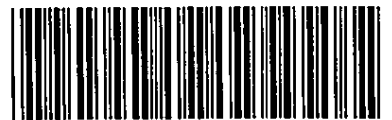


UK RENTS (NO. 1) PLC
Company Number: 2974635
REPORTS AND ACCOUNTS
FOR THE YEAR ENDED 6 APRIL 2009

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COMPANIES HOUSE

The Directors present their annual report together with financial statements for the year ended 6 April 2009.

Principal Activity

The company is a wholly owned subsidiary of the ultimate holding company The Housing Finance Corporation Limited ("THFC") and is a special purpose vehicle established for the purpose of purchasing rent receivables from registered social landlords by means of the issue of Eurobonds.

The company has issued a Financial Instrument, in the form of Eurobonds financing the rental securitisation (see Note 10 for details). The Eurobonds are rated AAA by Fitch Ratings and Aaa by Moody's Investor Services. The Eurobonds have a fixed rate of interest, and rents remitted by the registered social landlords are structured to cover interest payments and capital repayments when due, thus minimising interest and liquidity risks.

The company expects to continue its principal activity for the life of the Eurobonds.

Results for the Year

The profit after taxation for the year to 6 April 2009 was £11,000 (2008 - £11,000). The Directors do not recommend the payment of a dividend (2008: NIL).

Directors

Directors who served during the year are set out below and, except where indicated, served throughout the year.

Pam Alexander
Charlie Arbuthnot (appointed 27 November 2008)
Michael Boohan
Fenella Edge
Roger Mountford
David Orr
Gill Rowley
Sadru Visram
Piers Williamson

No Director had, during or at the end of the year, any interest in any contract with the company. The directors receive no remuneration from the company.

Creditor Payment Policy

The company's principal creditors are the holders of the Eurobonds. Payments to the holders of the Eurobonds are made in accordance with the underlying issue documents. As at the financial year end, no amounts due for payment to the holders of the Eurobonds were outstanding.

All other creditors are paid within 60 days of receipt of invoice.

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 and of the profit or loss of the company for that period. In preparing those 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;
- state whether the financial statements comply with International Financial Reporting Standards, as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In the case of each director:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

Financial Risk Management

The key financial risks of the company and how they are minimised are explained in note 2.

Auditors

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

A handwritten signature in black ink, appearing to read 'Colin Burke', followed by a period.

Colin Burke
Company Secretary
23 June 2009

Independent Auditors' report to the Members of UK Rents (No.1) PLC

We have audited the financial statements of UK Rents (No.1) Plc for the year ended 6 April 2009 which comprise the Income Statement, the Balance Sheet and Cash Flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities Statement on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 6 April 2009 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



David Braithwaite (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 June 2009

UK Rents (No.1) PLC	Accounts
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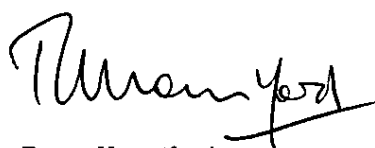
Income statement	2009	2008	
For the year ended 6 April 2009	£000	£000	Notes
Operating Income			
Income from securitised assets	3,139	3,194	
Interest receivable	6	7	
Fees receivable	33	32	
	<u>3,178</u>	<u>3,233</u>	
 Operating Expenditure			
Interest on bonds	3,139	3,194	3
Operating expenses	25	25	
	<u>3,164</u>	<u>3,219</u>	
 Profit before taxation	14	14	4
 Taxation	(3)	(3)	5
 Profit for the year	<u>11</u>	<u>11</u>	
 Retained profit brought forward	109	98	
 Retained profit carried forward	<u>120</u>	<u>109</u>	12

The company has no recognised gains or losses other than the profit for the year.
Income and profit derive from continuing activities.
There were no movements in shareholders' funds other than the profit for the year.

UK Rents (No.1) PLC	Accounts
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Balance Sheet	2009	2008	
at 6 April 2009	£000	£000	Notes
Assets			
Securitised assets (non-current)	33,267	33,986	6
Securitised assets (current)	719	670	6
Cash at bank and in hand	859	848	
Total Assets	34,845	35,504	
Liabilities			
Eurobonds and subordinated loan (non-current)	33,990	34,709	8
Other payables	719	670	7
Current tax liabilities	3	3	
Capital and reserves			
Called up share capital	13	13	9
Profit and loss account	120	109	12
Total capital, reserves and liabilities	34,845	35,504	

Approved by the Board of Directors on 23 June 2009 and signed on its behalf by:



Roger Mountford
Chairman

UK Rents (No.1) PLC	Accounts
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Cash Flow Statement	2009	2008	
For the year ended 6 April 2009	£000	£000	Notes

Cash flows from operating activities

Cash generated from operations	3,147	3,201	15
Interest received	6	7	
Interest paid	(3,139)	(3,194)	
Sale of securitised assets	670	577	
Tax paid	(3)	(2)	
Net cash flow generated from operating activities	681	589	

Cash flows from financing activities

Repayment of amounts borrowed	(670)	(577)	
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Net cash used in financing activities

(670)	(577)	
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Net increase in cash and cash equivalents

11	12	
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Cash and cash equivalents at beginning of period

848	836	
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Cash and cash equivalents at end of period

859	848	
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UK Rents (No.1) PLC	Notes
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Notes to the Accounts

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements of UK Rents (No.1) PLC ("UKR1") are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations, as adopted by the European Union, and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. A summary of the more important company accounting policies is set out below.

(i) Interpretations effective from 1 January 2008 .

The following interpretations are mandatory for accounting periods beginning on or after 1 January 2008:

IFRIC 11, IFRS 2 - 'Company and treasury share transactions' is not relevant to the Company's operations because the Company does not operate any share schemes;

IFRIC 12, 'Service concession arrangements' is not relevant to the Company's operations because the Company does not provide public sector services; and

IFRIC 14, 'IAS 19 - The limit on a defined benefit asset' is not relevant to the Company's operations because the Company does not operate any defined benefit pension plans.

(ii) Amendments to existing standards early adopted by the Company .

No amendments to existing standards have been early adopted by the Company in 2008.

(iii) Standards, amendments and interpretations to existing standards that are not yet effective and are not considered material to the Company.

IAS 32 (amendment), 'Financial instruments: presentation' and IAS 1 (amendment), 'Presentation of financial statements' (effective from 1 January 2009).

IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective for accounting periods starting from 1 October 2008).

IAS 31 (amendment), 'Interests in joint ventures' (effective from 1 January 2009).

IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009).

IFRS 2 (amendment), 'Share-based payment' (effective from 1 January 2009).

IFRS 3 (revised), 'Business combinations' (effective for accounting periods starting from 1 July 2009).

IFRIC 13, 'Customer loyalty programmes' (effective for accounting periods starting from 1 July 2009).

There were also another 23 amendments made to different IAS's or IFRS's by the IASB in May 2008. These all had an effective date from 1 January 2009 or 1 July 2009. None of these are expected to have a material impact on the Company.

b) Securitised assets and related income

Securitised assets are recorded in the accounts at amortised cost. Income arising from the assets is accounted for on an accruals basis. Premiums on issue are added to the original loan value and charged to the income statement over the expected life of the loan so that the interest receivable, as adjusted for the amortisation of premiums, gives a constant yield to maturity.

UK Rents Trustee Limited receives the rental flow and holds it on trust for the company and thereafter the RSLs so that rent is firstly used to meet the interest and administrative expenses of the company with any surpluses (after meeting the obligations of the company) returned to the RSLs. The income from securitised assets in the year amounted to £3,139,000. This income supports payment of the interest on the bonds to the same value. T.H.F.C. (Services) Limited provides all management and administrative services to the company and monitors the performance of the RSLs in meeting their obligations under the terms of the various agreements.

c) Eurobond

The secured Eurobond is held at amortised cost. Interest payable on the Eurobond is accounted for on an accruals basis.

d) Cash and cash equivalents and short-term deposits

Cash and cash equivalents consist of term deposits (being deposits whose maturity date is three months or less from the investment date), demand deposits, current account balances and cash in hand. Short-term deposits consist of term deposits whose maturity dates are greater than three months from the investment date.

UK Rents (No.1) PLC	Notes
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e) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities using the tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date.

Segmental Analysis

All operating income and expenditure is derived from activities undertaken in the United Kingdom. The company's only activity is to provide finance to Registered Social landlords ("RSLs").

2. Financial risk management

UKR1's operations and significant debt financing expose it to a variety of potential financial risks including interest rate risk, credit risk and liquidity risk.

Interest rate risk

UKR1 issues debt and securities assets on a substantially identical maturity, interest and repayment profile thus ensuring that no material mis-match risk is taken in interest rate movements. The form of all contractual agreements is approved by the Board.

The company is subject to interest rate risk on its investment income. Investment income in the year was £6,256.

Liquidity and Credit risk

UK Rents Trustee Limited (UKT), a subsidiary of UKR, is the Receivables Trustee under the asset securitisation and holds the beneficial interest in all rents transferred to it under the Rent Sale agreement by the participating housing associations. These funds are held on trust for the issuer and each of the housing associations and are first applied to discharge issuer obligations and costs with any surplus being returned to the participating housing associations. Additionally, each housing association has deposited funds with the issuer by way of subordinated loan which is available to be applied to cover debt service payments if the rents received fall short of the amount required. As a AAA rated transaction these arrangements have, and continue to be, subject to periodic review by Moody's Investor Services and Fitch Ratings.

Deposit counterparties are subject to pre-approval by the Board and such approval is limited to financial institutions with a suitable minimum long term rating in accordance with THFC treasury policy. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the Board.

Fair value risk and market price risk

There is a fair value risk on the loans and Secured Bonds but there is no net risk. Market price risk is not expected to impact on the company because (i) the Secured Bonds are held at amortised cost in the financial statements and (ii) the company expects to hold them until maturity.

Currency risk

All financial assets and liabilities are denominated in sterling and hence there is no currency risk

Operational Risk

Arises from the potential for key systems failures, breaches in internal controls or from external events resulting in financial loss or reputational damage. Key operational risks include outsourced contracts, payments systems, information systems and over-dependence on key personnel. Operational risk is controlled and mitigated through comprehensive, ongoing risk management practices which include formal internal control procedures, training, segregation of duties, delegated authorities, contingency planning and documentation of procedures.

3. Interest payable

	2009 £000	2008 £000
On Eurobond repayable wholly or partly in more than five years	3,139	3,194

UK Rents (No.1) PLC	Notes	
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4. Profit	2009 £000	2008 £000
Profit before taxation is stated after charging:		
Management fee payable	25	25

UKR1 employed no staff during the year. All administrative services, including audit and Directors' services, are provided under a management agreement with T.H.F.C. (Services) Limited.

5. Tax on operating profit		
UK Corporation tax at 21% (2008: 20%)	3	3

6. Securitised assets	2009 £000	2008 £000
At beginning of year	34,656	35,233
Repaid in the year	(670)	(577)
At end of year	33,986	34,656
Less repayable within one year	(719)	(670)
Due after more than one year	33,267	33,986
The amounts are repayable as follows:		
Between one and two years	825	771
Between two and five years	3,219	3,023
In five years or more	29,223	30,192
	33,267	33,986

For details of the securitised assets see Note 10.

7. Other payables	2009 £000	2008 £000
Eurobond repayment (current)	719	670

8. Financial Liabilities – secured eurobond and subordinated loan	2009	2008
9.10% Eurobond due 2025 (Note 10)	£000	£000
At beginning of year	34,656	35,233
Repaid in year	(670)	(577)
At end of year	33,986	34,656
Subordinated loans from registered social landlords	723	723
	34,709	35,379
Less repayable within 1 year	(719)	(670)
	33,990	34,709

The Eurobond is secured by a first ranking fixed security interest over UKR1's beneficial interest in UK Rents Trustee Limited together with further security over all of UKR1's other assets, and the above amounts are repayable as follows:

Between one and two years	825	771
Between two and five years	3,219	3,023
In five years or more	29,223	30,915
	33,267	34,709

UK Rents (No.1) PLC	Notes	
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9. Called up share capital	2009	2008
Authorised 100,000 ordinary shares of £1 each	£100,000	£100,000
Allotted, called up and fully paid 2 ordinary shares of £1 each	£2	£2
Allotted, called up and one quarter paid 50,000 ordinary shares of £1 each	£12,500	£12,500

10. Securitisation transaction

UKR1 owns a pool of rent receivables of six housing associations which it bought in January 1995. The cost of the rental pool was £36.143 million. To finance the purchase of the rent receivables UKR1 issued £36.143 million of Eurobonds. The housing associations are obliged to repurchase part of the rental stream, starting in 2005 and concluding in 2025.

Each housing association which sold rent receivables has provided UKR1 with a subordinated loan to act as a reserve for its obligations. The total of such loans outstanding at 6 April 2009 was £723,000 (2008: £723,000).

Under the terms of the transaction each housing association undertakes to collect rent from and to manage and maintain the portfolio of rent receivables sold to UKR1. As security for these performance obligations and the repurchase obligations each housing association has given a first fixed charge over the underlying property.

A separate company (UK Rents Trustee Limited) receives the gross rental flow and holds it on trust for UKR1 and thereafter the housing associations so that the rent is firstly used to meet the interest and administrative expenses of UKR1 with surpluses (after meeting the obligations of UKR1) returned to the housing associations.

T.H.F.C. (Services) Limited (a wholly owned subsidiary of the ultimate holding company) provides all management and administrative services to UKR1 and monitors the performance of the housing associations in meeting their obligations under the terms of the various agreements.

11. Financial Instruments

The fair value of the 9.1% Eurobond due 2025 and associated secured asset is £40,317,242 (2008: £43,911,727)

Financial assets and liabilities all carry fixed and matching rates of interest. The weighted average interest rate is 9.22% and the weighted average period for which interest rates are fixed is 10.48 years.

There is no difference between the fair value and book value of all other financial assets and liabilities.

The financial liability of £723,000 represents the subordinated loan disclosed within Note 10. The liability is matched by an equivalent level of short term deposit with the interest thereon being returned to the RSLs.

	2009 £000	2008 £000
12. Reserves		
Opening reserves	109	98
Profit for the year	11	11
Closing reserves	<u>120</u>	<u>109</u>

UK Rents (No.1) PLC	Notes
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13. Ultimate parent undertaking and incorporation

UKR1's ultimate parent undertaking is The Housing Finance Corporation Limited ("THFC"), which is incorporated in Great Britain and registered in England and Wales. The consolidated accounts of THFC may be obtained from the Company Secretary, The Housing Finance Corporation Limited, 107 Cannon Street, London, EC4N 5AF.

UK Rents (No. 1) PLC is incorporated in the United Kingdom.

Neither the holding company nor any other entity or person has the power to amend the financial statements after issue.

14. Related Party Transactions

All administrative services are provided under a management agreement by T.H.F.C. (Services) Limited, a fellow subsidiary. Management fees payable to T.H.F.C. (Services) Limited during the year amounted to £25,300 (2008: £25,300).

The directors of T.H.F.C. (Services) Limited are also directors of the company.

15. Reconciliation of profit to net cash inflow from operating activities

	2009 £000	2008 £000
Profit before taxation	14	14
Interest receivable	(6)	(7)
Interest payable	3,139	3,194
Net cash inflow from operating activities	3,147	3,201