

GRANTA HOUSING SOCIETY LIMITED

FINANCIAL STATEMENTS

for the year ended

31 MARCH 2005

GRANTA HOUSING SOCIETY LIMITED

FINANCIAL STATEMENTS for the year ended 31 MARCH 2005

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GRANTA HOUSING SOCIETY LIMITED

BOARD AND PROFESSIONAL ADVISORS

BOARD OF MANAGEMENT

A James (Chair)
R Cullum (Deputy Chair)
J Baird
T Birkin (co-opted March 2005)
R Hewgill (appointed April 2005)
S Jones
R Knight (resigned March 2005)
C Patton
E Richardson (resigned April 2004)
E Utsi

DIRECTORS

J R Connolly (Chief Executive)
P Prince
S Evans-Kerr
K Ware
C Holland

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
25 Moorgate
London EC2R 6AY

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 2005.

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.

Metropolitan Housing Partnership

During 2003/04 the Board commenced a major strategic review of the Society, with a particular focus on the potential for opportunities, or restrictions, on its future development and growth. Changes in Housing Corporation funding preferences; the abolition of Local Authority S.H.G.; the location of Granta at the centre of a Communities Plan growth area and the Government "efficiency agenda", led the Board to conclude the Society would be best served in future by joining a larger RSL group.

After a thorough selection process and detailed negotiations with Metropolitan Housing Trust (MHT) shareholders unanimously agreed that Granta should become a subsidiary of MHT and join the Metropolitan Housing Partnership. The two organisations have sympathetic cultures and the Society's area of activity makes a good fit between MHT's operations in London and the Midlands. The partnership will enable Granta to make better use of its own assets to raise funds for investment; will help the Society to increase development activities four-fold within 5 years and achieve economies through that extra growth that otherwise would not have been available should Granta have retained full independence. The Society joined M.H.P. with effect from 1st April 2005.

GRANTA HOUSING SOCIETY LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

OPERATING AND FINANCIAL REVIEW

Turnover increased 5.7% in the year, within which there was a 3.2% net increase in the number of homes in management. Most of the new provision was family housing. Rental income was boosted in the year by the incidence of a 53rd rent week.

The continuing review of Supported Housing resulted in two more Care Homes being de-registered during 2004/5 and the opening of a new 8 flat Supported Living scheme for residents with learning disabilities in Cambridge. At the same time the Society handed back to the health authority a house which had served as a 4 bed registered care scheme.

The Society made a net surplus in 2004/5 of £141,000 after transfers to reserves, (0.8% of turnover in the year). This included £406,000 of surplus from property sales. Without these sales the surplus would have changed to a loss, representing 1.5 % of turnover. Operating costs increased by 10.7% in the year, inflated by the one-off costs of joining the MHP group with effect from 1/4/2005. The Operating costs on lettings rose by 8.4%. This was principally due to an increase in planned repairs and major repairs expenditure on General Needs properties. However the need for such levels of expenditure continues and expenditure on major repairs in 2005/6 is expected to rise further. Interest payable charged to revenue increased by 9.3% in the year mostly due to the underlying increase in average debt but also partly due to the increase in variable interest rates.

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. With support from the MHP group the Society plans a significant increase to its development programme in the coming years to help meet the Government's housing priorities in the East of England.

The Society has not made any donations to political parties or donations in excess of £200 to any charity.

There was a marked increase in net current liabilities due to both a fall in debtors and an increase in creditors. The 2003/4 debtors included claims for Social housing grant of circa £1 Million with no equivalent amount in 2004/5. There was an increase in net rent debtors of circa. £230,000. The disproportionate increase in rent debtors during the year is explained by the timing of the 53rd week rent charge with no equivalent rent charge falling at the same point in 2003/4. The increase in current liabilities is principally due to £1 million of loans drawn on a facility due to expire within 12 months. The net current liabilities position needs to be viewed in the context of £5 Million of undrawn revolving credit facilities available.

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.

GRANTA HOUSING SOCIETY LIMITED

REPORT OF THE BOARD OF MANAGEMENT (continued)

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 avoidance of onerous and risky loan covenants.

The Society has negotiated with the MHP group to draw loan funds from them to enable it to meet the anticipated expansion in the Development Programme.

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.

RESERVES STRATEGY

The principal aim of the Society's reserve strategy to date has been 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 Society has also recognized 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.

As a result of joining the MHP group the society anticipates bringing its reserves policy into line with other members of the group. Designated reserves will however be maintained for Supported housing schemes with significant levels of third party funding.

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 Government formula to achieve rent convergence for housing associations and local authorities before 2012 future rents will

GRANTA HOUSING SOCIETY LIMITED

rise each year slightly above RPI rates, but the Board still believes resultant rents will meet its affordability criteria.

REPORT OF THE BOARD OF MANAGEMENT (continued)

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.
- 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 Business 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 Business Management Team and are considered and approved quarterly 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 Business 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 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 2005 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, and the related notes 1 to 30. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Society's members, as a body, in accordance with the requirements of statute. 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 the Society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

As described in the Statement of Board's Responsibilities the Society's board is 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 Granta Housing Society Limited 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

25 Moorgate
London
EC2R 6AY

Date

GRANTA HOUSING SOCIETY LIMITED**INCOME AND EXPENDITURE ACCOUNT for the year ended 31 MARCH 2005**

	Notes	2005 £'000	2004 £'000
Turnover	2	18,027	17,061
Operating costs	2	(16,103)	(14,545)
		<hr/>	<hr/>
Operating surplus		1,924	2,516
Surplus on sale of properties not developed for outright sale	4	406	80
Other interest receivable and similar income	7	36	42
Interest payable and similar charges	8	(1,525)	(1,395)
		<hr/>	<hr/>
Surplus for the year	9	841	1,243
Transfer from/(to) restricted reserves	19	1,083	(82)
Transfer (to) designated reserves	20	(1,783)	(646)
		<hr/>	<hr/>
Surplus for the year after transfers to restricted and designated reserves	21	141	515
		<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 2005

	Notes	2005 £'000	2004 £'000
Tangible fixed assets			
Housing properties at cost	11a	110,901	103,737
Less: Social Housing Grant	11a	(64,489)	(62,309)
Less: Other capital grant	11a	(2,437)	(2,437)
Less: Depreciation	11a	(6,519)	(5,807)
		<hr/>	<hr/>
Other fixed assets	11b	37,453 3,770	33,184 3,793
		<hr/>	<hr/>
Total fixed assets		41,226	36,977
		<hr/>	<hr/>
Current assets			
Debtors	12	1,114	1,844
Investments	13	656	485
Cash at bank and in hand	14	1,248	1,474
		<hr/>	<hr/>
Creditors: amounts falling due within one year	15	3,018 (5,480)	3,803 (4,291)
		<hr/>	<hr/>
Net current liabilities		(2,462)	(488)
		<hr/>	<hr/>
Total assets less current liabilities		38,764	36,489
		<hr/> <hr/>	<hr/> <hr/>
Creditors: amounts falling due after more than one year	16	23,540	22,182
Provisions for liabilities and charges	17	410	334
		<hr/>	<hr/>
Capital & reserves			
Share capital	18	-	-
Restricted reserves	19	-	1,083
Designated reserves	20	10,436	8,653
Income and expenditure account	21	4,378	4,237
		<hr/>	<hr/>
		38,764	36,489
		<hr/> <hr/>	<hr/> <hr/>

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

GRANTA HOUSING SOCIETY LIMITED

CASH FLOW STATEMENT for the year ended 31 MARCH 2005

	Note	2005 £'000	2004 £'000
Net cash inflow from operating activities	A	4,392	2,878
Returns on investments and servicing of finance			
Interest received		36	42
Interest paid on housing loans		(1,520)	(1,408)
Net cash outflow from returns on investments and servicing of finance		(1,484)	(1,366)
Capital expenditure			
Payments to acquire other tangible fixed assets		(254)	(194)
Payments for the acquisition and construction of housing properties		(7,946)	(7,473)
Capital grants received		1,853	4,942
Disposal proceeds from housing properties		1,654	240
Social Housing Grant recyclable on sale of housing properties		(583)	(29)
Net cash outflow from capital expenditure		(5,276)	(2,514)
Net cash outflow before management of liquid resources and financing	B	(2,368)	(1,002)
Management of liquid resources			
Increase in cash not available at 24 hour call		(171)	(215)
Financing			
Housing loans received		2,403	518
Housing loans repaid		(89)	(48)
Net cash inflow from financing		2,314	470
Decrease in cash in the year		(226)	(747)

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE CASH FLOW STATEMENT for the year ended 31 MARCH 2005

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

	2005	2004
	£'000	£'000
Operating surplus	1,924	2,516
Surplus on disposal of other fixed assets	-	6
Amortisation of grant	(1)	(1)
Depreciation charge	989	824
Decrease/(increase) in debtors	730	(889)
Increase in creditors	617	371
Increase in provisions	76	51
	<hr/>	<hr/>
Net cash inflow from operating activities	4,392	2,878
	<hr/>	<hr/>

B Analysis of net debt

	At 31 March	Cash flow	At 31 March
	2004	£'000	2005
	£'000	£'000	£'000
Cash	1,474	(226)	1,248
Current asset investments	485	171	656
Debt due within one year	(175)	(1,013)	(1,187)
Debt due after one year	(22,182)	(1,358)	(23,540)
	<hr/>	<hr/>	<hr/>
	(20,398)	(2,426)	(22,823)
	<hr/>	<hr/>	<hr/>

C Reconciliation of net cash flow to movement in net debt

	2005	2004
	£'000	£'000
Decrease in cash	(226)	(747)
Cash to liquid resources	171	215
Housing loans received	(2,402)	(518)
Housing loans repaid	89	48
Write-off of loan arrangement fees	(57)	-
	<hr/>	<hr/>
Change in net debt resulting in the period	(2,425)	(1,002)
Net debt at start of year	(20,398)	(19,396)
	<hr/>	<hr/>
Net debt at end of year	(22,823)	(20,398)
	<hr/>	<hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2005

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 2005 (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.

As disclosed in note 30 to the accounts the loans have been refinanced post year end and as a result all previous arrangement fees were expensed to the Income and Expenditure Accounts during the year.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2005 (continued)

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. During the current year this requirement was abolished and this reserve has now been transferred to the Income and Expenditure Account.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2005 (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 2005 (continued)

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

	Turnover £'000	Operating costs £'000	2005 Surplus/(deficit) £'000	Turnover £'000	Operating costs £'000	2004 Surplus/(deficit) £'000
Social housing lettings						
Housing accommodation	5,072	3,301	1,771	4,632	2,844	1,788
Supported housing	4,970	4,232	738	4,879	3,990	889
Shared ownership accommodation	95	30	65	86	26	60
Leasehold scheme for the elderly	37	38	(1)	45	44	1
Registered care homes	5,934	6,104	(170)	5,653	5,740	(87)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total from social housing lettings	16,108	13,705	2,403	15,295	12,644	2,651
Other social housing activities						
Laundry facilities	10	15	(5)	9	14	(5)
Training initiative	-	58	(58)	-	45	(45)
Abortive development costs	-	-	-	-	36	(36)
Floating support	95	76	19	-	-	-
Development costs charged to revenue	54	266	(212)	84	125	(41)
Community Investment expenditure	-	11	(11)	-	16	(16)
Merger costs	-	223	(223)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total from other social housing activities	159	649	(490)	93	236	(143)
Non-social housing activities						
Registered nursing homes	1,682	1,676	6	1,618	1,613	5
Other home ownership – service charges	74	73	1	52	52	-
Miscellaneous rents	4	-	4	3	-	3
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total from non-social housing activities	1,760	1,749	11	1,673	1,665	8
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	18,027	16,103	1,924	17,061	14,545	2,516
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2005 (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	2005 Total £'000	2004 Total £'000
Income							
Rents receivable net of identifiable service charges	4,904	66	-	793	558	6,321	5,778
Supporting people income	27	-	-	1,710	-	1,737	1,686
Service charges	185	29	37	882	2,532	3,665	3,125
Gross rents receivable	5,116	95	37	3,385	3,090	11,723	10,589
Voids	(44)	-	-	(140)	(181)	(365)	(397)
Net rents receivable	5,072	95	37	3,245	2,909	11,358	10,192
Grants from local authorities and other agencies	-	-	-	629	2,849	3,478	3,687
Supporting people contract income	-	-	-	1,096	176	1,272	1,416
Total income from social housing lettings	5,045	95	37	4,970	5,934	16,108	15,295
Expenditure							
Management	588	7	-	877	1,527	2,999	2,787
Services	195	23	38	2,876	4,082	7,214	7,059
Routine maintenance	1,329	-	-	175	107	1,611	1,417
Planned maintenance	290	-	-	107	91	488	362
Major repairs expenditure	250	-	-	6	36	292	117
Losses from bad debts	91	-	-	60	118	269	169
Property leasing and rental costs	-	-	-	48	66	114	116
Depreciation of housing properties	411	-	-	44	-	455	443
Council tax	2	-	-	13	11	26	29
Private finance	131	-	-	-	-	131	49
Tenant welfare	11	-	-	25	67	103	90
Other	3	-	-	1	(1)	3	6
Total expenditure on social housing lettings	3,301	30	38	4,232	6,104	13,705	12,644
Operating surplus/(deficit) on social housing lettings	1,771	65	(1)	738	(170)	2,403	2,651

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2005 (continued)

4 Surplus on sale of properties not developed for outright sale

	2005 £'000	2004 £'000
Proceeds of sales	723	125
Cost of sales	(116)	(16)
Transfer to recycled capital grant fund/ disposal proceeds fund	(201)	(29)
	<hr/>	<hr/>
	406	80
	<hr/>	<hr/>

5 Remuneration of officers and senior executives

No member of the Board of Management received any remuneration in the year (2004: £Nil).

The emoluments in respect of the five members (2004: five) of the Senior Executive Team were as follows:

	2005 £'000	2004 £'000
Emoluments including pension contributions and benefits in kind	342	327
	<hr/>	<hr/>
	£'000	£'000
Remuneration of the highest paid senior executive excluding pension contributions	87	85
	<hr/>	<hr/>
	£'000	£'000
Total expenses reimbursed in so far as not chargeable to United Kingdom income tax was	2	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 2005 (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:

	2005 Number	2004 Number
Office staff	47	43
Wardens and caretakers	6	6
Project care staff	393	376
Maintenance staff	6	5
	<hr/>	<hr/>
	452	430
	<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:

	2005 Number	2004 Number
Office staff	49	46
Wardens and caretakers	8	10
Project care staff	498	408
Maintenance staff	4	5
	<hr/>	<hr/>
	559	469
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll cost of these persons was as follows:

	2005 £'000	2004 £'000
Wages and salaries	7,318	7,190
Social security costs	592	572
Other pension costs	340	283
	<hr/>	<hr/>
	8,250	8,045
	<hr/> <hr/>	<hr/> <hr/>

7 Interest receivable and similar income

	2005 £'000	2004 £'000
Bank interest receivable	36	42
	<hr/> <hr/>	<hr/> <hr/>

GRANTA HOUSING SOCIETY LIMITED**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2005 (continued)**

8	Interest payable and similar charges	2005	2004
		£'000	£'000
	Bank loans	1,488	1,408
	Other loans	55	55
		<hr/>	<hr/>
		1,543	1,463
	Less: interest capitalised	(18)	(68)
		<hr/>	<hr/>
		1,525	1,395
		<hr/> <hr/>	<hr/> <hr/>
9	Surplus for the year	2005	2004
		£'000	£'000
	Surplus for the year is stated after charging:		
	Auditors' remuneration - audit services (including VAT)	28	27
	- other services (including VAT)	-	-
	Depreciation:		
	- housing properties and nursing homes	455	441
	- other owned tangible fixed assets	277	270
	Operating lease charges	112	76
		<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 2005 (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 31 March 2004	131	79,745	3,825	967	78	11,431	630	5,014	1,916	103,737	
Additions to housing properties	-	9	3,129	53	1,489	3	3,439	-	-	8,122	
Additions to major repairs	-	273	-	-	-	-	-	17	-	290	
Disposals	(9)	(215)	-	(30)	(697)	(297)	-	-	-	(1,248)	
Transfer on completion	-	2,668	(2,668)	700	(700)	1,119	(1,119)	-	-	-	
Reclassification	-	(307)	-	-	-	521	-	(214)	-	-	
At 31 March 2005	122	82,173	4,286	1,690	170	12,777	2,950	4,817	1,916	110,901	
Social Housing Grants											
At 31 March 2004	94	44,522	3,825	459	78	8,654	630	4,117	-	62,309	
Receivable during the year	-	-	1,101	-	387	-	1,109	-	-	2,597	
Recycled on disposals	(9)	(131)	-	(12)	-	(265)	-	-	-	(417)	
Transfer on completion	-	1,542	(1,542)	295	(295)	508	(508)	-	-	-	
Reclassification	-	(174)	-	-	-	380	-	(206)	-	-	
At 31 March 2005	85	45,689	3,384	742	170	9,277	1,231	3,911	-	64,489	
Other capital grants											
At 31 March 2004 and 31 March 2005	37	-	-	-	-	235	-	515	1,650	2,437	

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2005 (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	Under construction £'000	Completed £'000	Completed £'000	£'000
Depreciation										
At 31 March 2004	-	4,684	-	5	-	633	-	382	103	5,807
Charge for year on housing properties	-	393	-	6	-	51	-	-	5	455
Charge for year on major repairs	-	273	-	-	-	-	-	17	-	290
Disposals	-	-	-	-	-	(33)	-	-	-	(33)
At 31 March 2005	-	5,350	-	11	-	651	-	399	108	6,519
Net book value										
At 31 March 2005	-	31,131	902	937	-	2,614	1,719	(8)	158	37,456
At 31 March 2004	-	30,609	-	503	-	1,909	-	-	163	33,184

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 £67,000 (2004: £133,000). The interest capitalised during the period was £18,000 (2004: £69,000).

Total SHG of £54,000 (2004: £84,000) 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 2005 (continued)

11 **Tangible fixed assets** (continued)

a) **Housing properties** (continued)

Housing properties at cost comprises:	2005	2004
	£'000	£'000
Freeholds	93,413	86,233
Long leaseholds	17,488	17,504
	<hr/>	<hr/>
	110,901	103,737
	<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 31 March 2004	3,710	1,458	959	6,127
Additions	41	124	89	254
Disposals	-	(62)	(1)	(63)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	3,751	1,520	1,047	6,318
	<hr/>	<hr/>	<hr/>	<hr/>
Grant				
At 31 March 2004	-	597	-	597
Additions	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	-	597	-	597
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 31 March 2004	260	719	758	1,737
Charge for year	78	103	96	277
On disposals	-	(62)	(1)	(63)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	338	760	853	1,951
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2005	3,413	163	194	3,770
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	3,450	142	201	3,793
	<hr/>	<hr/>	<hr/>	<hr/>

GRANTA HOUSING SOCIETY LIMITED**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2005 (continued)**

12 Debtors	2005	2004
	£'000	£'000
Gross arrears of rent and service charges	987	504
Less: provision for bad debts	(580)	(325)
	<hr/>	<hr/>
Net arrears of rent and service charges	407	179
SHG receivable	-	1,001
Other debtors and prepayments	694	653
Car loans to employees	13	11
	<hr/>	<hr/>
	1,114	1,844
	<hr/>	<hr/>
13 Current asset investments	2005	2004
	£'000	£'000
Short term bank deposits	656	485
	<hr/>	<hr/>

14 Cash at bank and in hand

Included in cash at bank are balances totalling £1,000 (2004: £1,000) which are charged to The Housing Finance Corporation.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2005 (continued)

15 Creditors: amounts falling due within one year

	2005	2004
	£'000	£'000
Social Housing Grant received in advance	218	962
Housing loans	1,187	175
Prepayment of rent and services	266	261
Loan interest accrued	247	222
Capital expenditure on housing properties	851	406
Maintenance expenditure	837	386
PAYE and national insurance	174	165
Disposal proceeds fund	179	51
Recyclable capital grant fund	-	294
Other creditors and accruals	1,519	1,367
Dilapidation deposits from tenants	2	2
	<hr/>	<hr/>
	5,480	4,291
	<hr/>	<hr/>

16 Creditors: amounts falling due after more than one year

	2005	2004
	£'000	£'000
Housing loans	23,540	22,182
	<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:	2005	2004
	£'000	£'000
Between one and two years	1,282	1,189
Between two and five years	1,076	2,807
In five years or more	21,182	18,243
	<hr/>	<hr/>
Unamortised loan arrangement fees	23,540	22,239
	-	(57)
	<hr/>	<hr/>
	23,540	22,182
	<hr/>	<hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2005 (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	%			2005 £'000	2004 £'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	1,900	LIBOR + 0.55	Dev pd. + Annuity	2029	1,900	1,900
Abbey	600	LIBOR + 0.55	Dev pd. + Annuity	2029	503	600
Abbey	6,300	LIBOR + 0.45	Dev pd. + Annuity	2035	3,500	-
Cambridge Building Society	1,638	Base + 0	Annuity	2031	1,638	1,656
THFC	1,500	8.67	Bullet	2023	1,500	1,500
THFC	1,784	RPI + 5.50	Annuity	2024	1,784	1,785
THFC	2,000	LIBOR + 0.35	5 yrs notice	2007	1,000	2,000
THFC	5,000	LIBOR + 0.40	Fixed term	2006	1,000	1,000
THFC	10,000	5.90	Annuity	2028	4,000	4,000
Royal Bank of Scotland	1,540	12.01	Annuity	2036	1,540	1,544
Bedford Borough Council	-	6.50	Annuity	2020	-	10
Huntingdon District Council	662	7.63	Annuity	2024	662	677
Breckland District Council	-	PWLB 'A'	Annuity	2027	-	42
					24,727	22,414
Total					24,727	22,414
Falling due within one year					1,187	175
Falling due after one year					23,540	22,239
					24,727	22,414
Unamortised loan arrangement fees					-	(57)
					24,727	22,357
					24,727	22,357

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2005 (continued)

17 Provisions for liabilities and charges	Major repairs (lease holders) £'000	SHG repayable on future RTB sales £'000	HAPM £'000	Total £'000
At 31 March 2004	292	13	29	334
Increase in provision	11	-	39	50
Transferred from sale proceeds	29	-	-	29
Interest earned on balance	(3)	-	-	(3)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	329	13	68	410
	<hr/>	<hr/>	<hr/>	<hr/>
18 Share capital – non-equity			2005	2004
			£	£
Shares of £1 each allocated, issued and fully paid				
At 1 April 2004			32	41
Cancelled in the year			-	(9)
			<hr/>	<hr/>
At 31 March 2005			32	32
			<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.

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 2005 (continued)

19 Re-investment Fund

	£'000
Brought forward at 31 March 2004	1,083
Release of reserve	(1,083)
	<hr/>
Carried forward at 31 March 2005	-
	<hr/>

20 Designated reserves

	Property £'000	Major repairs £'000	Furniture replacement £'000	Cyclical maintenance £'000	Voids £'000	Community investment £'000	Total £'000
At 31 March 2004	3,845	3,944	434	168	205	57	8,653
Transferred from income and expenditure account:							
Increase/(release) in reserve	(19)	1,823	(14)	4	-	(11)	1,783
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	3,826	5,767	420	172	205	46	10,436
	<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 2005 (continued)

21 Income and expenditure account

	2005	2004
	£'000	£'000
As at 1 April 2004	4,237	3,722
Surplus for the year after designations	141	515
	<hr/>	<hr/>
Balance carried forward at 31 March 2005	4,378	4,237
	<hr/> <hr/>	<hr/> <hr/>

22 Capital commitments

	2005	2004
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	4,921	10,751
	<hr/> <hr/>	<hr/> <hr/>
Capital expenditure that has been authorised by the board of management but has not yet been contracted for	54,393	6,466
	<hr/>	<hr/>
The Society expects to finance the expenditure above by:		
SHG receivable	10,362	5,499
Loans to be received with loan offers	24,382	7,400
Run down of cash balances	-	85
Sales proceeds	24,571	4,233
	<hr/>	<hr/>
	59,315	17,217
	<hr/> <hr/>	<hr/> <hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2005 (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 2005 £'000	Vehicles 2005 £'000	Total 2005 £'000	Total 2004 £'000
Leases which expire:				
Within one year	-	16	16	5
Between two and five years	6	69	75	59
In five years or more	-	24	24	-
	<hr/>	<hr/>	<hr/>	<hr/>
	6	109	115	64
	<hr/>	<hr/>	<hr/>	<hr/>

24 Analysis of accommodation

	Units under management		Units in development	
	2005	2004	2005	2004
Housing accommodation for letting				
Self-contained:				
New build	1,133	1,067	142	154
Rehabilitated	323	323	-	-
Shared ownership	83	73	31	51
Shared housing (non supported)	2	8	-	-
Supported housing (number of bed spaces)	310	293	24	32
Homeless family (number of bed spaces)	24	24	-	-
Residential care homes (number of bed spaces)	156	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/>
	2,104	2,039	197	237
	<hr/>	<hr/>	<hr/>	<hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2005 (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	
	2005 £'000	2004 £'000	2005	2004
Christian Family Care	-	-	18	18
St Matthews	-	-	10	10
Cambridge Cyrenians	-	-	8	8
Lifespan Health Trust	-	-	9	9
Richmond Fellowship	-	-	8	8
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	53	53
	<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 (2004: 25 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 11.7% during the accounting period. Member contributions vary between 4.1% and 6.11% 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 2005 (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.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2005 (continued)

30 Post balance sheet event

With effect from 1 April 2005, Granta Housing Society Limited became a subsidiary of Metropolitan Housing Trust ('MHT'). As a part of the merger MHT has made available to Granta Housing Society Limited a loan facility of £85 million. In addition to this, £14.5 million of existing loan facilities have been re-designated to MHT. Since the year end, of the various loans drawn as set out in note 16(b), £2.2 million has been retained, £11.6 million was re-designated to MHT, £10.9 million was repaid, £3.6 million out of cash and the remaining £7.3 million from the MHT facility.