

**SUNDERLAND (SHG) FINANCE HOLDINGS
LIMITED**

Annual Report and Financial Statements

For the year ended 31 December 2014

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SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

Annual report and financial statements for the year ended 31 December 2014

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Directors

C. Burke
F. Edge
I. Peacock
P. Williamson

Company Secretary

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

Registered Office

4th Floor
107 Cannon Street
London
EC4N 5AF

Company Number

04165694

Independent Auditors

Nexia Smith & Williamson Audit Limited
Chartered Accountants and Statutory Auditors
25 Moorgate
London
EC2R 6AY

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2014

The directors submit their directors' report, strategic report and audited consolidated financial statements for the year ended 31 December 2014.

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 year. The directors do not propose the payment of a dividend.

SHARE CAPITAL AND COMPANY STRUCTURE

The entire issued share capital of the Company is held by Prudential Trustee Company Limited under a declaration of trust for the benefit of qualified charities.

DIRECTORS

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

C. Burke
F. Edge
I. Peacock
P. Williamson

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 Group and parent company 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 Group and the Company and of the profit or loss of the Group 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 IFRSs as adopted by the European Union have been followed, subject to any material departures 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 Company and the Group 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 the Group 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 the Group 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.

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

For the year ended 31 December 2014

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the directors' report is approved:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he/she has taken all 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 company's auditors are aware of that information.

By order of the board



Colin Burke
T.H.F.C. (Services) Limited
Company Secretary
24 June 2015

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

STRATEGIC REPORT

For the year ended 31 December 2014

PRINCIPAL ACTIVITIES

The Company is the parent company of Sunderland (SHG) Finance Plc, of which it owns 49,999 ordinary shares. The remaining share is held by Prudential Trustee Company Limited on a fiduciary basis. 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 ultimately secured on the borrowings of the HAs ("the Secured Bonds"). The Group issued its first Secured Bonds to provide such finance on 26 June 2001. The Group on-lent the proceeds to Gentoo Group Limited ("GGL") via T.H.F.C. (Capital) Plc ("THFCC") (the "Borrower") which is an aggregating intermediary for loans to GGL.

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

All the Group'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, which have a final repayment date of 2042.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Group 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. The directors consider the position of the Company at the year end to be satisfactory.

FINANCIAL RISK MANAGEMENT

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

By order of the board



Colin Burke
T.H.F.C. (Services) Limited
Company Secretary
24 June 2015

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

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

Year ended 31 December 2014

We have audited the financial statements of Sunderland (SHG) Finance Holdings Limited for the year ended 31 December 2014 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group Statement of Cash Flows and the related notes 1 to 18. 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out 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 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's result for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 Strategic Report and 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED (continued)

Year ended 31 December 2014

Nexia Smith & Williamson

24/6/2015

Guy Swarbreck
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY
24 June 15

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Note	2014 £	2013 £
OPERATING INCOME			
Interest receivable	4	13,577,323	13,577,497
Costs recoverable from Borrower		28,378	3,783
		<u>13,605,701</u>	<u>13,581,280</u>
OPERATING EXPENDITURE			
Interest payable	5	13,576,768	13,576,768
Operating expenses	6	28,933	4,512
		<u>13,605,701</u>	<u>13,581,280</u>
RESULT BEFORE AND AFTER TAXATION	7	-	-
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>-</u>	<u>-</u>

There have been no changes in equity in the current or prior year, therefore no separate statement of changes in equity for the Group or the parent company have been prepared.

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED**GROUP STATEMENT OF FINANCIAL POSITION****As at 31 December 2014**

	Note	2014 £	2013 £
ASSETS			
Non-current assets			
Loan to Borrower	9	212,802,000	212,802,000
Current assets			
Other receivables	10	3,436,534	3,438,872
Cash and cash equivalents		12,501	12,501
TOTAL ASSETS		216,251,035	216,253,373
EQUITY AND LIABILITIES			
Current liabilities			
Other payables	11	3,449,034	3,451,372
Non-current liabilities			
Financial liabilities – Secured Bonds	12	212,802,000	212,802,000
TOTAL LIABILITIES		216,251,034	216,253,372
Equity			
Share capital	13	1	1
Retained earnings		-	-
TOTAL EQUITY		1	1
TOTAL EQUITY AND LIABILITIES		216,251,035	216,253,373

The accompanying notes on pages 10-19 are an integral part of these financial statements.

These financial statements on pages 6-19 were approved by the board and signed on its behalf by:



Fenella Edge
Director
24 June 2015

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION****As at 31 December 2014**

	Note	2014 £	2013 £
ASSETS			
Non-current assets			
Investments	9	12,500	12,500
Current assets			
Cash and cash equivalents		1	1
TOTAL ASSETS		<u>12,501</u>	<u>12,501</u>
EQUITY AND LIABILITIES			
Non-current liabilities			
Other payables	11	12,500	12,500
Equity			
Share capital	13	1	1
Retained earnings		-	-
TOTAL EQUITY AND LIABILITIES		<u>12,501</u>	<u>12,501</u>

The accompanying notes on pages 10-22 are an integral part of these financial statements.

These financial statements on pages 6-22 were approved by the board and signed on its behalf by:



Fenella Edge
Director
24 June 2015

Sunderland (SHG) Finance Holdings Limited

Registration Number 04165694

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED**GROUP STATEMENT OF CASH FLOWS****Year ended 31 December 2014**

		2014	2013
	Note	£	£
NET CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used in) operations	14	(555)	(729)
Interest received from borrower		13,577,323	13,577,497
Interest paid on bonds		(13,576,768)	(13,576,768)
NET CASH FLOW FROM OPERATING ACTIVITIES		<u>-</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS IN YEAR		<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT 1 JANUARY		12,501	12,501
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		<u>12,501</u>	<u>12,501</u>

There were no cash flows in the parent company during the current and prior year.

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2014

1 GENERAL INFORMATION

Sunderland (SHG) Finance Holdings Limited ("the Company") provides finance for housing associations. The Company is a private limited company which has a subsidiary which has issued Secured Bonds which are listed on the Main Market of the London Stock Exchange. It is incorporated and domiciled in the United Kingdom.

The subsidiary on-lent the proceeds of the issue of the Secured Bonds to T.H.F.C. (Capital) Plc ("THFCC") ("the borrower"). THFCC on-lent the proceeds to Gentoo Group Limited ("GGL") under a loan agreement.

2 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, applied in accordance with the provisions of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention.

Changes in accounting policies and disclosures

(a) New and amended Standards and Interpretations adopted by the Group and Company

In the current year, the following new and amended Standards and Interpretations have been adopted by the Group:

- IFRS 10 Consolidated Financial Statements: IFRS 10 addresses the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where circumstances may make it otherwise difficult to assess.
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance: Amendments to IFRS 10, IFRS 11 and IFRS 12.
- IAS 32 Offsetting Financial Assets and Financial Liabilities: The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'.

The accounting policy of the Group in respect of determining when control over another entity is achieved has been amended to reflect the requirements of IFRS 10. However the adoption of IFRS 10 and the other standards listed above has not had a material impact on the reported results or financial position of the Group and has not given rise to any additional disclosure requirements.

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2014

In the current year, the following new and amended Standards and Interpretations have been adopted by the Group:

- Revisions to IAS 27 Separate Financial Statements

The adoption of this revised standard has not had a material impact on the reported results or financial position of the Company. However the standard does require additional disclosure of the principal place of business of significant subsidiaries and this has been included in note 9.

(b) New and amended Standards and Interpretations mandatory for the first time for the financial year beginning 1 January 2014 but not currently relevant to the Group

Other standards effective or amended in the year have not had a material impact on the reported results or financial position of the Company.

(c) New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 January 2014.

- IFRS 9 Financial Instruments (Effective 1 January 2018 not yet endorsed by EU): This deals with the classification, measurement and impairment of financial assets and financial liabilities. The directors are currently assessing the impact and timing of adoption of this Standard on the Group's results and financial position.

The effect of all other new and amended Standards and Interpretations which are in issue but not yet mandatorily effective is not expected to be material.

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 main critical accounting judgement in preparing these financial statements is the evaluation as to whether the loan to THFCC is impaired. The directors have concluded that there is no such impairment in the current year.

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 consolidation

The Group financial statements fully consolidate the results of the subsidiary undertaking 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.

Investments in the subsidiary

Investments in the subsidiary are held at cost less provision for impairment where appropriate.

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2014

Interest

Interest receivable on the Loan and interest payable on the Secured Bonds is accounted for using the effective interest rate method. Any premiums/discounts on issue are added to/deducted from the original loan amount or Secured Bond nominal value and charged/credited 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 payable, as adjusted for the amortisation of premiums/discounts, gives a constant yield to maturity.

Cash and cash equivalents

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

Loan to borrower ("Loan")

The Loan is stated at amortised cost less allowance for impairment. Any premium or discount on issue is added to/deducted from the nominal value of the Loan 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.

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 Bonds and charged or credited to the statement of comprehensive income 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. Secured Bonds are recognised in the financial statements when the proceeds are received.

Netting

The Company does not net financial assets and liabilities and has no other enforceable offsets.

Fair Values

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

IFRS 13 *Fair value measurement* requires an entity to classify for disclosure purposes its financial instruments held at amortised cost according to a hierarchy that reflects the significance of observable market inputs. The three levels of the fair value hierarchy are defined below.

Quoted market prices – Level 1

Financial instruments are classified as Level 1 if their value is observable in an active market. Fair values for such instruments are reported by reference to unadjusted quoted prices for identical assets or liabilities where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis.

Valuation technique using observable inputs – Level 2

Financial instruments classified as Level 2 are fair valued using models whose inputs (for example, interest rates and credit spreads) are observable in an active market.

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2014

Valuation technique using significant unobservable inputs – Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data. The Group has no instruments classified in Level 3 (2013: none).

The Group's Secured Bonds are tradable and the markets are considered to be active and the Secured Bonds are therefore classified Level 1. Accordingly quoted market prices at, or close to, the balance sheet date have been used to evaluate the fair value of the Secured Bonds.

Prepayment

It is expected that the Loan will run to maturity however the loan agreement between THFCC and GGL provides that GGL may at any time purchase the Secured Bonds. Bonds purchased must be surrendered to the subsidiary and an amount of the outstanding balance of the loan between THFCC and GGL equal to the outstanding balance of the bonds surrendered shall be deemed to be prepaid. Following any such purchase a corresponding amount of the outstanding loan between the subsidiary and THFCC equal to the amount of the bonds surrendered shall also be deemed to be prepaid. The prepaid amount of the Loan and equivalent bond nominal amount is removed from the statement of financial position on delivery of the Deed of Surrender.

Segmental Analysis

All operating income and expenditure is derived from activities undertaken in the United Kingdom. The Group's only activity is to provide finance to GGL. Therefore 100% of interest income is receivable from THFCC.

3 FINANCIAL RISK MANAGEMENT

The proceeds from the issue of the 6.38% Secured Bonds 2042 were used to make a Loan to the Borrower.

Credit risk

The Group faces credit risk on its loans to GGL which are subject to the collateral arrangements described below. The carrying value of the Loan represents the maximum exposure to credit risk. The Loan is not past due or impaired at 31 December 2014 (2013: none). The Secured Bonds are rated "Aa3/AA-/AAsf" by Moodys Investor Service, Standard & Poor's and Fitch Ratings at 31 December 2014 (2013: "Aa3/AA-/AAsf") which the directors consider reflects the credit quality of the underlying loans.

Collateral arrangements and netting

The Group's credit risk is mitigated by the following factors. The Loan is secured by way of a fixed charge over certain assets of the underlying borrower (GGL). The underlying borrower is subject to external regulation by the Homes and Communities Agency. The underlying borrower has provided a first legal mortgage over property owned or leased by the borrower to ensure that the debt is adequately serviced from the relevant assets through to maturity in the event of a default.

As the on-going cash flow from the underlying security is the key component to securing the transaction, measurement of the book value and fair value of the secured properties is not required by the transaction documentation. For this reason it would not be practical or cost effective to obtain this information on an annual basis.

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2014

The Prudential Trustee Company Limited acts as the Trustee on behalf of all Secured Bond holders (the Bond Trustee), under the terms of a Security Trust Deed, and has the benefit of a fixed charge over certain assets of the borrower and a floating charge over all the assets of the Sunderland (SHG) Finance Plc.

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.

Liquidity risk

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

The Loan repayments by GGL to the Borrower commence four business days before 31 March 2022. The repayments are calculated on an annuity basis with the final repayment 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 company on the Secured Bonds.

Interest on the Bonds is payable half yearly in arrears. As from 31 March 2022, each half yearly payment will be increased to include a capital element in order to redeem part of the principal amount of the Bonds.

Interest rate risk

The interest charged on the Loan 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 gross 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.

Company

The Company has no significant financial instruments.

4 INTEREST RECEIVABLE

	2014 £	2013 £
Bank interest	555	729
On loan to borrower	13,576,768	13,576,768
	<u>13,577,323</u>	<u>13,577,497</u>

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****Year ended 31 December 2014****5 INTEREST PAYABLE**

	2014	2013
	£	£
On 6.38% Secured Bonds 2042	<u>13,576,768</u>	<u>13,576,768</u>

6 OPERATING EXPENSES

Operating expenses comprise management fees from T.H.F.C. (Services) Limited and other professional services fees.

7 RESULT BEFORE AND AFTER TAXATION

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

	2014	2013
	£	£
Fees paid to current auditors for annual audit of financial statements		
– current year	7,020	-
Fees paid to previous auditors for annual audit of financial statements		
- prior year	2,529	7,614
	<u>9,549</u>	<u>7,614</u>

8 EMPLOYEES

There were no employees of the company or Group during the year other than the directors (2013: Nil). The directors received no remuneration during the year directly from the Company in respect of their qualifying services. (2013: Nil). All directors are remunerated by T.H.F.C. (Services) Limited for their services to the Company. It is not practicable to obtain the relevant data to accurately disclose the Company's share of this cost.

9 LOAN TO BORROWER AND INVESTMENTS

Company	2014	2013
	£	£
Investment in subsidiary undertaking at cost	<u>12,500</u>	<u>12,500</u>

The Company owns 49,999 shares in Sunderland (SHG) Finance Plc which is incorporated in the United Kingdom. The principal activity of Sunderland (SHG) Finance Plc is to provide finance for Registered Providers registered under The Housing Act 1996. The net assets of Sunderland (SHG) Finance Plc at 31 December 2014 were £12,500 (2013: £12,500).

Group	2014	2013
	£	£
Loan to borrower		
Amortised cost	<u>212,802,000</u>	<u>212,802,000</u>

Collateral arrangements are set out in Note 3.

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 31 December 2014

10 OTHER RECEIVABLES

	2014	2013
Group	£	£
Interest receivable	3,422,089	3,422,089
Prepayments	2,744	2,683
Other receivables	11,701	14,100
	<u>3,436,534</u>	<u>3,438,872</u>

11 OTHER PAYABLES

	2014	2013
Group	£	£
Interest payable	3,422,089	3,422,089
Other payables	12,500	12,500
Accruals	14,445	16,783
	<u>3,449,034</u>	<u>3,451,372</u>
Company		
Other payables	<u>12,500</u>	<u>12,500</u>

12 FINANCIAL LIABILITIES – SECURED BONDS

	2014	2013
Group	£	£
6.38% Secured Bonds 2042	<u>212,802,000</u>	<u>212,802,000</u>

Details of security are set out in Note 3.

Details of the issue of the Secured Bonds are as follows:

	Nominal Value £	Premium £
26 June 2001	239,500,000	94,363
Prepayment 18 June 2010	(26,698,000)	-
	<u>212,802,000</u>	<u>94,363</u>

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

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

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2014

2014	Due within one year £	Due within one to two years £	Due within two to five years £	Due in over five years £	Total 2014 £
Principal	-	-	-	212,802,000	212,802,000
Interest	13,576,768	13,576,768	40,730,303	198,757,754	266,641,593
Total	13,576,768	13,576,768	40,730,303	411,559,754	479,443,593

2013	Due within one year £	Due within one to two years £	Due within two to five years £	Due in over five years £	Total 2013 £
Principal	-	-	-	212,802,000	212,802,000
Interest	13,576,768	13,576,768	40,730,303	212,334,522	280,218,361
Total	13,576,768	13,576,768	40,730,303	425,136,522	493,020,361

13 SHARE CAPITAL

Group and Company

	2014 £	2013 £
<i>Allotted and fully paid</i>		
1 (2013: 1) ordinary share of £1 each	<u>1</u>	<u>1</u>

The allotted share is held under a declaration of trust dated 31 May 2001 by Prudential Trustee Company Limited on behalf of qualified charities. Accordingly the Bond Trustee has no beneficial interest in the Group.

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

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 31 December 2014

14 RECONCILIATION OF RESULT BEFORE TAX TO CASH (USED IN) OPERATIONS

	2014 £	2013 £
Result before taxation	-	-
Adjustments for:		
Interest receivable	(13,577,323)	(13,577,497)
Interest payable	13,576,768	13,576,768
Changes in working capital:		
Decrease / (increase) in receivables	2,338	7,489
(Decrease) in payables	(2,338)	(7,489)
Cash (used in) operations	<u>(555)</u>	<u>(729)</u>

15 FAIR VALUES OF FINANCIAL INSTRUMENTS

The Level 1 fair value of the 6.38% Secured Bonds due 2042 and associated Loan, as at 31 December 2014 are shown below. The fair value is derived from the market value of the reference gilts at that date. There is no difference between the fair value and carrying value of all other financial assets and liabilities.

Group	2014		2013	
	Carrying value £	Fair value £	Carrying value £	Fair value £
Financial assets:				
<i>Classified as Loans & Receivables</i>				
Loan to borrower				
Non-current	212,802,000		212,802,000	
Current	-		-	
Total	<u>212,802,000</u>	<u>292,182,118</u>	<u>212,802,000</u>	<u>267,381,996</u>
Interest receivable	3,422,089	3,422,089	3,422,089	3,422,089
Other receivable	11,701	11,701	14,100	14,100
Total financial assets	<u>216,235,790</u>	<u>295,615,908</u>	<u>216,238,189</u>	<u>270,818,185</u>
Financial liabilities:				
<i>Classified as Financial Liabilities at Amortised Cost</i>				
Secured Bonds				
Non-current	212,802,000		212,802,000	
current	-		-	
Total	<u>212,802,000</u>	<u>292,182,118</u>	<u>212,802,000</u>	<u>267,381,996</u>
Interest payable	3,422,089	3,422,089	3,422,089	3,422,089
Other payables and accruals	26,945	26,945	29,283	29,283
Total financial liabilities	<u>216,251,034</u>	<u>295,631,152</u>	<u>216,253,372</u>	<u>270,833,368</u>

Company

SUNDERLAND (SHG) FINANCE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) **Year ended 31 December 2014**

The Company has no significant financial instruments.

16 RESULTS FOR THE FINANCIAL YEAR

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

17 RELATED PARTY TRANSACTIONS

All administrative services are provided under a management agreement with T.H.F.C. (Services) Limited, a subsidiary of The Housing Finance Corporation 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 £9,640 (2013: £6,793). Amounts due to T.H.F.C. (Services) Limited at 31 December 2014 amounted to £1,770 (2013: £2,597).

The Group has granted security in favour of The Prudential Trustee Company Limited ("the Trustee") to secure the bonds and other monies under the terms of a Trust Deed dated 27 June 2001. Fees payable to the Trustee for the year amounted to £5,227 (2013: £14,980 Credit). The 2013 charge has been adjusted for a prior year error. Amounts due from the Trustee at 31 December 2014 amounted to £2,644 (2013: £2,583).

18 TAXATION

The Company and the Group have incurred no tax liability in the current or prior year.