

GRANTA HOUSING SOCIETY LIMITED

FINANCIAL STATEMENTS

for the year ended

31 MARCH 2004

GRANTA HOUSING SOCIETY LIMITED

FINANCIAL STATEMENTS for the year ended 31 MARCH 2004

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GRANTA HOUSING SOCIETY LIMITED

BOARD AND PROFESSIONAL ADVISORS

BOARD OF MANAGEMENT

A James (Chair)
R Cullum (Deputy Chair)
J Baird
S Jones
R Knight
C Patton
E Richardson (resigned April 2004)
E Utsi

DIRECTORS

J R Connolly (Chief Executive)
P Prince
S Evans-Kerr
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

Maclay Murray Spens
10 Foster Lane
London EC2V 6HR

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 2004.

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 in housing need.

OBJECTIVES

The Society aims to:

- Deliver high quality, value for money, housing management, care and support 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 both for rent and for sale to help meet priority social housing or community care and support 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.

OPERATING AND FINANCIAL REVIEW

Turnover increased 7.8% in the year, within which there was a 4.9% net increase in the number of homes in management. 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 were refurbished and allocated as Supported Housing units to provide residents moving from a large group home with a greater degree of independent living. The group home concerned is now being redeveloped to provide more appropriate self-contained accommodation for residents with learning difficulties currently occupying properties that the Society rents. These changes were as a result of a comprehensive review of Supported Housing, both registered and unregistered homes, carried out in 2002/3 and the consequent ongoing consultation with residents, advocates and stakeholders.

The review of Supported Housing resulted in several schemes, principally but not exclusively homes for people with Mental Health problems, being de-registered during 2002/3. 2003/4 was the first full year of operation as being unregistered for these homes and explains the switch of turnover and costs from registered accommodation to Supported Housing in comparison to 2002/3. The Society is planning to progressively eliminate the deficits arising from the remaining Registered Care homes and following consultation two more Care Homes should be de-registered during 2004/5.

GRANTA HOUSING SOCIETY LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

The Society made a net surplus in 2003/4 of £515,000 after transfers to reserves, (3.0% of turnover in the year). This included £80,000 of surplus from right-to-buy and shared ownership sales of further tranches. Without these sales the surplus would have reduced to 2.5 % of turnover. Operating costs increased by 3.8% in the year with an increase in costs for Supported housing offset by a fall in costs for General Needs housing despite an increase in numbers. This was principally due to a reduction in major repairs expenditure on General Needs properties. However the need for such expenditure has not diminished. The expenditure on major repairs in 2004/5 and 2005/6 is expected to rise accordingly. Interest payable charged to revenue increased by 9.0% in the year mostly due to the underlying increase in average debt but also partly due to the increase in variable interest rates for that part of the debt exposed to interest rate changes.

Affordable land for social housing remains in short supply and the Housing Corporation is progressively allocating more new development schemes to those associations with ‘ Preferred Partner’ status. The Society is not currently accorded ‘Preferred partner’ status. However, the Society remains committed to sustaining a realistic, continuing development programme, consistent with resources available to it and anticipates bringing 237 more homes into management over the next two to three years even in the current situation. The Society is also exploring potential partnerships with other Registered Social Landlords to establish the benefits such a relationship may bring.

The Society has not made any donations to political parties or 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 rent and sale to 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.

GRANTA HOUSING SOCIETY LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

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 set dates at the discretion of the Society. At the year-end, the Society had drawn down £3.0 million 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 continuously 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. In the year rent collection arrangements were improved by the introduction of the 'allpay' rent collection service. In addition to a wider range of rent paying- in places available to residents and a new direct debit facility, the provision of 'next day' electronic data has improved the efficiency of the administration and provided information more promptly aiding the control of rent arrears.

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.

GRANTA HOUSING SOCIETY LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

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 Government formula to achieve rent convergence for housing associations and local authorities within the next eight years means future rents will rise each year slightly above RPI rates, but the Board still believes resultant rents will meet its affordability criteria.

EMPLOYMENT AND EQUAL OPPORTUNITIES

The Society recognises the importance of the value of the commitment and contribution of all employees towards continued success. The Society has Investor In People status, reflecting a strong dedication towards employee involvement, and training and development. There are well established communication and consultation vehicles, including a joint consultation committee, regular workforce opinion surveys, team briefing cascades and an annual staff conference.

An appraisal system aligns individuals' goals with corporate priorities, and on-going programmes of training, NVQ support and management development are in place. An emphasis on promoting employee health, safety and well-being is translated into practice through management systems based upon a risk assessment process.

A steering group oversees the Society's work towards equality of opportunity and diversity. As part of this, the first stage of a race equality action plan based upon the National Housing Federation and Federation of Black Housing Organisations framework has been implemented and reviewed with targets to promote continuous improvements across all areas and services.

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 (National Property Solutions).
- 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.
- 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.

GRANTA HOUSING SOCIETY LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

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.

- 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.

GRANTA HOUSING SOCIETY LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

- 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 22 September 2004 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 2002, 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 2004 on pages 11 to 35. 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 2002, 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 2004 and of its income and expenditure for the year then ended, and have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2002, the Housing 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 2004**

	Notes	2004 £'000	2003 £'000
Turnover	2	17,061	15,825
Operating costs	2	(14,545)	(14,015)
		<hr/>	<hr/>
Operating surplus		2,516	1,810
Surplus on sale of properties not developed for outright sale	4	80	226
Other interest receivable and similar income	7	42	43
Interest payable and similar charges	8	(1,395)	(1,279)
		<hr/>	<hr/>
Surplus for the year	9	1,243	800
Transfer (to)/from restricted reserves	19	(82)	276
Transfer to designated reserves	20	(646)	(625)
		<hr/>	<hr/>
Surplus for the year after transfers to restricted and designated reserves	21	515	451
		<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 2004

	Notes	2004 £'000	2003 £'000
Tangible fixed assets			
Housing properties at cost	11a	103,737	97,013
Less: Social Housing Grant	11a	(62,309)	(58,255)
Less: Other capital grant	11a	(2,437)	(2,437)
Less: Depreciation	11a	(5,807)	(5,253)
		<hr/>	<hr/>
Other fixed assets	11b	33,184 3,793	31,068 3,874
		<hr/>	<hr/>
Total fixed assets		36,977	34,942
		<hr/>	<hr/>
Current assets			
Debtors	12	1,844	955
Investments	13	485	270
Cash at bank and in hand	14	1,474	2,221
		<hr/>	<hr/>
Creditors: amounts falling due within one year	15	3,803 (4,291)	3,446 (3,563)
		<hr/>	<hr/>
Net current liabilities		(488)	(117)
		<hr/>	<hr/>
Total assets less current liabilities		36,489	34,825
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	16	22,182	21,812
Provisions for liabilities and charges	17	334	283
		<hr/>	<hr/>
Capital & reserves			
Share Capital	18	-	-
Restricted reserves	19	1,083	1,001
Designated reserves	20	8,653	8,007
Income and expenditure account	21	4,237	3,722
		<hr/>	<hr/>
		36,489	34,825
		<hr/>	<hr/>

These financial statements were approved by the board of management on 22 September 2004 and were signed on its behalf by:

GRANTA HOUSING SOCIETY LIMITED

CASH FLOW STATEMENT for the year ended 31 MARCH 2004

	Note	2004 £'000	2003 £'000
Net cash inflow from operating activities	A	2,878	2,889
Returns on investments and servicing of finance			
Interest received		42	43
Interest paid on housing loans		(1,408)	(1,332)
Net cash outflow from returns on investments and servicing of finance		(1,366)	(1,289)
Capital expenditure			
Payments to acquire other tangible fixed assets		(194)	(137)
Payments for the acquisition and construction of housing properties		(7,473)	(8,870)
Capital grants received		4,942	2,505
Disposal proceeds from housing properties		240	431
Social Housing Grant recyclable on sale of housing properties		(29)	(116)
Net cash outflow from capital expenditure		(2,514)	(6,187)
Net cash outflow before management of liquid resources and financing	B	(1,002)	(4,587)
Management of liquid resources			
(Increase)/decrease in cash not available at 24 hour call		(215)	494
Financing			
Housing loans received		518	1,982
Housing loans repaid		(48)	(50)
Net cash inflow from financing		470	1,932
Decrease in cash in the year		(747)	(2,161)

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE CASH FLOW STATEMENT for the year ended 31 MARCH 2004

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

	2004	2003
	£'000	£'000
Operating surplus	2,516	1,810
Surplus on disposal of other fixed assets	6	-
Amortisation of grant	(1)	-
Depreciation charge	824	1,231
Increase in debtors	(889)	(99)
Increase/(decrease) in creditors	371	(84)
Increase in provisions	51	31
	<hr/>	<hr/>
Net cash inflow from operating activities	2,878	2,889
	<hr/>	<hr/>

B Analysis of net debt

	At 1 April	Cash flow	At 31 March
	2003	£'000	2004
	£'000	£'000	£'000
Cash	2,221	(747)	1,474
Current asset investments	270	215	485
Debt due within one year	(75)	(100)	(175)
Debt due after one year	(21,812)	(370)	(22,182)
	<hr/>	<hr/>	<hr/>
	(19,396)	(1,002)	(20,398)
	<hr/>	<hr/>	<hr/>

C Reconciliation of net cash flow to movement in net debt

	2004	2003
	£'000	£'000
Decrease in cash	(747)	(2,161)
Cash from/(to) liquid resources	215	(494)
Housing loans received	(518)	(1,982)
Housing loans repaid	48	50
	<hr/>	<hr/>
Change in net debt resulting in the period	(1,002)	(4,587)
Net debt at start of year	(19,396)	(14,809)
	<hr/>	<hr/>
Net debt at end of year	(20,398)	(19,396)
	<hr/>	<hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2004

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 2004 (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 2004 (continued)

1 Accounting policies (continued)

Major repairs provision

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.

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 reserves as described in note 19.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2004 (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 2004 (continued)

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

	Turnover £'000	Operating costs £'000	2004 Surplus/(deficit) £'000	Turnover £'000	Operating costs £'000	2003 Surplus/(deficit) £'000
Social housing lettings						
Housing accommodation	4,632	2,844	1,788	4,109	3,019	1,090
Supported housing	4,879	3,990	889	3,087	2,232	855
Shared ownership accommodation	86	26	60	78	23	55
Leasehold scheme for the elderly	45	44	1	42	41	1
Registered care homes	5,653	5,740	(87)	6,785	6,850	(65)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total from social housing lettings	15,295	12,644	2,651	14,101	12,165	1,936
Other social housing activities						
Laundry facilities	9	14	(5)	11	17	(6)
Training initiative	-	45	(45)	-	46	(46)
Abortive development costs	-	36	(36)	-	-	-
Development costs charged to revenue	84	125	(41)	59	101	(42)
Community Investment expenditure	-	16	(16)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total from other social housing activities	93	236	(143)	70	164	(94)
Non-social housing activities						
Registered nursing homes	1,618	1,613	5	1,593	1,628	(35)
Other home ownership – service charges	52	52	-	58	58	-
Miscellaneous rents	3	-	3	3	-	3
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total from non-social housing activities	1,673	1,665	8	1,654	1,686	(32)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	17,061	14,545	2,516	15,825	14,015	1,810
	<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 2004 (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	2004 Total £'000	2003 Total £'000
Income							
Rents receivable net of identifiable service charges	4,431	60	-	714	573	5,778	5,336
Supporting people income	26	-	-	1,660	-	1,686	-
Service charges	251	26	45	786	2,017	3,125	4,163
Gross rents receivable	4,708	86	45	3,160	2,590	10,589	9,499
Voids	(76)	-	-	(164)	(157)	(397)	(281)
Net rents receivable	4,632	86	45	2,996	2,433	10,192	9,218
Revenue grants from the Housing Corporation	-	-	-	-	-	-	549
Grants from local authorities and other agencies	-	-	-	648	3,039	3,687	4,334
Supporting people contract income	-	-	-	1,235	181	1,416	-
Total income from social housing lettings	4,632	86	45	4,879	5,653	15,295	14,101
Expenditure							
Management	523	7	-	857	1,400	2,787	2,852
Services	288	19	44	2,707	4,001	7,059	6,369
Routine maintenance	1,164	-	-	152	101	1,417	1,286
Planned maintenance	247	-	-	57	58	362	312
Major repairs expenditure	82	-	-	21	14	117	528
Losses from bad debts	80	-	-	64	25	169	117
Property leasing and rental costs	-	-	-	53	63	116	112
Depreciation of housing properties	386	-	-	48	9	443	378
Council tax	9	-	-	9	11	29	27
Private finance	49	-	-	-	-	49	40
Tenant welfare	10	-	-	22	58	90	111
Other	6	-	-	-	-	6	33
Total expenditure on social housing lettings	2,844	26	44	3,990	5,740	12,644	12,165
Operating surplus on social housing lettings	1,788	60	1	889	(87)	2,651	1,936

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2004 (continued)

4 Surplus on sale of properties not developed for outright sale

	2004 £'000	2003 £'000
Proceeds of sales	125	459
Cost of sales	(16)	(182)
Transfer to recycled capital grant fund/ disposal proceeds fund	(29)	(51)
	<hr/>	<hr/>
	80	226
	<hr/>	<hr/>

5 Remuneration of officers and senior executives

No member of the Board of Management received any remuneration in the year (2003: £Nil).

The emoluments in respect of the five members (2003: five) of the Senior Executive Team were as follows:

	2004 £'000	2003 £'000
Emoluments including pension contributions and benefits in kind	327	275
	<hr/>	<hr/>
	£'000	£'000
Remuneration of the highest paid senior executive excluding pension contributions	85	82
	<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 2004 (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:

	2004 Number	2003 Number
Office staff	43	41
Wardens and caretakers	6	5
Project care staff	376	364
Maintenance staff	5	5
	<hr/>	<hr/>
	430	415
	<hr/> <hr/>	<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:

	2004 Number	2003 Number
Office staff	46	45
Wardens and caretakers	10	13
Project care staff	408	400
Maintenance staff	5	6
	<hr/>	<hr/>
	469	464
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll cost of these persons was as follows:

	2004 £'000	2003 £'000
Wages and salaries	7,190	6,750
Social security costs	572	478
Other pension costs	283	260
	<hr/>	<hr/>
	8,045	7,488
	<hr/> <hr/>	<hr/> <hr/>

7 Interest receivable and similar income

	2004 £'000	2003 £'000
Bank interest receivable	42	43
	<hr/> <hr/>	<hr/> <hr/>

GRANTA HOUSING SOCIETY LIMITED**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2004 (continued)**

8	Interest payable and similar charges	2004	2003
		£'000	£'000
	Bank loans	1,408	1,280
	Other loans	55	57
		<hr/>	<hr/>
		1,463	1,337
	Less: interest capitalised	(68)	(58)
		<hr/>	<hr/>
		1,395	1,279
		<hr/> <hr/>	<hr/> <hr/>
9	Surplus for the year	2004	2003
		£'000	£'000
	Surplus for the year is stated after charging:		
	Auditors' remuneration - audit services (including VAT)	27	27
	- other services (including VAT)	-	-
	Depreciation:		
	- housing properties and nursing homes	441	380
	- other owned tangible fixed assets	270	298
	Operating lease charges	76	90
		<hr/> <hr/>	<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 2004 (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 £'000	Completed £'000	Under construction £'000	Completed £'000	Under construction £'000	Completed £'000	Under construction £'000	Completed £'000	Completed £'000	£'000	
Cost											
At 1 April 2003	131	69,963	7,463	888	195	11,452	-	5,005	1,916	97,013	
Additions to housing properties	-	18	6,031	-	92	-	630	-	-	6,771	
Additions to major repairs	-	88	-	-	-	16	-	9	-	113	
Disposals	-	(30)	-	(5)	(125)	-	-	-	-	(160)	
Transfer on completion	-	9,669	(9,669)	84	(84)	-	-	-	-	-	
Reclassification	-	37	-	-	-	(37)	-	-	-	-	
At 31 March 2004	131	79,745	3,825	967	78	11,431	630	5,014	1,916	103,737	
Social Housing Grants											
At 1 April 2003	94	39,738	5,168	418	42	8,678	-	4,117	-	58,255	
Receivable during the year	-	-	3,371	4	78	-	630	-	-	4,083	
Recycled on disposals	-	(24)	-	(5)	-	-	-	-	-	(29)	
Transfer on completion	-	4,714	(4,714)	42	(42)	-	-	-	-	-	
Reclassification	-	24	-	-	-	(24)	-	-	-	-	
At 31 March 2004	94	44,452	3,825	459	78	8,654	630	4,117	-	62,309	
Other capital grants											
At 1 April 2003 and 31 March 2004	37	-	-	-	-	235	-	515	1,650	2,437	

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2004 (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	Completed	Completed	Completed	Completed	£'000
	£'000	£'000	£'000	£'000	£'000	£'000	
Depreciation							
At 1 April 2003	-	4,209	-	4	-	373	5,253
Charge for year on housing properties	-	387	-	1	-	-	441
Charge for year on major repairs	-	88	-	-	-	9	113
At 31 March 2004	-	4,684	-	5	-	382	5,807
Net book value							
At 31 March 2004	-	30,609	-	503	-	-	33,184
At 31 March 2003	-	26,016	2,295	466	153	-	31,068

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 £133,000 (2003: £149,000). The interest capitalised during the period was £69,000 (2003: £58,000).

£84,000 SHG (2003: £50,000) 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 2004 (continued)

11 **Tangible fixed assets** (continued)

a) **Housing properties** (continued)

Housing properties at cost comprises:	2004	2003
	£'000	£'000
Freeholds	86,233	80,702
Long leaseholds	17,504	16,311
	<hr/>	<hr/>
	103,737	97,013
	<hr/>	<hr/>

b) **Other tangible assets**

	Freehold office buildings	Plant, machinery, fixtures and buildings	Office equipment and computers	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2003	3,672	1,415	886	5,973
Additions	38	89	77	204
Disposals	-	(46)	(4)	(50)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	3,710	1,458	959	6,127
	<hr/>	<hr/>	<hr/>	<hr/>
Grant				
At 1 April 2003	-	587	-	587
Additions	-	10	-	10
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	-	597	-	597
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 2003	181	667	663	1,511
Charge for year	79	93	98	270
On disposals	-	(41)	(3)	(44)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	260	719	758	1,737
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2004	3,450	142	201	3,793
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	3,491	161	222	3,874
	<hr/>	<hr/>	<hr/>	<hr/>

GRANTA HOUSING SOCIETY LIMITED**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2004 (continued)**

12 Debtors	2004	2003
	£'000	£'000
Gross arrears of rent and service charges	504	600
Less: provision for bad debts	(325)	(224)
	<hr/>	<hr/>
Net arrears of rent and service charges	179	376
Other debtors and prepayments	1,654	574
Car loans to employees	11	5
	<hr/>	<hr/>
	1,844	955
	<hr/>	<hr/>
 13 Current asset investments	 2004	 2003
	£'000	£'000
Short term bank deposits	485	270
	<hr/>	<hr/>

14 Cash at bank and in hand

Included in cash at bank are balances totalling £1,000 (2003: £92,000) which are charged to The Housing Finance Corporation.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2004 (continued)

15 Creditors: amounts falling due within one year

	2004	2003
	£'000	£'000
Social Housing Grant received in advance	962	-
Housing loans	175	75
Prepayment of rent and services	261	181
Loan interest accrued	222	235
Capital expenditure on housing properties	406	995
Maintenance expenditure	386	247
PAYE and national insurance	165	142
Disposal proceeds fund	51	51
Recyclable capital grant fund	294	397
Other creditors and accruals	1,367	1,236
Dilapidation deposits from tenants	2	4
	<hr/>	<hr/>
	4,291	3,563
	<hr/>	<hr/>

16 Creditors: amounts falling due after more than one year

	2004	2003
	£'000	£'000
Housing loans	22,182	21,812
	<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:	2004	2003
	£'000	£'000
Between one and two years	1,189	81
Between two and five years	2,807	1,019
In five years or more	18,243	20,777
	<hr/>	<hr/>
Unamortised loan arrangement fees	22,239	21,877
	(57)	(65)
	<hr/>	<hr/>
	22,182	21,812
	<hr/>	<hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2004 (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	%			2004 £'000	2003 £'000
Abbey	3,000	LIBOR + 0.55	Dev pd. + Annuity	2029	3,000	3,000
Abbey	2,700	LIBOR + 0.55	Dev pd. + Annuity	2029	2,700	2,700
Abbey	2,500	LIBOR + 0.55	Dev pd. + Annuity	2029	1,900	2,500
Abbey	600	LIBOR + 0.55	Dev pd. + Annuity	2029	600	-
Cambridge Building Society	1,656	Base + 0	Annuity	2031	1,656	1,685
THFC	1,500	8.67	Bullet	2023	1,500	1,500
THFC	1,785	RPI + 5.50	Annuity	2024	1,785	1,774
THFC	2,000	LIBOR + 0.35	5 yrs notice	2007	2,000	2,000
THFC	5,000	LIBOR + 0.40	Fixed term	2006	1,000	500
THFC	10,000	5.90	Annuity	2028	4,000	4,000
Royal Bank of Scotland	1,544	12.01	Annuity	2036	1,544	1,549
Bedford Borough Council	10	6.50	Annuity	2020	10	11
Huntingdon District Council	677	7.63	Annuity	2024	677	690
Breckland District Council	42	PWLB 'A'	Annuity	2027	42	43
					<hr/>	<hr/>
Total					22,414	21,952
					<hr/>	<hr/>
Falling due within one year					175	75
Falling due after one year					22,239	21,877
					<hr/>	<hr/>
Unamortised loan arrangement fees					22,414 (57)	21,952 (65)
					<hr/>	<hr/>
					22,357	21,887
					<hr/>	<hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2004 (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 2003	241	13	29	283
Transferred to income and expenditure account				
Increase in provision	12	-	-	12
Transferred from sale proceeds	29	-	-	29
Interest earned on balance	10	-	-	10
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	292	13	29	334
	<hr/>	<hr/>	<hr/>	<hr/>
18 Share capital – non-equity			2004	2003
			£	£
Shares of £1 each allocated, issued and fully paid				
At 1 April 2003			41	44
Cancelled in the year			(9)	(3)
			<hr/>	<hr/>
At 31 March 2004			32	41
			<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 2004 (continued)

19 Re-investment Fund

	£'000
Brought forward at 1 April 2003	1,001
Release of reserve	(75)
Transferred from income and expenditure	157
	<hr/>
Carried forward at 31 March 2004	1,083
	<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 £'000	Major repairs £'000	Furniture replacement £'000	Cyclical maintenance £'000	Voids £'000	Community investment £'000	Total £'000
At 1 April 2003	3,930	3,275	426	133	170	73	8,007
Transferred from income and expenditure account:							
Increase/(release) in reserve	(85)	669	8	35	35	(16)	646
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	3,845	3,944	434	168	205	57	8,653
	<hr/> <hr/>	<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 2004 (continued)

21 Income and expenditure account

	2004	2003
	£'000	£'000
As at 1 April 2003	3,722	3,271
Surplus for the year after designations	515	451
	<hr/>	<hr/>
Balance carried forward at 31 March 2004	4,237	3,722
	<hr/> <hr/>	<hr/> <hr/>

22 Capital commitments

	2004	2003
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	10,751	8,735
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure that has been authorised by the board of management but has not yet been contracted for	6,466	8,541
	<hr/>	<hr/>
The Society expects to finance the expenditure above by:		
SHG receivable	5,499	7,050
Loans to be received with loan offers	7,400	8,500
Run down of cash balances	85	335
Sales proceeds	4,233	1,391
	<hr/>	<hr/>
	17,217	17,276
	<hr/> <hr/>	<hr/> <hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2004 (continued)

23 Operating leases

At 31 March 2004 Granta Housing Society Limited was committed to making the following payments during the next year in respect of operating leases:

	Land & buildings 2004 £'000	Vehicles 2004 £'000	Total 2004 £'000	Total 2003 £'000
Leases which expire:				
Within one year	-	5	5	16
Between two and five years	6	53	59	54
In five years or more	-	-	-	6
	<hr/>	<hr/>	<hr/>	<hr/>
	6	58	64	76
	<hr/>	<hr/>	<hr/>	<hr/>

24 Analysis of accommodation

	Units under management 2004	2003	Units in development 2004	2003
Housing accommodation for letting				
Self-contained:				
New build	1,067	954	154	207
Rehabilitated	323	323	-	-
Shared ownership	73	73	51	27
Shared housing (non supported)	8	28	-	-
Supported housing (number of bed spaces)	293	290	32	32
Homeless family (number of bed spaces)	24	24	-	-
Residential care homes (number of bed spaces)	178	178	-	-
Nursing homes (number of bed spaces)	35	35	-	-
Other				
Leasehold scheme for elderly	22	22	-	-
Private sheltered housing	16	16	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,039	1,943	237	266
	<hr/>	<hr/>	<hr/>	<hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2004 (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	
	2004 £'000	2003 £'000	2004	2003
Christian Family Care	-	23	18	18
Parochial Church of St Martin	-	-	-	8
St Matthews	-	-	10	10
Cambridge Cyrenians	-	7	8	8
Lifespan Health Trust	-	-	9	9
Richmond Fellowship	-	-	8	6
	<hr/>	<hr/>	<hr/>	<hr/>
	-	30	53	59
	<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 25 days (2003: 27 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 2002 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 £650 million.

The Society paid contributions at the rate of 10.6% during the accounting period. Member contributions vary between 2.0% 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 2004 (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	7.2
- 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 25% UK equities/75% index-linked gilts for pensioner liabilities.

The valuation revealed a shortfall of assets compared with the value of liabilities of some £117 million (equivalent to a past service funding level of 85%). 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 11.7% of pensionable salaries in order to bring the value of assets and liabilities into balance.

The next valuation is at 30 September 2005 and the full results are expected to be available after July 2006.

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.