



NottinghamHousing

Notting Hill Housing Trust

Financial Statements for the year to 31 March 2010



Contents

Board members, senior staff, advisors and bankers	1
Chairman's Report	2-3
Report of the Board and Operating and Financial Review	4-14
Independent Auditors' report to the members of Notting Hill Housing Trust	15
Consolidated income and expenditure account	16
Income and expenditure account	16
Consolidated balance sheet	17
Balance sheet	17
Consolidated cash flow statement	18
Notes to the consolidated financial statements	19-41

Board members

Patron	HRH The Duchess of Gloucester GCVO
Vice President	Lionel Morrison OBE
Board	
Chairman	Alan Cole (Resigned 31 July 2009) Paul Hodgkinson CBE (Appointed 12 October 2009)
Vice Chairman	Caroline Harper OBE
Treasurer	Sadru Visram OBE
Other Members	Jonathan Buchanan (Resigned 18 May 2010) Gillian Golding Beverley Brown (Resigned 17 September 2009) Annabelle Louvros Kate Davies Oliver Ellingham Ravi Gurumurthy Apu Bagchi (Appointed 8 July 2009) John Brewster (Appointed 2 November 2009) Sophie Warner (Appointed 7 June 2010)
Secretary	Andrew Nankivell
Corporate Management Team	
Chief Executive	Kate Davies
Group Finance Director	Paul Phillips
Group Development Director	John Hughes
Group Operations Director	Femi Adewole (Resigned 30 June 2009)
Chief Operating Officer	Andrew Belton
Group Corporate Services Director	Alastair Clegg
Group Director of Asset Management	Kath King (Appointed 26 April 2010)

Registered Office and Head Office 1 Butterwick
Rear of Metro Building
Hammersmith
London W6 8DL
Tel: 020 8357 5000
Fax: 020 8357 5299
www.nottinghillhousing.org.uk

Auditors Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London NW1 2EP

Principal Solicitors Devonshires
30 Finsbury Circus
London EC2M 7DT

Principal Bankers Barclays Bank plc
Business Banking
Floor 28
1 Churchill Place
London E14 5HP

Registrations Registered Industrial and Provident Society Number:
IP16558R
Registered Housing Association Number: L0035
A charity exempt from registration



Chairman's report

It is a great pleasure to be able to present this report to stakeholders; including shareholders, residents, employees, local authorities, regulators, suppliers and those supporters in the communities in which we operate. April 2009-March 2010 has been a very busy and productive time for your Trust, and the organisation is significantly different from that of 12 months ago.

Alan Cole handed over the role of Chairmanship to me in October 2009, having skilfully guided the business and Board for three years. The Group, having consciously and prudently held back its activity level during the boom years of 2005 to 2007 was suddenly catapulted forward by the acceleration of development activity and the amalgamation of four existing Registered Providers (formerly Registered Social Landlords). With a strong balance sheet and an energetic, high quality executive, led by Kate Davies, the team has spent the year bringing these four Registered Providers (Presentation, Pathway, Croydon Peoples, and Gharana) into the Notting Hill Housing Group (the Group). They each have had their challenges, both organisational and financial, and their full integration has still to be completed.

The combined effect of substantially increasing the number of homes under Notting Hill accountability, and the decision to enter into an accelerated development programme, was a conscious effort by your Board to maximise the advantage of its balance sheet in a falling market, with a government keen to support new social housing stock. With the new coalition Government now in power, and the public spending review

in progress, we are all expecting a reduction in spending, and hence hope to look back at a period when the Group was seen to make good use of its resources.

The reorganisation of four businesses into one, has followed five strong themes. First we have undertaken a strategic review of the business and governance structures of the combined organisation, and this has resulted in a simplified legal and corporate structure. This work is still ongoing as this report is presented, but the underlying theme has been to retain the essence of the cultures of all the Registered Providers, whilst setting a platform for future growth and improvement.

Second, we have continued with a programme started as a pilot in 2008, worked up into a bolder plan in 2009, and now being fully rolled out in 2010, called Altogether Better. This tenant care programme changes the way we look after customers, and associates closely with the communities in which we have our assets and responsibilities. Each Housing Officer has a portfolio of about 125 tenants, all in the same geographical area. They have a budget, and control over its careful application; balancing customer, asset and strategic targets. The results to date show an excellent increase in customer satisfaction.

Third, we have reorganised and simplified the combined financing of the four organisations. The management and control of debt, which constitutes 37% as a proportion of property assets, was one of the reasons that some of the Registered Providers were keen to join us as their cost of

debt had increased significantly as the balance between debt and asset values had narrowed. Our current average cost of debt is now 4.6%. We anticipate this falling in the current year, as the impact of the bond issue further reduces our cost of borrowings.

Fourth, the three new Registered Providers were all formerly categorised as BME (Black Minority Ethnic) organisations. They had been born out of a very real and pragmatic desire to help groups of people in London, who found accommodation difficult to find, and at the same time could help with employment, assimilation and role modelling. Notting Hill has very similar demographics and has built structures and aspirations that have at their core, the same cultural targets as Presentation, Pathway and Croydon Peoples.

As part of the alignment process so vital to the efficient and practical delivery of our services, a more comprehensive review of our diversity strategies has been ongoing for the last few months. The result has been a fundamental reassessment of the basis upon which we approach the challenge of diversity in a multicultural environment such as London. Whilst complying with the provision of statistics to our regulators, we have refreshed and targeted ourselves to treat all our customers and stakeholders as individuals, not as statistics. Closely linked to the Altogether Better programme, we believe this will start to set a new standard in the world of Registered Providers, as the Group recalibrates the measurement by which other housing groups benchmark themselves.

Finally, the fifth strand of work involves growing in a sustainable and progressive way our development pipeline. We obtain new stock for social housing by participating with private sector developers, or by building out our own product on sites bought and controlled by us. The year has seen us create a pipeline of new projects which will deliver 1,856 of new units for our permanent rented housing or shared ownership portfolio. This beats our annualised target, but has only been achieved by taking into account the work of the combined four Registered Providers. The year we are in will be affected dramatically by cuts in funding, and we are unlikely to see the number of new

units repeated; but we will be continuing to convert the pipeline of new stock, bought or committed in 2009/10, to bring us back to our target of 1,200 new houses per year, being added to our portfolio.

In addition to the work of developing, buying and creating new rental or part owned property, we also build for sale. This allows us to make profits which, when amalgamated with grant, allows us to increase our portfolio without excessive gearing.

All of this stock is built to the highest design and sustainability standards. We recognise our responsibility not only to produce well designed housing for the capital, but also to ensure that it meets a future proofing standard that will allow it to be economic and appropriate well into its economic life.

The combined result of all this good work by your Board and the Corporate Management Team (CMT) led by Kate Davies, has been a significant increase in the surplus on ordinary activities (2009/10 – £8.1million) and a near doubling of the gross tangible fixed assets (2009/10 – £2,132million). In the current economic climate this is a significant achievement and is the result of focused effort by the CMT, and concerted attention by all the Boards and non-executive contributors to the work of the enlarged Group.

The current year will require all the skill this team can harness. With central government cuts almost a foregone conclusion, we are likely to have less grant available. Only the best proposals will receive support.

We are keen to keep our borrowing under control, and will be ensuring that we become more efficient.

We had some unfortunate disruption with our staff in the early months of 2010, resulting in strike action. This was due to disagreements over realigning terms and conditions for the four organisations, which resulted in us withdrawing a flexi-time arrangement and removing the paid carers' leave allocation. We still feel that the terms and conditions we offer are good and among the best in the sector. Certainly they compare very well with private sector benefits. A one-day strike took place

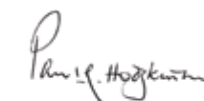
on 15 March when 119 staff joined the action. Since then there have been some lunchtime protests.

As we go into 2010/11, the organisation will continue to change and develop to respond to its wider geographic spread and service expectations. This will involve us reviewing our structures and support systems to minimise cost and give our teams the best chance of servicing our customers, around the Altogether Better plan of work.

None of this excellent work could have been done without the skill, care and energy of our dedicated staff, suppliers, consultants, local authority colleagues and joint venture partners. It's not possible to mention all those who have contributed; but the teams involved in integrating the newly arrived members of the Presentation, Pathway and Croydon Peoples businesses have done particularly well and deserve a special mention.

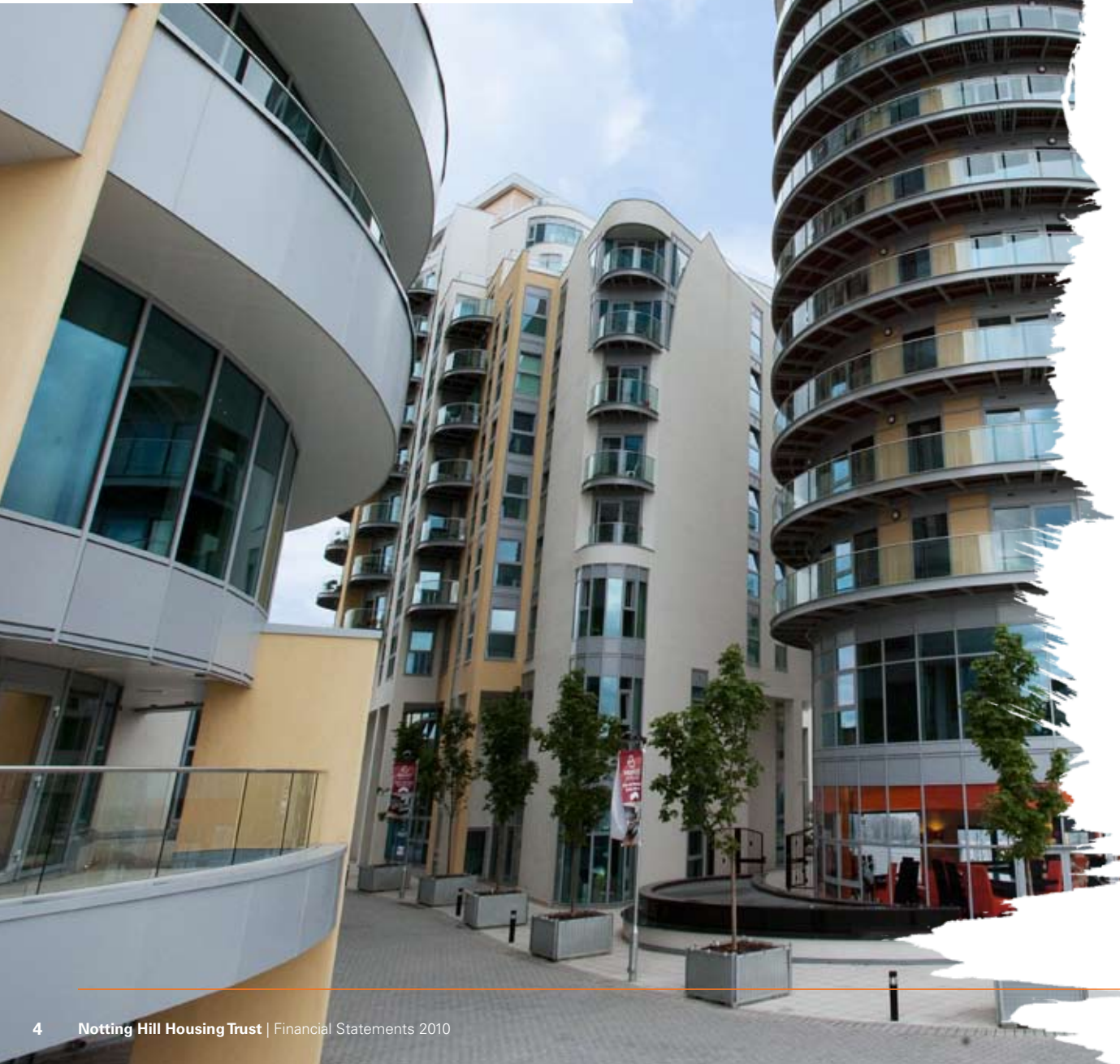
Without the guidance from Alan Cole, my predecessor, the Trust could well have been overstretched; and his wisdom and clarity of commercial timing have helped the executives position the Trust as well as is possible for what we expect will be a challenging few years ahead.

In addition, special mention to Jonathan Buchanan who has chaired the Development and New Business Committee, is well deserved. As part of the normal cycle of good governance, Jonathan has reached the end of his tenure with the Trust and resigned in May 2010. He will be missed, and we have much to thank him for, as he applied his skill and judgment in the area of property development to the opportunities presented to us. Beverley Brown also resigned from the Board and we have welcomed two other Board members, Apu Bagchi and John Brewster, who bring a wealth of cultural and practical experience to our Board.



Paul Hodgkinson
Chairman

Completed in October 2009, Bridges Wharf is a sought after riverside development in Battersea. This is a section 106 scheme developed in partnership with Weston Homes plc. Notting Hill Housing offers homes for social rent and shared ownership in this high calibre mixed tenure development.



Report of the Board and operating and financial review

OVERVIEW

At 31 March 2010, the Group consisted mainly of three Registered Providers, Notting Hill Housing Trust ("the Trust") together with its subsidiaries, Notting Hill Home Ownership ("NHHO") and Presentation Housing Association ("Presentation").

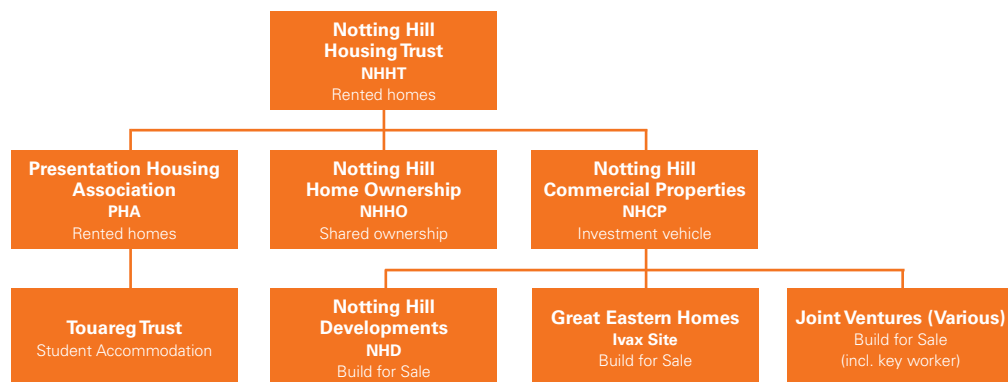
The Trust is a charitable organisation with three main businesses:

- the provision of housing accommodation at affordable rents for those in housing need ("Rented Social Housing")
- temporary housing for those who would otherwise be homeless ("Temporary Housing")
- supported housing and care for those who need additional support ("Supported Housing").

NHHO specialises in the provision of low cost home ownership homes, particularly shared ownership, whereby residents own a percentage of the equity in their homes and rent the rest from NHHO ("Shared Ownership").

Presentation is a new subsidiary and has rented social housing, supported and shared ownership housing in its portfolio. Presentation also brought new businesses into the group, particularly a large student housing scheme in Brentford operated on behalf of Thames Valley University.

The Trust also has a number of smaller subsidiary companies, which develop housing for outright sale, invest in commercial property and provide market rent accommodation. A structure chart follows.



Notting Hill retained the best possible ratings for governance, management, and financial strength during the year. These assessments were reviewed by the the Tenant Services Authority (“TSA”) during the year and are necessary for receipt of funding for new developments from the new Homes and Communities Agency (“HCA”). The TSA took over the role of regulating housing associations from the Housing Corporation in December 2008, and has developed its own regulatory framework for implementation from April 2010. In the meantime, it continued to use the Corporation’s methodology.

From its inception in 1963, through to 31 March 2009, Notting Hill Housing Trust had never brought a significant entity into its group (although it has set up many to meet its overall objectives). This changed in the year just ended, when three new organisations joined the Group. Pathway Housing Association and Croydon Peoples Housing Association joined the group on 1 April 2009 and Presentation Housing Association followed them on 8 June 2009. Subsequently, on 17 November 2009, Croydon Peoples Housing Association and Pathway Housing Association transferred their engagements to Presentation Housing Association.

The Group has the following mix of housing stock under management.

Total number of properties in management = 26,261

Number of properties

- = 1-500
- = 501-1,000
- = 1,001-4,000
- = 4,000+

1,185 Properties out of London

Notting Hill Housing Group Stock Map 2010/11

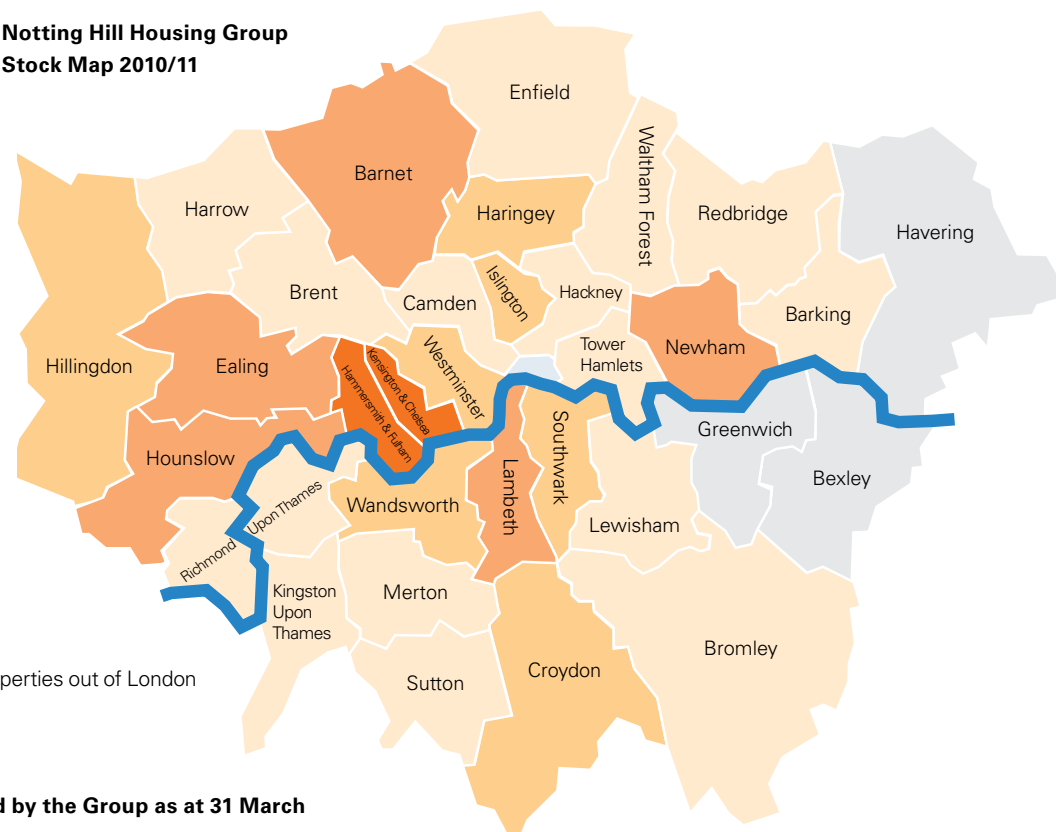


Table 1 – Housing Stock Managed by the Group as at 31 March

	2010	2009
Rented Social Housing	14,606	10,267
Supported Housing	1,296	1,025
Temporary Housing	2,432	2,520
Shared Ownership	4,360	3,822
Student accommodation	839	–
Market Rent	312	140
Leasehold in management	2,183	1,267
Leased housing	179	102
Intermediate housing accommodation	54	–
Total	26,261	19,143

The state of the stock is considered by external consultants to be good. Only 4% is non-compliant with the Decent Homes Standard. However, given the scale and age of the Group’s assets, more than £10m is spent each year on improvement and renewal.

The Group operates across all of London and beyond, having grown significantly from its roots in the Royal Borough of Kensington and Chelsea and the London Borough of Hammersmith and Fulham.

GOVERNANCE

The Trust is governed by a Board composed of ten non-executive members plus the Chief Executive. Board members are drawn from a wide background. There were three changes to the Board's membership during 2009/2010, shown on page 1 and as mentioned in the Chairman's introduction. The Group is managed by a Corporate Management Team ('CMT') headed by the Chief Executive and supported by group directors of finance, operations, development and corporate services. CMT members attend Board meetings. There was one change to CMT in 2009/2010. Femi Adewole resigned as Operations Director in June 2009. The Operations Directorate was merged with the Commercial Services Directorate and Andy Belton took on the role Chief Operating Officer, running the new combined directorate, which was titled Operations. Kath King was also appointed as Group Director of Asset Management, with responsibility for this function as well as Notting Hill Home Support, on 26 April 2010.

CMT members have no interest in the Trust's shares and act as executives within the authority delegated by the Board. Board and CMT members are insured against personal liability when acting on behalf of the Group.

Tenants' involvement in decision-making is actively encouraged by promoting mechanisms of tenant involvement. We have a Board member who is a tenant and clear reporting arrangements between tenant groups and the Board. There are customers on other boards and committees within the Group.

The Chief Executive and CMT members are on notice periods ranging from three to six months. Details of Board and CMT remuneration are shown in Note 32. There are no bonus arrangements.

CMT members are either members of the Social Housing Pension Scheme or the Local Government Pension Scheme which are both defined benefit final salary schemes.

EMPLOYEES

The strength of the Group lies in the quality of all its employees. Our ability to meet our objectives and commitments to tenants in an efficient and effective manner depends on their contribution.

The Group shares information on its objectives, progress and activities through office and departmental meetings involving Board members, the CMT and staff.

The Group is committed to equal opportunities and in particular we support the recruitment of disabled people and the retention of employees who become disabled whilst in the employment of the Group.

The Group has received recognition from the Department for Education and Skills for establishing policies of positive promotion of employment opportunities for candidates and employees with disabilities.

STRATEGY, OBJECTIVES AND PERFORMANCE

Strategy

The strategy of the Group is set out in a strategic plan that is reviewed annually and approved by the Board. The business planning process includes an assessment of strengths and weaknesses, opportunities and threats, which are discussed between CMT and the Board.

The Group's strategic objectives are to:

- improve customer satisfaction
- become more efficient
- improve the way we manage the business
- value diversity, both as a landlord and an employer
- grow the business, by building up the development programme to 1,200 homes per year.

Objectives

The main business targets for 2009/2010 were:

Development

- to remain a preferred provider in receipt of HCA capital grant and meet their delivery standards.

Asset management

- to achieve full compliance with Decent Homes Standard by December 2010
- to minimise the asset sales needed to meet reinvestment obligations.

Customer service

- to increase customer satisfaction from the current level of 58% by raising the standards of customer service
- to offer customers the opportunity to move into home ownership and once there to increase any equity stake they may hold.

Diversity

- to improve the way that services are delivered to our diverse community
- to secure better information on the language needs of our customers
- to focus especially on the needs of our disabled customers
- to ensure our staff group reflects the diversity of our customer base.

Finance

- to generate surpluses sufficient to maintain adequate financial strength, support the development programme and meet lenders' covenants
- to secure sufficient private finance in the current markets to support the Group's funding needs.

Performance

The following table sets out the key indicators used by CMT and the Board to monitor performance:

Table 2 – Key Performance Indicators monitored by the Board

Indicator	2009/10 Target	2009/10 Performance
Rented Social Housing		
Rent collection	101.0%	100.7%
Stock with valid Gas Safety Certificates	100.0%	99.7%
Repairs completed within target time	96.0%	94.8%
Temporary Housing Surplus	£2.3m	£2.1m
Shared Ownership		
Rent collection	103.0%	103.0%
Average sales time to completion (weeks)	12	22
Capital receipts	£24.6m	£28.3m
Development		
Acquisitions	507	1,251
Completions	236	485

Comments on performance

The reasons for failing to meet some of the indicators are as follows.

- We achieved a collection level of more than 100% of the rent due, but missed our target by a narrow margin because of increasing financial pressures on our tenants.
- The Board has a policy of setting a target to achieve 100% compliance with gas safety certificates. This was not achieved due to problems getting access to some homes.
- Increasing maintenance costs has resulted in performance below our target in Temporary Housing.
- There were delays in selling shared ownership homes as a result of the difficult market.

The Board also monitors the number of homes that require works to be completed to enable them to meet the Decent Homes Standard by 31 December 2010. There were 2,064 homes that required such works, although only 675 were actually failing the Standard as at 31 March 2010.

Complaints

The Group aims to respond to at least 85% (2009: 80%) of complaints in 10 working days and achieved that target during the year. In that period the Ombudsman investigated 12 (2009: 23) complaints of which 4% (2009: 7%) were upheld.

Health and Safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Table 3 – New Homes added to Notting Hill from New Group Members

	Croydon Peoples	Pathway	Presentation Group	Total
Rented Social Housing	264	67	3,855	4,186
Supported Housing	–	95	248	343
Shared Ownership		–	338	338
Market Rent		–	126	126
Intermediate Market Rent			188	188
Student Accommodation	–		839	839
Total	264	162	5,594	6,020

Table 4 – Value of Assets owned by New Group Members

	Croydon Peoples	Pathway	Presentation Group	Total
	£m	£m	£m	£m
Assets	19.2	9.6	440.2	469.0
Liabilities	(11.0)	(3.8)	(386.3)	(401.1)
Additions to reserves	8.2	5.8	53.9	67.9

KEY EVENTS DURING THE YEAR**New Group Members**

As mentioned in the introduction, three new organisations, Presentation Group, Croydon People's Housing Association and Pathway Housing Association joined the Group during the year under review.

The tables above show the properties and asset values from each organisation.

Development Programme – HCA Support

We were delighted to receive an allocation of £205m from the HCA in the financial year, £96m of which was paid by 31 March 2010. This enabled us to purchase and start work on a range of homes, with the most significant being the acquisition of a portfolio of homes adjoining the North Circular Road in the

London Borough of Enfield, which will be renovated over a number of years to provide 275 much needed family housing for rent. A further 42 homes for rent and 100 homes for shared ownership will also be constructed on sites included within the portfolio.

Short Notice Inspection

In December 2009, Notting Hill Housing Trust was subjected to a short notice inspection by the Audit Commission as part of the latter's routine inspection of registered social landlords.

The results of the inspection can be summarised as follows:

Table 5 – Results of the Short Notice Inspection

How good is the service?	Assessment
Access and customer care	Strengths outweigh weaknesses
Diversity	Strengths outweigh weaknesses
Value for money	Strengths and weaknesses are balanced
Responsive repairs	Strengths considerably outweigh weaknesses
Gas servicing	Weaknesses outweigh strengths
Empty homes (voids) and lettings management	Strengths outweigh weaknesses

The key concern from the Audit Commission was that on average, only 98.3% of Notting Hill Housing Trust's rented homes had an up to date gas certificate during 2009. The performance had improved to 99.5% by 31 March 2010.

Overall the Audit Commission assessed Notting Hill as having promising prospects for improvement.

Statement of responsibilities of the Board

The Board is responsible for preparing the report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Industrial and Provident Societies Acts and registered provider legislation in the United Kingdom 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 Group and Trust at the end of the year and of the surplus or deficit of the Group and Trust for the year then ended.

In preparing those financial statements the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable United Kingdom Accounting Standards and the Statement of Recommended Practice: "Accounting by registered social landlords" (Update 2008), subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Trust 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 Group and association and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Act 1965 to 2002, the Housing Act 1996, the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006. It is also responsible

for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that this Report is prepared in accordance with the Statement of Recommended Practice: "Accounting by registered social landlords" (Update 2008).

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Group's website.

Internal control

The Board has overall responsibility for establishing and maintaining the whole system of internal control for the Group and for 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 manage key risks and to 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 Group's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which is embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and is consistent with Turnbull principles.

The process adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key 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 Group's activities. CMT regularly

considers and receives reports on significant risks facing the Group 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, self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous 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.

• Control environment and control procedures

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

• Information and financial reporting systems

The Board approves a strategic plan in each financial year, which includes longer term financial plans and limits on investment in its various activities. Financial reporting procedures include detailed budgets for the year ahead, management accounts produced monthly and forecasts for the remainder of the financial year, all of which are reviewed in various levels of detail by appropriate staff and in summary on a quarterly basis by the Board. The Board also regularly reviews progress towards the achievement of key business objectives, targets and outcomes.

• **Fraud**

The Board has a policy on Fraud covering prevention, detection and reporting of fraud and the recovery of assets. A register is maintained of any frauds or potential frauds. The Audit Committee reviews the Fraud Register at each meeting and has taken the results of these reviews into account in its report to the Board.

• **Audit Assurance**

The Group has appointed Beever and Struthers as internal auditors, who acted throughout the financial year. The internal control framework and the risk management process are subject to regular review by Beever and Struthers who advise the executive directors and report to the Audit Committee. An audit plan was agreed by the Audit Committee for 2009/2010 and was completed. Beever and Struthers has direct access to the Audit Committee and met with the Audit Committee during the year without the presence of any of the paid staff or executive directors. The Audit Committee met four times during the financial year and considered internal control and risk at each of its meetings.

The Group has appointed Grant Thornton as external auditors and receives a letter from them identifying any internal control weaknesses that may have come to their attention in the course of their duties. This letter is considered by the Audit Committee and the Board. In line with best practice guidance, the Audit Committee also met with Grant Thornton UK LLP during the year without the presence of any of the paid staff or executive directors. The Audit Committee conducts an annual review of the effectiveness of the system of internal control and takes account of any changes that may be needed to maintain the effectiveness of the risk management and control process. The Audit Committee makes an annual report to the Board, which the Board has received.

Key risks

The Board considers that the following risks are most likely to influence future performance:

Table 6 – Key risks

Risk	Comments	Mitigation
Downturn in the housing market	A large part of the Group’s development programme is expected to be in relation to low cost home ownership and outright sale. The Group’s ability to deliver this will be adversely affected if there is a lack of demand for the resulting homes at the right price, and the inability of lower income households and first time buyers to access mortgages.	The Group keeps the level of work in progress and completed, unsold, homes under review. Appraisal assumptions allow for falls in value and delays in sales.
Availability of banking facilities	Whilst the Group has significant committed undrawn facilities, there are increasing signs that there is little in the way of new money available to Registered Providers at the present time. If this remains unchanged in the medium term, the Group’s plans could be put at risk.	Commitments are monitored against available facilities. In the longer term, the Group may need to adapt its plans, by seeking additional public sector support or scaling back on development.
Health and Safety	Given the death of one of our residents from carbon monoxide poisoning, the Group is particularly aware of the need for vigilance in relation to gas safety issues in particular.	The Group is carrying out additional checks. All new schemes are fitted with carbon monoxide monitors.
Availability of capital grant	The Group needs to remain one of the HCA’s approved development partners to secure the development programme.	The Group monitors its development performance carefully and focuses on meeting the HCA’s requirements.
Interest rates	At the year end, the Group had £250m of variable rate borrowings, so each 1% increase in prevailing interest rates costs about £2.5m of the Group’s total debt, 62% is fixed, 32% is variable and 6% is inflation linked.	The Group has in place a treasury policy which sets out the limits of fixed, variable and inflation linked debt as well as how to manage the exposure to other treasury risks. This is approved annually by the Board and is prepared with the assistance of treasury advisors .

Investment for the future

In addition to investing in its existing stock the Board has approved a significant new build housing programme.

In order to achieve this, the Board has approved a land bank facility of £200m. This has enabled advantage to be taken of current low prices and maximise its investment/acquisition opportunities across London. At the year end, the Group had invested £110m in undeveloped sites. The view of the Board is that the carrying value of the land bank has been reviewed for impairment.

Financial review

Going Concern

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. At the year end undrawn facilities amounted to £277m. For this reason, it continues to adopt the going concern basis in the financial statements.

Results

The main accounting policies that are critical to the results are:

- the method of accounting for capital grant which is deducted in the balance sheet from the cost of assets
- capitalisation of interest
- capitalisation of repairs
- development administration costs in carrying out the development programme which are added to the cost of new estates
- the calculation of housing property depreciation.
- impairment.

The results are also significantly affected by the accounting policies in relation to recognising surpluses on shared ownership sales.

The results for the key operations are set out below:

Table 7 – Summary Results

	Turnover		Operating surplus	
	2010 £m	2009 £m	2010 £m	2009 £m
Rented Social Housing	76.3	58.2	13.4	11.4
Supported Housing	21.1	18.3	1.6	2.0
Shared Ownership	18.7	14.1	5.8	6.6
Temporary Housing	44.4	41.8	2.1	1.4
Initial Shared Ownership sales	27.7	19.1	3.0	5.1

Five year trends for the Group are set out on page 14.

The surplus for the year at £8.1m after interest was above budget and an improvement on last year. The key reasons for this were as follows:

- We had expected the market for first tranche to continue its downward trend in terms of price and speed of sale. In the event, this did not happen. In addition, staircasing receipts were well above forecast
- Interest rates remained low, so we spent less on interest than expected.

The transfer into the Group of the new entities added £67.3m to reserves. After transfer of the surplus for the year of £8.1m (2009: £5.9m), Group reserves at the year end amounted to £263.5m (2009: £188.2m).

Capital structure and treasury policy

Borrowings at the year end were £785.5m and undrawn facilities were an additional £277m. This debt is mostly borrowed from banks and building societies in the UK.

Borrowings management is the responsibility of the Group Finance Director. Strategy is set annually and approved by the Board. The current strategy, along with the year end position is set out in table 8.

Table 8 – Interest rate strategy

Item	target			actual Position
	Lower	Central	Upper	
Floating	0%	35%	50%	32%
Inflation Linked	0%	15%	20%	6%
Fixed	40%	50%	80%	62%
Total		100%		100%

The next table provides an analysis of when the debt falls due for repayment:

Table 9 – Debt maturity

Maturity	Group £m	Trust £m
0-1 year	3.2	3.0
1-2 years	4.8	4.3
2-5 years	15.2	13.2
5-10 years	92.4	52.9
10-20 years	297.4	83.7
20-30 years	372.5	114.3
	785.5	271.4

In addition, the Group has entered into stand alone derivatives with various counterparties, with which it has a lending relationship. All of these are interest rate swaps, where the Group is the fixed rate payer and the notional value at 31 March 2010 was £144m. The Group's policy in relation to cash surpluses is to preserve capital. Cash surpluses are thus invested in approved UK institutions rated A1 by Standard and Poor's. During the year, long-term interest rates fell sharply. Under the terms of its interest rate swap agreements, the Group was required to put up cash or property as security for future payments. The amount of security is assessed by the counterparty banks on a regular (weekly or monthly, according to the bank) basis. The maximum amount of cash pledged as security during the financial year was £0.8m (2008/2009: £3.7m) and the amount at 31 March 2010 was Nil.

The Group borrows and lends only in sterling and so does not have any currency risk.

All loans are secured by first fixed charges over housing properties. The Trust and NHHO have a policy of not granting floating charges, although this policy does not extend to all subsidiaries of the Group.

Post balance sheet events

On 3 June 2010 the Group was assigned an issuer rating of Aa3 by Moody's investor services.

On 30 June, the Trust issued a £180m 5.25% bond due 7 July 2042. The bond was issued at £99.861 per £100, giving an effective rate of 5.259% or 1.1% above the 4.50% 2042 gilt. The proceeds were received on 7 July 2010 and were immediately lent to Presentation. Presentation used the proceeds to pay off existing debt, incurring break costs of approximately £32m.

On 8 July 2010, the engagements of Notting Hill's subsidiary, Presentation Housing Association were transferred to Notting Hill Housing Trust.

Auditors and AGM

At the date of this report each Board member confirms the following:

- so far as each Board member is aware, there is no relevant information needed by the association's auditors in connection with preparing their report of which the association's auditors are unaware
- each Board member has taken all the steps that he ought to have taken as a Board member in order to make himself aware of any relevant information needed by the association's auditors in connection with preparing their report and to establish that the association's auditors are aware of that information.

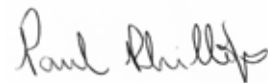
A resolution to reappoint Grant Thornton UK LLP as auditors of the Group will be proposed at the Annual General Meeting which will be held on 22 September 2010 at 4pm at the Trust's Head Office.

Statement of compliance

In preparing the Operating and Financial Review the Board has followed the principles set out in the Statement of Recommended Practise (SORP) – Accounting by registered social landlords – 2008.



Kate Davies
On behalf of the Board



Paul Phillips
Group Finance Director





The Trust owns many classic Victorian properties in high value areas, such as Lonsdale Road in Notting Hill, W11.

Our asset management strategy will ensure that all these properties will meet the Decent Homes Standard by December 2010.

Group highlights – five year summary			2008	2007	
For the year ended 31 March	2010	2009	Restated	Restated	2006
	£m	£m	£m	£m	£m
Group income & expenditure account					
Total turnover	213.8	162.3	198.1	141.3	140.1
Income from lettings	161.2	134.9	131.6	127.5	125.6
Depreciation & amortisation of housing properties	4.7	3.1	3.2	2.5	2.3
Operating surplus	29.7	19.1	30.8	26.2	26.0
Surplus after interest and tax	8.1	5.9	19.8	18.6	17.3
(Deficit)/Surplus before housing sales	(0.7)	3.2	11.7	10.7	7.5
Group balance sheet					
Tangible fixed assets, at cost	2,132.5	1,278.6	1,222.9	1,127.0	1,077.4
Social Housing Grant	(1,141.6)	(741.3)	(722.7)	(702.5)	(674.9)
Net current assets	60.4	96.7	29.2	40.2	17.1
Indebtedness	785.5	436.2	326.5	275.1	266.1
Total reserves	263.5	188.2	183.7	167.4	133.8
Accommodation managed at year end	No.	No.	No.	No.	No.
Rented social housing	14,606	10,267	10,094	10,018	9,957
Supported housing	1,296	1,025	933	873	843
Temporary housing	2,432	2,520	2,645	2,712	3,084
Student accommodation	839	–	–	–	–
Leased housing accommodation	179	102	165	250	250
Market rent accommodation	312	140	116	13	13
Intermediate market rent accommodation	54	–	–	–	–
Total rented housing	19,718	14,054	13,953	13,866	14,147
Shared ownership housing	4,360	3,822	3,565	3,251	3,110
Leasehold in management	2,183	1,267	1,216	899	865
Total housing	26,261	19,143	18,734	18,016	18,122
Statistics					
Surplus for the year as % of turnover	4%	4%	10%	13%	12%
Surplus for the year as % of income from lettings	5%	4%	15%	15%	14%
Rent losses (voids and bad debts as % of rent and service charges receivable)	4%	4%	4%	5%	5%
Rent arrears (gross arrears as % of rent and service charges receivable)	14%	10%	11%	10%	13%
Gearing (total loans as % housing properties at cost)	37%	34%	27%	24%	25%
Interest cover (surplus before interest payable and depreciation and amortisation of housing properties as % of net interest payable)	142%	156%	213%	221%	221%

The reported figures for the year ended 2010 include the results of Presentation Housing Association following the acquisition during the year. The comparatives have not been adjusted.

The accommodation managed at year end comparatives have been adjusted to include the leasehold in management units.

Independent Auditor's report to the members of Notting Hill Housing Trust

We have audited the financial statements of Notting Hill Housing Trust for the year ended 31 March 2010 which comprise the consolidated and trust income and expenditure account, the consolidated and trust balance sheet, the consolidated cash flow statement, the group and trust statement of total recognised surpluses and deficits, the group and trust reconciliation of movement in group's and trust's funds and the related notes.

This report is made solely to the trust's members, as a body, in accordance with regulations made under Section 4 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 and auditors

The directors' responsibilities for preparing the financial statements in accordance with the applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities (on page 9).

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 in accordance with Chapter 9 of the Friendly and Industrial and Provident Societies Act 1968, and whether the financial statements are in compliance with the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

In addition, in accordance with Chapter 9 of the Friendly and Industrial and Provident Societies Act 1968 we report to you if, in our opinion, the association has not kept proper books of account, or maintained a satisfactory system of control, or the financial statements are not in agreement with the books of account of the society; or 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 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 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 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 United Kingdom Generally Accepted Accounting Practice, of the state of the group's and trust's affairs as at 31 March 2010 and of its income and expenditure, for the year then ended
- the financial statements are in compliance with the Housing Act 1996 and the Accounting Requirements for Registered Social Landlords General Determination 2006.



Grant Thornton UK LLP

Chartered Accountants and Registered Auditors
London, England
30th July 2010

	Notes	Group		Trust	
		2010 £m	2009 £m	2010 £m	2009 £m
Turnover – continuing activities	2	213.8	162.3	135.4	132.8
Cost of sales	2	(34.1)	(18.8)	(12.3)	(10.6)
Operating costs	2	(150.0)	(124.4)	(119.6)	(109.1)
Operating surplus-continuing activities	2	29.7	19.1	3.5	13.1
Share of operating profit in joint venture	34	–	0.2	–	–
Surplus on disposal of housing assets	4	8.8	2.7	2.0	3.1
Surplus on disposal of non housing assets		–	0.1	–	0.1
Other income	5	–	–	4.9	–
Surplus before interest		38.5	22.1	10.4	16.3
Interest receivable and similar income	6	1.3	0.9	2.3	2.8
Interest payable and similar charges	7	(31.7)	(17.1)	(11.9)	(13.0)
Surplus on ordinary activities before taxation	8	8.1	5.9	0.8	6.1
Tax on surplus on ordinary activities	9	–	–	–	–
Surplus for the financial year after taxation		8.1	5.9	0.8	6.1

The notes on pages 19 to 41 form part of these financial statements.
Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

Group and trust statement of total recognised surpluses for the year ended 31 March 2010

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Surplus for the year after taxation	8.1	5.9	0.8	6.1
Surplus on investments	0.6	(1.1)	0.2	(0.4)
Investments realised	(0.4)	–	(0.4)	–
Acquisitions	67.3	–	–	–
Actuarial (deficits)	(0.3)	(0.3)	(0.3)	(0.3)
Total recognised surpluses for the year	75.3	4.5	0.3	5.4

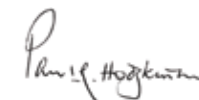
Reconciliation of movements in Group's and Trust's funds

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Opening total funds	188.2	183.7	144.5	139.1
Total recognised surpluses relating to the year	75.3	4.5	0.3	5.4
Closing total funds	263.5	188.2	144.8	144.5

Consolidated and trust balance sheet for the year ended 31st March 2010

	Notes	Group		Trust	
		2010 £m	2009 £m	2010 £m	2009 £m
Tangible fixed assets					
Housing Properties	10	2,132.5	1,278.6	1,034.6	933.3
Less Grants	10	(1,145.8)	(745.5)	(700.0)	(598.4)
		<u>986.7</u>	<u>533.1</u>	<u>334.6</u>	<u>334.9</u>
Other fixed assets	11	48.6	10.0	9.2	9.5
Investment in Homebuy	12	45.9	48.9	–	–
Less Homebuy grant repayable	12	(45.9)	(48.9)	–	–
		<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Investments	14	1.4	2.2	68.5	63.9
Investment in joint venture					
– share of gross assets	36	16.8	16.8	–	–
– share of gross liabilities	36	(16.6)	(16.6)	–	–
		<u>1,036.9</u>	<u>545.5</u>	<u>412.3</u>	<u>408.3</u>
Current assets					
Properties in the course of sale	15	89.6	101.6	6.0	14.2
Debtors falling due within one year	16	32.9	22.4	27.4	30.7
Current asset investment	17	2.4	11.7	30.2	11.7
Cash at bank and in hand		11.4	8.2	1.8	4.9
		<u>136.3</u>	<u>143.9</u>	<u>65.4</u>	<u>61.5</u>
Current liabilities					
Amounts falling due within one year	18	(75.9)	(47.2)	(29.3)	(29.4)
Net current assets		<u>60.4</u>	<u>96.7</u>	<u>36.1</u>	<u>32.1</u>
Deferred assets					
Debtors falling due after one year	19	13.0	–	2.2	–
Total assets less current liabilities		<u>1,110.3</u>	<u>642.2</u>	<u>450.6</u>	<u>440.4</u>
Creditors					
Amounts falling due after more than one year	20	834.8	452.7	304.5	294.6
Provisions for liabilities and charges	22	12.0	1.3	1.3	1.3
		<u>846.8</u>	<u>454.0</u>	<u>305.8</u>	<u>295.9</u>
Capital and reserves					
Share capital	23	–	–	–	–
General reserves	24	188.4	187.0	144.6	144.1
Revaluation reserves	24	1.6	1.0	0.2	0.4
Designated reserves	24	5.7	–	–	–
Negative goodwill	24	67.8	0.2	–	–
		<u>263.5</u>	<u>188.2</u>	<u>144.8</u>	<u>144.5</u>
		<u>1,110.3</u>	<u>642.2</u>	<u>450.6</u>	<u>440.4</u>

The notes on pages 19 to 41 form part of these financial statements. The financial statements were approved by the Board on 28 July 2010 and signed on its behalf by



Paul Hodgkinson
Chairman



Caroline Harper
Vice Chairman



Andrew Nankivell
Secretary

Consolidated cash flow statement for the year ended 31st March 2010

		Group	
	Notes	2010 £m	2009 £m
Net cash inflow/(outflow) from operating activities	25	57.6	(41.8)
Returns on investments and servicing of finance			
Interest received		1.4	0.9
Interest paid (including capitalised interest)		(35.9)	(20.3)
Net cash (outflow) from returns on investments and servicing of finance		(34.5)	(19.4)
Taxation			
Corporation Tax refunded		–	0.8
Capital expenditure			
Purchase and construction of housing properties		(162.1)	(66.8)
Sale of housing properties		17.9	7.1
Social Housing Grant received		113.0	20.6
Purchase of other fixed assets		(3.4)	(2.7)
Sale of other fixed assets		–	0.1
Net cash (outflow) from capital expenditure		(34.6)	(41.7)
Net cash (outflow) before use of liquid funds and financing		(11.5)	(102.1)
Management of liquid resources			
Investments held for sale	26	–	0.3
Increase in cash deposit		8.8	(10.9)
		8.8	(10.6)
Financing			
Loans received		141.2	148.9
Loans repaid		(147.9)	(39.2)
Net cash (outflow)/inflow from financing		(6.7)	109.7
Decrease in cash and cash equivalents	27	(9.4)	(3.0)

The notes on pages 19 to 41 form part of these financial statements.

Notes to the accounts

ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items, which are considered to be material in relation to the accounts of Notting Hill Housing Trust (the Trust) and Notting Hill Housing Group (the Group).

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain properties. They also comply with the Accounting Requirements for Registered Social Landlords (General Determination) 2006, applicable accounting and financial reporting standards and follow the recommendations of the Statement of Recommended Practice 'Accounting by Registered Social Landlords, issued in January 2008 (SORP 2008)'.

Basis of consolidation

The Group financial statements are the result of the consolidation of the financial statements of the Trust and its subsidiaries.

Turnover

Turnover comprises rental and service charges, income from shared ownership first tranche sales, proceeds of properties developed for sale and revenue grants. All income is recognised on a receivable basis and sales of property are recognised at completion.

Value added tax

The Group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Interest payable

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- a) interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or
- b) interest on borrowings of the Group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year.

Pensions

The Group participates in three funded multi-employer defined benefit schemes, the Social Housing Pension Scheme ('SHPS'), The London Borough of Richmond Pension Fund (LBRPF) and The London Borough of Islington Pension Fund (LBIPF). It also operates a defined contribution scheme. The contributions paid are charged to the income and expenditure account as incurred.

Other grants

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Properties for sale

Shared ownership first tranche sales, completed properties and properties under construction for outright sale are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour, direct development overheads and interest capitalised. Net realisable value is based on estimated

sales price after allowing for all further costs of completion and disposal.

Current asset investments

Investments are stated at market value.

Liquid resources

Liquid resources are readily disposable current asset investments. They include some money market deposits, held for more than 24 hours that can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

Revaluation reserve

The difference between the market value of investments and the historical cost carrying value is credited to the revaluation reserve

Housing properties

Housing properties, other than shared ownership properties in the course of development, are stated at cost less Social Housing Grant (SHG) and other grants. Shared Ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, and the remaining element is classed as fixed asset and included in housing properties as cost, less any provisions needed for depreciation or impairment.

Cost includes the cost of acquiring land and buildings, cost of construction, capitalised interest, administration costs and expenditure incurred in improving or reinvesting in existing properties. Only directly attributable project management costs relating to successful developments are capitalised as part of the costs of those properties.

Depreciation is charged on completed properties, excluding the land element and relevant SHG, on a straight line basis over 100 years.

Reinvestment expenditure is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the rental income, a reduction in future maintenance cost, or a significant extension in the life of the property. Where the works are either repair or replacement with no additional utility, the costs are charged to the income and expenditure account.

Interest incurred on a loan financing a development is capitalised up to the date of practical completion of the scheme.

Properties that are sold to the Trust or Group at a discount to market value as a result of a planning requirement under S106 Town and Country Planning Act 1990 are recorded in the financial statements at cost.

In accordance with SSAP 19, properties held as investments are revalued annually and the aggregate surplus or deficit is transferred to revaluation reserve. Any excess deficit over the balance on the revaluation reserve is realised through the profit and loss account to the extent that this represents a permanent diminution in value of the property. No depreciation is provided in respect of investment properties.

Investment properties are included in the Balance Sheet at their open market value. This has been determined in accordance with the Guidance Notes on the Valuation of Assets issued by the Royal Institute of Chartered Surveyors.

Other fixed assets

Other fixed assets are stated at cost or valuation.

Depreciation is provided on a straight line basis as follows:

- Freehold offices and buildings 50 years
- Leasehold offices and buildings over the life of the lease
- Other tangible assets 2 to 5 years.

Impairment

Housing properties, which are depreciated over a period in excess of 50 years, are, in accordance with Financial Reporting

Standard No 15 and the 2008 SORP, subject to impairment reviews annually. Impairment reviews are also carried out on investment properties. Other assets will be reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to the recoverable amount. Any such write down would be charged to operating surplus.

Homebuy

Homebuy transactions are grants received from the Homes and Communities Agency (formerly the Housing Corporation) and passed on to an eligible beneficiary. The Group has the benefit of a fixed charge on the property entitling the Group to a share of the proceeds on the sale of the property by the beneficiary. These are classified as investments and are carried at historical cost with the linked finance cost (the grant received) being deducted from the gross amount of the Homebuy asset.

Social Housing and Other Grants

Where developments have been financed wholly or partly by SHG and other grants the cost of the development is shown gross with the amount of grant receivable as a deduction. SHG and other grants receivable but not yet received are shown as debtors.

Where expenditure included in the income and expenditure account is wholly or partly financed by SHG and other grants, the relevant amount of SHG and other grants receivable is shown as revenue grant in the income and expenditure account.

In the event that SHG and other grants shown as receivable in respect of the current development programme exceed the cost incurred to date, or that SHG and other grants are repayable, the amount is shown as a creditor. SHG and other grants may be repayable where a property is sold or the development of a property is not completed.

Rental debtors

Rental debtors are stated gross of amounts paid in advance and overpayments, which are shown in other creditors.

Taxation

The Trust has charitable status and is not subject to Corporation Tax on surpluses as a result of or earned in furtherance of charitable objectives. The profits of trading subsidiaries are subject to Corporation Tax.

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Except as noted below, full provision for deferred taxation is made under the incremental liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

In accordance with FRS 19, deferred tax is not provided for gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over. Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Deficit/surplus agreements

Certain agreements entered into by the Trust have been guaranteed by local authorities so that any capital deficits or revenue deficits/surpluses are refundable by/to the local authority. Deficits or surpluses arising from these schemes are recorded as debtors/creditors falling due after more than one year.

Major repairs

No provision for major repairs has been set aside for properties. Major repairs costs are charged to the income and expenditure account when incurred.

Cyclical repairs and maintenance

No provision is made for future cyclical repairs and maintenance. Cyclical repair costs are charged to the income and expenditure account when incurred.

Provisions

Provisions have been included in the accounts only to the extent that there is a present legal or constructive obligation to transfer economic benefits.

In the temporary housing business, under the terms of the lease, funds are set aside on acquisition of property in order to ensure that the repairs are carried out on the property to bring it back to its original condition when it is returned to the landlord.

Leases

Rentals paid under operating leases are charged to the income and expenditure account on an accruals basis.

Loan issue costs

Costs incurred in raising loan finance are recorded as a deduction from the gross proceeds of the loan and subsequently amortised in the income and expenditure account over the expected term of the loan.

Intra-Group donations

Charitable donations made between Group entities are shown in the financial statements at the value of the donation.

Supported Housing Services

Where the Trust holds the support contract with the Supporting People Administering Authority and carries the financial risk, all the project's income and expenditure is included in the Trust's income and expenditure account (see note 3).

Derivatives

The Group uses interest rates swaps to reduce its exposure to future increases in the interest rates on floating rate loans. The notional principal is not reflected in the group's balance sheet. Payments made under swaps are accrued over the payment period on a straight-line basis.

Joint Ventures

Joint ventures are accounted for in accordance with Financial Reporting Standard 9 'Associates and Joint Ventures' in the consolidated financial statement using the 'gross equity' methods and in the subsidiary's individual financial statements as a current asset investment shown at cost less amounts written off. Further information on the financial transactions and background can be found in note 34. The gross equity method means, showing the share of the investment and related surpluses and deficits on the face of the accounts.

Investment in Subsidiaries

Investments in subsidiaries are shown at cost.

Deferred Assets

Deferred assets either relate to deficit arising as a result of agreements entered into by the Trust (see note on deficits/surplus agreements) or the obligation to refurbish properties transferred from Local Authorities under stock transfer deal. The VAT saving under this agreement will be shared between the Group and Local Authority.

Negative Goodwill

Negative goodwill arises on business combinations in respect of acquisitions and represents the difference between the consideration paid and the fair value of the net assets of the acquired subsidiary or business. It is included within reserves and released to the income and expenditure account over the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

2. TURNOVER AND OPERATING SURPLUS BEFORE TAXATION

Group – continuing activities

Year ended 31 March 2010	Turnover £m	Cost of Sales £m	Operating costs £m	Operating surplus £m
Social housing lettings	161.2	–	(137.6)	23.6
Other lettings				
Student accomodation	6.9	–	(1.9)	5.0
Intermediate and market rent	1.5	–	0.1	1.6
	8.4	–	(1.8)	6.6
Other income and expenditure				
Development services	0.1	–	(3.2)	(3.1)
Sales and marketing services	–	–	–	–
Neighbourhood activities	0.6	–	(1.9)	(1.3)
First tranche shared ownership sales	27.7	(24.7)	–	3.0
	28.4	(24.7)	(5.1)	(1.4)
Non-social housing activities				
Properties built for sale	9.8	(9.4)	(0.2)	0.2
Charitable fundraising activities	0.3	–	(0.3)	–
Commercial activities	2.2	–	(1.0)	1.2
Other activities	3.5	–	(4.0)	(0.5)
	15.8	(9.4)	(5.5)	0.9
Total	213.8	(34.1)	(150.0)	29.7

Group – continuing activities

Year ended 31 March 2009	Turnover £m	Cost of Sales £m	Operating costs £m	Operating surplus £m
Social housing lettings	134.9	–	(112.2)	22.7
Other lettings				
Student accomodation	–	–	–	–
Intermediate and market rent	0.8	–	(2.0)	(1.2)
	0.8	–	(2.0)	(1.2)
Other income and expenditure				
Development services	0.4	–	(4.2)	(3.8)
Sales and marketing services	–	–	(3.0)	(3.0)
Neighbourhood activities	0.3	–	(1.8)	(1.5)
First tranche shared ownership sales	19.1	(14.0)	–	5.1
	19.8	(14.0)	(9.0)	(3.2)
Non-social housing activities				
Properties built for sale	4.8	(4.8)	–	–
Charitable fundraising activities	0.6	–	(0.2)	0.4
Commercial activities	0.8	–	(0.9)	(0.1)
Other activities	0.6	–	(0.1)	0.5
	6.8	(4.8)	(1.2)	0.8
Total	162.3	(18.8)	(124.4)	19.1

2. TURNOVER AND OPERATING SURPLUS BEFORE TAXATION – continued

Trust – continuing activities

Year ended 31 March 2010	Turnover £m	Cost of Sales £m	Operating costs £m	Operating surplus £m
Social housing lettings	120.1	–	(108.0)	12.1
Other income and expenditure				
Development services	12.3	(12.3)	(3.0)	(3.0)
Neighbourhood activities	0.6	–	(1.8)	(1.2)
Impairment in subsidiary	–	–	(5.6)	(5.6)
	12.9	(12.3)	(10.4)	(9.8)
Non-social housing activities				
Commercial properties	2.1	–	(0.9)	1.2
Charitable fundraising activities	0.3	–	(0.3)	–
	2.4	–	(1.2)	1.2
Total	135.4	(12.3)	(119.6)	3.5

Trust – continuing activities

Year ended 31 March 2009	Turnover £m	Cost of Sales £m	Operating costs £m	Operating surplus £m
Social housing lettings	120.8	–	(104.7)	16.1
Other income and expenditure				
Development services	10.6	(10.6)	(1.6)	(1.6)
Neighbourhood activities	0.3	–	(1.8)	(1.5)
Impairment in subsidiary	–	–	–	–
	10.9	(10.6)	(3.4)	(3.1)
Non-social housing activities				
Commercial properties	0.6	–	(0.7)	(0.1)
Charitable fundraising activities	0.5	–	(0.3)	0.2
	1.1	–	(1.0)	0.1
Total	132.8	(10.6)	(109.1)	13.1

3. INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

Group	Rented Social Housing £m	Shared Ownership £m	Temporary Housing £m	Leased Housing £m	Supported Housing £m	2010 Total £m	2009 Restated Total £m
Year ended 31 March 2010							
Income from lettings							
Rent receivable	72.2	12.5	44.1	0.7	5.7	135.2	107.1
Service charges receivable	3.6	4.2	–	–	2.9	10.7	7.5
Net rents receivable	75.8	16.7	44.1	0.7	8.6	145.9	114.6
Other grants	0.1	–	–	–	5.6	5.7	10.3
Other income	0.4	2.0	0.3	–	6.9	9.6	10.0
Total income from lettings	76.3	18.7	44.4	0.7	21.1	161.2	134.9
Expenditure on letting activities							
Management	(18.5)	(6.9)	(5.4)	–	(4.2)	(35.0)	(23.3)
Care and support costs	–	–	–	–	(8.7)	(8.7)	(8.1)
Service charges	(3.7)	(5.4)	–	–	(2.3)	(11.4)	(7.2)
Routine maintenance	(19.7)	(0.2)	(3.1)	–	(1.5)	(24.5)	(17.5)
Planned maintenance	(7.4)	–	–	–	(0.7)	(8.1)	(7.2)
Major repairs	(9.2)	–	–	–	(0.8)	(10.0)	(10.9)
Rent losses from bad debts	(0.9)	(0.1)	(1.1)	–	(0.2)	(2.3)	(1.5)
Lease charges	–	–	(32.7)	–	–	(32.7)	(32.4)
Depreciation	(3.5)	(0.3)	–	–	(0.4)	(4.2)	(3.1)
Other	–	–	–	–	(0.7)	(0.7)	(1.0)
Total expenditure on lettings	(62.9)	(12.9)	(42.3)	–	(19.5)	(137.6)	(112.2)
Operating surplus on lettings activities	13.4	5.8	2.1	0.7	1.6	23.6	22.7
Void Losses	0.7	0.1	1.8	–	0.4	3.0	3.3

In 2010 we reallocated some group overheads to planned maintenance and major repairs. The comparatives have been adjusted accordingly.

3. INCOME AND EXPENDITURE FROM SOCIAL LETTINGS

Trust	Rented Social Housing £m	Temporary Housing £m	Leased Housing £m	Supported Housing £m	2010 Total £m	2009 Restated Total £m
Year ended 31 March 2010						
Income from lettings						
Rent receivable	53.5	44.0	0.7	4.7	102.9	97.2
Service charges receivable	2.3	–	–	2.4	4.7	4.2
Net rents receivable	55.8	44.0	0.7	7.1	107.6	101.4
Other grants	0.1	–	–	4.9	5.0	10.3
Other income	0.3	0.3	–	6.9	7.5	9.1
Total income from lettings	56.2	44.3	0.7	18.9	120.1	120.8
Expenditure on letting activities						
Management	(11.9)	(5.4)	–	(3.1)	(20.4)	(19.7)
Care and support costs	–	–	–	(8.6)	(8.6)	(8.1)
Service charges	(2.1)	–	–	(2.1)	(4.2)	(3.9)
Routine maintenance	(16.1)	(3.1)	–	(1.1)	(20.3)	(17.2)
Planned maintenance	(6.1)	–	–	(0.6)	(6.7)	(7.2)
Major repairs	(9.1)	–	–	(0.8)	(9.9)	(10.9)
Rent losses from bad debts	(0.7)	(1.1)	–	(0.2)	(2.0)	(1.4)
Lease charges	–	(32.7)	–	–	(32.7)	(32.4)
Depreciation	(2.2)	–	–	(0.3)	(2.5)	(2.9)
Other	–	–	–	(0.7)	(0.7)	(1.0)
Total expenditure on lettings	(48.2)	(42.3)	–	(17.5)	(108.0)	(104.7)
Operating surplus on lettings activities	8.0	2.0	0.7	1.4	12.1	16.1
Void Losses	0.6	1.8	–	0.3	2.7	3.3

In 2010 we reallocated some group overheads to planned maintenance and major repairs. The comparatives have been adjusted accordingly.

4. SURPLUS ON SALE OF FIXED ASSETS – HOUSING PROPERTIES

Group	Housing Properties	Commercial Properties	Quoted Investments	2010 Total	2009 Total
	£m	£m	£m	£m	£m
Disposal proceeds	17.3	–	0.6	17.9	7.1
Social Housing Grant	–	–	–	–	0.6
Transferred to Commercial Buildings (see note 11)	–	1.3	–	1.3	–
Carrying value of fixed assets	(8.8)	(1.3)	(0.3)	(10.4)	(5.0)
At 31 March	8.5	–	0.3	8.8	2.7

Trust	Housing Properties	Commercial Properties	Quoted Investments	2010 Total	2009 Total
	£m	£m	£m	£m	£m
Disposal proceeds	2.4	–	0.6	3.0	14.1
Social Housing Grant	–	–	–	–	0.6
Carrying value of fixed assets	(0.7)	–	(0.3)	(1.0)	(11.6)
At 31 March	1.7	–	0.3	2.0	3.1

5. OTHER INCOME

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Cash donations from other Group entities	–	–	4.9	–

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Bank deposits	1.3	0.9	2.3	2.8

7. INTEREST PAYABLE AND SIMILAR CHARGES

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Indexation on Leasing Scheme loans	1.3	1.3	1.3	1.3
Other loans	34.5	19.0	10.7	12.7
	35.8	20.3	12.0	14.0
Less: interest capitalised on developments at 1.01% per annum (2009: 4.58%)	(4.1)	(3.2)	(0.1)	(1.0)
	31.7	17.1	11.9	13.0

8. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Surplus on ordinary activities before taxation is stated after charging:				
Depreciation on housing properties	5.2	3.1	2.5	2.9
Depreciation on other fixed assets	4.8	2.2	3.6	2.1
Rent for office accommodation	2.5	2.5	2.5	2.5
Computer hire	0.3	0.4	0.3	0.4
Auditors remuneration (£000's):				
Audit services (including VAT)	1475	81.2	53.2	42.9
Non audit services (including VAT)				
Corporate finance transaction	–	2.4	–	2.4
Acquisition of new entities	92.0	–	–	0.0
Other services	2.0	4.1	–	4.1

9. TAXATION

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Current tax				
UK corporation tax on surplus for the year	–	–	–	–
	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Current tax reconciliation				
Surplus on ordinary activities before tax	8.1	5.9	0.8	6.1
Theoretical tax at UK corporation tax rate 28%	2.3	1.7	0.2	1.7
Differences in base cost for staircasing	–	(0.9)	–	–
Differences in base cost for initial sales	(2.4)	–	–	–
Non-deductable expenditure	0.1	0.4	–	–
Indexation on capital gains	(0.5)	–	–	–
Capitalised interest	0.2	(0.5)	–	–
Indexation on sales	–	(0.5)	–	–
Charitable activities	(0.2)	(1.7)	(0.2)	(1.7)
Losses carried forward	0.4	1.5	–	–
LLP income in excess of brought forward LLP losses	0.1	–	–	–
Current tax charge	–	–	–	–

Group entities have a deferred tax asset of £1.8m (2009: £1.5m) in respect of tax losses. The asset has not been recognised due to uncertainties as to the extent and timing of its future recovery.

The Emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of 4 years from 2011. The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011. This will reduce the company's future current tax charge accordingly. If the rate change from 28% to 27% had been substantively enacted on or before the balance sheet date it would have had the effect of reducing the total unrecognised deferred tax assets at that date by £0.1m. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liabilities/assets accordingly.

10. HOUSING PROPERTIES

Group	Completed properties held for letting	Market Rent accommodation at valuation	Letting properties in the course of development	Completed Shared Ownership properties	Shared Ownership properties in the course of development	Total
	£m	£m	£m	£m	£m	£m
Cost or valuation	863.2	14.8	118.2	291.0	11.9	1,299.1
Reallocation (see note below)	–	–	–	(22.3)	22.3	–
At 1 April 2009	863.2	14.8	118.2	268.7	34.2	1,299.1
Acquisitions	555.0	–	65.9	45.3	16.0	682.2
Additions	7.9	2.8	105.5	0.2	73.1	189.5
Works to existing properties	6.4	–	–	–	–	6.4
Properties completed	15.8	–	(15.8)	16.5	(16.5)	–
Surplus on revaluation of property	–	0.8	–	–	–	0.8
Disposals	(2.1)	(1.3)	–	(6.7)	–	(10.1)
At 31 March 2010	1,446.2	17.1	273.8	324.0	106.8	2,167.9
Depreciation						
At 1 April 2009	19.0	–	–	1.5	–	20.5
Acquisitions	10.6	–	–	–	–	10.6
Charge for the year	4.5	–	–	0.2	–	4.7
Disposals	(0.4)	–	–	–	–	(0.4)
At 31 March 2010	33.7	–	–	1.7	–	35.4
Depreciated cost						
At 31 March 2010	1,412.5	17.1	273.8	322.3	106.8	2,132.5
At 31 March 2009	844.2	14.8	118.2	267.2	34.2	1,278.6
Grants						
At 1 April 2009						
Social housing grant	(557.1)	–	(37.1)	(136.0)	(11.1)	(741.3)
Other grants	–	–	(4.2)	–	–	(4.2)
	(557.1)	–	(41.3)	(136.0)	(11.1)	(745.5)
Acquisitions	(247.1)	–	(16.8)	(16.7)	(3.6)	(284.2)
Additions	(6.3)	–	(102.5)	0.3	(12.3)	(120.8)
Schemes completed	(10.4)	–	10.4	(7.9)	7.9	–
Disposals	0.3	–	–	–	–	0.3
Transferred to RCGF and DPF	0.9	–	–	3.5	–	4.4
At 31 March 2010	(819.7)	–	(150.2)	(156.8)	(19.1)	(1,145.8)
Social housing grant	(819.7)	–	146.0	(156.8)	(19.1)	(1,141.6)
Other grants	–	–	(4.2)	–	–	(4.2)
	(819.7)	–	(150.2)	(156.8)	(19.1)	(1,145.8)
Net Book Value						
At 31 March 2010	592.8	17.1	123.6	165.5	87.7	986.7
At 31 March 2009	287.1	14.8	76.9	131.2	23.1	533.1

The reallocation adjustment relates to reclassification of completed shared ownership schemes to shared ownership properties in the course of development.

10. HOUSING PROPERTIES – continued

Trust	Housing properties		Total £m
	Completed housing properties £m	in the course of development £m	
Cost			
At 1 April 2009	858.7	93.6	952.3
Additions	6.2	92.0	98.2
Works to existing properties	6.3	–	6.3
Properties completed	15.8	(15.8)	–
Disposals and stock transfers	(0.7)	–	(0.7)
At 31 March 2010	886.3	169.8	1,056.1
Depreciation			
At 1 April 2009	19.0	–	19.0
Charge for the year	2.5	–	2.5
At 31 March 2010	21.5	–	21.5
Depreciated cost			
At 31 March 2010	864.8	169.8	1,034.6
At 31 March 2009	839.7	93.6	933.3
Grants			
At 1 April 2009			
Social housing grant	(557.1)	(37.1)	(594.2)
Other grants	–	(4.2)	(4.2)
	(557.1)	(41.3)	(598.4)
Additions	(6.4)	(95.5)	(101.9)
Schemes completed	(10.4)	10.4	–
Disposals	0.3	–	0.3
At 31 March 2010	(573.6)	(126.4)	(700.0)
Social housing grant	(573.6)	(122.2)	(695.8)
Other grants	–	(4.2)	(4.2)
	(573.6)	(126.4)	(700.0)
Net Book Value			
At 31 March 2010	291.2	43.4	334.6
At 31 March 2009	282.6	52.3	334.9

10. HOUSING PROPERTIES – continued

Housing Properties comprise:	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Freeholds	2,066.5	1,201.9	1,015.2	911.4
Long leaseholds	101.1	96.9	40.6	40.6
Short leaseholds	0.3	0.3	0.3	0.3
	2,167.9	1,299.1	1,056.1	952.3

Additions to properties include:	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Capitalised interest	4.1	3.2	0.1	1.0
Capitalised development salaries and overheads	4.2	4.7	1.6	0.8

The accounts include market rent accommodation at open market value commercial basis subject to tenancies. These were valued by Drivers Jonas, Members of the Royal Institute of Chartered Surveyors at 31 March 2010.

Expenditure on works to existing properties	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Amounts capitalised	6.4	5.7	6.3	5.7
Amounts charged to income and expenditure account	10.2	9.6	9.2	9.6
	16.6	15.3	15.5	15.3

Social Housing Grant	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Total accumulated SHG receivable at 31 March was:				
Capital grants	1,141.6	741.3	695.8	594.2
Revenue grants	18.3	18.3	18.3	18.3
	1,159.9	759.6	714.1	612.5

11. OTHER FIXED ASSETS

Group	Commercial Buildings	Other land and buildings	Other tangible assets	Total assets
Cost or valuation	£m	£m	£m	£m
At 1 April 2009	–	6.8	17.9	24.7
Additions	1.7	2.0	1.4	5.1
Acquisitions	28.0	10.1	5.4	43.5
Surplus on revaluation of property	0.1	–	–	0.1
Other grant received	–	(0.2)	–	(0.2)
Disposals	–	–	(0.2)	(0.2)
At 31 March 2010	29.8	18.7	24.5	73.0
Depreciation				
At 1 April 2009	–	1.1	13.6	14.7
Acquisitions	–	1.0	4.1	5.1
Charge for the year	–	1.7	3.1	4.8
Disposals	–	–	(0.2)	(0.2)
At 31 March 2010	–	3.8	20.6	24.4
Net Book Value				
At 31 March 2010	29.8	14.9	3.9	48.6
At 31 March 2009	–	5.7	4.3	10.0

The accounts include commercial properties at open market value commercial basis subject to tenancies. These were valued by Dunphys Ltd, Members of the Royal Institute of Chartered Surveyors at 31 March 2010.

Trust	Other land and buildings	Other tangible assets	Total assets
Cost	£m	£m	£m
At 1 April 2009	6.8	16.2	23.0
Additions	1.8	1.4	3.2
Disposals	–	(0.1)	(0.1)
At 31 March 2010	8.6	17.5	26.1
Depreciation			
At 1 April 2009	1.0	12.5	13.5
Charge for the year	1.3	2.2	3.5
Disposals	–	(0.1)	(0.1)
At 31 March 2010	2.3	14.6	16.9
Net Book Value			
At 31 March 2010	6.3	2.9	9.2
At 31 March 2009	5.8	3.7	9.5

12. INVESTMENT IN HOMEBUY ACTIVITIES

	Group		Group	
	2010 £m	2010 £m	2009 £m	2009 £m
	Loans to customers	Grants receivable	Loans to customers	Grants receivable
At 1 April	48.9	(48.9)	51.5	(51.5)
Paid and received in year	-	-	-	-
Redeemed investment and grants transferred to RCGF	(3.0)	3.0	(2.6)	2.6
At 31 March	45.9	(45.9)	48.9	(48.9)

13. NUMBER OF DWELLINGS UNDER DEVELOPMENT AND IN MANAGEMENT

	Group		Trust	
	2010 No.	2009 No.	2010 No.	2009 No.
In the development programme				
Commercial property	43	2	2	-
Permanent rented housing	2,227	1,732	2,227	1,732
Shared Ownership housing	1,546	1,289	-	-
Outright sales	945	964	-	-
Market Rent	30	-	-	-
Intermediate Market Rent	39	-	39	-
	4,830	3,987	2,268	1,732
In management at the end of the year				
Rented social housing	14,606	10,267	10,609	10,291
Shared Ownership housing	4,360	3,822	28	28
Temporary housing	2,432	2,520	2,432	2,520
Leased housing accommodation	179	102	179	102
Market Rent accommodation	312	140	-	-
Intermediate rent accommodation	54	-	-	-
Student accommodation	839	-	-	-
Supported housing and housing for older people	1,296	1,025	951	1,025
Leasehold in management	2,183	1,267	766	222
	26,261	19,143	14,965	14,188
Owned but not managed				
General needs rented housing	554	285	392	285
Supported housing and housing for older people	498	440	477	440
	1,052	725	869	725

2009 comparatives have been adjusted to include leasehold in management units.

14. INVESTMENTS

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Other investments				
Investment in Notting Hill Commercial Properties Ltd	–	–	10.1	7.1
Investment in Great Eastern Quays Ltd	–	–	4.6	4.6
Investment in Coreland Ltd	–	–	–	7.3
Investment in Notting Hill Market Rent Ltd	–	–	22.2	22.2
Investment in Great Eastern Homes LLP	–	–	23.6	22.7
Investment in Notting Hill Home Ownership	–	–	8.0	–
Loan to Wandsworth Parkside LLP	–	1.3	–	–
Loan to KLA Twickenham Road LLP	1.4	0.9	–	–
	1.4	2.2	68.5	63.9

Investment in subsidiaries

The financial statements consolidate the results of Notting Hill Housing Trust and its subsidiaries at 31 March 2010 (see note 34).

The Trust has the right to appoint members to the boards of all of its subsidiaries, thereby exercising control.

Notting Hill Commercial Properties Limited made loans to Wandsworth Parkside LLP and KLA Twickenham LLP in the amount of £1,440,000 at 12% per annum for development of two sites. It has also invested £51,000 as shares and loans in Notting Hill Pocket LLP, a joint venture with Pocket Living Limited. This investment has been made to facilitate the development of small affordable flats in London. The company owns 51% of Notting Hill Pocket LLP and jointly controls it with Pocket Living Limited.

During the year the Trust provided management services for Notting Hill Developments Limited, Notting Hill Home Ownership Limited, Presentation Housing Association Limited, Ajanta Homes Limited, Arawak Development Limited, Gharana Housing Association Limited and Olmec Limited and charged them £4,342,000 (2009: £3,369,000).

15. PROPERTIES IN THE COURSE OF SALE

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Properties under construction	80.0	101.6	6.0	14.2
Completed properties	9.6	–	–	–
	89.6	101.6	6.0	14.2

16. DEBTORS FALLING DUE WITHIN ONE YEAR

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Rental debtors	19.9	14.8	14.5	13.5
Less provision	(12.0)	(9.5)	(10.0)	(9.5)
	7.9	5.3	4.5	4.0
Trade debtors	1.1	0.7	0.5	0.8
Social Housing Grant receivable	8.7	8.4	8.6	8.4
Amounts receivable from local authorities	1.3	1.7	1.7	1.7
Amounts owed by subsidiary undertakings	–	–	8.3	12.5
Value added tax receivable	1.4	0.4	–	–
Other debtors	10.2	1.7	2.1	1.7
Prepayments and accrued income	2.3	4.2	1.7	1.6
	32.9	22.4	27.4	30.7

17. CURRENT ASSET INVESTMENTS

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Investments listed on a recognised stock exchange	0.3	0.8	0.3	0.8
Short term deposit	2.1	10.9	–	10.9
Loan to Presentation Housing Association (See note 37)	–	–	29.9	–
	2.4	11.7	30.2	11.7

The above-mentioned listed investments are authorised for sale within 12 months. At 31 March 2010 these had a cost of £118,000 and are stated at market value.

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Housing loans (note 21)	3.2	2.9	2.6	2.9
Bank loans overdraft and other loans	2.8	2.9	–	–
Trade creditors	10.9	6.3	2.5	5.2
Amounts owed to Group undertakings	–	–	0.7	0.8
Service charges in advance	–	3.9	–	–
Other taxes and social security	1.0	0.6	0.9	0.6
Other creditors	25.2	11.0	6.0	6.4
Accruals and deferred income	32.8	19.6	16.6	13.5
	75.9	47.2	29.3	29.4

19. DEFERRED ASSETS

	Group		Trust	
	2010	2009	2010	2009
Stock Transfer	10.8	–	–	–
Barnet Surplus and deficit agreement	2.2	–	2.2	–
	13.0	–	2.2	–

Stock transfer balances relate to a works programme to be undertaken on the newly transferred Bolney Meadow estate in London Borough of Lambeth. The amount stated represents the Group's prepayment for assets for which it has legally binding obligation to the London Borough of Lambeth to undertake the works under the refurbishment contract. The VAT saving under this agreement will be shared between the Group and the Local Authority.

20. CREDITORS: AMOUNTS FALLING DUE AFTER MORE ONE YEAR

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Housing loans (note 21)	782.3	433.3	268.8	284.9
Deferred purchase completion monies	30.1	–	27.1	–
Obligations under leased housing schemes	0.6	1.3	0.6	1.2
Recycled capital grant fund	12.9	9.6	0.1	–
Disposal proceeds fund	7.8	7.8	6.8	7.8
Pension deficit liability	1.1	0.7	1.1	0.7
	834.8	452.7	304.5	294.6

Recycled capital grant fund

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
At 1 April 2009	9.6	17.6	–	0.2
Acquisitions	4.8	–	–	–
Grants recycled	5.1	2.6	0.1	–
Interest accrued	0.1	0.6	–	–
Transferred from other Group member	(3.9)	(0.1)	–	–
Used to finance new provision	(2.8)	(11.1)	–	(0.2)
At 31 March 2010	12.9	9.6	0.1	–

Disposals proceeds fund

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
At 1 April 2009	7.8	7.4	7.8	7.4
Acquisitions	1.5	–	–	–
Grants recycled	1.5	0.2	1.4	0.2
Interest accrued	0.1	0.2	0.1	0.2
New Build	(3.1)	–	(2.5)	–
At 31 March 2010	7.8	7.8	6.8	7.8

21. LOANS

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Bank and building society secured loans and overdrafts	785.5	436.2	271.4	287.8
Housing loans	785.5	436.2	271.4	287.8
Analysis of loan repayments				
Repayable on maturity	40.0	25.0	40.0	25.0
Repayable by annual instalments:				
– within one year or on demand	3.2	2.9	2.6	2.9
– between one and two years	4.4	3.0	4.8	3.1
– within two to five years	15.2	10.9	13.2	11.1
– in five years or more	722.7	394.4	210.8	245.7
	785.5	436.2	271.4	287.8

The interest amount in respect of the Group includes £468,000 (2009: £174,000) of loan set up costs. Interest amount in respect of Trust includes £45,000 (2009: £121,000) of loan set up costs.

The bank loans are secured by fixed charges on individual properties.

The bank and other loans are repaid in quarterly and half-yearly instalments at rates and variable rates of interest ranging from 0.8% to 11.3%. The final monthly instalments fall to be repaid in the period 2010 to 2041.

At 31 March 2010 the Group had undrawn loan facilities of £277m (2009: £256m).

Surplus cash is either used to firstly repay short term or other variable rate loans or deposited on the money market at varying maturities. Any cash deposited is spread amongst a number of financial institutions that exceed a minimum rating approved by the Board.

The group loan amount has been netted off by loan arrangement fees of £4.5m, which are written off over 30 years. The balance remaining to be written off is £4.5m and this has been offset against loan balance of £790.0m giving a net loan balance of £785.5m.

The Trust loan amount has been netted off by loan arrangement fees of £1.1m, which are written off over 30 years. The balance remaining to be written off is £1.1m and this has been offset against loan balance of £272.5m giving a net loan balance of £271.4m.

As at the year end £144m of the Group's variable rate debt had its interest rate hedged by interest rate swaps.

22. PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Group and Trust Provisions				
As 1 April 2009	1.3	1.4	1.3	1.4
Utilised in the year	0.1	0.8	0.1	0.8
Release of provision	(0.1)	(0.9)	(0.1)	(0.9)
At 31 March 2010	1.3	1.3	1.3	1.3
Stock transfer	10.7	–	–	–
	12.0	1.3	1.3	1.3

Provisions are to provide for restoration of properties at the end of short-term leases.

The balance in respect of stock transfers relates to the costs of work programme to be undertaken on the newly transferred Bolney Meadow in the London Borough of Lambeth. The amount stated represents the Group's legally binding obligation to the London Borough of Lambeth to undertake works under the refurbishment contract. The VAT saving under this agreement will be shared between the Group and the Local Authority.

23. CALLED UP SHARE CAPITAL

	2010 £	2009 £
At 1 April 2009	95	114
Issued during the year	5	3
Redeemed during the year	(12)	(22)
At 31 March 2010	88	95

The shares are not transferable and do not carry a right to interest or dividends and are called on death or from the Trust.

The shares do not have any redemption value, and on cancellation the amount paid becomes the property of the Trust.

24. RESERVES

	General reserves £m	Revaluation reserves £m	Designated reserves £m	Negative goodwill £m	Total reserves £m
Group					
At 1 April 2009	187.0	1.0	–	0.2	188.2
Acquisitions	(6.4)	0.4	5.7	67.6	67.3
Surplus in the year	8.1	0.2	–	–	8.3
Actuarial deficit	(0.3)	–	–	–	(0.3)
At 31 March 2010	188.4	1.6	5.7	67.8	263.5
	General reserves £m	Revaluation reserve £m	Designated reserves £m	Negative goodwill £m	Total reserves £m
Trust					
At 1 April 2009	144.1	0.4	–	–	144.5
Surplus in the year	0.8	(0.2)	–	–	0.6
Actuarial deficit	(0.3)	–	–	–	(0.3)
At 31 March 2010	144.6	0.2	–	–	144.8

The revaluation reserve relates to the surplus of current open market value over historical cost of market rent accommodation (see note 10) and commercial buildings (see note 11).

25. RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Group	
	2010 £m	2009 £m
Operating surplus	29.7	19.1
Depreciation	9.0	5.5
Impairment	–	2.1
Recycled capital grant fund	–	(5.5)
Decrease/(Increase) in properties and other assets in the course of sale	13.4	(55.2)
(Increase) in debtors	(3.4)	(1.3)
Increase/(Decrease) in creditors	8.9	(6.4)
(Decrease) in provisions	–	(0.1)
Net cash (outflow)/inflow from operating activities at 31 March 2010	57.6	(41.8)

26. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Group	
	2010 £m	2009 £m
(Decrease) in bank overdraft	–	(0.3)
Decrease in cash	9.4	3.0
Cash flow from decrease/(increase) in liquid resources	8.8	(10.6)
Cash flow from (decrease)/increase in debt and lease finance	(7.5)	109.7
Loans repaid	0.8	–
Acquisitions	343.6	–
Non cashflow changes	0.3	–
Total changes in net debt for the year	355.4	101.8
Net debt at 1 April 2009	416.3	314.5
Net debt at 31 March 2010	771.7	416.3

27. ANALYSIS OF DEBT

	Group				
	1 April 2009 £m	Cash flow £m	Acquisitions £m	Non cashflow changes £m	31 March 2010 £m
Cash at bank and in hand	8.2	(9.4)	12.6	–	11.4
Current asset investment	11.7	(8.8)	–	(0.5)	2.4
Loans					
Loans repaid	–	(0.8)	–	0.8	–
Short term loans	(2.9)	(0.3)	–	–	(3.2)
Long term loans	(433.3)	7.8	(356.2)	(0.6)	(782.3)
Changes in net debt	(416.3)	(11.5)	(343.6)	(0.3)	(771.7)

28. PENSION OBLIGATIONS

The Trust's employees are members of London Borough of Richmond Pension Fund (LBRPF), London Borough of Islington Pension fund (LBIPF) or of the Social Housing Pension Scheme (SHPS). The employees of other Group members are members of the SHPS. Further information on each scheme (apart from LBIPF, where figures are not material to the accounts) is given below. The group also contributes to a number of other defined contribution pension schemes for certain employees. Contributions to these schemes are immaterial consequently details of the schemes are not provided.

Social Housing Pension Scheme (Group and Trust)

SHPS is a defined benefit scheme. It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is the multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustees commission an actuarial valuation of the scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £1,527 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £663 million, equivalent to a past service funding level of 69.7%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2009. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £1,723 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £738 million, equivalent to a past service funding level of 70.0%.

The next triennial formal valuation of the Scheme is due as at 30 September 2011. The results of the valuation will be available in the autumn of 2012.

Group contributions to the scheme in the period amounted to £1.6m (2009: £1.5m). Trust contributions to the scheme in the period amounted to £1.4m (2009: £1.5m).

London Borough of Richmond Pension Fund (LBRPF)

The LBRPF is a multi-employer scheme, administered by London Borough of Richmond under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2007 by a qualified independent actuary.

The amounts recognised in the consolidated balance sheet are as follows:

	2010	2009
Year ended 31 March	£m	£m
Fair value of plan assets	1.6	1.2
Present value of funded retirement benefit obligations	(2.7)	(1.9)
Net (liability)	(1.1)	(0.7)

The cumulative actuarial losses (gain) recognised in the statement of total recognised gains and losses at 31 March 2010 was (£104,000) (2009: £311,000).

29. EMPLOYEE INFORMATION

The number of full time equivalent persons (including part time staff) employed on a weekly average basis was:

	Group		Trust	
	2010 No.	2009 No.	2010 No.	2009 No.
Staff engaged in managing or maintaining housing stock	362	249	314	249
Staff engaged in developing or selling housing stock	59	35	59	35
Staff providing central administration services	145	105	140	105
Staff providing care and support	236	177	206	177
	802	566	719	566

Staff costs for the above persons:

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Wages and salaries	25.0	20.3	21.8	20.3
Social security costs	2.4	2.0	2.1	2.0
Other pension costs (see note 28)	1.9	1.6	1.6	1.6
	29.3	23.9	25.5	23.9

30. CAPITAL COMMITMENTS

	Group		Trust	
	2010 £m	2009 £m	2010 £m	2009 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	208.0	115.8	111.4	63.7
Capital expenditure that has been authorised by the Board but has not yet been contracted for	190.5	176.2	147.1	86.8

Capital commitments will be funded by a combination of Social Housing Grant, drawdown of existing or new loan facilities, issuing of bonds and or by internal resources.

31. OPERATING LEASES

The payment which the Group and Trust is committed to make in the next year under operating leases are as follows:

	Group and Trust	
	2010 £m	2009 £m
Land and buildings		
Office Rents – One to five years	2.5	2.5
Computers – One to five years	0.3	0.3

32. DIRECTORS EMOLUMENTS

	Group	
	2010 £'000	2009 £'000
The remuneration of the members of the Board and the Executive Directors was:		
Fees for members of the Board	111	84
Management services of Executive Directors (including pension contributions and benefits in kind)	751	755
Remuneration for management services (excluding pension contributions) includes the amount paid to the highest paid Director	170	166

	Salaries £'000	Car Benefits £'000	Pension costs £'000	2010 Total £'000	2009 Total £'000
Kate Davies, Group Chief Executive	159	11	27	197	192
John Hughes, Group Director of Development and New Business	105	8	17	130	125
Paul Phillips, Group Finance Director	118	8	20	146	143
Femi Adewole, Group Operations Director Appointed – 16 June 2008 Resigned – 30 June 2009	26	2	–	28	88
Geeta Nanda, Group Operations Director Resigned – 13 April 2008	–	–	–	–	4
Jayne Hilditch, Group Corporate Services Director Resigned – 27 June 2008	–	–	–	–	30
Alastair Clegg, Group Corporate Services Director Appointed – 15 September 2008	92	8	6	106	48
Andrew Belton, Chief Operating Officer	116	8	20	144	125
	616	45	90	751	755

The Chief Executive is an ordinary member of the pension scheme operated by the Social Housing Pension Scheme on behalf of all qualifying employees. No special or enhanced terms apply to her membership of the scheme.

33. TRANSACTIONS WITH RELATED PARTIES

At 31 March 2010 there were 4 members on the Board who had tenancy agreements with the Trust, Notting Hill Home Ownership Ltd, or Presentation Housing Association Ltd. The tenancy agreements had been granted on the same terms as for all other tenants, and the housing management procedures, including those relating to management of arrears have been applied consistently to these tenants.

34. INCORPORATION, SUBSIDIARIES AND JOINT VENTURES

Notting Hill Housing Trust is incorporated in England under the Industrial and Provident Societies Act 1965 and is required by statute to prepare Group accounts. The Trust is a Registered Housing Provider as defined by the Housing and Regeneration Act 2008.

Notting Hill Housing Trust and its subsidiaries have throughout the year held balances with each other. These balances relate to normal trading transactions between each of the entities.

On 1 June 2010, Olmec Limited left the Notting Hill Housing Group and began its future as an independent charitable organisation.

The Trust has the following subsidiaries.

Company (Subsidiaries)	Principal Activity	Parent	Country of registration	Status
Notting Hill Home Ownership Limited	Performs all the activities of a registered housing association	The Trust owns one of forty five shares and controls the Board	England and Wales	Registered Provider
Presentation Housing Association Limited*	Performs all the activities of a registered housing association	The Trust owns one of forty four shares and controls the Board	England and Wales	Registered Provider
Gharana Housing Association Limited	Performs all the activities of a registered housing association	Presentation Housing Association holds one of thirty two shares and controls the Board	England and Wales	Registered Provider
Notting Hill Commercial Properties Limited	Develops and lets commercial properties	The Trust – 100% shares	England and Wales	Company
Notting Hill Developments Limited	Develops and sells properties	Notting Hill Commercial Properties Limited – 100% shares	England and Wales	Company
Notting Hill Market Rent Limited	Rents properties at market rent	The Trust – 100% shares	England and Wales	Company
Great Eastern Quays Limited	Investment company	The Trust – 100% shares	England and Wales	Company
Coreland Limited	Develops and sells properties and has ceased trading	The Trust – 100% shares	England and Wales	Company
Great Eastern Homes LLP	Develops and sells properties	Jointly owned by Notting Hill Commercial Properties Limited and Great Eastern Quays Limited	England and Wales	Limited Liability Partnership
Ajanta Limited	Sells and lets intermediate market rent housing stock. Not traded for 8 months	Presentation Housing Association – 100% shares	England and Wales	Company
Arawak Limited	Develops properties	Presentation Housing Association – 100% shares	England and Wales	Company
Cheyenne Limited	Investment in properties	Presentation Housing Association – 100% shares	England and Wales	Company
Presentation Market Rent Limited	Rents properties at market rent	Presentation Housing Association – 100% shares	England and Wales	Company
Touareg Trust	Provides student accommodation and owns other educational buildings	The Trust owns one of two shares and controls the Board	England and Wales	Company
Olmec Limited	Community Investment Charity	The Trust controls the Board	England and Wales	Charity company
Canonbury Developments Limited	The company has yet to commence trading	Notting Hill Home Ownership Limited	England and Wales	Company

*Presentation Housing Association's assets and liabilities were transferred to Notting Hill Housing Trust on 8 July 2010

The results of the subsidiaries are set out below:

	2010 £m	2009 £m
Notting Hill Commercial Properties Limited	0.2	0.9
Notting Hill Developments Limited	0.1	–
Notting Hill Home Ownership Limited	4.5	1.4
Notting Hill Market Rent Limited	1.3	–
Great Eastern Quays Limited	–	–
Great Eastern Homes LLP	(1.0)	–
Coreland Limited	–	–
Canonbury Developments Limited	–	–
Presentation Housing Association	2.7	–
Ajanta Limited	3.9	–
Arawak Limited	–	–
Cheyenne Limited	–	–
Gharana Housing Association Limited	–	–
Presentation Market Rent Limited	–	–
Touareg Trust	–	–
Olmec Limited	–	–

Canonbury Developments Limited did not trade during the year to 31 March 2010.

Notting Hill Home Ownership Limited had joint venture with Wandsworth Parkside LLP and KLA Twickenham LLP companies registered in England and Wales. (See below).

Notting Hill Commercial Properties Limited had a joint venture with Notting Hill Pocket LLP, a company registered in England and Wales. (See below).

Name	Nature of business	Share of capital commitments	Proportion of shares held
Wandsworth Parkside LLP	Development of 159 shared ownership units, affordable keywork and private for sale residential accommodation.	Nil	50%
KLA Twickenham LLP	Development of 280 shared ownership units, affordable keywork and private for sale residential accommodation.	Nil	50%
Notting Hill Pocket LLP	Development of affordable housing	Nil	51%

The contingent liability is limited to the amount invested.

In 1999 Presentation entered into partnership with two other Registered Providers in order to fund the Estate Renewal Challenge Fund (ERCF) transfer of the 1,044 homes on the St. Martins Estate in South London. The Association has accounted for its share of income and assets (18.36% ownership) in accordance with FRS 9 as a JANE (Joint Arrangement Not an Entity).

35. LEGAL STATUS

The Trust is registered under the Industrial and Provident Societies Act 1965 and is registered with the Tenant Services Authority as a social landlord.

36. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

On 1 April, Notting Hill Housing Group acquired the assets and liabilities of Croydon Peoples Housing Association and Pathway Housing Association. On 8 June 2009 it acquired the assets and liabilities of Presentation Housing Association and its subsidiaries. This has been accounted for as an acquisition in the year.

Fair value at acquisition

	Croydon Peoples Housing Association £m	Pathway Housing Association £m	Presentation Housing Association and Subsidiaries £m	Total £m
Net assets acquired				
Fixed assets housing properties (net of SHG)	18.6	8.4	388.4	415.4
Fixed assets – other	0.1	0.8	9.5	10.4
Debtors	0.1	0.2	7.5	7.8
Cash	0.4	0.2	12.0	12.6
Creditors	(0.4)	(0.5)	0.9	–
Long term creditors	(9.8)	(3.0)	(365.8)	(378.6)
Net assets acquired	9.0	6.1	52.5	67.6
Satisfied by £nil consideration				

Historic value acquisition

	Croydon Peoples Housing Association £m	Pathway Housing Association £m	Presentation Housing Association and Subsidiaries £m	Total £m
Net assets acquired				
Fixed assets housing properties (net of SHG)	10.5	2.8	331.0	344.3
Fixed assets – other	0.1	0.8	13.0	13.9
Debtors	0.1	0.2	7.5	7.8
Cash	0.4	0.2	12.0	12.6
Creditors	(0.4)	(0.5)	0.9	–
Long term creditors	(9.8)	(3.0)	(365.8)	(378.6)
Net assets acquired	0.9	0.5	(1.4)	–

The results of Presentation Housing Group for the period from 1 April 2009 to 8 June 2009 are shown below.

	Year to 31 March 2009 £m	Period to 8 June 2009 £m
Turnover	39.2	7.3
Operating surplus	6.2	(1.4)
Surplus on sale of housing properties	4.8	–
Interest payable and similar charges	(15.6)	(3.0)
Deficit for the year/period	(4.6)	(4.4)

37. POST BALANCE SHEET EVENTS

On 3 June 2010 the Group was assigned an issuer rating of Aa3 by Moody's investor services.

On 30 June, the Trust issued a £180m 5.25% bond due 7 July 2042. The bond was issued at £99.861 per £100, giving an effective rate of 5.259% or 1.1% above the 4.50% 2042 gilt. The proceeds were received on 7 July 2010 and were immediately lent to Presentation. Presentation used the proceeds to pay off existing debt, incurring break costs of approximately £32m.

On 8 July 2010, the engagements of Notting Hill's subsidiary, Presentation Housing Association were transferred to Notting Hill Housing Trust.



Notting Hill Housing Group developed Park Village East, an architecturally striking development near Regent's Park in central London. Completed in early 2010 it is an excellent example of mixed tenure living with homes for social rent, shared ownership and outright sale.

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1 Butterwick, Rear of Metro Building, Hammersmith London W6 8DL

Tel: 020 8357 5000 Fax: 020 8357 5299

www.nottinghillhousing.org.uk