years	81	79
Between two and five years	1,019	4,973
In five years or more	20,777	14,894
	<hr/>	<hr/>
	21,877	19,946
Unamortised loan arrangement fees	(65)	(73)
	<hr/>	<hr/>
	21,812	19,873
	<hr/>	<hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2003 (continued)

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

b) Analysis of loans

	Facility	Interest rate	Repayment basis	Repayment date	Outstanding loans	
	£'000	%			2003 £'000	2002 £'000
Abbey National	3,000	LIBOR + 0.55	Dev pd. + Annuity	2029	3,000	3,000
Abbey National	2,700	LIBOR + 0.55	Dev pd. + Annuity	2029	2,700	2,700
Abbey National	2,500	LIBOR + 0.55	Dev pd. + Annuity	2029	2,500	2,500
Cambridge Building Society	1,752	Base + 0	Annuity	2031	1,685	1,717
THFC	1,500	8.67	Bullet	2023	1,500	1,500
THFC	1,774	RPI + 5.50	Annuity	2024	1,774	1,791
THFC	2,500	LIBOR + 0.35	5 yrs notice	2007	2,500	1,500
THFC	5,000	LIBOR + 0.40	4 yrs	N/A	-	3,000
THFC	4,000	5.90	Annuity	2028	4,000	-
Housing Corporation	1,556	12.01	Annuity	2036	1,549	1,553
Bedford Borough Council	11	6.50	Annuity	2020	11	11
Huntingdon District Council	714	7.63	Annuity	2024	690	703
Breckland District Council	45	PWLB 'A'	Annuity	2027	43	44
					<hr/>	<hr/>
Total					21,952	20,019
					<hr/>	<hr/>
Falling due within one year					75	74
Falling due after one year					21,877	19,945
					<hr/>	<hr/>
Unamortised loan arrangement fees					21,952 (65)	20,019 (73)
					<hr/>	<hr/>
					21,887	19,946
					<hr/> <hr/>	<hr/> <hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2003 (continued)

17 Provisions for liabilities and charges	Major repairs (lease holders) £'000	SHG repayable on future RTB sales £'000	HAPM £'000	Total £'000
At 1 April 2002	239	13	-	252
Transferred to income and expenditure account	(29)	-	-	(29)
Increase in provision	12	-	29	41
Transferred from sale proceeds	10	-	-	10
Interest earned on balance	9	-	-	9
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	241	13	29	283
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
18 Share capital – non-equity			2003 £	2002 £
Shares of £1 each allocated, issued and fully paid				
At 1 April 2002			44	45
Cancelled in the year			(3)	(2)
Issued during year			-	1
			<hr/>	<hr/>
At 31 March 2003			41	44
			<hr/> <hr/>	<hr/> <hr/>

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 2003 (continued)

19 Re-investment Fund

	£'000
Brought forward at 1 April 2002	1,277
Release of reserve	(445)
Transferred from income and expenditure	169
	<hr/>
Carried forward at 31 March 2003	1,001
	<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.

20 Designated reserves

	Property	Major repairs	Furniture replacement	Cyclical maintenance	Voids	Community investment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2002	4,019	2,628	417	182	136	-	7,382
Transferred from income and expenditure account:							
Increase/(release) in reserve	(89)	647	9	(49)	34	73	625
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	3,930	3,275	426	133	170	73	8,007
	<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 2003 (continued)

21 Income and expenditure account

	2003 £'000	2002 £'000
As at 1 April 2002	3,271	2,938
Surplus for the year after designations	451	333
	<hr/>	<hr/>
Balance carried forward at 31 March 2003	3,722	3,271
	<hr/> <hr/>	<hr/> <hr/>

22 Capital commitments

	2003 £'000	2002 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	8,735	9,331
	<hr/>	<hr/>
Capital expenditure that has been authorised by the board of management but has not yet been contracted for	8,541	6,503
	<hr/> <hr/>	<hr/> <hr/>
The Society expects to finance the expenditure above by:		
SHG receivable	7,050	5,118
Loans to be received with loan offers	8,500	8,000
Run down of cash balances	335	2,606
Sales proceeds	1,391	110
	<hr/>	<hr/>
	17,276	15,834
	<hr/> <hr/>	<hr/> <hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2003 (continued)

23 Operating leases

At 31 March 2003 Granta Housing Society Limited was committed to making the following payments during the next year in respect of operating leases:

	Land & buildings 2003 £'000	Vehicles 2003 £'000	Total 2003 £'000	Total 2002 £'000
Leases which expire:				
Within one year	16	-	16	-
Between two and five years	54	-	54	83
In five years or more	-	6	6	-
	<hr/>	<hr/>	<hr/>	<hr/>
	70	6	76	83
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

24 Analysis of accommodation

	Units under management		Units in development	
	2003	2002	2003	2002
Housing accommodation for letting				
Self-contained:				
New build	954	897	207	222
Rehabilitated	323	325	-	-
Shared ownership	73	72	27	2
Shared housing (non supported)	28	62	-	-
Supported housing (number of bed spaces)	290	217	32	-
Homeless family (number of bed spaces)	24	24	-	-
Residential care homes (number of bed spaces)	178	252	-	-
Nursing homes (number of bed spaces)	35	35	-	-
Other				
Leasehold scheme for elderly	22	22	-	-
Private sheltered housing	16	16	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,943	1,922	266	224
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2003 (continued)

24 Analysis of accommodation (continued)

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

Name of body	Supported Housing Management Grant		Number of units	
	2003 £'000	2002 £'000	2003	2002
Christian Family Care	23	27	18	18
Parochial Church of St Martin	-	-	8	8
St Matthews	-	-	10	10
Cambridge Cyrenians	7	7	8	8
Lifespan Health Trust	-	-	9	10
Richmond Fellowship	-	-	6	6
	<hr/>	<hr/>	<hr/>	<hr/>
	30	34	59	60
	<hr/>	<hr/>	<hr/>	<hr/>

25 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.

26 Purchases payment period

The average number of days between receipt and payment of purchase invoices in the year was 27 days (2002: 24 days).

27 Pension obligations

The Society 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 Society 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 profit and loss account charge for the period under both SSAP24 and FRS17 represents the employer contribution payable.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2003 (continued)

27 Pension obligations (continued)

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.

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 is at 30 September 2002 and the full results are expected to be available after July 2003. Initial indications are that the deficit has deteriorated, with an increase in the asset shortfall to approximately £117 million (85% of past service funding level required). Contributions as a percentage of pensionable salaries are likely to increase by 2.2%.

28 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.

29 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.