

**SUNDERLAND (SHG) FINANCE HOLDINGS
LIMITED**

Group Financial Statements

**Year ended
31 December 2009**

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SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

Annual report and financial statements for the year ended 31 December 2009

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Directors

C Burke
F Edge
R Mountford
P Williamson

Secretary

T H F C (Services) Limited

Registered Office

4th Floor
107 Cannon Street
London
EC4N 5AF

Company Number

4165694

Auditors

PricewaterhouseCoopers LLP
80 Strand
London
WC2R 0AF

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2009

The directors submit their report and financial statements for the year ended 31 December 2007

RESULTS AND DIVIDEND

Sunderland Finance (SHG) Holdings Limited (the 'Company') and its subsidiary, Sunderland (SHG) Finance Plc (together the 'Group') made neither a profit nor a loss for the period. The directors do not propose the payment of a dividend.

PRINCIPAL ACTIVITY

The company is the parent company of Sunderland (SHG) Finance Plc, of which it owns 100% of the issued share capital. The principal activity of Sunderland (SHG) Finance Plc is to provide finance for Registered Social Landlords (RSLs) registered under The Housing Act 1996 through the issue of bonds secured on the borrowings of the RSLs ("the Secured Bonds"). Sunderland (SHG) Finance Plc issued its first Secured Bonds to provide such finance on 26 June 2001. The borrowing RSL of the group is Sunderland Housing Company Limited. The loan to Sunderland Housing Company is made through T H F C (Capital) Plc which acts as an aggregating intermediary for loans to Sunderland Housing Company.

Sunderland (SHG) Finance Holdings Limited did not trade in the year.

All the company's operating costs, net of interest earned, are recoverable from the borrower.

Prudential Trustee Company Limited ("the bond trustee") acts as the Trustee on behalf of all Secured Bond holders, under the terms of a Security Agreement, and has the benefit of a fixed charge over certain assets of the ultimate borrower and a floating charge over all the assets of the issuer.

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Group has fulfilled its obligations under the bonds and expects to do so for the foreseeable future.

SHARE CAPITAL

The entire issued share capital of the company is held by the Prudential Trustee Company Limited under a declaration of trust.

DIRECTORS

The directors who served during the period are as follows:

C Burke
F Edge
R Mountford
P Williamson

The directors have no beneficial interest in the share capital of the company. The directors received no remuneration during the period in respect of qualifying services.

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

Annual report and financial statements for the year ended 31 December 2009

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 group and of the profit or loss of the group 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 applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In the case of each director

- so far as the director is aware, there is no relevant audit information of which the group's auditors are unaware, and
- he/she has taken all the reasonable 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 group's auditors are aware of that information

CREDITOR PAYMENT POLICY

The group's principal creditor is the holder of the Secured Bonds. Payments to the holder of the Secured Bonds are made in accordance with the underlying issue documents. 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's policy is to pay all other creditors within 60 days of receipt of invoice.

FINANCIAL RISK MANAGEMENT

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

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

DIRECTORS' REPORT (continued)
For the year ended 31 December 2009

AUDITORS

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

On behalf of the board

A handwritten signature in black ink, appearing to read 'Colin Burke', is written over the printed name.

Colin Burke

For and on behalf of

T.H.F.C. (Services) Limited

Secretary

10 March 2010

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

We have audited the Group and Company financial statements (the 'financial statements') of Sunderland (SHG) Finance Holding Limited for the year ended 31 December 2009 which comprise the Group Income Statement, Group and Company Balance Sheets, Group 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 Directors' Responsibilities Statement 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 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 group and parent 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 Group's and Company's affairs as at 31 December 2009 and of the Group's income and expenditure and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the group financial statements, Article 4 of the IAS Regulation, 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.

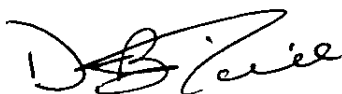
Matters on which we are required to report by exception

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:

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT (continued)

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Group and parent 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
18 March 2010

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED**GROUP INCOME STATEMENT**
Year ended 31 December 2009

	Note	2009 £	2008 £
OPERATING INCOME			
Interest receivable and similar items	3	15,280,330	15,290,507
Costs recoverable from borrower		18,390	8,381
		<u>15,298,720</u>	<u>15,298,888</u>
OPERATING EXPENDITURE			
Operating charges		18,620	18,788
Interest payable and similar items	4	15,280,100	15,280,100
		<u>15,298,720</u>	<u>15,298,888</u>
PROFIT BEFORE AND AFTER TAXATION	5	<u>0</u>	<u>0</u>

The accompanying notes are an integral part of these financial statements

All amounts relate to continuing activities

All recognised gains and losses are included in the group income statement

There were no movements in shareholders' funds in the year

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED**GROUP BALANCE SHEET**
31 December 2009

	Note	2009 £	2008 £
ASSETS			
Non-current assets			
Loan	7	239,500,000	239,500,000
Current assets			
Other receivables	8	3,865,304	3,862,354
Cash and cash equivalents	13	12,501	12,501
TOTAL ASSETS		243,377,805	243,374,855
LIABILITIES			
Current liabilities			
Other payables	9	3,877,804	3,874,854
Non-current liabilities			
Financial liabilities – secured bonds	10	239,500,000	239,500,000
Share capital	11	1	1
Profit and loss account			
TOTAL CAPITAL, RESERVES AND LIABILITIES		243,377,805	243,374,855

The accompanying notes are an integral part of these financial statements

These financial statements were approved by the board and signed on its behalf by



Fenella Edge
Director
10 March 2010

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED**GROUP CASH FLOW STATEMENT**
Year ended 31 December 2009

	Note	2009 £	2008 £
NET CASH FLOW FROM OPERATING ACTIVITIES		-	-
Cash used in operations	12	(230)	(10,407)
Interest paid		(15,280,100)	(15,280,100)
Interest received		15,280,330	15,290,507
		<hr/>	<hr/>
NET CASH FLOW FROM OPERATING ACTIVITIES		0	0
		<hr/>	<hr/>
NET INCREASE IN CASH IN YEAR		0	0
		<hr/>	<hr/>
CASH AT BANK AT 1 JANUARY		12,501	12,501
		<hr/>	<hr/>
CASH AT BANK AT 31 DECEMBER		12,501	12,501
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are and integral part of these financial statements

There were no cash flows in the parent company during the year

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED**COMPANY BALANCE SHEET****31 December 2009**

	Note	2009 £	2008 £
ASSETS			
Non-current assets			
Investments	7	12,500	12,500
Current assets			
Cash and cash equivalents		1	1
TOTAL ASSETS		12,501	12,501
LIABILITIES			
Non-current liabilities			
Other payables	9	12,500	12,500
CAPITAL AND RESERVES			
Share capital	11	1	1
Profit and loss account		-	-
TOTAL CAPITAL, RESERVES AND LIABILITIES		12,501	12,501

The accompanying notes are an integral part of these financial statements

These financial statements were approved by the board and signed on its behalf by



Fenella Edge
Director
10 March 2010

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

NOTES ON THE FINANCIAL STATEMENTS

Year ended 31 December 2009

1 ACCOUNTING POLICIES

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.

Basis of accounting

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 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

(a) Standards, amendments and interpretations effective on or after 1 January 2009

The following standards, amendments and interpretations, which became effective in 2009 are relevant to the Group.

- Amendments to IFRS 7, 'Financial instruments: Disclosures'. The IASB published amendments to IFRS 7 in March 2009. The amendments require enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the income of the Group. This disclosure will not impact on the Group as all the financial instruments are held at amortised cost.
- IFRS 8, 'Operating segments'. IFRS 8 was issued in November 2006 and excluding early adoption would first be required to be applied to the Group's accounting period beginning on 1 January 2009. The standard replaces IAS 14, 'Segment reporting', with its requirement to determine primary and secondary reporting segments. Under the requirements of the revised standard, the Group's external segment reporting will be based on the internal reporting to the Group executive board (in its function as the chief operating decision-maker), which makes decisions on the allocation of resources and assess the performance of the reportable segments. The application of IFRS 8 does not have any material effect for the Group as reporting to the Board is not segmented.
- IAS 23, 'Borrowing costs'. A revised version of IAS 23 was issued in March 2007. It eliminates the option of immediate recognition of borrowing costs as an expense for assets that require a substantial period of time to get ready for their intended use. The application of the IAS 23 amendment does not have a material impact on the consolidated result or items of the consolidated balance sheet.
- IAS 32 and IAS 1, 'Puttable financial instruments and obligations arising on liquidation'. The IASB amended IAS 32 in February 2008. It now requires some financial instruments that meet the definition of a financial liability to be classified as equity. The Group has no such instruments which need reclassification.

(b) Standards and interpretations issued but not yet effective

The following standards and interpretations have been issued and are mandatory for the Group's accounting periods beginning on or after 1 July 2009 or later periods and are expected to be relevant to the Group.

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2009

- IAS 39, 'Financial instruments Recognition and measurement – Eligible hedged items' The amendment 'Eligible hedged items' was issued in July 2008. It provides guidance for two situations. On the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. The designation of inflation as a hedged risk or portion is not permitted unless in particular situations. This will not give rise to any changes to the Group's financial statements and the Group currently has no hedging items.
- 'Improvements to IFRS' were issued in May 2008 (endorsed by the EU on 23 January 2009) and April 2009 (not yet endorsed). They contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.
- IFRS 9, 'Financial instruments part 1 Classification and measurement' IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:
 - Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
 - An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.
 - While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Group's financial instruments are held at amortised cost and this is consistent with the business model. No material changes to accounting policies are expected as a result of these amendments.

Critical Accounting Judgements

The preparation of financial statements in accordance with IFRSs requires the use of certain critical accounting adjustments which require management's judgement in applying the accounting policies. The critical accounting judgement is deemed to be the recording of Secured Bonds and related Loans at amortised cost.

Basis of consolidation

The Group financial statements fully consolidate the results of subsidiary undertakings from the date on which control is acquired. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group.

The company is the parent company of Sunderland (SHG) Finance Plc and it owns 100% of its issued share capital.

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2009

Investment in subsidiaries

Investments in subsidiaries are held at cost

Interest

Interest receivable on the loan to the RSL and interest payable on the bonds 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 using the effective interest method so that the interest receivable and 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

Loan to borrower ("Loan")

The loan is stated at amortised cost less allowance for loan losses

Any discount or premium on issue is deducted from/added to the carrying value of the loan and charged or credited to the income statement over the expected life of the loan so that the interest charge as adjusted for the amortisation of premium/discount gives a constant yield to maturity

Secured Bonds

Secured Bonds are stated at amortised cost

Any discount or premium on issue is deducted from/added to the carrying value of the secured bonds and charged or credited to the income statement over the expected life of the secured bonds so that the interest charge as adjusted for the amortisation of premium/discount gives a constant yield to maturity

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

Segmental Analysis

All operating income and expenditure is derived from activities undertaken in the United Kingdom

2 FINANCIAL RISK MANAGEMENT

Credit risk

The Group's credit risk is mitigated by the following factors. The loans are secured on certain assets of the borrowers and 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

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2009

Liquidity risk

To mitigate liquidity risk, the Group collects interest from the ultimate borrower four business days prior to payment to bondholders. Additionally the borrower maintains a debt service reserve fund with the bond trustee that approximates to one year's worth of interest payments that can be drawn upon in the event of a late payment.

The loan repayments by the borrowing RSL commence four business days before 31 March 2022. The repayments are calculated on an annuity basis with the final repayments being made four business days before 31 March 2042. Interest is receivable half yearly in arrears at an amount equal to the interest falling due for payment by the group on the Secured Bonds.

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 group 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 group because (i) the loans and Secured Bonds are held at amortised cost in the financial statements and (ii) the group expects to hold them until maturity.

Currency risk

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

3 INTEREST RECEIVABLE

	2009 £	2008 £
Bank interest	230	10,407
On loans to borrower	<u>15,280,100</u>	<u>15,280,100</u>
	<u>15,280,330</u>	<u>15,290,507</u>

4 INTEREST PAYABLE

	2009 £	2008 £
On 6.38% Secured Bonds 2042	<u>15,280,100</u>	<u>15,280,100</u>

5 PROFIT BEFORE AND AFTER TAXATION

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

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2009

	2009 £	2008 £
Fees paid to auditors for		
- Annual audit of group and subsidiary	5,875	4,940
- Other services	-	-
6 EMPLOYEES		
There were no employees during the year other than the directors. The directors received no remuneration during the period in respect of their qualifying services.		
7 LOAN AND INVESTMENTS		
Company		
	2009 £	2008 £
Investment in subsidiary undertaking at cost	12,500	12,500
The company owns 49,999 shares in Sunderland (SHG) Finance PLC which is incorporated in England. The principal activity of Sunderland (SHG) Finance PLC is to provide finance for Registered Social Landlords registered under The Housing Act 1996. The net assets of Sunderland (SHG) Finance PLC at 31 December 2009 were £12,500 (2008 £12,500).		
Group	2009 £	2008 £
Loan to borrower		
Amortised cost	239,500,000	239,500,000
8 OTHER RECEIVABLES		
Group	2009 £	2008 £
Interest receivable	3,851,422	3,851,422
Prepayments	2,009	2,053
Other debtors	11,873	8,879
	3,865,304	3,862,354
9 OTHER PAYABLES		
Group	2009 £	2008 £
Interest payable	3,851,422	3,851,422
Other creditors	12,500	12,500
Accruals & deferred income	13,882	10,932
	3,877,804	3,874,636
Company		
Other creditors	12,500	12,500

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2009

10 FINANCIAL LIABILITIES – SECURED BONDS

	2009 £	2008 £
Group		
6 38% Secured Bonds 2042	<u>239,500,000</u>	<u>239,500,000</u>

Details of the issue of the Secured Bonds are as follows

	Nominal Value £	Premium £
26 June 2001	<u>239,500,000</u>	<u>94,363</u>

The proceeds of the above issue of £239,594,363 were used to make a loan to the borrowing RSL via T H F C (Capital) PLC. All issue costs relating to the issue of these Secured Bonds were met directly by the borrowing RSL.

As the premium on issue was immaterial to the value of the secured bonds and associated loan it was credited to the profit and loss account in year of issue rather than amortised over the life of the loan.

Contractual cash flows on secured bonds

	Due within one year	Due within one to two years	Due within two and five years	Due in over five years	Total
Principal	-	-	-	239,500,000	239,500,000
Interest	<u>15,280,100</u>	<u>15,280,100</u>	<u>45,840,300</u>	<u>300,094,273</u>	<u>376,494,773</u>
Total	<u>15,280,100</u>	<u>15,280,100</u>	<u>45,840,300</u>	<u>539,594,273</u>	<u>615,994,773</u>

11 SHARE CAPITAL

	2009 £	2008 £
<i>Authorised</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued) Year ended 31 December 2009

The allotted share is held under a declaration of trust dated 31st May 2001. Distributions may only be made to borrowing Registered Social Landlords at the discretion of the Trustee. Accordingly the Trustee has no beneficial interest in the group.

12 RECONCILIATION OF PROFIT TO CASH USED BY OPERATIONS

	2009 £	2008 £
Net profit/(loss)	-	-
Adjustments for		
Interest receivable	(15,280,330)	(15,294,526)
Interest payable	15,280,100	15,280,100
Changes in working capital		
Increase in debtors	2,949	5,127
(Decrease) in creditors	(2,949)	(5,127)
Cash used in operations	<u>(230)</u>	<u>(14,426)</u>

13 RECONCILIATION OF MOVEMENT IN NET FUNDS

	At 31 December 2009 £	Cash flow £	Non-cash items £	At 31 December 2009 £
Cash at bank	12,501	-	-	12,501
Debt due after one year	<u>(239,500,000)</u>	<u>-</u>	<u>-</u>	<u>(239,500,000)</u>
	<u>(239,487,499)</u>	<u>-</u>	<u>-</u>	<u>(239,487,499)</u>

14 FINANCIAL INSTRUMENTS

As referred to in note 10, the proceeds from the issue of the 6 38% Secured Bonds 2042 were used to make a loan to the borrowing RSL. The interest charged on this loan is equal to the interest payable on the related secured bonds. Accordingly, the directors consider that the company is not subject to any risk on the fluctuation of interest rates.

The fair value of the 6 38% Secured Bonds 2042, and the associated loan, as at 31 December 2009 was £259,191,690 (2008: £224,866,550). Fair value is derived from the market value of the bonds at that date.

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

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2009

15 RESULTS FOR THE FINANCIAL PERIOD

The company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements. The Group results for the financial period arise solely from the subsidiary undertaking as the parent company did not trade in the financial period.

16 INCORPORATION

Sunderland (SHG) Finance Holdings Limited is incorporated in the United Kingdom.

17 RELATED PARTY TRANSACTIONS

All administrative services are provided under a management agreement with T H F C (Services) Limited. The directors are employees of T H F C (Services) Limited. Management fees payable to T H F C (Services) Limited during the year amounted to £5,858 (2008: £5,669).

The issuer 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 27 June 2001. Fees payable to the Trustee for the year amounted to £4,299.

18 TAXATION

The company has incurred no tax liability in the year.