

Company No. 1523328

**NOTTING HILL COMMERCIAL
PROPERTIES LTD
REPORT AND
FINANCIAL STATEMENTS
31 MARCH 2002**



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NOTTING HILL COMMERCIAL PROPERTIES LTD

Report and Financial Statements 2002

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NOTTING HILL COMMERCIAL PROPERTIES LTD

Company No 1523328
Registered in England and Wales

List of Officers and Professional Advisers as at 31 March 2002

Directors

Lord Sawyer of Darlington, (Chairman)
Anthony Taussig, Barrister-(Vice Chairman)
Richard Allan, FCA
Mary Burke, SRN
Steve Hilditch
Penelope Hutton
Edward Lewis

Patti Openibo
Herschel Post
Edwin Sawacha
Pranlal Sheth CBE, Barrister
Joanna Simons, FCIH
David Thompson
Shriti Vadera

Secretary

John Edwards, FCIS

Registered Office

Grove House
27 Hammersmith Grove
London, W6 0JL

Bankers

Barclays Bank PLC
Business Banking
P.O. Box 544
1st Floor
54 Lombard Street
London EC3V 9EX

Solicitors

Coudert Brothers
20 Old Bailey
London
EC4M 7JP

Auditors

Beever and Struthers
Alpert House
Bridgewater Road
Wembley
Middlesex
HA0 1EH

NOTTING HILL COMMERCIAL PROPERTIES LTD

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2002. Advantage has been taken in the preparation of this report of the special provisions applicable to small companies under Part VII of the Companies Act 1985.

Activities

The board has approved plans to sell the majority of the commercial property portfolio. Sixteen property sales took place in the current year and the same number of sales are anticipated in 2002/3. This will leave a portfolio of four properties once the sales programme has been completed.

During the past year the company has continued to let the remaining commercial properties.

Fixed Assets

Commercial properties are stated in the balance sheet at open market investment value.

Result for the Year

There was a profit on ordinary activities for the year of £855,000 (2001: £399,000) before crediting a surplus on revaluation of commercial properties of £650,000 (2001: £1,431,000).

Dividends and Transfers to Reserves

The Directors do not recommend the declaration of a dividend for the year (2001: £ nil). The amount transferred to reserves during the year was a surplus of £855,000 (2001: £399,000).

Directors

The Directors who served during the year were as follows:

Lord Sawyer of Darlington, (Chairman)	Anthony Taussig, Barrister - (Vice Chairman)
Richard Allan, FCA,	Shriti Vadera
Mary Burke, SRN	Christopher Beresford (resigned 27.3.02)
Ricky Joseph (resigned 13.2.02)	Penelope Hutton
Pranlal Sheth CBE, Barrister	David Thompson
Joanna Simons, FCIH	Richard Walters (resigned 18.7.01)
Herschel Post (appointed 27.3.02)	Edward Lewis
Edwin Sawacha (appointed 27.3.02)	Steve Hilditch (appointed 27.3.02)
	Patti Openibo (appointed 27.3.02)

NOTTING HILL COMMERCIAL PROPERTIES LTD

Directors' Report (continued)

Directors

No Director had any beneficial interest in the shares of the company or any fellow subsidiary company.

Each director holds one fully paid share of £1 in Notting Hill Housing Trust.

Internal control

The Board has overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness. This applies to the Trust and its subsidiaries.

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 company's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the company 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 company's activities. The executive team considers and receives reports on significant risks facing the company 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, and financial and compliance issues including treasury strategy and new investment projects. The Board has adopted, and disseminated to all employees a Code of Conduct for Employees. This sets out the company'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. A review of financial procedures was undertaken in 2001/2 leading to a revised set of procedures particularly covering residents' finances and cash handling.

NOTTING HILL COMMERCIAL PROPERTIES LIMITED

Directors' Report

Internal controls (continued)

- *Information and financial reporting systems*

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

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

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 risk management and control process. The Audit Committee makes an annual report to the Board of Notting Hill Housing Trust. The Board has received this report.

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

Auditors

Beever and Struthers have signified their willingness to continue as auditors to the company.

Income and Corporation Taxes Act 1988

The company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

Grove House
27 Hammersmith Grove
London
W6 0JL

Approved by the Board of
Directors and signed
by order of the Board



John Edwards
Company Secretary
17 July 2002

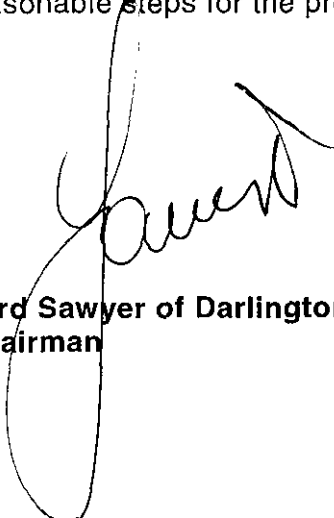
NOTTING HILL COMMERCIAL PROPERTIES LTD

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Lord Sawyer of Darlington
Chairman

NOTTING HILL COMMERCIAL PROPERTIES LTD

Auditors report to the members of Notting Hill Commercial Properties Limited

We have audited the financial statements on pages 8 to 18.

Respective responsibilities of Directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements, and to report our opinion to you.

We read information contained in the Directors' Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 irregularities or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Alperton House
Bridgewater Road
Wembley
Middlesex HA0 1EH

Beever and Struthers
Beever and Struthers
Registered Auditors
Chartered Accountants

Date: 17 July 2002

NOTTING HILL COMMERCIAL PROPERTIES LTD

Profit and loss account

for the year ended 31 March 2002

	Note	2002 £000	2001 £000
Turnover	2	511	618
Administrative expenses		<u>(184)</u>	<u>(297)</u>
Operating profit		327	321
Profit on disposal of fixed assets		591	263
Interest payable	5	<u>(63)</u>	<u>(185)</u>
Profit on ordinary activities before and after taxation		<u>855</u>	<u>399</u>

The turnover and operating profit for the current year derive from continuing operations in the United Kingdom.

Statement of historical cost profits and losses

for the year ended 31 March 2002

	2002 £000	2001 £000
Profit on ordinary activities before and after tax	855	399
Realisation of revaluation surplus on disposal of commercial properties	<u>2,144</u>	<u>694</u>
	<u>2,999</u>	<u>1,093</u>

Statement of total recognised gains and losses

for the year ended 31 March 2002

	2001 £000	2001 £000
Profit before and after tax for the financial year	855	399
Unrealised surplus on revaluation of properties	650	1,431
Total gains recognised for the year	<u>1,505</u>	<u>1,830</u>

NOTTING HILL COMMERCIAL PROPERTIES LTD

Balance sheet

as at 31 March 2002

	Note	2002 £000	2001 £000
Fixed assets			
Tangible assets	8	<u>830</u>	<u>6,255</u>
Current assets			
Properties held for sale	9	3,215	-
Debtors	10	<u>3,449</u>	<u>671</u>
		6,664	671
Creditors:			
Amounts falling due within one year	11	<u>(235)</u>	<u>(499)</u>
Net current assets/(liabilities)		<u>6,429</u>	<u>172</u>
Total assets less current liabilities		<u>7,259</u>	<u>6,427</u>
Creditors:			
Amount falling due after more than one year	12,13	<u>216</u>	<u>889</u>
Capital and reserves			
Called up share capital - £100 (2001: £100)	14	-	-
Revaluation reserve	15	2,831	4,325
Profit and loss account	15	<u>4,212</u>	<u>1,213</u>
Equity and Shareholders' Funds	15	<u>7,043</u>	<u>5,538</u>
		<u>7,259</u>	<u>6,427</u>

The accounts have been approved in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board of Directors on 17 July 2002 and signed on its behalf by:


Lord Sawyer of Darlington
Chairman

NOTTING HILL COMMERCIAL PROPERTIES LTD

Cash flow statement

for the year ended 31 March 2002

	Note	2002 £000	2001 £000
Net cash (outflow) from operating activities	16	<u>(2,450)</u>	<u>(363)</u>
Servicing of finance			
Interest paid		(63)	(185)
Net cash (outflow) from returns on investments and servicing of finance		<u>(63)</u>	<u>(185)</u>
Capital expenditure and financial investment			
Disposal of fixed assets		<u>3,451</u>	<u>1,281</u>
Net cash inflow before financing		<u>938</u>	<u>733</u>
Financing			
Loans and grant repaid	17,18	(938)	(733)
Net cash outflow from financing		<u>(938)</u>	<u>(733)</u>
Increase/ decrease in cash		<u>-</u>	<u>-</u>

NOTTING HILL COMMERCIAL PROPERTIES LTD

Notes to the accounts

for the year ended 31 March 2002

1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies are described below:

Basis of accounting

The financial statements have been prepared under the historical cost convention except for properties. Compliance with Statement of Standard Accounting Practice No. 19 (SSAP 19) "Accounting for investment properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given below.

Commercial properties

In accordance with SSAP 19, commercial 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.

The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with the generally accepted accounting principle set out in SSAP19. The Directors consider that, as these properties are not held for consumption, but for their investment potential, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP19 in order to give a true and fair view.

If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Commercial 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.

Properties held for sale

Where it is intended to sell properties within the next twelve months from the balance sheet date they are included in current assets and shown as properties held for sale. They are stated at open market value at the latest valuation date and valued in accordance with the principles explained in note 8.

NOTTING HILL COMMERCIAL PROPERTIES LTD

Notes to the accounts

for the year ended 31 March 2002

1. Accounting policies continued

Capital grants

Grants received towards the purchase price of commercial properties are credited to deferred income in accordance with Statement of Standard Accounting Practice No 4. Certain capital grants received become repayable if the company were to dispose of the properties to which the grants relate. The amount repayable reduces after relevant time limits.

When the grants become non-repayable, they are taken to reserves via the Statement of Total Recognised Gains and Losses. Differences between amounts repaid and previously repayable are taken to the profit and loss account

Taxation

The company is subject to corporation tax on its taxable profits. To the extent that taxable profits are unrelieved by tax losses they may be covenanted or paid by way of gift aid to Notting Hill Housing Trust.

Deferred taxation

No provision is made for the estimated taxation liability, which would arise if investment properties were sold at their book value. The amount of the potential liability is shown in note 7. Deferred taxation assets are only recognised to the extent that they are expected to be recoverable.

NOTTING HILL COMMERCIAL PROPERTIES LTD

Notes to the accounts

for the year ended 31 March 2002

2. Turnover

Turnover represents rental income excluding VAT and other income receivable.

3. Directors' emoluments

None of the Directors received any remuneration during the current or previous year

4. Employee information

	2002 Number	2001 Number
The average weekly number of person employed during the year was:		
Office staff	<u>1</u>	<u>1</u>
Staff Costs (for the above persons)		
	£000	£000
Wages and salaries	35	32
Social security costs	4	4
Other pension costs	<u>2</u>	<u>2</u>
	<u>41</u>	<u>38</u>

5 Interest payable

	2002 £000	2001 £000
On loans payable to group undertakings	-	50
On bank loans and overdrafts	15	51
On other loans	<u>48</u>	<u>84</u>
	<u>63</u>	<u>185</u>

6 Profit on ordinary activities

	2002 £000	2001 £000
Profit on ordinary activities is after charging		
Auditors' remuneration:		
In their capacity as auditors	5	3

NOTTING HILL COMMERCIAL PROPERTIES LTD

Notes to the accounts

for the year ended 31 March 2001

7 Taxation

Tax on profit on ordinary activities	2002	2001
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>

No Corporation Tax charge arises in the company (2001: Nil) as in the opinion of the Directors the taxable profits and gains from the sale of properties in the year are offset by accumulated taxable losses.

At 31 March the Company had estimated management expenses carried forward of £6.6m (2001: £9.1m) which are considered to be available for offset against taxable gains and other profits. As a result of these management expenses no Corporation Tax charge arises in the year.

As at 31 March 2002 there were total unrealised revaluation gains before indexation allowances of £2.8m of which £2.3 is attributable to assets held for sale and £0.5m due to properties included in tangible fixed assets. No provision has been made for deferred tax as any tax that may be due on realisation of such gains would be offset by firstly the excess management expenses carried forward.

8 Tangible fixed assets

	Freehold Commercial Properties £000	Leasehold Commercial Properties £000	Total £000
Net book value at 31 March 2001			
At valuation			
At 1 April 2001	2,727	3,528	6,255
Disposals	(1,200)	(1,660)	(2,860)
Surplus on revaluation	380	270	650
At 31 March 2002	<u>1,907</u>	<u>2,138</u>	<u>4,045</u>
Properties held for sale	<u>(1,217)</u>	<u>(1,998)</u>	<u>(3,215)</u>
Net book value: 31 March 2002	<u>690</u>	<u>140</u>	<u>830</u>
	<u>2,727</u>	<u>3,528</u>	<u>6,255</u>
Analysis of units			
At 1 April 2001	5	27	32
Disposals	(1)	(15)	(16)
Properties held for sale at year end	(3)	(9)	(12)
At 31 March 2002	<u>1</u>	<u>3</u>	<u>4</u>

The commercial properties were valued at 31 March 2002 by Dunphy's, Chartered Surveyors. The properties were valued on an open market value basis, subject to tenancies. The surplus on the revaluation of commercial properties of £650,000 (2001: £1,431,000) has been transferred to the revaluation reserve (see note 15). The cost of commercial properties as at 31 March 2002 was £1,213,628 (2001: £1,929,240). Amounts given for cost and revaluation of commercial properties are inclusive of properties for sale.

NOTTING HILL COMMERCIAL PROPERTIES LTD

Notes to the accounts

for the year ended 31 March 2002

9 Properties held for sale

	Commercial Properties		2002	2001
	Freehold	Leasehold	Total	Total
			£000	£000
Open market valuation at 31 March 2002	<u>1,217</u>	<u>1,998</u>	<u>3,215</u>	<u>-</u>

See note 8 for details of cost and revaluation at the year end.

10 Debtors

	2002	2001
	£000	£000
Rental debtors	84	78
Less provision	(48)	(28)
Amounts owed by parent undertakings	3,402	621
Other debtors	11	-
	<u>3,449</u>	<u>671</u>

11 Creditors: Amounts falling due within one year

	2002	2001
	£000	£000
Rent prepaid	29	-
Loan instalments repayable within one year	164	429
Other creditors	22	45
Other tax and social security	-	6
Accruals and deferred income	20	19
	<u>235</u>	<u>499</u>

12 Creditors: Amounts falling due after more than one year

	2002	2001
	£000	£000
Loans (note 13)	216	819
Deferred income - repayable grants	-	70
	<u>216</u>	<u>889</u>

The company has received grants from a public authority for refurbishment of a property. The grant was received in March 1989 and amounted to £87,275. The property was sold in the year and under the terms of the grant 60% was repayable. The surplus between the amount repaid and repayable at the previous year end is included in turnover.

NOTTING HILL COMMERCIAL PROPERTIES LTD

Notes to the accounts for the year ended 31 March 2002

13 Loans

	2002 £000	2001 £000
Local authority loans	292	746
Loans and overdrafts from banks and building societies	88	502
	<u>380</u>	<u>1,248</u>

Analysis of loan repayments

Local authority loans:-

within one year or on demand	76	37
between one and two years	5	53
between two and five years	13	185
after five years repayable by instalments	198	471

Other loans:

within one year or on demand	88	392
between one and two years	-	15
between two and five years	-	44
after five years repayable by instalments	-	51
	<u>380</u>	<u>1,248</u>

Loans from banks, building societies and local authorities are secured by specific charges on the company's properties and are repayable as shown above and bear interest at rates varying between 4.5% and 11%.

14 Called up share capital

	2002 £	2001 £
Authorised, allotted and fully paid: 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

NOTTING HILL COMMERCIAL PROPERTIES LTD

Notes to the account for the year ended 31 March 2002

15 Reserves

	Revaluation Reserves £000	Profit and Loss Account £000	Total £000
At 1 April 2001	4,325	1,213	5,538
Realisation of revaluation surplus on disposal	(2,144)	2,144	-
Surplus on revaluation	650	-	650
Profit for the year	-	855	855
At 31 March 2002	2,831	4,212	7,043

16 Reconciliation of operating profit to net cash inflow from operating activities

	2002 £000	2001 £000
Operating profit	327	321
Decrease in debtors	3	46
(Decrease)/increase in creditors	1	(143)
Increase in amounts due from parent undertaking	(2,781)	(587)
	(2,450)	(363)

17 Reconciliation of net cash inflow to net movement in net debt

	2002 £000	2001 £000
Cash outflow from reduced borrowings	(938)	(733)
Change in net debt	(938)	(733)
Net debt brought forward	1,318	2,051
Net debt carried forward	380	1,318

NOTTING HILL COMMERCIAL PROPERTIES LTD

Notes to the accounts

for the year ended 31 March 2002

18 Analysis of changes in net debt

	2002	Cashflows	Non cash movement	2001
	£000	£000	£000	£000
Repayable grant	-	(70)	-	70
Borrowing due within one year	164	(370)	105	429
Borrowings due after one year	216	(498)	(105)	819
	<u>380</u>	<u>(938)</u>	<u>-</u>	<u>1,318</u>

19 Ultimate parent undertaking and related party

The company's ultimate parent undertaking is Notting Hill Housing Trust, an Industrial and Provident Society registered in England and Wales. Advantage has been taken of exception 3(c) of Financial Reporting Standard 8, not to disclose intra-group transactions.

Copies of the group financial statements are available from the Group Secretary, Notting Hill Housing Trust Grove House, 27 Hammersmith Grove, London W6 0JL.

NHCP2002/c/aj
17/06/2002