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**HAVEN FUNDING PLC**

**Financial Statements**

**For the year ended  
31 December 2010**

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## **HAVEN FUNDING PLC**

### **Annual report and financial statements for the year ended 31 December 2010**

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#### **Directors**

C Burke  
F Edge  
R Mountford  
P Williamson

#### **Company Secretary**

T H F C (Services) Limited

#### **Registered Office**

4<sup>th</sup> Floor  
107 Cannon Street  
London  
EC4N 5AF

#### **Company Number**

3139687

#### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London  
SE1 2RT

## **HAVEN FUNDING PLC**

### **DIRECTORS' REPORT**

**Year ended 31 December 2010**

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The directors submit their report and audited financial statements for the year ended 31 December 2010

### **RESULTS AND DIVIDEND**

The company made neither a profit nor a loss for the period. The directors do not propose the payment of a dividend.

### **PRINCIPAL ACTIVITIES**

Haven Funding Plc (the "company") was incorporated on 14 December 1995. The principal activity of the company is to provide finance for Housing Associations (HAs) registered under The Housing Act 1996 through the issue of bonds secured on the borrowing of the HAs (the "Secured Bonds"). All the company's operating costs, net of interest earned, are recoverable from borrowers. The borrowing HAs of the company are

A2Dominion Homes Limited  
Bromford Carinthia Housing Association Limited  
Cheviot Housing Association Limited  
First Wessex Housing Group  
Hanover Housing Association Limited  
Hyde Housing Association Limited  
Metropolitan Housing Association Limited  
Portal Housing Association Limited  
Shaftesbury Housing Association Limited  
Swaythling Housing Society Limited

The Prudential Trustee Company Limited has a fixed charge over certain assets of the borrowing HAs on behalf of the Secured Bond holders.

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

### **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

The company has fulfilled its obligations under the bonds and expects to do so for the foreseeable future. Given the straight forward nature of the business, the company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development performance or position of the business.

### **SHARE CAPITAL AND COMPANY STRUCTURE**

Haven Funding Plc is a public limited company incorporated and domiciled in the United Kingdom. The entire share capital of the company is held by Haven Funding (Holdings) Limited.

### **DIRECTORS**

The directors who served throughout the period and up to the date of signing the financial statements are as follows:

C Burke  
F Edge  
R Mountford  
P Williamson

## **HAVEN FUNDING PLC**

### **DIRECTORS' REPORT (continued) Year ended 31 December 2010**

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The directors have no beneficial interest in the share capital of the company (2009 Nil) The directors received no remuneration during the period in respect of qualifying services (2009 Nil)

#### **SIGNIFICANT INTEREST**

Then entire share capital is held by Haven Funding (Holdings) Limited

The directors have no beneficial interest in the share capital of Haven Funding (Holdings) Limited

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

The directors are responsible for the maintenance and integrity of the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

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 responsible 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

## **HAVEN FUNDING PLC**

### **DIRECTORS' REPORT (continued)** **Year ended 31 December 2010**

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#### **CREDITOR PAYMENT POLICY**

The company's principal creditors are the holders of the Secured Bonds. Interest is payable on the bonds on 31 March and 30 September each year and hence no amounts were due for payment to the bond holders at the financial year end. The company had no trade creditors at 31 December 2010 (2009: £Nil).

The company's policy is to pay all other creditors within 60 days of receipt of invoice.

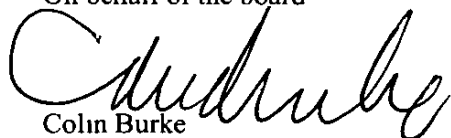
#### **FINANCIAL RISK MANAGEMENT**

The principal risks and uncertainties facing the company relate to financial risks. The key financial risks of the company and how they are minimised are explained in note 3.

#### **INDEPENDENT AUDITORS**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution to reappoint them as auditors will be proposed at the annual general meeting.

On behalf of the board



Colin Burke

By order of the board of  
THFC (Services) Limited

**Company**

28 June 2011

## **HAVEN FUNDING PLC**

### **INDEPENDENT AUDITORS' REPORT**

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#### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAVEN FUNDING PLC**

We have audited the financial statements of Haven Funding Plc for the year ended 31 December 2010 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows 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 set out on page 2, 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 and express an opinion on 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 Chapter 3 of Part 16 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 31 December 2010 and of its result 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

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**HAVEN FUNDING PLC**

**INDEPENDENT AUDITORS' REPORT (continued)**

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- 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



Andrew Hawkins (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
29 June 2011

# HAVEN FUNDING PLC

## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Note	2010 £	2009 £
<b>OPERATING INCOME</b>			
Interest receivable	4	21,582,764	21,623,752
Costs receivable from borrowers		<u>109,468</u>	<u>83,401</u>
		<u>21,692,232</u>	<u>21,707,153</u>
<b>OPERATING EXPENDITURE</b>			
Operating charges		109,468	83,449
Interest payable	5	<u>21,582,764</u>	<u>21,623,704</u>
		<u>21,692,232</u>	<u>21,707,153</u>
<b>PROFIT BEFORE AND AFTER TAXATION ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	6	-	-
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<u>-</u>	<u>-</u>

The accompanying notes are an integral part of these financial statements

All amounts relate to continuing activities

There have been no changes in equity in the year, therefore no separate statement of changes in equity has been prepared

# HAVEN FUNDING PLC

## STATEMENT OF FINANCIAL POSITION 31 December 2010

		2010 £	2009 £
<b>ASSETS</b>	Note		
<b>Non-current assets</b>			
Loans to Borrowers	8	296,803,159	297,469,845
<b>Current assets</b>			
Other receivables	9	6,287,216	6,247,273
Cash and cash equivalents		13,619	13,630
<b>TOTAL ASSETS</b>		<b>303,103,994</b>	<b>303,730,748</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>	10		
Other payables		6,288,335	6,248,403
<b>Non-current Liabilities</b>			
Financial liabilities – Secured Bonds	11	296,803,159	297,469,845
<b>Equity attributable to owners of the parent</b>			
Share capital	12	12,500	12,500
Profit and loss account		-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>303,103,994</b>	<b>303,730,748</b>

The accompanying notes are an integral part of these financial statements

These financial statements were approved by the board and signed on it's behalf by



Piers Williamson  
Director  
28 June 2011

**HAVEN FUNDING PLC****STATEMENT OF CASH FLOWS**  
**Year ended 31 December 2010**

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	Note	2010 £	2009 £
<b>NET CASH FLOW USED IN OPERATING ACTIVITIES</b>			
Cash used in operations	13	(11)	(10,745)
Interest paid on bonds		(22,205,625)	(22,205,625)
Interest received on loans		22,205,625	22,205,673
		<hr/>	<hr/>
<b>NET CASH FLOW USED IN OPERATING ACTIVITIES</b>		(11)	(10,697)
		<hr/>	<hr/>
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS IN THE YEAR</b>		(11)	(10,697)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		13,630	24,327
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		13,619	13,630
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements

# HAVEN FUNDING PLC

## NOTES ON THE FINANCIAL STATEMENTS

Year ended 31 December 2010

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### 1 GENERAL INFORMATION

Haven Funding Plc ("the company") provides funding for Housing Associations ("HAs") The company is a public limited company which has Secured Bonds listed on the London Stock Exchange It is incorporated in the United Kingdom

The company on-lent the proceeds of the issue of the Secured Bonds to HAs (the "Borrowers")

### 2 ACCOUNTING POLICIES

#### Basis of accounting

These financial statements have been prepared on a going concern basis 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, 2006 applicable to companies reporting under IFRS The financial statements have been prepared under the historical cost convention

#### *(a) New and amended standards adopted by the company*

There are no new or amended standards which have been adopted for the first time for the financial year starting 1 January 2010

#### *(b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010 but not currently relevant to the company (although they may affect the accounting for future transactions and events)*

- IFRS 1 (revised) 'First-time adoption' (effective 1 July 2009)
- IFRS 3 (revised) 'Business combinations' (effective 1 July 2009)
- IAS 27 (revised) 'Consolidated and separate financial statements' (effective 1 July 2009)
- Amendment to IAS 39, 'Financial instruments Recognition and measurement', on Eligible hedged items (effective 1 July 2009)
- Amendment to IFRS 2, 'Share based payments – Group cash-settled share-based payment transactions' (effective 1 January 2010)
- IFRIC 12, 'Service concession arrangements' (effective 30 March 2009)
- IFRIC 15, 'Arrangements for construction of real estates' (effective 1 January 2009 but EU endorsed for 1 January 2010)
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective 1 October 2008 but EU endorsed for 1 July 2009)
- IFRIC 17, 'Distributions of non cash assets to owners' (effective 1 July 2009)
- IFRIC 18, 'Transfer of assets from customers' (effective 1 July 2009)

#### *(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted*

- IFRS 9, 'Financial instruments' (effective 1 January 2013, however, the standard has not yet been endorsed by the EU) This standard is the first step in the process to replace IAS 39, 'Financial instruments recognition and measurement' IFRS 9 introduces new requirements for classifying and measuring financial assets The company is yet to assess the full impact of IFRS 9, however initial indications are that it is likely to have little or no effect as the company

## **HAVEN FUNDING PLC**

### **NOTES ON THE FINANCIAL STATEMENTS (continued)**

**Year ended 31 December 2010**

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only holds financial instruments with basic loan features that are managed on a contracted yield basis

- Revised IAS 24 (revised), 'Related party disclosures' (effective 1 January 2011, however, the standard has not yet been endorsed by the EU)
- Amendment to IAS 32 'Classification of rights issues' (effective 1 February 2010)
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective 1 July 2010)
- Amendments to IFRIC 14 'Prepayments of a minimum funding requirement' (effective 1 January 2011)

Except for where noted, the new standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010, outlined above, are currently expected to have little or no effect in future accounting periods

#### **Critical Accounting Judgements**

The preparation of financial statements in accordance with IFRSs requires the use of certain critical accounting adjustments, these require management's judgement in applying the accounting policies. The main critical accounting judgement in preparing these financial statements is the evaluation as to whether the loans to HAs are impaired. The directors have concluded there is no such impairment in the current period.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

#### **Interest**

Interest receivable on loans to HAs and interest payable on the bonds is accounted for on an accruals basis. Premiums on issue are added to the original loan or bond value and charged to the statement of comprehensive income over the expected life of the loan or bond using the effective interest rate method so that the interest receivable and interest payable, as adjusted for the amortisation of premiums, gives a constant yield to maturity.

#### **Cash and cash equivalents**

Cash and cash equivalents represent amounts on demand deposit at commercial banks.

#### **Loans to Borrowers ('Loans')**

The loans are stated at amortised cost less allowance for loan impairment. Any premium or discount on issue is added to/deducted from the nominal value of the loans and charged or credited to the statement of comprehensive income over the expected life of the loan so that the interest income as adjusted for the amortisation of premium/discount gives a constant yield to maturity. Additional loan assets are recognised in the financial statements when proceeds are drawn down by borrowers.

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## HAVEN FUNDING PLC

### NOTES ON THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2010

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#### Secured Bonds

Secured Bonds are stated at amortised cost

Any premium or discount on issue is added to/deducted from the nominal value of the secured bond and charged or credited to the statement of comprehensive income over the expected life of the secured bond so that the interest charge as adjusted for the amortisation of premium/discount gives a constant yield to maturity. Secured Bonds are recognised in the financial statements as a liability when the proceeds are received.

#### Prepayment

Each loan agreement provides that any borrower may at any time purchase bonds at any price and following such a purchase, the borrower is required to surrender the bonds to the issuer by way of prepayment of the borrower's loan in an amount equal to the outstanding balance of the bonds being surrendered. The loan and the equivalent bond amounts are removed from the statement of financial position.

#### 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 HAs. Therefore no segmental information is prepared by management.

## 3 FINANCIAL RISK MANAGEMENT

The proceeds from the issue of the 8 125% Secured Bonds 2037, were used to make loans to HAs.

#### Credit risk

The company's credit risk is mitigated by the following factors. The loans are secured by way of a fixed charge over certain assets of the borrowers. All borrowers are subject to external regulation by the Tenant Services Authority. The Bond Trustee has the power to take control of the charged properties in certain pre-determined circumstances to protect cash flows to be used to satisfy obligations under the bonds. The carrying amount of the loans represents the maximum exposure to credit risk. No loans are past due or impaired at 31 December 2010 (2009: Nil).

#### Liquidity risk

To mitigate liquidity risk the company collects capital repayments and interest coupons from borrowers four business days prior to payment to bondholders. Additionally borrowers maintain a debt service reserve fund with the trustee of the Secured Bondholders that approximates to one year's worth of interest and capital repayments that can be drawn upon in the event of a late payment.

The loan repayments by the borrowers commence four business days before 31 March 2017. The repayments are calculated on an annuity basis with the final repayments being made four business days before 30 September 2037. Interest is receivable half yearly in arrears at an amount equal to the relevant borrowers' proportionate share of all interest falling due for payment by the company on the Secured Bonds.

## HAVEN FUNDING PLC

### NOTES ON THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2010

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#### Interest rate risk

The interest charged on the loans to the borrowers is fixed and is equal to the interest payable on the related Secured Bonds and hence there is no cash flow risk between the receipt and payment of interest. Accordingly, the directors consider that the company is not subject to any risk on the fluctuation of interest rates.

#### 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 loans and 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.

#### 4 INTEREST RECEIVABLE

	2010 £	2009 £
Bank interest	-	48
On loans to borrowers	22,205,625	22,205,625
Amortisation of premium	(622,861)	(581,921)
	<u>21,582,764</u>	<u>21,623,752</u>

#### 5 INTEREST PAYABLE

	2010 £	2009 £
On 8 125% Secured Bonds 2037	22,205,625	22,205,625
Amortisation of premium	(622,861)	(581,921)
	<u>21,582,764</u>	<u>21,623,704</u>

#### 6 PROFIT BEFORE AND AFTER TAXATION ATTRIBUTABLE TO THE OWNERS OF THE PARENT

The profit before taxation is wholly attributable to the company's principal activity, arose wholly within the United Kingdom and is stated after charging

	2010 £	2009 £
Fees paid to auditors for Annual audit of financial statements Other services	<u>6,300</u> <u>-</u>	<u>5,875</u> <u>-</u>

## HAVEN FUNDING PLC

### NOTES ON THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2010

#### 7 EMPLOYEES

There were no employees during the year other than the directors (2009 Nil) The directors received no remuneration during the period in respect of their qualifying services (2009 Nil)

#### 8 LOANS

	2010 £	2009 £
<b>Loans to borrowers</b>		
Nominal	273,300,000	273,300,000
Unamortised premium	24,169,845	24,792,706
Amortised cost	297,469,845	298,092,706
Premium due within one year	(666,686)	(622,861)
Non-current amortised cost	296,803,159	297,469,845

#### 9 OTHER RECEIVABLES

	2010 £	2009 £
Interest receivable	5,597,034	5,597,034
Other debtors	9,358	5,154
Prepayments	14,139	22,224
Current element of unamortised premium on loans	666,686	622,861
	6,287,216	6,247,273

#### 10 OTHER PAYABLES

	2010 £	2009 £
Interest payable	5,597,034	5,597,034
Other creditors	1,118	1,130
Accruals and deferred income	23,497	27,378
Current element of unamortised premium on Secured Bonds	666,686	622,861
	6,288,335	6,248,403

# HAVEN FUNDING PLC

## NOTES ON THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2010

### 11 FINANCIAL LIABILITIES – SECURED BONDS

	2010 £	2009 £
8 125% Secured Bonds 2037		
Nominal amount	273,300,000	273,300,000
Unamortised premium	24,169,845	24,792,706
Amortised cost	297,469,845	298,092,706
Less premium due within one year	(666,686)	(622,861)
Non-current amortised cost	296,803,159	297,469,845

Prudential Trustee Company Limited has a fixed charge over certain assets of the borrowing HAs on behalf of the Secured Bond holders

The 8 125% Secured Bonds are listed and are repayable between 2017 and 2037 and were issued in the following tranches

	Nominal Value £	Premium £
11 March 1997	48,800,000	481,168
24 June 1997	25,000,000	561,550
4 August 1997	33,000,000	1,350,129
19 November 1997	38,200,000	4,009,739
19 May 1998	11,500,000	1,920,121
25 November 1998	18,000,000	3,788,838
11 March 1999	7,000,000	2,337,545
31 May 2000	16,800,000	3,082,412
25 July 2000	9,000,000	1,404,567
6 September 2000	66,000,000	10,983,192
	273,300,000	29,919,261

The net proceeds of above issues were used to make loans to the borrowing HAs of the company

The premiums arising on the issue of the 8 125% Secured Bonds were utilised to cover the issue costs  
The remaining balance was transferred to the borrowers as follows

Premiums arising on issue of 8 125% Secured Bonds	29,919,261
Less issue costs	(3,160,271)
Premiums net of issue costs transferred to borrowers	26,758,990

The premiums transferred to borrowers have been added to the carrying value of the loans and are amortised through the statement of comprehensive income over the period of the loans

# HAVEN FUNDING PLC

## NOTES ON THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2010

Interest on the Bonds is payable half yearly in arrears. As from 31 March 2017, each half yearly repayment will be increased to include a capital element in order to redeem part of the principal amount of the Bonds.

### Contractual cash flows on Secured Bonds

#### 2010

	Due within one year	Due within one to two years	Due within two and five years	Due in over five years	Total 2010
Principal	-	-	-	273,300,000	273,300,000
Interest	22,205,625	22,205,625	66,616,875	331,312,744	442,340,869
<b>Total</b>	<b>22,205,625</b>	<b>22,205,625</b>	<b>66,616,875</b>	<b>604,612,744</b>	<b>715,640,869</b>

2009	Due within one year	Due within one to two years	Due within two and five years	Due in over five years	Total
Principal	-	-	-	273,300,000	273,300,000
Interest	22,205,625	22,205,625	66,616,875	342,415,556	453,443,681
<b>Total</b>	<b>22,205,625</b>	<b>22,205,625</b>	<b>66,616,875</b>	<b>615,715,556</b>	<b>726,743,681</b>

## 12 SHARE CAPITAL

	2010 £	2009 £
<i>Authorised</i>		
50,000 ordinary shares of £1 each	<b>50,000</b>	50,000
<i>Allotted and part paid</i>		
50,000 ordinary shares of £1 each of which 25p per share is paid	<b>12,500</b>	12,500

The company's capital comprises only its share capital which the directors consider adequate for the nature and scale of the company's operations and the risks to which it is subject as set out in Note 3. The company is not subject to externally imposed capital requirements.

## HAVEN FUNDING PLC

### NOTES ON THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2010

#### 13 RECONCILIATION OF PROFIT TO CASH USED IN OPERATIONS

	2010 £	2009 £
Net profit	-	-
Adjustments for		
Interest receivable	(21,582,764)	(21,623,752)
Interest payable	21,582,764	21,623,704
Changes in working capital		
Decrease/(Increase) in debtors	3,881	(8,944)
(Decrease) in creditors	(3,892)	(1,753)
Cash used in operations	(11)	(10,745)

#### 14 ULTIMATE PARENT COMPANY AND INCORPORATION

At 31 December 2010 the company's immediate and ultimate parent company was Haven Funding (Holdings) Limited, a company incorporated in the United Kingdom. Haven Funding (Holdings) Limited is the only company to prepare consolidated financial statements which include the company. The entire share capital of Haven (Funding) Holdings Limited is held on behalf of the underlying borrowers of Haven Finance Plc on a fiduciary basis.

#### 15 FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of the 8 125% Secured Bonds due 2037, and associated loans, as at 31 December 2010 was £375,355,686 (2009 £347,962,827). Fair value is derived from the market value of the bonds at that date. This corresponds to a level 2 valuation under the disclosure requirements of IFRS 7 for both the bonds and the loans.

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

#### 16 CAPITAL COMMITMENTS

As at 31 December 2010 the company had no capital commitments (2009 £Nil).

#### 17 RELATED PARTY TRANSACTION

All administrative services are provided under a management agreement with THFC (Services) Limited. The current directors are employees of THFC (Services) Limited. Management and trustee fees payable to THFC (Services) Limited during the year amounted to £45,086 (2009 £41,985).

The company has granted security in favour of The Prudential Trustee Company Limited ("the Trustee") to secure the bonds and other moneys under the terms of a Trust Deed dated 11 March 1997 (as amended by supplemental agreements). Fees payable to the Trustee for the year amounted to £20,538 (2009 £20,408).

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• **HAVEN FUNDING PLC**

**NOTES ON THE FINANCIAL STATEMENTS (continued)**  
**Year ended 31 December 2010**

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**18 TAXATION**

The company has incurred no tax liability in the current or prior year