

GRANTA HOUSING SOCIETY LIMITED

FINANCIAL STATEMENTS

for the year ended

31 MARCH 2006

GRANTA HOUSING SOCIETY LIMITED

FINANCIAL STATEMENTS for the year ended 31 MARCH 2006

CONTENTS

PAGE

Board and professional advisors	2 - 3
Board report	4 - 11
Statement of Board's responsibilities	12
Independent Auditors' report on the financial statements	13
Income and expenditure account	14
Balance sheet	15
Cash flow statement	16
Notes to the financial statements	17 - 38

GRANTA HOUSING SOCIETY LIMITED

BOARD AND PROFESSIONAL ADVISORS

BOARD OF MANAGEMENT

A James (Chair)
R Cullum (Deputy Chair)
J Baird
S Jones
R Knight (resigned 31/3/2005)
C Patton
E Utsi
T Birkin (appointed 1/4/2005)
R Hewgill (appointed 10/6/2005)

DIRECTORS

J R Connolly (Chief Executive)
P Prince
S Evans-Kerr
K Ware
C Holland (resigned 18/7/2005)
S Wallace (appointed 23/5/2005)
A Brese (appointed 6/2/2006)

SECRETARY

M Quinn

SOLICITORS

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

KPMG LLP
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT

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 and is a subsidiary of Metropolitan Housing Trust

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 its annual report and the audited financial statements for the year ended 31 March 2006.

OPERATING AND FINANCIAL REVIEW

PRINCIPLE ACTIVITY

The principle activity of the Society continues to be the provision of management and maintenance of affordable social housing, with or without additional care and support as necessary, for people in housing need.

On 1st April 2005 the Society became a subsidiary of the Metropolitan Housing Trust (MHT) and thus a member of the Metropolitan Housing Partnership (MHP). Including Granta stock MHP has over 26,000 homes in London, the Midlands and East Anglia. The primary purpose of Granta Housing Society in joining MHP was to increase the development potential and capacity of the Society, the better to respond to Government growth area priorities in the East of England Region.

The Society is regulated by the F.S.A. (as a charitable Industrial and Provident Friendly Society) and by the Housing Corporation, (as a Registered Social Landlord). The Audit Commission is contracted to carry out Inspections on behalf of the Housing Corporation. As a major provider of supported housing and care the Society is also inspected and regulated by the Commission for Social Care Inspection and by Supporting People teams.

OBJECTIVES AND STRATEGIES

Service performance and delivery – Members of MHP aim to be “3 Star” service providers in all areas by March 2008. Granta shares this aim and has sought to deliver excellent value for money, housing management, care and support services to residents and achieve ever increasing levels of customer satisfaction. The Society worked to:

- Improve performance to average where currently below average and first quartile where above average for all Housing Corporation Key PI's.
- Achieve 3 Star Audit Commission inspection- standard by March 2008.
- Continue programme to achieve average “B” standards in all Supporting People schemes and achieve average “3” scores in registered schemes.
- Continue policy and service review over a 4 year cycle; ensure policies and procedures are consistent with MHP and best practice, subject to locally agreed variations;
- Engage actively as a full and integral member of the Metropolitan Housing Partnership to make a positive contribution and gain most benefit within mutual Granta and Partnership objectives.

Stewardship – MHP is committed to providing good stewardship of all its resources. To contribute to this Granta worked to preserve and enhance the reputation of the Society; maintain and improve its housing stock; support and develop staff in accordance with best working practices and promote environmentally sustainable and socially responsible activities. The Society worked to:

- Continue implementation of strategies to further improve recruitment, retention and development of managers and staff.
- Promote staff “well being” benefits package to aid recruitment and retention.
- Complete an equal pay review exercise.
- Prepare for IIP re-accreditation in December 2005.
- Review I.T. training and support requirements for all posts.
- Re-launch and promote Management Development Programme.

GRANTA HOUSING SOCIETY LIMITED

- Continue NVQ training to meet needs of Care Standards Act.
- Improve compliance for pre and post training evaluation.
- Complete further roll-out of enhanced security systems for lone workers.
- Continue to achieve and improve upon high awareness and compliance with Health and Safety management.
- Continue to build upon good policy and practice arising from implementation of Equality and Diversity action plan.
- Achieve compliance with Decent- Homes standard during 2006/07.

Investment in meeting need and demand – Members of MHP will continue to provide more homes and services to those in need. To contribute to this Granta:

- Engaged positively with all stakeholders and promoted the Society's increased capacity and appetite for growth.
- Delivered 2004-2006 ADP Programme as agreed with Housing Corporation.
- Reviewed design brief and specification for S.106 site to improve energy and water saving measures.
- Promoted minimalisation of waste and resource use on development sites using partners with similar commitment to environmental sustainability strategies.
- Sought to develop more innovative energy efficient housing projects.
- Marketed and promoted existing expertise and developed new services to help meet priority housing, care and support needs within local communities.
- Explored other suitable non-development opportunities to grow the business, but always in accordance with the values and objectives of the Society.

User and resident involvement – MHP will develop its approach to the greater involvement of service users and residents. To contribute to this Granta:

- Made more use of tenant consumer panels for consultation and feedback.
- Developed Granta website to include use for tenant services.
- Improve engagement of tenants with the Society through the avenues available in the Resident Involvement Policy.
- Increased resident involvement and influence to ensure service delivery meets best practice principles of customer care.

Community investment - MHP will grow the level of investment it makes. To contribute to this Granta aimed to provided additional services and amenities that improve resident well-being and help create sustainable tenancies in safe, healthy and socially inclusive neighbourhoods Granta worked to:

- Engage with NHF "In Business" agenda and raise profile of community investment activities.
- Improve benefit advice to maximise resident income and reduce social exclusion and fuel poverty.
- Complete comprehensive review of strategies and policy enforcement in relation to all types of anti-social behaviour and complaints, (and compensation).
- Improve GHS engagement with statutory- partners non-housing agendas e.g. Local Strategic Partnerships and Health Improvement Plans.
- Prioritise support for sustainable community investment and development projects that meet the needs both of residents and the strategic priorities of statutory partners and other stakeholders.

GRANTA HOUSING SOCIETY LIMITED

Financial performance - MHP will invest in better services whilst also being financially prudent. To contribute to this Granta aimed to ensure continuing financial viability, efficient use of resources and effective management of risk. The Society worked to:

- Continue initiatives to reduce staff turnover/vacancies/sickness absence.
- Continue efforts to minimise recruitment timescales, especially in securing references and CRB checks.
- Continue downward pressure on agency use and cost with commensurate rise in use of Granta bank staff.
- Use procurement club to gain purchasing efficiencies
- Review management information reporting requirements and introduce software programmes as necessary.
- Improve systems of document retention/retrieval.
- Explore opportunities for shared training provision with other agencies, including within MHP.
- Review maintenance procedures manual and procurement processes.
- Ensure continuing budget viability for Supporting People Schemes.
- Explore with MHP opportunities to increase partnering arrangements and use modern methods of construction.
- Implement next stage of 5 year Clients Charter plan, to include site Environmental Management Strategy.
- Develop further systems of analysis, reporting and monitoring to enable informed planning to take place for production of Annual Efficiency Statement.

BUSINESS STRUCTURE AND OPERATING FACILITIES

The Society is a subsidiary of Metropolitan Housing Trust (MHT) and a member of the Metropolitan Housing Partnership (MHP). The Chief Executive Officer of Granta Housing Society reports to the Chair of the Granta Board and the Partnership Chief Executive. The Chair of the Granta Board sits on the MHP Board and another member of the MHP Board is appointed to sit on the Granta Board.

The Granta Business Management Team (BMT) consists of the Granta CEO supported by a Finance Director, (with responsibility for finance and IT), an HR Director, (personnel and learning), Housing Operations Director, (Maintenance and general needs housing), Care Services Director, (supported housing and registered care); and a Business Development Director. The vast majority of staff is employed on supported housing and care activities, based and working at projects all over East Anglia.

The Society has one main office at Horizon Park, Comberton, just outside Cambridge. This office is conveniently located for the management of Granta Operations throughout the East of England Region.

GRANTA HOUSING SOCIETY LIMITED

ANALYSIS OF HOUSING STOCK

Table of stock as at 31.03.06

31 st March 2006 Local Authority	General Needs Housing		Supported Housing & Care			Totals
	Affordable Rented, Owned by Granta	Long Leasehold & Low Cost Home Ownership	Managed & Owned by Granta	Managed by Granta on behalf of others	Owned by Granta but Managed by Agency	All Housing
Babergh			6	6		12
Basildon	1		20			21
Bedford	24				18	42
Braintree			4			4
Breckland	18					18
Cambridge	690	153	172	6	16	1037
East Cambs	48	15	8			71
East Herts	20	12	34	4		70
Fenland	59					59
Forest Heath	6	5				11
Harlow			8			8
Huntingdonshire	199		31	14		244
Kings Lynn & W. Norfolk	4					4
Maldon			6			6
North Herts	11			41		52
South Cambs	285	47	82	29	9	442
Southend			8			8
St Edmundsbury	62		17		2	81
Tendring			8			8
Uttlesford	55		8			63
TOTALS	1482	232	412	100	45	2271

The great majority of stock owned by Granta is purpose built and of recent construction.

ANALYSIS OF SUPPORTED HOUSING AND HOUSING WITH CARE/NURSING

Table of stock as at 31.03.06

	Total units/bedspaces owned	Total Units/bedspaces owned by another body and managed by Granta
Housing for older people	142	0
People with mental health problems	172	47
People with learning disabilities	99	47
People with physical or sensory disabilities	0	6
Teenage parents	2	0
Women at risk of domestic violence	18	0
Single homeless people with support needs	24	0
	457	100

Although only representing the minority of the stock, the Supported housing and Registered care/Nursing homes accounted for 70% of the Society's income in the year. 59% of the Income relating to the Supported housing and Registered homes was provided by way of Revenue support grant and Supporting people grants.

GRANTA HOUSING SOCIETY LIMITED

PERFORMANCE IN THE FINANCIAL YEAR ENDED 31ST MARCH 2006

- The surplus of £993,000 represented 5.2% of Turnover compared to 4.67% in the previous year. Registered care homes continue to trade at a loss due to continuing cost pressures. Where feasible and desirable the Society has re-shaped many of its services to remove the requirement for registration. This and other measures are being undertaken by Management who are seeking to progressively reduce these losses in future years.
- 2005/06 marked our first year as a member of the Metropolitan Housing Partnership. Following monitoring of progress by GHS and MHT against the pre-agreed Implementation Plan, the Housing Corporation pronounced its satisfaction that the developing relationship between parent and subsidiary was generally on plan and indeed ahead of target in many areas.
- The Society built nearly 80 new homes including affordable rented housing, low cost home ownership for sale to key workers and extra care supported housing for frail elderly people.
- Including re-lets the housing management team issued over 300 new tenancies during the year across all tenures, making a very significant contribution towards meeting local housing needs in the East of England region.
- Another 68 new homes started on site during the year, some of which have already been finished and occupied.
- 80% of tenants responding to our surveys last year were satisfied or very satisfied with the overall standards of service provided by Granta, which maintains the Society's position as an above average performer compared to other housing associations over the last five years.
- Regulatory inspection reports in our registered care schemes and supported housing projects continued to recognise the very high standards delivered by our staff. All supported housing projects reviewed during the year achieved above average scores, many with the maximum of six grade 'A's.
- With over 450 employees, recruitment and retention of staff is always an important issue for the Society. Happily staff turnover continued to fall, now at its lowest rate in seven years, and in December 2005 Granta was re-accredited with Investor in People status for the third time, now holding the award continuously since 1997.
- It was a busy but successful year for staff training. Over 45% of our care staff now has an NVQ and a further 20% are currently working towards an NVQ. Also 65% of project managers now have the Registered Managers Award and a further 20% are currently working towards that award.
- It has also been a busy year for the Finance team with turnover increasing 5% to £18.9m and the department overseeing considerable investment and improvements in I.T. systems of particular benefit to staff working in our care and support projects.
- Work continued with our programme of best value improvement plans and our first Annual Efficiency Statement was prepared for the Housing Corporation. A major achievement during the year was to reduce spending on agency staff in care and support schemes by over 20% compared to 2004/05 expenditure.
- It has been a difficult year for the maintenance team, with contractor performance a cause for concern in the second part of the year. But the team ended 2005/06 on a high, bringing all Granta stock up to the Decent Homes Standard some years before the 2010 Government deadline for housing associations.

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. From 1st April 2005 the society has engaged MHP risk management services to assist in this key area of internal control. An audit identified 22 key business- critical risks for the Society where probability was deemed likely or very likely and potential impact deemed serious or major. After taking account of systems and controls in place the combined effect of probability and impact was reduced to acceptable levels of risks to the society

GRANTA HOUSING SOCIETY LIMITED

REPORT ON MEMBERS ATTENDANCE

	Board of Management	Audit Committee	Resident Services Committee	Human Resources Committee
Adrian James	83.3%	100.0%	-	100.0%
Reg Cullum	83.3%	-	100.0%	100.0%
Joyce Baird	100.0%		100.0%	100.0%
Erica Utsi	100.0%	100.0%	-	-
Carol Patton	16.7%	-	-	0.0%
Steve Jones	100.0%	100.0%	100.0%	-
Toni Birkin	80.0%	-	100.0%	-
Richard Hewgill	100.0%	-	100.0%	-

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. The levels of growth in stock values anticipated in the Society's business plans will require levels of borrowing that would quickly exceed the upper limits of acceptable gearing ratios in conventional loan covenants. To address this issue Granta has reorganized its loan portfolio to remove any covenant that would impede Granta achieving its planned growth and arranged with M.H.T. the additional finance facilities required. This facility is for £85 million with £1.5 Million drawn down at the year end. It is expected that the facility will be increased in future years to meet the expected development programme.

As part of the Metropolitan Housing Partnership the Society complies with the group treasury management policies. 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. The group requirement is that the proportion of loans subject to variable costs of funds including variable and index-linked loans should be in the range of 20% to 50% of total borrowings.

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) loan facilities as part of the overall loan facility provided by M.H.T,

The Society's Investment Policy is only to invest in institutions approved by the Board to appropriate pre-set limits. The purpose of the Evergreen loan facility is to minimize the levels of cash held.

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 POLICY

The principal aim of the Society's reserve strategy is to give a more complete picture of actual and underlying expenditure. It is particularly important for housing with care and support schemes in receipt of revenue support funding, where 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.

GRANTA HOUSING SOCIETY LIMITED

The Society maintains a cyclic maintenance reserve on general needs housing in recognition of the varying expenditure that can occur from year to year. The Society, in line with other MHP group members no longer maintains a major repairs reserve against general needs stock or a property equity reserve which was calculated to reflect the amount of capital subsidy being put into the development programme from Granta's own resources. Accordingly these reserves have been released in the year and account for a total release of £8.7 Million from designated to free reserves.

STATEMENT ON THE SOCIETY'S SYSTEM OF INTERNAL CONTROL

The Board of Granta Housing Society is responsible for its system of internal controls and for reviewing its effectiveness.

The Housing Corporation's circular R2-25/01: Internal Controls Assurance requires Granta to review the effectiveness of its systems of internal control.

The systems of control are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not complete, assurance against material misstatement or loss, the reliability of financial and non financial information, the maintenance of proper accounting records.

The Board has established procedures necessary to implement the requirements of the Housing Corporation's circular relating to internal controls and has reviewed the effectiveness of the systems of internal control, (including financial, operational and compliance controls) and risk management.

These procedures establish the process by which the Board, on an ongoing basis, identifies, evaluates and manages the significant risks faced and carries out its annual review of the effectiveness of the internal controls. It is intended that these procedures will be kept under review each year and adjusted as appropriate. The Group Audit Committee's terms of reference include responsibility for overseeing internal controls, including operational and financial controls and risk management.

The key elements of Granta's system of internal control include:

- Adoption of the code of governance Competence and Accountability 2000;
- A formal scheme of delegation;
- A range of formal policies and procedures;
- Appropriate employee recruitment, retention and development processes;
- Financial plans incorporating forecasts and budgets;
- A process for monitoring and reporting the achievement of financial objectives mindful of key business risks;
- Regular review of significant new initiatives, commitments and investment projects.

Granta Housing Society as part of the MHT Partnership operates a comprehensive risk management system incorporating quantitative risk assessments and assignment of responsibility for risks and controls. Annually the Board receives a report on the level of risk within the Business Plan and approves the risk appetite and approach to managing the key risks. The Chief Executive and Managers are responsible for identifying risks and establishing controls to reduce the likelihood of their occurrence or their severity should they occur. Data on risk and controls is held in a risk management database and forms the basis for manager's certifications in the control risk self-assessment process.

A process of annual control risk self-assessment and hierarchical reporting provides for a documented and auditable trail of accountability for the Chief Executive, Managers, and the Chair of the Board. The certification is tailored to reflect the potential risks and the control environment of the business. These self-assessment tools provide for successive assurances at increasingly higher levels of management and, finally, to the Board.

GRANTA HOUSING SOCIETY LIMITED

The Audit Committee reviews reports received from management and from internal and external auditors; it makes regular reports to the Board on the extent to which internal controls continue to take account of the major risks facing the Society. A formal process exists for the reporting and correction of significant control weaknesses.

The Board has received an annual report from the Chief Executive, and has conducted its annual review of the effectiveness of the system of internal control. This system operated throughout the period up to the date of signing of the financial statements. Account has been taken of any changes needed to maintain the effectiveness of the risk management and control process. No weaknesses were found in internal controls sufficient to cause material misstatement or loss.

Approved by the Board of Management on and signed on its behalf by:

J. R. Connolly
Acting Secretary

GRANTA HOUSING SOCIETY LIMITED

STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITIES IN RESPECT OF THE BOARD OF MANAGEMENT'S REPORT AND THE FINANCIAL STATEMENTS

The Board of Management is responsible for preparing the Board of Management's Report and the financial statements in accordance with applicable law and regulations.

Industrial and Provident Society law requires the Board of Management to prepare financial statements for each financial year. Under those regulations the Board of Management has elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of the surplus or deficit for that period.

In preparing these financial statements, the Board of Management is required to:

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

The Board of Management is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Industrial & 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 association and to prevent and detect fraud and other irregularities.

The Board of Management is responsible for the maintenance and integrity of the corporate and financial information included on the association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GRANTA HOUSING SOCIETY LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF GRANTA HOUSING SOCIETY LIMITED.

We have audited the financial statements of Granta Housing society limited for the year ended 31st March 2006 which comprise the Income and Expenditure Account, the Statement of Total Recognised Surpluses and Deficits, the Balance Sheet and the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the association's members, as a body, in accordance with Schedule 1 paragraph 16 to the Housing Act 1996 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Management and auditors

As described on page 12, the association's Board of Management is responsible for the preparation of the Board of Management's report, and the preparation of financial statements in accordance with applicable United Kingdom law and UK accounting standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements 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 of Management's Report is not consistent with the financial statements, if the association has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent mis-statements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Management in the preparation of the financial statements, and of whether the accounting policies are appropriate to the association'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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the association as at 31/03/2006 and of its surplus 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.

KPMG LLP

Chartered Accountants
Registered Auditor

1 Forest Gate
Brighton Road, Crawley

GRANTA HOUSING SOCIETY LIMITED

14.06.2006

West Sussex, RH11 9PT

INCOME AND EXPENDITURE ACCOUNT for the year ended 31 MARCH 2006

	Notes	2006 £'000	2005 £'000
Turnover	2	18,937	18,027
Operating costs	2	(16,521)	(16,103)
		<hr/>	<hr/>
Operating surplus		2,416	1,924
Surplus on sale of properties not developed for outright sale	4	4	406
Other interest receivable and similar income	7	124	36
Interest payable and similar charges	8	(1,551)	(1,525)
		<hr/>	<hr/>
Surplus for the year	9	993	841

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 2006

	Notes	2006 £'000	2005 £'000
Tangible fixed assets			
Housing properties at cost	11a	115,015	110,901
Less: Social Housing Grant	11a	(66,201)	(64,489)
Less: Other capital grant	11a	(2,437)	(2,437)
Less: Depreciation	11a	(7,181)	(6,519)
		<hr/>	<hr/>
Other fixed assets	11b	39,196 3,750	37,453 3,770
		<hr/>	<hr/>
Total fixed assets		42,946	41,226
		<hr/>	<hr/>
Current assets			
Stocks		8	-
Debtors	12	1,411	1,114
Investments	13	491	656
Cash at bank and in hand	14	3,096	1,248
		<hr/>	<hr/>
Creditors: amounts falling due within one year	15	5,006 (6,669)	3,018 (5,480)
		<hr/>	<hr/>
Net current liabilities		(1,663)	(2,462)
		<hr/>	<hr/>
Total assets less current liabilities		41,283	38,764
		<hr/> <hr/>	<hr/> <hr/>
Creditors: amounts falling due after more than one year	16	25,017	23,540
Provisions for liabilities and charges	17	458	410
		<hr/>	<hr/>
Capital & reserves			
Share capital	18	-	-
Designated reserves	19	1,943	10,436
Income and expenditure account	20	13,865	4,378
		<hr/>	<hr/>
		41,283	38,764
		<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 2006

	Note	2006 £'000	2005 £'000
Net cash inflow from operating activities	A	5,988	4,392
Returns on investments and servicing of finance			
Interest received		124	36
Interest paid on housing loans		(1,720)	(1,520)
Net cash outflow from returns on investments and servicing of finance		(1,596)	(1,484)
Capital expenditure			
Payments to acquire other tangible fixed assets		(285)	(254)
Payments for the acquisition and construction of housing properties		(6,814)	(7,946)
Capital grants received		1,507	1,853
Disposal proceeds from housing properties		2,392	1,654
Social Housing Grant recyclable on sale of housing properties		(74)	(583)
Net cash outflow from capital expenditure		(3,274)	(5,276)
Net cash inflow/(outflow) before management of liquid resources and financing	B	1,119	(2,368)
Management of liquid resources			
Decrease/(Increase) in cash not available at 24 hour call		165	(171)
Financing			
Housing loans received		2,241	2,403
Housing loans repaid		(1,678)	(89)
Net cash inflow from financing		563	2,314
Increase/(Decrease) in cash in the year		1,847	(226)

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE CASH FLOW STATEMENT for the year ended 31 MARCH 2006

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

	2006	2005
	£'000	£'000
Operating surplus	2,416	1,924
Surplus on disposal of other fixed assets	1	-
Amortisation of grant	(1)	(1)
Depreciation charge	966	989
Decrease/(increase) in stocks and debtors	(294)	730
Increase in creditors	2,852	617
Increase in provisions	48	76
	<hr/>	<hr/>
Net cash inflow from operating activities	5,988	4,392
	<hr/>	<hr/>

B Analysis of net debt

	At 31 March	Cash flow	At 31 March
	2005	£'000	2006
	£'000	£'000	£'000
Cash	1,248	1,848	3,096
Current asset investments	656	(165)	491
Debt due within one year	(1,187)	913	(274)
Debt due after one year	(23,540)	(1,477)	(25,017)
	<hr/>	<hr/>	<hr/>
	(22,823)	1,119	(21,704)
	<hr/>	<hr/>	<hr/>

C Reconciliation of net cash flow to movement in net debt

	2006	2005
	£'000	£'000
Increase/(Decrease) in cash	1,847	(226)
Cash to liquid resources	(165)	171
Housing loans received	(2,241)	(2,402)
Housing loans repaid	1,678	89
Write-off of loan arrangement fees	-	(57)
	<hr/>	<hr/>
Change in net debt resulting in the period	1,119	(2,425)
Net debt at start of year	(22,823)	(20,398)
	<hr/>	<hr/>
Net debt at end of year	(21,704)	(22,823)
	<hr/>	<hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2006

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 2005, 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 120 years, rehab/existing satisfactory over 35 years
Non revenue generating improvements	100% in year of expenditure
Cost saving improvements	Over the life of the improvement
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 2006 (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.

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 and particularly in order to give a more complete picture of the ongoing costs for revenue grant funders in Supported Housing.

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.

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 2006 (continued)

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

	Turnover £'000	Operating costs £'000	2006 Surplus/(deficit) £'000	Turnover £'000	Operating costs £'000	2005 Surplus/(deficit) £'000
Social housing lettings						
Housing accommodation	5,259	3,251	2,008	5,072	3,301	1,771
Supported housing	5,953	5,228	725	4,970	4,232	738
Shared ownership accommodation	144	51	93	95	30	65
Leasehold scheme for the elderly	57	58	(1)	37	38	(1)
Registered care homes	5,637	5,760	(123)	5,934	6,104	(170)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total from social housing lettings	17,050	14,348	2,702	16,108	13,705	2,403
Other social housing activities						
Laundry facilities	9	13	(4)	10	15	(5)
Training initiative	-	66	(66)	-	58	(58)
Stock condition survey	-	1	(1)	-	-	-
Floating support	127	96	31	95	76	19
Development costs charged to revenue	32	251	(219)	54	489	(435)
Community Investment expenditure	-	16	(16)	-	11	(11)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total from other social housing activities	168	443	(275)	159	649	(490)
Non-social housing activities						
Registered nursing homes	1,661	1,675	(14)	1,682	1,676	6
Other home ownership – service charges	55	55	-	74	73	1
Miscellaneous rents	3	-	3	4	-	4
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total from non-social housing activities	1,719	1,730	(11)	1,760	1,749	11
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	18,937	16,521	2,416	18,027	16,103	1,924
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2006 (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	2006 Total £'000	2005 Total £'000
Income							
Rents receivable net of identifiable service charges	5,192	101	-	1,006	558	6,857	6,321
Supporting people income	-	-	-	1,675	-	1,675	1,737
Service charges	127	43	57	1,048	2,373	3,648	3,665
Gross rents receivable	5,319	144	57	3,729	2,931	12,180	11,723
Voids	(60)	-	-	(181)	(159)	(400)	(365)
Net rents receivable	5,259	144	57	3,548	2,772	11,780	11,358
Grants from local authorities and other agencies	-	-	-	1,308	2,703	4,011	3,478
Supporting people contract income	-	-	-	1,097	162	1,259	1,272
Total income from social housing lettings	5,259	144	57	5,953	5,637	17,050	16,108
Expenditure							
Management	604	5	-	1,108	1,213	2,930	2,999
Services	164	40	58	3,504	3,865	7,631	7,214
Routine maintenance	1,187	-	-	208	101	1,496	1,611
Planned maintenance	639	-	-	117	79	835	488
Major repairs expenditure	109	-	-	36	73	218	292
Losses from bad debts	109	-	-	87	33	229	269
Property leasing and rental costs	0	-	-	75	30	105	114
Depreciation of housing properties	395	-	-	54	-	449	455
Council tax	3	-	-	15	12	30	26
Private finance	31	-	-	-	-	31	131
Tenant welfare	5	-	-	18	65	88	103
Other	5	6	-	6	289	306	3
Total expenditure on social housing lettings	3,251	51	58	5,228	5,760	14,348	13,705
Operating surplus/(deficit) on social housing lettings	2,008	93	(1)	725	(123)	2,702	2,403

GRANTA HOUSING SOCIETY LIMITED**NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2006 (continued)****4 Surplus on sale of properties not developed for outright sale**

	2006	2005
	£'000	£'000
Proceeds of sales	81	723
Cost of sales	(52)	(116)
Transfer to recycled capital grant fund/ disposal proceeds fund	(25)	(201)
	<hr/>	<hr/>
	4	406
	<hr/> <hr/>	<hr/> <hr/>

5 Remuneration of officers and senior executives

No member of the Board of Management received any remuneration in the year (2005: £Nil).

The emoluments in respect of the six members (2005: five) of the Senior Executive Team were as follows:

	2006	2005
	£'000	£'000
Emoluments including pension contributions and benefits in kind	354	342
	<hr/> <hr/>	<hr/> <hr/>
	£'000	£'000
Remuneration of the highest paid senior executive excluding pension contributions	89	87
	<hr/> <hr/>	<hr/> <hr/>
	£'000	£'000
Total expenses reimbursed in so far as not chargeable to United Kingdom income tax was	1	2
	<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 2006 (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:

	2006 Number	2005 Number
Office staff	50	47
Wardens and caretakers	6	6
Project care staff	408	393
Maintenance staff	8	6
	<hr/>	<hr/>
	472	452
	<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:

	2006 Number	2005 Number
Office staff	53	49
Wardens and caretakers	6	8
Project care staff	547	498
Maintenance staff	5	4
	<hr/>	<hr/>
	612	559
	<hr/>	<hr/>

The aggregate payroll cost of these persons was as follows:

	2006 £'000	2005 £'000
Wages and salaries	7,939	7,318
Social security costs	645	592
Other pension costs	336	340
	<hr/>	<hr/>
	8,920	8,250
	<hr/>	<hr/>

7 Interest receivable and similar income

	2006 £'000	2005 £'000
Bank interest receivable	124	36
	<hr/>	<hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2006 (continued)

8	Interest payable and similar charges	2006 £'000	2005 £'000
	Bank loans	1,438	1,303
	Other loans	235	240
		1,673	1,543
	Less: interest capitalised	(122)	(18)
		1,551	1,525
 9	 Surplus for the year	 2006 £'000	 2005 £'000
	Surplus for the year is stated after charging:		
	Auditors' remuneration - audit services (including VAT)	29	28
	- other services (including VAT)	-	-
	Depreciation:		
	- housing properties and nursing homes	454	455
	- other owned tangible fixed assets	314	277
	Operating lease charges	104	112
		1,551	1,525
 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 2006 (continued)

11 Tangible fixed assets

a) Housing properties

	SHG funded furniture & equipment	General needs housing		Shared ownership		Supported housing		Registered care homes	Registered nursing homes	Total
	Completed	Completed	Under construction	Completed	Under construction	Completed	Under construction	Completed	Completed	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost										
At 31 March 2005	122	82,173	4,286	1,690	170	12,777	2,950	4,817	1,916	110,901
Additions to housing properties	-	89	2,473	2,166	749	19	739	-	-	6,235
Additions to major repairs	-	165	-	-	-	36	-	66	-	267
Disposals	-	(50)	-	(2,338)	-	-	-	-	-	(2,388)
Transfer on completion	-	5,023	(5,023)	710	(710)	2,564	(2,564)	-	-	-
Reclassification	-	-	-	-	1,121	-	(1,121)	-	-	-
At 31 March 2006	122	87,400	1,736	2,228	1,330	15,396	4	4,883	1,916	115,015
Social Housing Grants										
At 31 March 2005	85	45,689	3,384	742	170	9,277	1,231	3,911	-	64,489
Receivable during the year	-	107	1,004	-	229	26	371	-	-	1,737
Recycled on disposals	-	(25)	-	-	-	-	-	-	-	(25)
Transfer on completion	-	2,576	(2,576)	224	(224)	1,602	(1,602)	-	-	-
Reclassification	-	9	-	-	-	(9)	-	-	-	-
At 31 March 2006	85	48,356	1,812	966	175	10,896	-	3,911	-	66,201
Other capital grants										
At 31 March 2005 and 31 March 2006	37	-	-	-	-	235	-	515	1,650	2,437

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2006 (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	Completed			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000			
			Under construction	Under construction	Under construction					
Depreciation										
At 31 March 2005	-	5,346	-	11	-	653	-	401	108	6,519
Charge for year on housing properties	-	388	-	7	-	54	-	-	4	453
Charge for year on major repairs	-	106	-	-	-	36	-	67	-	209
Disposals	-	-	-	-	-	-	-	-	-	-
At 31 March 2006	-	5,840	-	18	-	743	-	468	112	7,181
Net book value										
At 31 March 2006	-	33,204	(76)	1,244	1,155	3,522	4	(11)	154	39,196
At 31 March 2005	-	31,131	902	937	-	2,614	1,719	(8)	158	37,456

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 £73,000 (2005: £67,000). The interest capitalised during the period was £122,000 (2005: £18,000).

Total SHG of £32,000 (2005: £54,000) 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 2006 (continued)

11 **Tangible fixed assets** (continued)

a) **Housing properties** (continued)

Housing properties at cost comprises:	2006	2005
	£'000	£'000
Freeholds	97,443	93,413
Long leaseholds	17,572	17,488
	<hr/>	<hr/>
	115,015	110,901
	<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 2005	3,750	1,522	1,046	6,318
Additions	-	91	196	287
Disposals	-	(25)	(251)	(258)
At 31 March 2006	<hr/> 3,750	<hr/> 1,588	<hr/> 991	<hr/> 6,329
Grant				
At 31 March 2005	-	597	-	597
Additions	-	2	-	2
At 31 March 2006	<hr/> -	<hr/> 599	<hr/> -	<hr/> 599
Depreciation				
At 31 March 2005	338	760	853	1,951
Charge for year	79	93	131	303
On disposals	-	(25)	(249)	(274)
At 31 March 2006	<hr/> 417	<hr/> 828	<hr/> 735	<hr/> 1,980
Net book value				
At 31 March 2006	<hr/> 3,333	<hr/> 161	<hr/> 256	<hr/> 3,750
At 31 March 2005	<hr/> 3,413	<hr/> 163	<hr/> 194	<hr/> 3,770

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2006 (continued)

12 Debtors	2006	2005
	£'000	£'000
Gross arrears of rent and service charges	697	987
Less: provision for bad debts	(400)	(580)
Net arrears of rent and service charges	<u>297</u>	<u>407</u>
Other debtors and prepayments	1,102	694
Car loans to employees	<u>12</u>	<u>13</u>
	<u>1,411</u>	<u>1,114</u>

13 Current asset investments	2006	2005
	£'000	£'000
Short term bank deposits	<u>491</u>	<u>656</u>

14 Cash at bank and in hand

Included in cash at bank are balances totalling £1,000 (2005: £1,000) which are charged to The Housing Finance Corporation.

15 Creditors: amounts falling due within one year

	2006	2005
	£'000	£'000
Social Housing Grant received in advance	-	218
Housing loans	274	1,187
Prepayment of rent and services	2,751	266
Loan interest accrued	199	247
Capital expenditure on housing properties	416	851
Maintenance expenditure	1,142	837
PAYE and national insurance	194	174
Disposal proceeds fund	130	179
Recyclable capital grant fund	-	-
Other creditors and accruals	1,561	1,519
Dilapidation deposits from tenants	2	2
	<u>6,669</u>	<u>5,480</u>

16 Creditors: amounts falling due after more than one year

	2006	2005
	£'000	£'000
Housing loans	<u>25,017</u>	<u>23,540</u>

a) Security

Housing loans from Orchardbrook, Huntingdonshire District Council, and the loans novated to the Metropolitan Housing Trust are secured by specific charges on the Society's housing properties. The other

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2006 (continued)

housing loan from The Metropolitan Housing Trust is 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.

Section 9 consents

Under section 9 of the Housing Act 1996, the Society is required to obtain the consent of the Housing Corporation to charge its properties as security to a lender. The Housing Corporation has been advised that it did not have the power to delegate this function to its committees or officers. This advice has led to questions concerning the validity of previous consents given by the Corporation under S.9 Housing Act 1996 and its predecessor legislation. The Society's Board is aware that the Housing Corporation has obtained counsel's opinion that, regardless of the validity of section 9 consents, lending against RSL assets is secure and that the registration of such legal charges with the Land Registry under the Land Registration Act is sufficient to establish title. The charges that Orchardbrook, Huntingdonshire District Council and the Metropolitan Housing Trust have on the Society's properties are registered at the Land Registry. Consequently, the Board consider that its properties are validly charged and that its loans are therefore properly classified as long term within the Society's balance sheet. The Board notes that, on 30 March 2006, the Housing Corporation Board passed a General Consent under section 9 which had the effect of rendering such earlier delegated consents valid retrospectively.

Housing loans are repayable in instalments due as follows:	2006	2005
	£'000	£'000
Between one and two years	330	1,282
Between two and five years	1,101	1,076
In five years or more	23,586	21,182
	<hr/>	<hr/>
	25,017	23,540
	<hr/>	<hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2006 (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	%			2006 £'000	2005 £'000
Abbey- novated to MHT	3,000	LIBOR + 0.55	Dev pd. + Annuity	2029	3,000	3,000
Abbey- novated to MHT	2,700	LIBOR + 0.55	Dev pd. + Annuity	2029	2,700	2,700
Abbey- novated to MHT	1,900	LIBOR + 0.55	Dev pd. + Annuity	2029	1,900	1,900
Abbey- novated to MHT	600	LIBOR + 0.55	Dev pd. + Annuity	2029	397	503
Abbey- novated to MHT	6,300	LIBOR + 0.45	Dev pd. + Annuity	2035	6,300	3,500
Cambridge Building Society- terminated in 2005/6	0	Base + 0	Annuity	2031	-	1,638
THFC- novated to MHT	1,500	8.67	Bullet	2023	1,500	1,500
THFC- novated to MHT	1,784	RPI + 5.50	Annuity	2024	1,813	1,784
THFC- terminated in 2005/6	0	LIBOR + 0.35	5 yrs notice	2007	-	1,000
THFC- terminated in 2005/6	0	LIBOR + 0.40	Fixed term	2006	-	1,000
THFC- novated to MHT	10,000	5.90	Annuity	2028	4,000	4,000
Orchardbrook	1,540	12.01	Annuity	2036	1,534	1,540
MHT – on-lend facility	85,000	Libor + Margin as charged to MHT	Bullet	2015	1,500	-
Huntingdon District Council	662	7.63	Annuity	2024	647	662
Total					25,291	24,727
Falling due within one year					274	1,187
Falling due after one year					25,017	23,540
Unamortised loan arrangement fees					25,291	24,727
					-	-
					25,291	24,727

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2006 (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 2005	329	14	68	411
	Increase in provision	12	-	-	12
	Transferred from sale proceeds	21	-	-	21
	Interest earned on balance	14	-	-	14
		<hr/>	<hr/>	<hr/>	<hr/>
	At 31 March 2006	376	14	68	458
		<hr/>	<hr/>	<hr/>	<hr/>
18	Share capital – non-equity			2006	2005
				£	£
	Shares of £1 each allocated, issued and fully paid				
	At 1 April 2005			32	32
	Subscribed in year in the year			1	-
				<hr/>	<hr/>
	At 31 March 2006			33	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 2006 (continued)

19 Designated reserves

	Property £'000	Major repairs £'000	Furniture replacement £'000	Cyclical maintenance £'000	Voids £'000	Community investment £'000	Total £'000
At 31 March 2005	3,826	5,766	420	172	205	47	10,436
Transferred from income and expenditure account:							
Increase/(release) in reserve	(3,826)	(4,733)	29	52	-	(16)	(8,494)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2006	-	1,033	449	224	205	31	1,942
	<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 2006 (continued)****20 Income and expenditure account**

	2006 £'000	2005 £'000
As at 1 April 2005	4,378	4,237
Surplus for the year after designations	9,487	141
	<hr/>	<hr/>
Balance carried forward at 31 March 2006	13,865	4,378
	<hr/> <hr/>	<hr/> <hr/>

21 Capital commitments

	2006 £'000	2005 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	12,514	4,921
	<hr/>	<hr/>
Capital expenditure that has been authorised by the board of management but has not yet been contracted for	16,740	54,393
	<hr/>	<hr/>
The Society expects to finance the expenditure above by:		
SHG receivable	8,597	10,362
Loans to be received with loan offers	13,140	24,382
Run down of cash balances	-	-
Sales proceeds	7,518	24,571
	<hr/>	<hr/>
	29,254	59,315
	<hr/> <hr/>	<hr/> <hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2006 (continued)

22 Operating leases

At 31 March 2005 Granta Housing Society Limited was committed to making the following payments during the next year in respect of operating leases:

	Land & buildings 2006 £'000	Vehicles 2006 £'000	Total 2006 £'000	Total 2005 £'000
Leases which expire:				
Within one year	-	68	68	16
Between two and five years	6	39	45	75
In five years or more	-	58	58	24
	<hr/>	<hr/>	<hr/>	<hr/>
	6	164	171	115
	<hr/>	<hr/>	<hr/>	<hr/>

23 Analysis of accommodation

	Units under management		Units in development	
	2006	2005	2006	2005
Housing accommodation for letting				
Self-contained:				
New build	1,164	1,133	89	142
Rehabilitated	323	323	-	-
Shared ownership	98	83	56	31
Shared housing (non supported)	-	2	-	-
Supported housing (number of bed spaces)	357	310	6	24
Homeless family (number of bed spaces)	24	24	-	-
Residential care homes (number of bed spaces)	163	156	-	-
Nursing homes (number of bed spaces)	28	35	-	-
Other				
Leasehold scheme for elderly	22	22	-	-
Private sheltered housing	16	16	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,195	2,104	151	197
	<hr/>	<hr/>	<hr/>	<hr/>

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2006 (continued)

The Society has subsequently been notified of the preliminary results of the triennial valuation carried out on 30 September 2005. This indicates an increase in the assets of the Scheme to £1,278 million and an increase in the shortfall of assets compared with liabilities to £283 million. This valuation, and any consequent alteration to future contribution rates, is currently the subject of consultation with participating employers and members. The outcome of this consultation will be made known in September 2006, and any consequent changes to contribution rates applied from 1 April 2007. The following notes therefore relate to the formal valuation of September 2002.

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 long-term joint contribution rate required from employers and members to meet the cost of future benefit accrual was assessed at 15.0% 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.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate). This rate was increased from 15.0% to 17.3% of pensionable salaries with effect from 1 April 2004.

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

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

New employers that joined the Scheme after 1 April 2004 without any past service liability pay an employer contribution rate of 9.4% of pensionable salaries. This rate will apply until 1 April 2007, after which it will change to the standard employer contribution rate per the actuarial valuation due to take place as at 30 September 2005.

If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit by 31 March 2017.

GRANTA HOUSING SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2006 (continued)

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

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

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

27 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.

28 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.