

The Housing Finance Corporation Limited

Annual Report &
Accounts

2020



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Purpose

THFC has served the funding requirements of housing associations for the last 33 years.

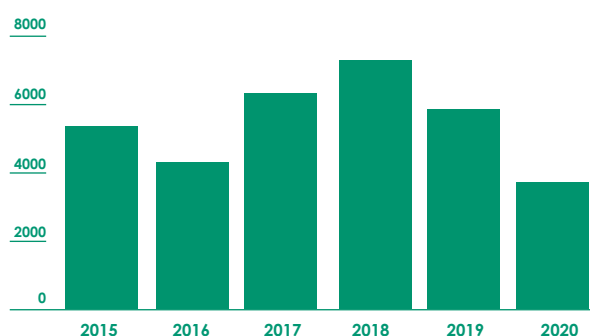
Our purpose is to enable regulated housing associations to achieve their social objectives and meet housing needs in their local communities. We do this by:

- sourcing funding from a range of institutional investors to deliver cost-efficient, responsible funding through the economic cycle; and
- operating as a non-profit-distributing finance company utilising our expertise, reputation and strong relationships.

Highlights

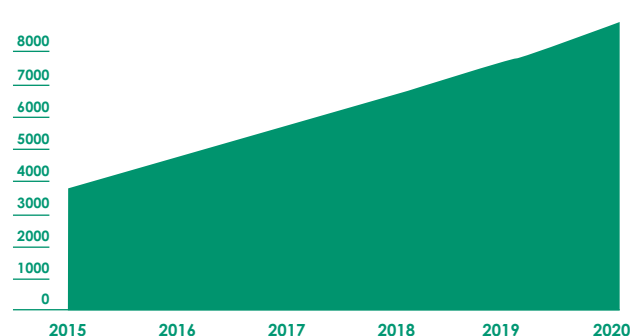
£3,387k (2019: £5,809k)

Group pre-tax surplus



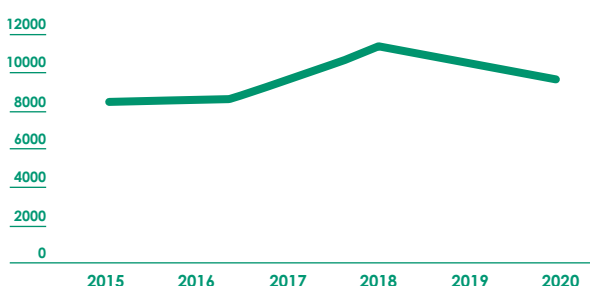
£7,454m (2019: £7,333m)

THFC group loan book



£8,565k (2019: £10,595k)

Group total income*



162

(2019: 166)

Housing Associations
lent to



32,000+

Homes
Funded under
AHF



*(includes all fees and investment income on short-term deposits)



Chair's and Chief Executive's Joint Statement



The year under review will most likely be remembered for two overriding externalities: the vote to exit the European Union and, towards the end of the year, the coronavirus pandemic and the subsequent descent into lockdown. It is in this context that we are pleased to be able to report that The Housing Finance Corporation ("THFC") was still able to demonstrate solid growth and further consolidate its position as the leading aggregator in the social housing sector.

Results for the Year

In financial terms, an after tax surplus of £2.7m took THFC's reserves over £40m for the first time in its 33-year history. This result was underpinned by four new transactions through our funding subsidiary Blend Funding Plc ("bLEND"). These were across two long-term maturities and totalled £110m expanding the bLEND borrower base by two housing associations and further consolidating its A2 Moody's long-term rating. Since year-end and lockdown we have successfully raised a further £125m via bLEND (including £100m for a single new customer), thus demonstrating that all aspects of the group's funding activities can be sustained through remote working. This latest tap took overall nominal outstanding loans for bLEND to £515m, achieving its original five-year growth plan in under three years, considerably exceeding our expectations.

bLEND's public rating is a composite of the individual borrowing housing associations, combined with liquidity enhancement provided by interest service reserves amounting to one year's interest. At the year-end there were five borrower groups within bLEND (post year end this increased to six). All but one of these enjoy a private rating from Moody's with one, Hightown Housing Association, obtaining a public Moody's rating in the year. All borrowers are required to support the rating process throughout the life of their loan and bLEND undertakes not to add further

borrowers to the pool if their addition would result in the then prevailing bLEND public rating being downgraded.

Although the year was dominated by the success achieved through bLEND, THFC, through T.H.F.C. (Funding No. 3) Plc ("Funding No. 3"), continues to provide finance to in excess of 160 housing associations spread across the UK, from the very largest to small community-based organisations. We were delighted to continue to support the latter this year by sourcing very competitively priced long-term funding for two smaller housing associations, supporting both community-based and black, asian and minority ethnic developments. Apart from the second bond issued by our subsidiary, Affordable Housing Finance Plc ("AHF"), Funding No. 3 is the largest housing association bond in issue, with over £1bn nominal bonds (including retained bonds) in issue at year end. By continuing to augment issuance with a small proportion of retained bonds we have been able to offer competitively priced smaller bond drawdowns to customers who would not otherwise be able to access the capital markets in their own right. Supporting smaller housing associations in this way will continue to be a priority for us in the year ahead.

We conducted our first THFC rating review under S&P's new guidelines for loan aggregators and were pleased that our rating outcome not only re-affirmed THFC's 'A' long-term rating but also confirmed that elements of the rating remained "strong" in the underlying categories.

As the existing provider of £3.2bn of long-term guaranteed financing through AHF, we submitted a strong and competitive bid to the Ministry of Housing, Communities and Local Government for the Affordable Homes Guarantee Scheme 2020 (AHGS 2020). We believed we were ideally placed to deliver the new scheme and whilst shortlisted, we were ultimately unsuccessful in being selected as the preferred partner.



Whilst this was a great disappointment, even without the new scheme, our existing bLEND and THFC products remain relevant, particularly in the devolved nations (AHGS 2020 is limited to English based borrowers only) and also in the provision of long-term fixed rate funding to refinance maturing bank debt. We have added new customers to our extensive base this year and expect to continue to do so in the coming year.

Coronavirus Pandemic

The ongoing coronavirus outbreak was declared a pandemic on 11 March, and the UK was put into lockdown on 23 March to attempt to limit its spread. We are able to report that shortly before the end of the financial year all THFC staff were working remotely with no dilution in either our service offering or the checks and controls that are an essential part of any finance business. At the time of writing, government guidance remains that staff should continue to work from home if they can. Whilst we envisage this arrangement continuing for some time to come, given our office location in the City of London, we have already conducted a full return to work risk assessment and are ready to undertake a phased return to the office as soon as government guidance indicates that this is advisable, and management are happy that this can be undertaken safely.

Given the timing of lockdown, the full extent of the impact on housing associations' cash flows will not be evident until, at the earliest, the release of June quarter's management accounts which are typically released to us in August. At the time of writing, the number of jobs furloughed under the UK job retention scheme is 8.4m. However, the furlough arrangements are due to be phased out over a period of months, triggering an as yet unknown proportion of redundancies, so the true impact on housing associations' rent rolls may not be evident until much later in the financial year. Given the relatively high level of rent underpinned by Universal Credit and other benefits, and the efficiency of rent collection by housing associations, the shorter-term impact on cash flow has not proven as great as might have been expected. Housing associations were also early to suspend discretionary expenditure on development and maintenance, and this, coupled with significant committed undrawn funding being available to the sector (stated by the Regulator of Social Housing as £21.9bn in its Quarterly Survey to March 2020) means that housing associations are relatively well placed from a liquidity perspective.

Exiting the European Union

For much of the financial year there was unprecedented political uncertainty in the UK as to the nature of the UK's potential exit from the EU. This translated into a number of impacts on housing associations, particularly those with large development programmes. Early on, there were signs of a slowdown in demand for homes built for sale (albeit demand for shared ownership appeared to hold up outside London). However, there are early signs of the market, particularly for affordable home ownership, reviving and housing associations have been conservative in mitigating any slowdown in sales activity with available committed credit and cash balances.

The other BREXIT related area of concern for many housing associations is cost inflation; both in labour and construction costs, and in relation to the cost of contract staff. The latter has been further compounded in care and sheltered housing-oriented housing associations during Covid-19. Both the Regulator of Social Housing and THFC have been alive to these issues, asking thematic questions and examining appropriate stress-test scenarios.

The European Investment Bank ("EIB") continues to be THFC's largest single lender, with £2.6bn of loans outstanding to the group and we remain EIB's largest single conduit for Housing Regeneration lending in Europe. Given the long-term nature of the majority of our loans, we continue to place significant emphasis on the quality of our relationship with EIB and whilst after formally exiting the EU, the UK will become a 'third country' we will continue to explore areas for joint cooperation. In the meantime THFC's EIB lending portfolio remains entirely conforming and we continue to enjoy an active and positive dialogue with EIB colleagues.

Stakeholder Engagement

We continue to engage with a wide variety of institutional investors and feedback suggests there is an acknowledgement of the relative credit strength of investing in housing associations in a period of both great political uncertainty, leading up to the EU leave vote, and the subsequent Covid-19 related economic uncertainty. It is telling that since lockdown, housing associations have been successful in raising over £1.6bn of long-term funding in the public sterling capital markets.



Environmental, Social and Governance related investment ("ESG")

From our regular and ongoing engagement with institutional investors, we are aware of the increasing importance of Environmental, Social and Governance ("ESG") considerations to all stakeholders and the way in which ESG factors will form a more fundamental role in the due diligence process underpinning future investment decisions. This is in part due to the new UK Stewardship Code 2020 launched by the Financial Reporting Council and the integration of ESG factors increasingly being seen as a part of fiduciary duty.

THFC considers ESG factors in two ways: in respect of our own business and in respect of our borrowers. Although we have a substantial balance sheet with just 22 employees, our environmental footprint is very limited and the move to our new BREEAM 'Excellent' and EPC 'A' rated energy efficient building in 2020 has improved our performance in this regard. We are a not-for-profit entity whose sole purpose is the funding of affordable housing through registered providers of social housing in the UK. In governance terms, we have followed the UK Corporate Governance Code for many years (as far as it is applicable to an entity without listed equity) and although unregulated we are registered with the Financial Conduct Authority and have listed debt securities which bring their own obligations.

In regard to our borrowers, we have a very diverse customer base in terms of size, geography and activity although all have as their core purpose the provision of affordable homes to those whose needs are not met by the market. This is only a part of their social purpose though, and there are many other activities and initiatives undertaken by housing associations that deliver social value. All our borrowers are UK based not-for-profit entities or charities and all are regulated by the regulator of social housing in their respective jurisdictions. In each case, the regulator assesses compliance with governance as well as viability standards and the vast majority of our borrowers follow a sector specific code of governance similar to the corporate code. Environmental considerations are becoming more important to housing associations, driven in part by a desire to lessen fuel poverty for their tenants and also the ambition to contribute to the de-carbonisation of housing stock.

As an aggregator, THFC recognises that investors will not only consider THFC's ESG credentials, but also look through THFC to the ESG credentials of its underlying borrowers. THFC is currently part of a social housing sector working group whose remit is to devise a sector standard approach for ESG reporting which, if adopted, will help us to provide clear and consistent data to our investors.

Sector Developments

The year under review marked the fourth year of 1% rent reductions on general needs social housing properties and the third year of rent reductions on most supported housing properties in England (both announced in 2015 as part of the measures to control the structural budget deficit). From the year ending March 2021 social housing rent increases will be limited to the Consumer Price Index ("CPI") plus 1% for five years. The housing association sector has traversed this period of constrained rent rises through cost controls and efficiencies, and in some cases through the cross subsidy achieved from development for sale. The impact of the rent cuts has varied across the country - areas of high demand for rented stock have, typically, fared relatively well, while housing associations based in more challenging areas have retained financial capacity by paring back discretionary spend earlier in the cycle.

According to the Regulator of Social Housing, there was an increase in income from sales of new build properties in England during 2019. First tranche shared ownership sales revenues increased by 14% to £1.4bn, and receipts from properties developed for open market sale increased 7% to £1.5bn. However, the profitability of these sales reduced such that surpluses from shared ownership were unchanged at £0.4bn and profit from open market sales fell 29% to £0.2bn.

Following the Grenfell tragedy there was continued spend on property remediation in the year. Whilst a number of the most heavily-impacted housing associations have provisioned appropriately, the overall burden of fire remediation costs is still not clear. The sector awaits definitive guidance on various aspects of safety design which will inevitably impact the cost of both new development and remediation.



Staff and Governance

We would like to place on record our gratitude to the entire THFC team for the flexibility and dedication they have shown, enabling us to collectively transition into home working during Covid-19 lockdown. It has proved our contingency planning has been effective and that our control mechanisms are robust. We anticipate that it may take the majority of the current financial year to return to any semblance of normal office-based working, whilst recognising that the safety and well-being of our staff is paramount.

This year marks the conclusion of the 'changing of the guard' amongst our non-executive director team. In July Keith Exford CBE and Deborah Shackleton CBE complete their nine-year terms on the group and subsidiary boards. Each previously led two of the largest, most influential housing associations in the country and have given us the benefit of their considerable knowledge throughout their tenure as non-executive directors. Their wise counsel will be missed. However, we have been fortunate to recruit two worthy successors in David Montague CBE, Chief Executive of London & Quadrant Housing Trust and Tony King, recently retired Group Treasurer of Sanctuary Group. We welcome them to THFC at another really important juncture for the group. We also welcome Peter Impey as a non-executive director across our THFC group companies. Since July 2013 Peter has served on the AHF Board and his expertise will prove valuable across the wider group.

George Blunden
Chair

Piers Williamson
Chief Executive

28 July 2020



Business and Financial Review

The five-year table on page 69 gives a comparative history of the THFC group and shows that our loan book has increased by 46.6% while total costs in that period have increased by 20.4% and our total revenues (net of interest expense) by 1.7% over the period.

The group achieved a pre-tax surplus of £3,387,000 (2019: £5,809,000). Although annual fees continued to grow in the year to 31 March 2020, an increasingly competitive lending market meant that arrangement fees for new lending were lower than 2019 levels.

However the group makes a strong operating surplus before the contribution from arrangement fees and continued to invest in staff and IT to strengthen business resource and infrastructure including a move to new premises.

Our objective remains that of generating a sufficient surplus each year to achieve a steady growth in the group's financial reserves. The group's reserves are non-distributable and held to support additional lending and provide cash flow cover in the event of a borrower default. For the year ended 31 March 2020, as a consequence of another strong year, the group's reserves have risen from £38.0m to £42.0m. This continuing trend, combined with historically conservative over-collateralisation of our loan assets, allows the group to position itself to meet the requirements of a broad range of housing associations as they look to diversify their funding by borrowing in capital markets.

A total of £179.8m (2019: £421.8m) of new money sourced from bond issues and other funders was advanced to housing associations by members of the group during the year. These loans, prepayments and other changes to our existing loans, produced net lending of £128.3m (2019: £348.4m), before adjustment for indexation and amortisation of premiums and discounts.

As a result, the group loan book stands at £7,454m (2019: £7,333m). Details of borrowings by the group to fund its loan book are shown on pages 28 and 29.

At the year-end the group was the provider of funds to 162 borrowers (2019: 166).

Our operating expenses were 0.07% (2019: 0.06%) of the £7.5bn (2019: £7.3bn) of outstanding loans at the year-end.

The group regards its Key Performance Indicators to be growth in pre-tax surplus, reserves and group loan book, together with the ratio of operating expenses to year end loan book (see Five Year Financial Record on page 69). The group achieved another strong surplus before and after tax and the ratio of expenses to the loan book increased slightly reflecting additional investment in IT, staff and premises.



Group Report

The Housing Finance Corporation Limited (“THFC”) and its subsidiaries (together “the group”) carry out the core function of raising private sector loan finance for housing associations to further their work in developing or refurbishing social housing.

Group Structure

Since the incorporation of THFC in 1987, various subsidiaries have been created within the group to cater for the different financial instruments and covenant structures which have been required over time. THFC and all its lending subsidiaries operate on a non-profit-distributing basis. A further group member, T.H.F.C. (Services) Limited (“THFCS”), provides management services to the rest of the group and to related companies. The structure of the group is set out in the diagram on the inside back cover.

Group Financing Principles

THFC and a number of its subsidiaries, T.H.F.C. (Indexed) Limited, T.H.F.C. (Indexed 2) Limited, T.H.F.C. (First Variable) Limited and T.H.F.C. (Social Housing Finance) Limited (together the “issuing companies”), have between them issued a variety of financial instruments including deep-discounted, index-linked and conventional public debenture stocks, stepped and par-coupon private placements and raised fixed and variable rate bank loans.

THFC has also raised funds by borrowing from three related companies, all of which issue rated public Eurobonds.

Despite the variety of loan structures all group companies adhere to the same fundamental principles:

- Funds are raised solely for on-lending to housing association groups.
- Funds are on-lent on a substantially identical maturity, interest and repayment profile thus ensuring that no material mismatch risk is taken on interest rate movements.
- No currency risk in relation to its funds is taken by the group or passed on to its borrowers.
- Loans are fully secured and covenanted in accordance with the terms of the relevant individual issuing company’s governing trust deed.

- THFC makes and maintains its own independent credit assessment of its borrowers, using its own credit rating system, and approves applications for funding only after a careful review by the group’s credit committee.
- THFC monitors the financial position of its housing association borrowers on an on-going basis, including measurement against covenant undertakings. All housing association borrowers are subject to external regulation by the social housing regulator in the relevant jurisdiction in which they operate.

Security Offered to Investors

The security which issuing companies offer to investors is illustrated on pages 23 to 27. Lenders to each issuing company benefit from a floating charge over that company’s assets, which are primarily its secured loans to housing associations. All the stocks, bonds and loans within each issuing company rank pari-passu among themselves and are protected by a negative pledge. This form of security was designed to enable investors to spread their risk across a portfolio of instruments and borrowers.

As the investors are secured by a floating charge on the whole of the relevant issuing company’s pooled undertakings, it is not practical or cost effective to obtain a measure of the fair value of this collateral.

THFC and its subsidiary and related companies (as further outlined below) are finance vehicles and the security offered to investors by each company is limited only to the assets of that company being principally its secured loans and share capital. The shareholders of each company’s parent cannot be held liable for the debts of its subsidiary in the event of insolvency.

Neither THFC nor its group and related companies are regulated, although the entities registered under the Co-operative and Community Benefit Societies Act 2014 are registered at the Financial Conduct Authority.

Property Security

The majority of borrowers continue to prefer to provide fixed charge security on specified properties and most new borrowers choose to adopt this option from the outset, although the issuing companies can offer housing associations the ability to secure their loans by way of floating charges, subject to appropriate asset cover tests. There are four borrowers who have an element of floating charge security on six loans. Where borrowers have opted for fixed charge security, each issuing company is required to obtain a charge over the borrowers’ assets which, at all times during the life of each loan, covers at least 150%



(135% for certain loans made by T.H.F.C. (Social Housing Finance) Limited) of the outstanding loan balance. For loans secured by fixed charges, formal property valuations of the specific security are undertaken at least every five years. For loans secured by floating charge, compliance is measured by reference to the balance sheet of the borrower. The group operates a panel of approved valuers to be used by borrowers in order to ensure a consistent and adequately detailed approach which takes account of the physical condition, the future rental potential and the market context of the property being valued.

Loans Administration

The group's exemplary record of prompt collection and payment of interest and principal has remained intact over its thirty-three year history. In general borrowers' payments are received up to one month prior to the group's obligation to pay investors, thus providing a timing cushion and a source of additional investment income.

Credit Monitoring

Each issuing company borrower undergoes a credit review prior to a loan being granted. This involves accounts analysis, review of business plans and projections, scrutiny of regulatory and audit reports, comparison of performance indicators, review of the borrowers' own risk registers and an assessment of its management capabilities. New or increased credit exposures are reviewed and approved or rejected by THFC's credit committee, which is a board committee.

The group's bespoke credit rating model reflects forward looking risks appropriate to the current economic environment. It ranks all current and prospective borrowers against a number of parameters. This model enables internal ratings to be derived for each borrower and a default probability to be estimated. The loss given default is also estimated. This exercise is an integral part of the credit assessment process and a necessary component in the maintenance of the group's external credit rating. The group's credit rating of its borrowers, together with regular reviews of credit information and customer visits, provides the basis for credit monitoring and reports to the credit committee and the board on the health of the portfolio.

The credit rating model is regularly updated to take account of emerging risks.

Our credit monitoring regime is underpinned by the financial covenants associated with the security provided by our borrowers. The group remains one of the few lenders in the sector to have an asset specific net income cover of at least 100% as a core covenant for substantially all its loans.

The following entities are structured differently from the issuing companies.

Affordable Housing Finance Plc ("AHF")

AHF, a subsidiary of THFCS, was incorporated in 2013. On 19 June 2013 AHF was awarded the licence to provide guaranteed funding under the Government's Affordable Housing Guarantee Scheme. As at 31 March 2020 AHF had issued guaranteed secured bonds amounting to £1,744.1m. Guaranteed bank facilities in place at 31 March 2020 amounted to £1,500.0m. Under the Guarantee both the obligations of the borrowers to the issuer (under their respective loan agreements) are guaranteed as well as AHF's obligations to the investors.

Borrowers from AHF are required to maintain asset cover of 105% and income cover of 100%.

All borrowers had to meet certain eligibility criteria in order to borrow from AHF.

UK Rents (No.1) Plc ("UK Rents")

UK Rents is a subsidiary company established in 1994 solely for the purpose of issuing bonds with a rating of Aa2 (Moody's Investor Services) achieved through a rental securitisation, and using the funds raised to purchase rent receivables from housing associations.

T.H.F.C. (Capital) Plc ("THFC Capital")

THFC Capital is a subsidiary company established in 2001 to act as a conduit for funds raised for the transfer of housing stock from Sunderland City Council to Gentoo Group. The loans to Gentoo are structured on a non-recourse (to THFC Capital) basis and the property security is held by a security trustee for the benefit of the bank lenders and bond investors.

Blend Funding Plc

Blend Funding Plc ("bLEND") was incorporated in May 2018 and in August 2018 established a £2bn Medium Term Note Programme for the purposes of issuing notes to fund loans to housing associations under varying maturities and interest rates.

bLEND's Medium Term Note Programme has been assigned a Moody's rating of "A2" driven by the weighted average rating of its pool of borrowers and this also determines the eligibility of new borrowers.

Borrowers from bLEND are required to maintain asset cover of between 110% and 120% and income cover of 100%.

bLEND borrowers are not subject to the same credit procedures as THFC borrowers.

The notes are listed on the International Securities Market of the London Stock Exchange.



HFP 2019 Limited

The group's share in HFP 2019 Limited was transferred to a share trustee during the year and is therefore no longer a subsidiary.

Reserves

All the issuing companies each covenant to their respective investors that they will maintain total operating expenditure within total operating income each year or on a rolling three-year basis as set out in their respective Trust Deeds. They have all successfully complied with this covenant since incorporation. Any surplus made by AHF can only be used for clearly defined purposes set out in the licence.

By generating fee income, investing interest payments received early, investing its reserves and exercising tight cost control, the group has now accumulated non-distributable reserves amounting to £42.0m (2019: £38.0m).

Taxation

Under existing legislation, payments of interest on debenture stock and Eurobonds issued by THFC and its issuing subsidiaries may be made gross to UK resident stockholders.

Administration services to related companies

Our service company, THFCS, provides administration and management services to certain related companies. All the related companies lend to the social housing sector. The majority of directors of these companies are also directors of THFC. These companies are regarded as related parties for accounting disclosure purposes. THFCS is the largest provider of bond administration services to the housing association sector and its income in the year from related party contracts was £151,828 (2019: £146,418).

The related companies are:

T.H.F.C. (Funding No.1) Plc ("Funding No. 1")

Funding No. 1 is a non-consolidated company. Its entire issued share capital, is held by THFCS under a declaration of trust. It was incorporated in November 2004 to act as the issuing company for secured bonds currently carrying an "A stable" rating from Standard & Poor's rating agency. Funding No. 1's rating is achieved partly through the addition of a bespoke liquidity facility provided by Royal Bank of Scotland Plc (RBS). Funding No. 1's rating is therefore linked to the short-term rating of the liquidity provider (currently Royal Bank of Scotland Plc). Funding No. 1's liquidity facility was renewed in December 2019. In January 2014 the rating of RBS was downgraded and,

under the terms of the liquidity facility agreement between Funding No.1 and RBS, Funding No.1 has made a standby drawing of the entire liquidity facility commitment. The standby drawing is repayable on the earlier of the provider being upgraded to the requisite rating or the legal maturity date of the secured bonds.

T.H.F.C. (Funding No. 2) Plc ("Funding No. 2")

Funding No. 2 is also a non-consolidated company. Its entire issued share capital is held by THFCS under a declaration of trust. It was incorporated in June 2009 to act as the issuing company for secured bonds currently carrying an "A stable" rating from Standard & Poor's rating agency.

T.H.F.C. (Funding No. 3) Plc ("Funding No. 3")

Funding No. 3 is also a non-consolidated company. Its entire issued share capital is held by THFCS under a declaration of trust. It was incorporated in September 2011 to act as the issuing company for secured bonds currently carrying an "A stable" rating from Standard & Poor's rating agency.

All the funds raised by Funding No.1, Funding No.2 and Funding No.3 are lent to THFC at cost for on-lending by it to housing associations. Like all other lenders to THFC, Funding No. 1, Funding No. 2 and Funding No. 3 have a pari passu floating charge over THFC's assets.

Haven Funding Plc and Haven Funding (32) Plc

Since 1999 THFCS has provided loans administration and company secretariat services to Haven Funding Plc and Haven Funding (32) Plc. As at 31 March 2020 these companies had loans outstanding of £308.8m (nominal) made to 15 housing associations funded by bond issues arranged by a third party investment bank.

Sunderland (SHG) Finance Plc

Since 2001 THFCS has provided loans administration and company secretariat services to Sunderland (SHG) Finance Plc which as at 31 March 2020 had £212.8m (nominal) in loans to Gentoo Group on-lent via T.H.F.C. (Capital) Plc.

Harbour Funding Plc

In August 2003 THFCS was appointed as loans administrator and company secretary to Harbour Funding Plc, a special purpose vehicle that issued bonds into the UK market and lent the proceeds to four large-scale voluntary transfer housing associations. One of these associations has since prepaid its loan.

At 31 March 2020 Harbour Funding Plc had loans outstanding of £206.3m (nominal) made to three housing associations.



Directors' Report

The directors present their report and the audited consolidated financial statements of The Housing Finance Corporation Limited and its subsidiaries ("the group") for the year ended 31 March 2020.

Principal Activities

The Housing Finance Corporation Limited ("THFC") was incorporated in 1987 and is registered under the Co-operative and Community Benefit Societies Act 2014.

Its principal objective is to lend money to housing associations funded through the issue of bonds and raising bank loans. It has established a number of wholly owned subsidiaries to cater for the varying interests of stockholders and bank lenders in different forms of financial instrument. The report and financial statements for each of the companies within the group are available separately on request from T.H.F.C. (Services) Limited, 3rd Floor, 17 St Swithin's Lane, London EC4N 8AL.

Results

The consolidated operating surplus before taxation for the year ended 31 March 2020 was £3,387,000 (2019: £5,809,000).

Under its Rules, THFC cannot "trade for profit". It is, however, the intention of the directors that it will continue to make operating surpluses each year. Surpluses may not be distributed either directly or indirectly to shareholders and are accumulated as reserves to act as an additional protection for our lenders. On a dissolution of THFC the reserves must be passed back to borrowers from THFC in a manner and with an allocation to be determined by the board of THFC.

The reserves are held as bank deposits and treasury bills. Our investment strategy remains broadly unchanged from prior accounting periods and we continue to keep the range of counterparties with whom we are willing to deposit under active review.

THFC made no charitable or political donations during the year.

Review of Business

A review of business is included in the Business and Financial Review on page 6.

Directors and Shareholders

Details of directors, their service periods for the year and the shareholders of THFC are set out in the table below. The biographies of the current directors appear on pages 19 to 22.

Details of directors' terms of office are given on page 12.

Certain restrictions applicable to share capital are detailed in note 19.

Keith Exford and Deborah Shackleton both having completed nine years' service with the group will step down at the Annual General meeting.

Anthony King, David Montague and Peter Impey, each having been appointed since the last AGM, are required to retire and offer themselves for re-election.

The chairman is required to retire annually at the Annual General Meeting and accordingly George Blunden will retire and offer himself for re-election.

Directors' Remuneration

Details of directors' remuneration are given on page 51.

Management

The management and administrative functions of the group are carried out by T.H.F.C. (Services) Limited ("THFCS"), which is a wholly owned subsidiary of THFC with the same board membership. THFCS employs the group's executive and administrative staff for this purpose and carries out its functions under management agreements with each of the other organisations. THFCS also provides administrative and secretariat services to other related companies.

The directors of the group who were in office during the year and up to the date of signing the financial statements were:

Director	Period Served to 31 March 2020	THFC Shareholdings at 31 March 2020
George Blunden	Full Year	£1
Scott Bottles	Full Year	£1
Colin Burke	Full Year	Nil
Fenella Edge	Full Year	Nil
Keith Exford	Full Year	£1
Peter Impey	Appointed 19 May 2020	Nil
Anthony King	Appointed 17 March 2020	£1
David Montague	Appointed 17 March 2020	£1
John Parker	Period to 30 July 2019	Nil
Gill Payne	Full Year	Nil
Ian Peacock	Period to 30 July 2019	Nil
Will Perry	Full Year	Nil
Deborah Shackleton	Full Year	£1
Shirley Smith	Full Year	£1
Guy Thomas	Appointed 14 May 2019	£1
Piers Williamson	Full year	Nil
Other shareholders		
National Housing Federation		£1
Regulator of Social Housing		£1
Total issued share capital at 31 March 2020		£10



Pension Scheme

All THFC group employees, but not non-executive directors, are eligible to participate in the Social Housing Pension Scheme ("SHPS"). The scheme operates both defined benefit and defined contribution structures.

The defined benefit scheme, with assets under management of £6.1bn and an actuarial deficit of £1.52bn (based on the results of the triennial valuation as of 30 September 2017) is by far the largest pension provider in the housing association sector and until 31 March 2007 was operated exclusively on a final salary basis. As part of the plan to accelerate the elimination of the funding deficit the trustees of SHPS offered three alternative scheme structures to employers and members, including a continuation of the existing arrangements. With effect from 1 April 2007 THFCS and all its employees elected to stay with the pre-existing arrangements and to pay increased employer and member contributions for those members of staff who had joined prior to this date. Employees appointed by THFCS after 31 March 2007 participated in SHPS on a Career Average Related Earnings ("CARE") basis.

From 1 April 2013 THFC offered membership of the SHPS scheme to new members on a defined contribution basis in addition to the CARE structure.

On 31 March 2017, THFC closed the final salary and CARE scheme structures to future accrual. The majority of members in these scheme structures joined the defined contribution scheme which is now the only open scheme.

From 31 March 2019 THFCS' share of the current scheme deficit is accounted for in the group balance sheet. THFCS' share of the deficit on a discontinuance basis would be material, but THFCS has no present intention of leaving the SHPS Scheme. The board of THFC regularly reviews the risks associated with membership of SHPS, including the possible size of future contribution requirements and the "last man standing" and discontinuance risks.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and THFC's financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Also under that 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 THFC and of the surplus or deficit of the group and THFC 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 group and THFC will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain THFC's transactions and disclose with reasonable accuracy at any time the financial position of the group and THFC and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are also responsible for ensuring that a satisfactory system of control over transactions has been maintained and for safeguarding the assets of the group and THFC and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The group's financial statements are published on THFC's website (www.thfcorp.com) and the directors are responsible for the maintenance and integrity of that 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 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 THFC's auditor is unaware; and
- (b) he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that THFC's auditor is aware of that information.



Corporate Governance Statement

The UK Corporate Governance Code (2018) issued by the FRC ("the Code")

Introduction

The group has for a number of years chosen to comply with the Code's best practice guidelines where these are relevant to THFC as a non-profit-distributing entity operating as a society registered under the Co-operative and Community Benefit Societies Act 2014, without a market in its shares.

The board has sought to comply with a number of provisions of the Code in so far as it considers them appropriate to a group of its size and nature.

Board

The board of directors of THFC comprises:

George Blunden (chair)
Scott Bottles (chair of credit committee)
Colin Burke (executive director)
Fenella Edge (executive director)
Keith Exford CBE (chair of remuneration and nominations committee and senior independent director)
Peter Impey (non-executive director, appointed 19 May 2020)
Anthony King (non-executive director, appointed 17 March 2020)
David Montague CBE (non-executive director, appointed 17 March 2020)
Gill Payne (non-executive director)
Will Perry (non-executive director)
Deborah Shackleton CBE (non-executive director)
Shirley Smith (non-executive director)
Guy Thomas (chair of audit committee)
Piers Williamson (executive director)

The directors' biographies can be found on pages 19 to 22.

The board of THFC also comprises the boards of its subsidiaries except for AHF which has one additional director.

All board service contracts are available for inspection at the registered office.

Senior Independent Director

The board appoints a senior independent director. The appointed senior independent director is Keith Exford, up until 28 July 2020 when he steps down from the board. The new senior independent director from 28 July 2020 is Shirley Smith.

Directors' Independence

All directors are non-executive with the exception of Piers Williamson, the chief executive, Fenella Edge, the group treasurer and Colin Burke, the finance director.

Will Perry is nominated by the Regulator of Social Housing and Gill Payne is nominated by the National Housing Federation.

With the exceptions mentioned above the board has determined that all remaining non-executive directors are independent and free from any material relationship that could interfere with their ability to discharge their duties.

Terms of Office

All non-executive directors are limited to nine years' service on the board. Independent directors are normally elected for terms of three years and may offer themselves for re-election at the conclusion of the first and second terms.

The chairman may serve for a maximum term of six years and is subject to re-election annually at the Annual General Meeting. The board will select each chairman in accordance with the rules of THFC.

Details of directors retiring and offering themselves for re-election at the next Annual General Meeting are given on page 10.

Directors' Attendance at Meetings

Directors' attendance at THFC board and board committee meetings during the year is shown in the table on page 18. Where a director was unable to attend a meeting he or she was scheduled to attend, the chairman received a sound reason for the non-attendance. Special board meetings are those called at short notice principally to approve the documentation of borrowing and lending. It is not expected that every board member attends each special meeting, only that a quorum is present, though all board members are given notice of the meeting and informed of the business to be conducted.

Role of Board

The board sets the strategic objectives of the group, determines investment policies, agrees performance criteria and delegates to management the detailed planning and implementation of those objectives and policies in accordance with appropriate risk parameters. The board monitors compliance with policies and achievement against objectives by holding management accountable for its activities through quarterly performance reporting and budget updates.

The board holds six scheduled meetings each year which cover both standard and ad hoc business. Standard business is tracked via a board diary and determines the standard section of the agenda and details the key items of business that are considered by the board. A rolling agenda is maintained to record emerging issues that will require board consideration at future scheduled meetings.



Two of the six scheduled meetings focus specifically on strategic issues. Ad hoc meetings are convened as and when required where board approval is required outside of the scheduled meetings.

Certain matters are dealt with exclusively by the board. These include approval of financial statements, strategy, major capital projects, changes to the group's management and control structure and approval of all borrowing loan agreements and the standard form of all lending loan agreements.

All key decisions are taken by the board or its committees. Where necessary the board or committee will delegate certain decisions to management within clearly defined parameters which are minuted.

The roles of chairman and chief executive are not fulfilled by the same individual. The board reviews and approves the chief executive's operational authorities on an annual basis. This document also determines which items are reserved for chairman's or non-executive approval. All other decisions require board approval.

All directors may call upon independent professional advice at the expense of THFC.

Committees of the Board

The board governs through clearly mandated board committees. Each board committee has specific written terms of reference which are approved annually by the board and committee. Committee chairmen report on the proceedings of their committees at the following board meeting and the minutes of all committee meetings are included in papers distributed to board members in advance of the next board meeting.

The board and committees meet at regular intervals to cover all on-going business and ad hoc meetings are convened as necessary.

Credit Committee

The credit committee is a committee of the board. It comprises a minimum of four independent non-executive directors appointed by the board of THFC, together with the chief executive, group treasurer and the credit and risk director. The chair of credit committee is Scott Bottles.

The credit committee is primarily responsible for the assessment of individual credit propositions and ongoing monitoring of the portfolio. It reports periodically to the board to administer a risk management framework and evaluate individual credits.

Members comprise Scott Bottles (Chair), George Blunden, Anthony King, Peter Impey, Gill Payne, Deborah Shackleton,

Shirley Smith and Guy Thomas as non-executive directors and Piers Williamson, Fenella Edge and David Stokes, chief executive, group treasurer and credit and risk director respectively of THFC.

Audit Committee

The audit committee reviews internal controls, financial reporting, annual financial statements, the performance and recommendations of external and internal auditors, the independence of the external auditors, the level of any non-audit services provided by them and compliance with laws and regulations. It considers financial and operational risks as a precursor to these matters being reviewed by the full board at its scheduled meetings.

The chair of audit committee is Guy Thomas.

Members comprise Guy Thomas (chair), Keith Exford, Will Perry and David Montague. The chief executive and other senior members of staff attend when required.

Remuneration Committee

The remuneration committee is a non-executive committee of the board established under the chair of Keith Exford.

The remuneration committee agrees policies on group staff remuneration, terms and conditions including annual pay and bonus awards and any external benchmarking exercise of pay and benefits.

It agrees the remuneration of the chief executive (routine elements) and executive directors and makes recommendations to the board on the level of non-executive directors' fees. It also oversees the annual appraisals of the executive directors.

Members comprise Keith Exford (chair), George Blunden, Gill Payne and Shirley Smith. The chief executive and other senior members of staff attend when required. Gill Payne becomes chair on 28 July 2020.

Nominations Committee

The nominations committee meets as required to consider potential nominees to the board, both executive and non-executive independent directors.

When required by the board the nominations committee evaluates the balance of skills, experience, independence and knowledge on the board and, in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment.

The members of the nominations committee are Keith Exford (chair), Gill Payne, Will Perry and Deborah Shackleton. Will Perry becomes chair on 28 July 2020.



Training and Development

New non-executive directors are provided with a tailored induction shortly after their appointment involving professional advisors where appropriate. They are asked to submit requests for additional training as part of the annual performance evaluation process.

Emerging issues that require greater understanding are covered by a presentation to the board by an appropriate expert in the area concerned.

Performance evaluation

The board conducts a critical evaluation of its activities on an annual basis. A questionnaire-based peer review of the performance of the chairman, the board and its committees is conducted by the company secretary, or periodically by an external facilitator. The results of the evaluation are reviewed and discussed by the board and a list of action points drawn up where appropriate.

Internal Control

The board is responsible for the group's system of internal control and for the regular review of its effectiveness. It should be recognised that the internal control system has been designed to manage rather than eliminate the specific business risks faced by the group and can only provide reasonable and not absolute assurance against material misstatement or loss.

The board discharges its responsibilities for internal control through the following key procedures:

- the establishment of an organisational structure with clearly defined levels of authority and division of responsibility;
- a comprehensive system of reporting, budgeting and planning against which performance is monitored;
- the formulation of policies and of approval procedures in key areas such as loan administration, treasury operations, financial reporting and preparation of consolidated financial statements.

Key business risks, and their likelihood and potential impact, are formally considered by the board half-yearly and appropriate controls and mitigating action implemented. All loans to borrowers are substantially matched in terms of their maturity, interest and repayment profile to the equivalent bond issue or bank loan. Therefore primary operating risks relate to the initial credit assessment, credit monitoring of borrowers, the completion of appropriate loan security, timely collection of all payments due and the achievement of sufficient income to offset the group's operating costs. Regular reports on these risks are made to the board.

Internal Audit

The board has decided that the establishment of a staffed internal audit function would not be appropriate for an organisation with a total staff complement of 22. Since April 2010 professional accounting firms have been appointed to undertake periodic reviews of internal controls. Crowe (UK) LLP are the current appointee.

The directors considered periodic reports on the effectiveness of internal controls during the period to 28 July 2020 and no significant weaknesses have been identified.

Continuing Resources

The Coronavirus pandemic is affecting all businesses nationwide to some degree, many with immediate and severe ramifications.

The group has assessed the likely impact of the pandemic on the company and taken appropriate actions where necessary to ensure continuity of the business and manage its resources. More details are included in note 2 to the financial statements.

As a result of the assessment, the directors have formed a judgment at the time of approving the financial statements that there is a reasonable expectation that THFC and the group have adequate resources to continue in operational existence for the foreseeable future being a period of not less than 12 months from approval of the financial statements.

For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Senior Management

Piers Williamson, Fenella Edge, Colin Burke and David Stokes, the chief executive, group treasurer, finance director (and company secretary) and credit and risk director respectively, held those positions throughout the year. The chief executive has defined powers of authority and responsibility which are delegated to him and reviewed annually by the board. The company secretary is responsible for ensuring that board procedures are followed.

Directors' Remuneration

The directors' remuneration is established by the board in the light of periodic advice from advisers. In addition to salaries and bonuses, the executive directors, being the chief executive, the group treasurer and finance director receive pension benefits and/or certain other employee benefits in accordance with guidelines determined by the board. Fees are paid to non-executive directors except that the fees payable to the director nominated



by the National Housing Federation (Gill Payne) and the Regulator of Social Housing (Will Perry) were remitted to their employers. In the case of Gill Payne this arrangement ceased on 31 August 2019. The fees of the non-executive directors were increased with effect from 1 April 2019 following an independent benchmarking exercise which was overseen by the Remuneration Committee. This was the first exercise to take place for many years and adjustments reflect both the significant growth in the group over the last 5 years and the need to maintain a board of the appropriate calibre. The non-executive directors do not receive any pension benefits, bonuses or benefits-in-kind except for certain travel expenses.

On 1 April 2020 fees were increased by 1.5% being the annual rate of change of the Consumer Prices Index in the 12 months to 31 March 2020.

Details of directors' remuneration is given on page 51.

Shareholders

The shareholders of THFC are listed in the table on page 10. All shareholders of THFC are non-executive directors except for the Regulator of Social Housing and the National Housing Federation who nominate board members.

Financial Risk Management

The board is responsible for approving THFC's strategy and the level of acceptable risks. The board has established an audit committee and a credit committee reporting periodically to the board to administer a risk management framework which identifies the key risks facing the business and the board reviews reports/minutes submitted by those committees on how those risks are being managed.

The group derives income from three principal sources; arrangement fees on new lending, annual fees accruing on the existing loan book and investment income on cash balances.

The level of arrangement fees is subject to market conditions, competition from other lenders and demand from borrowers, and therefore creates a certain amount of volatility in this income stream. Annual fees are contractual and for the most part subject to indexation using the Retail Price Index or Consumer Price Index. Investment income is subject to interest rate risk although on occasions rates are fixed on the group reserves investment income using swap transactions. No swap transactions were entered into during the year (2019: None).

Subject to the risks to income outlined above the group endeavours to cover operating costs from investment income and contractual annual fees.

Risk Management Structure

The board is ultimately responsible for reviewing and managing all risks facing the group. The audit committee will initially review and report to the board on all key significant risks including operational, financial and interest rate risk. The credit committee addresses specifically, and reports to the board on credit and liquidity risk.

For further information on financial risk management see note 24 to the Financial Statements.

Operational Risk

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

Section 172(1) Statement

Although THFC itself is not incorporated under the Companies Act 2006, certain of its subsidiaries are and those subsidiaries meeting the relevant size criteria will be required to comply with the Companies Regulations 2018 by disclosing how they have met the requirements of s.172(i) of the Companies Act 2006. THFC has therefore decided to comply on a voluntary basis.

Impact of long-term consequences of decisions

The board's objective is to promote steady, sustainable growth in order to have a long-term beneficial impact on the group and the wider affordable housing sector through the delivery of cost-effective funding to UK housing associations.

The long-term tenor and secured nature of the loans made by the group to its borrowers requires the company to ensure that both its borrowers and the group are able to continue to meet their respective legal and other obligations to both the group and bondholders as detailed in the relevant transaction documents.

All material lending and other decisions are made with this in mind and the group aims to grow in a measured way balancing the risks inherent in long-term lending against the resources of the group. Borrowers' performance is monitored regularly to ensure obligations are met on an ongoing basis.



The group funds itself through arrangement fees and annual fees which are charged to each borrower. Arrangement fees reflect the resource expended in originating the loan whilst the annual fee covers the costs of the ongoing administration of the loans through to maturity. The annuity income generated by the annual fees ensures that the group has a sustainable business model over the medium-term.

The board regularly monitors the material risks to the group and how they might impact on its long-term health. Key risks and their mitigants are detailed in note 24 to the financial statements.

Interests of employees

The employees of the group consist of its staff and executive directors. The group has 19 employees and 3 executive directors as at 31 March 2020.

As a small business in FTE terms, the board is in continuous engagement with its employees to keep them informed of developments in the business and to receive their feedback on relevant issues. More formal engagement takes place in the form of a regular updates from the Chief Executive following board meetings or additionally on an ad hoc basis as necessary. Employees are actively encouraged to participate in these meetings by adding items to the agenda and to ask questions on any issue.

The board also undertakes periodic staff surveys to consider the views of staff. A panel of staff representatives is appointed to review the results and formulate a series of proposals for discussion and consideration by the executive directors and board.

Staff salaries are benchmarked externally on a regular basis to ensure that they remain competitive and the range of other benefits available to staff is also reviewed periodically in conjunction with our Human Resources (HR) consultant to ensure that the group's offering remains competitive in the market place.

Each staff member has a formal appraisal annually with their manager in addition to more informal reviews during the year to monitor their performance and development.

The health and safety of staff is of paramount importance particularly in the current pandemic and whilst there is regular engagement by senior management the group has also established a confidential Employee Assistance Programme for staff to use free of charge.

The group retains an HR consultant to assist staff in any personnel related issue and to ensure that the group adopts best practice in all HR issues. We also run regular HR workshops to encourage engagement and understanding of how the whole team work together.

Fostering business relationships

The directors are aware of the need to foster on-going business relationships to ensure the success of the business

The directors have instigated a structure that incorporates Relationship Management (for liaison with borrowers to whom funds have been on-lent as well as potential new borrowers), Treasury (who maintain relationships with current and potential investors in the company's bonds through regular updates and meetings), Finance (who manage relationships with suppliers and ensure the efficient collection and distribution of coupons between the borrower and investors (or their duly appointed agent)) and Secretarial who manage compliance obligations with various stakeholders.

Lending requires a constant focus on maintaining stakeholder relationships and the group has a wealth of experience in all relevant areas. In particular, the group fosters close relationships with sector specialists, such as valuers, lawyers, accountancy firms, treasury advisers and also maintains close relationships with its investment banks and the investor community at large.

The THFC board has directors nominated by the Regulator of Social Housing and National Housing Federation to ensure that objectives are aligned with key stakeholders.

Impact of operations on community and environment

The group makes every effort to minimise its carbon footprint, aided by the move to new premises in May 2019. Staff are encouraged to cycle for all or part of their journey to work where possible, and waste going to landfill is minimised through effective recycling. The group also encourages its staff to develop outside interests that benefit the community.

In delivering cost-effective funding to housing associations we aim to boost the number and quality of affordable housing for the benefit of tenants and communities throughout the UK. THFC is a registered society under the Co-operative and Community Benefit Societies Act 2014 and operates on a not-for-profit basis. Surpluses are therefore not distributable but retained for the greater good of the sector and the communities that it serves.

The company ensures its employees are aware of the changing landscape of regulation and best practice, whether environmental or social in nature. Every effort is made to consider the environmental impact of decisions taken, although due to the nature of its activities the company's direct environmental impact is limited. Further details are given in the chair's and chief executive's joint statement on pages 2 to 5 and below.



Maintaining reputation for high standards of business conduct

The board operates the business responsibly and in line with the good industry practice and the highest level of governance (see group report) expected of a lending business and in so doing maintains an exceptional reputation amongst investors and borrowers alike. High levels of integrity are key in the success of our business and delivery of our objectives.

All new staff receive a comprehensive induction and are required to follow THFC's code of conduct. Drawing on the seven principles of public life identified by the Nolan Committee, the Code lays down guidelines that will help employees to maintain the values and mission of THFC and protect employees from misunderstanding and criticism.

Acting fairly between members of the company

As a Board of directors, we have a responsibility to act fairly between members of the company. The entire issued share capital of THFC is held by the non-executive directors (or their nominating entity). Each member of the society is therefore closely involved in the key strategic decisions and has the right to challenge on a regular basis.

Energy and carbon reporting

Although not incorporated itself under the Companies Act 2006, THFC has voluntarily decided to disclose information on energy and carbon reporting, as one of its subsidiaries, Affordable Housing Finance Plc, is required to comply with this section of the Act.

Due to the nature of the business undertaken, the group has no emissions or energy requirements other than those for own use. All energy and carbon reporting figures are based on the consumption of the group as a whole and it is not possible to accurately apportion consumption to individual companies within the group.

Details of energy use were supplied by the managing agent for 17 St. Swithin's Lane, the group's office. Details provided were the KWh usage for the year to 31 March 2020 for the entire building, of which the group leases the 3rd floor.

The below figures are calculated based on the square footage of the 3rd floor and an apportionment of the shared space in the building. The groups portion of the total building's energy usage is 17.5%. The CO2 figures were calculated using the UK government "Greenhouse gas reporting: conversion factors 2019" calculator.

Natural gas CO2 emissions are calculated at 0.18351 Kg/KWh.

Electricity CO2 emissions are calculated at 0.25358 Kg/KWh.

Emission source	2020 CO2 (Kg)
Energy purchased for own use (scope 2)	
Natural gas – fuel type Brown (fossil fuel)	4,549
Electricity – fuel type Green (renewable source)	2,713
Total	7,262

	KWh
Underlying energy use	
Natural gas	24,791
Electricity	10,698
Total	35,489

An appropriate measure of CO2 output for the group is to apportion it by the loan book size, this can be taken as an approximate measure of the size of the business and can be used to measure growth between reporting periods.

The CO2 emissions per £1.0bn outstanding loan book size are 974.2Kg.

Although the group has no metered usage available for its office premises and therefore limited control to increase the group's energy efficiency going forward, the building itself has an EPC "A" rating and an "Excellent" BREEAM rating.

The building has no available parking and 23 bicycle racks, it is opposite a mainline train and a tube station and all of the employees of the business arrive by public transport, bicycle or on foot.

The lighting on the 3rd floor is all motion sensor automated and there is an active drive to recycle wherever possible.

Independent Auditor

Nexia Smith & Williamson Audit Limited have been engaged by the board as auditor of all group companies, and a resolution for their reappointment will be proposed at the Annual General Meeting.

By order of the board

Colin Burke

Company Secretary

The Housing Finance Corporation Limited

28 July 2020



Directors' Attendance at Meetings

	Main Boards (6)	Special Boards (3)	Audit Committees (4)	Credit Committees (10)	Remco (2)	Noms (2)
Ian Peacock*	2	-	2	2	1	-
John Parker*	1	-	2	1	-	-
George Blunden	6	2	3	8	2	2
Scott Bottles	6	2	-	10	-	-
Colin Burke	5	1	4	8	2	1
Fenella Edge	6	2	4	10	-	-
Keith Exford	6	1	3	-	2	2
Gill Payne	5	1	-	9	2	2
Will Perry	5	1	4	-	-	2
Deborah Shackleton	4	-	-	6	-	1
Shirley Smith	6	2	-	10	2	-
Guy Thomas	4	2	3	3	-	-
Piers Williamson	6	2	4	10	2	2
Anthony King**	1	-	-	1	-	-
David Montague**	1	-	-	-	-	-

- indicates not a member or not required to attend.

Figures in brackets are the total number of meetings the director could have attended if in office for the whole year.

* resigned 30 July 2019.

** appointed 17 March 2020.



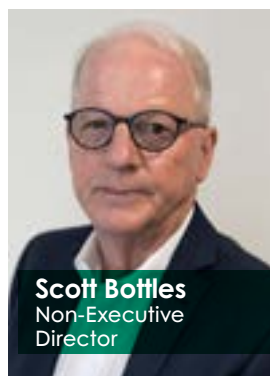
Directors



George Blunden
Non-Executive
Chair

George joined THFC as a non-executive director in March 2019 and became Chair of the board at the

end of July 2019. His full-time career has ranged from adventure playgrounds to investment banking and fund management. At present George is a non-executive director of the Lloyd's managing agency Beazley Furlonge Ltd. He is also chair of Revitalise providing holidays for disabled people and their carers. For the previous nine years George was the chair of Charity Bank, retiring in May 2019 and until April 2019 the Senior Independent Director of the insurer, Beazley Plc. He has also been deeply involved in social housing, chairing Southern Housing Group from 1993 to 2006 and Stonewater, one of the UK's largest housing associations since 2010. George stepped down from Stonewater in September 2019.



Scott Bottles
Non-Executive
Director

Scott Bottles was appointed to the board as a non-executive director in March 2018. He served as Executive

Vice President and Senior Credit Officer for International Commercial Real Estate at Wells Fargo Bank. Now retired, he has more than 30-years of experience in the commercial and residential real estate sectors in both United Kingdom and the United States. Scott chairs THFC's Credit committee.



Colin Burke
Finance Director

Colin joined THFC as Finance Manager in October 2002. After qualifying as a Chartered Accountant with Deloitte,

he spent 15 years in Financial Controller roles at various publishing and media companies including Trinity Mirror, Sky and News International. He was appointed to the THFC board in July 2014.



Fenella Edge
Group Treasurer

Fenella joined THFC in 2002 having previously spent eleven years at Abbey National Treasury Services (ANTS). Her roles at ANTS included Director of Market Risk, Director of

Financial Products and Manager, Capital Markets. Prior to joining ANTS she was at Wood Gundy, Elders Finance Group and Nikko Securities in a variety of capital markets and derivative roles. She was appointed to the THFC board in April 2006. Fenella is also a Non-executive board member of Dolphin Living, a Registered Provider operating in central London.





Keith Exford CBE
Non-Executive
Director

Keith Exford was formerly the Chief Executive of Clarion Housing Group, the largest housing association group in

the UK. Keith's housing career spans over 40 years, more than 30 as a Chief Executive. He is a member of the Chartered Institute of Housing and since retiring from his executive career in 2018, he has become a consultant to property consultancy CBRE, Non-Executive Director of property professional practice Baily Garner and chair of AAIM Housing, a for profit Registered Provider of housing. Until 30 September 2019, he was Vice chair of CLIC Sargent, the largest children's and young people's cancer charity. Keith was appointed to the board as a non-executive director in April 2011 and is THFC's Senior Independent Director and chair of remuneration and nominations committees.



David Montague CBE
Non-Executive
Director

David is the Chief Executive of L&Q, one of Britain's largest housing associations. Over thirty-two years David has, in

a number of roles, overseen the company's growth and success through mergers, acquisitions, major regenerations schemes and development partnerships with smaller associations. A leading figure in the sector, David has been chair of the G15 and served on the board of the National Housing Federation, as well as working with successive London Mayors. In 2013 David was awarded a CBE for services to housing in London. David was appointed to the board of THFC as a non-executive director in March 2020.



Anthony King
Non-Executive
Director

After twenty years in the housing sector, Tony retired as Group Treasurer of Sanctuary Group in 2019. He began his

career in banking, including roles at various international banks. At Sanctuary, Tony used his experience in finance to oversee the group's loan book and fund new housing developments and regeneration projects. Tony is a trustee of the Church of England Pension board, as well as devoting his time to finance and audit based committee roles for the Sunshine Centre, an Oxfordshire children's charity and for the Heart of Worcestershire College. Tony was appointed to the board of THFC as a non-executive director in March 2020.



Gill Payne
Non-Executive
Director

Gill has worked in a variety of management and strategy roles across the private and public sector. She has worked

for Eagle Star Assurance Company, the (then) Financial Services Authority and in 2001 joined the Countryside Agency. As Director of Organisation and Development (OD) she led work to establish Natural England and the Commission for Rural Communities (CRC).

She was Director for OD and Communications at the CRC and was interim CEO. Gill joined the National Housing Federation in October 2011 to job share with Ruth Davison as the Director for Policy and External Affairs and then Executive Director of Public Impact until August 2019. She was appointed to the board as a non-executive director in 2014.





Will Perry
Non-Executive
Director

Will is Director of Strategy at the Regulator of Social Housing, responsible for developing corporate strategy, business

intelligence and regulatory policy. He is also responsible for the Regulator's relationships with the funding markets. A qualified chartered accountant, Will has previously worked in social housing consultancy, corporate finance lead advisory for a top 10 firm and government audit. Will joined the board as a non-executive director in November 2014.



Deborah Shackleton CBE
Non-Executive
Director

Deborah is Chair of Grainger Trust, one of the first for-profit Registered Providers. She was, until her retirement, Chief Executive of The Riverside

Group, a major housing association serving over 50,000 tenants and has been involved in housing and regeneration for over 40 years. Her other interests include, chair of Career Connect, Independent member, Progress Housing Group Audit committee and Trustee of Lancashire Wildlife Trust. She has previously held non-executive roles with Liverpool John Moores University, National Museums Liverpool and the National Housing Federation. She was awarded a CBE for services to housing in 2009. Deborah was appointed to the board as a non-executive director in April 2011.



Shirley Smith
Non-Executive
Director

Shirley's experience comprises over 35-years in real estate and infrastructure finance, covering debt,

investment, restructuring, workout and credit with blue chip organisations (including CBRE, Citi, Barings, PwC, Lend Lease, Assured Guaranty and EY). She has an MA in Economics & Land Economy from the University of Cambridge, is a qualified Chartered Surveyor and holds a Certificate in Investments and Financial Derivatives from the Securities & Investment Institute. She is a Non-Executive Director at CREFC (Europe), the Industry Association for commercial real estate finance in Europe. Shirley was appointed to the board as a non-executive director in March 2018.



Guy Thomas
Non-Executive
Director

Guy is a Chartered Accountant and Chartered Director with over 30 years' experience in the financial services.

Prior to his executive retirement he was Group Finance Director of Principality Building Society, a lender to housing associations. A fellow of The Association of Corporate Treasurers he has extensive experience in treasury and risk management. Guy is currently a Non-Executive Director of Sainsbury's Bank where he is chair of the risk committee and a member of the audit committee. He is also the chair of Penhurst Properties Limited. He was appointed to the board as a non-executive director in May 2019 and is chair of THFC's Audit committee.





Piers Williamson
Chief Executive

Piers was appointed Chief Executive of THFC in October 2002 and joined its board in 2003. He has over 35 years

of experience of the UK, US and European financial markets specialising in bank treasury risk management and securitization. He holds professional qualifications in both treasury and banking and in addition to his duties at THFC, Piers was a non-executive member of the Regulation Committee of the HCA between 2012 and 2015. Piers has also served on the board of Newbury Building Society since 2018 where he is currently chair of its risk committee.



Peter Impey
Non-Executive
Director

Peter's career encompasses over 40 years in commercial banking and social finance. His experience is emphasised

by serving as the Head of Credit for The Housing Finance Corporation from 1995 to 2002. More recently, he provided commercial advice and support for the design and implementation of the Housing Guarantees Schemes to, firstly, HM Treasury and, thereafter, to the Department for Communities and Local Government. He was appointed to the board of Affordable Housing Finance Plc as a DCLG nominee in July 2013 and to the THFC board in May 2020. He also serves as an independent Director of PRS Operations Ltd.



THFC Group Loans

Loans Portfolio as at 31 March 2020

Fixed Charge Security

Association borrower (legal entity)	Area	The Housing Finance Corp Limited Loans £000	Blend Funding Plc Loans £000	T.H.F.C. (Indexed) Limited Loans £000	T.H.F.C. (Indexed 2) Limited Loans £000	T.H.F.C. (First Variable) Limited Loans £000	T.H.F.C. (Social Housing Finance) Limited Loans £000	Affordable Housing Finance Plc Loans £000	T.H.F.C. (Capital) Plc Loans £000	UK Rents (No.1) Plc Loans £000	Total Loan Value £000
A2Dominion Homes Limited	South East	81,656	–	–	–	–	–	–	–	2,515	84,171
A2Dominion South Limited	South East	50,000	–	–	1,318	–	–	–	–	–	51,318
Accent Housing Limited	National	10,000	–	952	–	–	–	20,000	–	–	30,952
Accord Housing Association Limited	Midlands	15,500	–	–	1,594	431	–	–	–	–	17,525
Adactus Housing Association Limited	North West	18,680	–	–	–	–	–	48,500	–	–	67,180
Anchor Hanover Group	National	30,000	–	–	–	–	–	–	–	–	30,000
Apex Housing Association Limited	Northern Ireland	35,000	–	–	–	–	–	–	–	–	35,000
Arches Housing Limited	Yorkshire & the Humber	5,100	–	–	–	–	–	–	–	–	5,100
Arcon Housing Association Limited	North West	4,000	–	–	–	–	–	–	–	–	4,000
Aster Communities	South West	–	–	–	–	–	–	100,000	–	–	100,000
ATEB Group Limited	Wales	1,000	–	–	–	–	–	–	–	–	1,000
Bernicia Group	North East	14,516	–	–	–	–	3,538	5,000	–	3,736	26,790
Bournville Village Trust	Midland	20,000	–	–	–	–	–	–	–	–	20,000
bpha Limited	East of England	–	–	–	–	–	–	80,000	–	–	80,000
Bromsgrove District Housing Trust Limited	Midland	10,000	–	–	–	–	–	–	–	–	10,000
Bromford Housing Association Limited	Midland	57,000	–	–	988	–	–	70,000	–	–	127,988
Cadwyn Housing Association Limited	Wales	5,000	–	–	–	–	–	–	–	–	5,000
Cardiff Community Housing Association Limited	Wales	7,500	–	23	–	–	–	–	–	–	7,523
Castle Rock Edinvar Housing Association Limited	Scotland	5,500	–	–	–	–	–	–	–	–	5,500
Catalyst Housing Limited	London	–	–	105	–	–	–	50,000	–	–	50,105
Charter Housing Association Limited	Wales	25,000	–	–	–	–	–	–	–	–	25,000
Choice Housing Ireland Limited	Northern Ireland	45,000	–	–	–	–	–	–	–	–	45,000
Citizen Housing Group Limited	Midlands	16,500	–	–	–	–	3,308	–	–	–	19,808
Clanmil Housing Association Limited	Northern Ireland	30,000	–	–	–	–	–	–	–	–	30,000
Clarion Housing Association Limited	National	3,582	–	–	1,318	–	–	–	–	2,822	7,722
Clwyd Alyn Housing Limited	Wales	7,000	–	–	–	–	–	–	–	–	7,000
Coastal Housing Group Limited	Wales	35,000	–	–	–	–	–	20,000	–	–	55,000
Coastline Housing Limited	South West	–	–	–	–	–	–	31,300	–	–	31,300
Colne Housing Society Limited	East of England	–	–	–	–	–	–	21,000	–	–	21,000
Connect Housing Association Limited	Yorkshire & the Humber	–	–	–	–	–	5,000	–	–	–	5,000
Connswater Homes Limited	Northern Ireland	4,000	–	–	–	–	–	–	–	–	4,000
Contour Homes Limited	North West	1,500	–	–	–	–	3,616	–	–	2,792	7,908
Cornerstone Housing Limited	South West	5,000	–	–	–	–	–	5,000	–	–	10,000
Cotman Housing Association Limited	National	1,500	–	–	–	–	–	–	–	–	1,500
Croydon Churches Housing Association Limited	London	–	–	–	–	–	–	13,000	–	–	13,000
Derwen Cymru Limited	Wales	1,500	–	–	–	–	–	–	–	–	1,500
Derwent Housing Association Limited	National	10,000	–	–	–	–	–	–	–	–	10,000
Drum Housing Association Limited	South West	–	–	–	–	–	–	33,700	–	–	33,700
Dumfries & Galloway Housing Partnership Limited	Scotland	40,000	–	–	–	–	–	–	–	–	40,000
Dunedin Canmore Housing Limited	Scotland	16,500	–	–	–	–	–	–	–	–	16,500
Eildon Housing Association Limited	Scotland	10,000	–	–	–	–	–	–	–	–	10,000
EMH Housing and Regeneration Limited	Midlands	25,000	–	–	–	431	–	–	–	–	25,431
English Rural Housing Association	National	–	–	–	–	–	–	10,000	–	–	10,000



Fixed Charge Security (continued)

Association borrower (legal entity)	Area	The Housing Finance Corp Limited Loans £000	Blend Funding Plc Loans £000	T.H.F.C. (Indexed) Limited Loans £000	T.H.F.C. (Indexed 2) Limited Loans £000	T.H.F.C. (First Variable) Limited Loans £000	T.H.F.C. (Social Housing Finance) Limited Loans £000	Affordable Housing Finance Plc Loans £000	T.H.F.C. (Capital) Plc Loans £000	UK Rents (No.1) Plc Loans £000	Total Loan Value £000
Equity Housing Group Limited	North West	20,000	–	–	–	700	–	–	–	–	20,700
Estuary Housing Association Limited	East of England	29,748	–	–	–	–	–	–	–	–	29,748
Flagship Housing Group Limited	East of England	–	–	–	–	–	–	45,000	–	–	45,000
Gateway Housing Association Limited	London	1,250	–	–	–	–	4,561	45,000	–	–	50,811
Glen Oaks Housing Association Limited	Scotland	14,300	–	–	–	–	–	–	–	–	14,300
Golding Homes Limited	South East	–	–	–	–	–	–	102,500	–	–	102,500
Grampian Housing Association Limited	Scotland	–	–	–	–	–	124	–	–	–	124
Gravesend Churches Housing Association Limited	South East	–	–	–	–	–	1,750	–	–	–	1,750
Great Places Housing Association	North West	20,750	–	–	–	–	–	50,000	–	–	70,750
Greenfields Community Housing Limited	East of England	–	–	–	–	–	–	25,000	–	–	25,000
Greenoak Housing Association Limited	South East	3,500	–	–	–	–	–	–	–	–	3,500
Greensquare Group Limited	South East	7,600	–	–	–	–	–	20,000	–	–	27,600
Grwp Cynefin	Wales	11,500	–	–	–	–	–	10,000	–	–	21,500
Habinteg Housing Association Limited	National	2,080	–	–	–	–	3,000	–	–	–	5,080
Hafod Housing Association Limited	Wales	10,000	–	–	–	–	–	–	–	–	10,000
Harrogate Housing Association Limited	Yorkshire & the Humber	3,500	–	–	–	–	–	–	–	–	3,500
Heart of England Housing Association Limited	National	–	–	–	–	–	–	50,000	–	–	50,000
Hexagon Housing Association Limited	London	7,000	–	–	2,306	–	–	49,000	–	–	58,306
Hightown Housing Association Limited	South East	30,660	50,000	–	–	–	–	–	–	–	80,660
Home Group Limited	National	44,533	–	802	6,424	–	–	139,000	–	–	190,759
Home in Scotland Limited	Scotland	20,000	–	–	–	–	–	10,700	–	–	30,700
Honeycomb Group Limited	Midlands	14,800	–	–	–	–	5,300	–	–	–	20,100
Hundred Houses Society Limited	East of England	–	–	–	–	–	–	10,000	–	–	10,000
Hyde Housing Association Limited	South East	61,083	–	–	–	–	–	–	–	–	61,083
Innisfree Housing Association Limited	London	3,000	–	–	–	–	–	–	–	–	3,000
Inquilab Housing Association Limited	London	15,000	–	–	–	–	–	–	–	–	15,000
Irwell Valley Housing Association Limited	North West	25,000	–	–	1,318	–	–	–	–	–	26,318
Islington & Shoreditch Housing Association Limited	London	22,000	–	–	–	–	1,613	–	–	–	23,613
“Johnnie” Johnson Housing Trust Limited	North West	22,500	–	–	–	–	–	–	–	–	22,500
Joseph Rowntree Housing Trust	Yorkshire & the Humber	15,000	–	–	–	–	–	–	–	–	15,000
Karbon Homes Limited	North East	–	–	–	–	–	5,500	34,400	–	–	39,900
Leeds & Yorkshire Housing Association Limited	Yorkshire & the Humber	2,500	–	–	–	–	–	–	–	–	2,500
Leeds Federated Housing Association Limited	Yorkshire & the Humber	13,300	–	–	–	–	–	15,000	–	–	28,300
LiveWest Homes Limited	South West	44,199	–	1,300	–	–	–	122,500	–	–	167,999
London & Quadrant Housing Trust	London	11,000	–	81	–	–	–	–	–	3,878	14,959
Longhurst Group Limited	Midlands in a/cs	28,000	–	–	–	–	5,500	–	–	–	33,500
Manningham Housing Association Limited	Yorkshire & the Humber	33,557	–	–	–	–	2,000	–	–	–	35,557
Melin Homes Limited	Wales	22,000	–	–	–	–	–	–	–	–	22,000
Merlin Housing Society Limited	Midlands	–	–	–	–	–	–	75,000	–	–	75,000
Metropolitan Housing Trust Limited	National	80,589	–	186	988	–	–	25,000	–	–	106,763
Mid Wales Housing Association Limited	Wales	3,000	–	–	725	–	–	–	–	–	3,725



Loans Portfolio as at 31 March 2020

Fixed Charge Security (continued)

Association borrower (legal entity)	Area	The Housing Finance Corp Limited Loans £000	Blend Funding Plc Loans £000	T.H.F.C. (Indexed) Limited Loans £000	T.H.F.C. (Indexed 2) Limited Loans £000	T.H.F.C. (First Variable) Limited Loans £000	T.H.F.C. (Social Housing Finance) Limited Loans £000	Affordable Housing Finance Plc Loans £000	T.H.F.C. (Capital) Plc Loans £000	UK Rents (No.1) Plc Loans £000	Total Loan Value £000
Midland Heart Limited	Midland	36,629	–	732	–	–	–	50,000	–	–	87,361
Moat Homes Limited	South East	–	–	–	–	–	–	50,000	–	–	50,000
Mossclare St. Vincents Housing Group Limited	North West	31,136	–	–	–	–	4,000	5,000	–	–	40,136
Mount Green Housing Association Limited	South East	–	–	–	–	–	–	6,000	–	–	6,000
Network Homes Limited	London	132,142	–	–	–	–	–	75,500	–	–	207,642
New Gorbals Housing Association Limited	Scotland	14,000	–	–	–	–	–	6,100	–	–	20,100
Newlon Housing Trust	London	22,000	–	–	–	–	–	–	–	–	22,000
Newydd Housing Association (1974) Limited	Wales	26,500	–	–	–	–	–	–	–	–	26,500
Newport City Homes Housing Association Limited	Wales	12,000	–	–	–	–	–	–	–	–	12,000
North Devon Homes Limited	South West	–	–	–	–	–	–	8,000	–	–	8,000
North Glasgow Housing Association Limited	Scotland	8,000	–	–	–	–	–	–	–	–	8,000
North London Muslim Housing Association Limited	London	1,000	–	–	–	–	1,500	–	–	–	2,500
North Wales Housing Association Limited	Wales	12,500	–	32	–	–	5,000	–	–	–	17,532
Notting Hill Genesis	London	65,500	–	–	–	–	2,000	50,000	–	–	117,500
Nottingham Community Housing Association Limited	Midland	12,400	–	–	–	–	–	29,000	–	–	41,400
Octavia Housing	London	15,000	–	–	–	–	–	18,000	–	–	33,000
One Housing Group Limited	London	38,000	–	–	–	–	–	–	–	–	38,000
One Vision Housing Limited	North West	3,000	–	–	–	–	3,250	–	–	–	6,250
Onward Homes Limited	North West	7,000	–	–	–	–	2,309	–	–	–	9,309
Optivo	London	40,000	–	–	–	–	–	150,100	–	–	190,100
Orbit South Housing Association Limited	National	–	–	–	–	–	–	50,000	–	–	50,000
Origin Housing Limited	London	29,600	–	–	–	–	–	–	–	–	29,600
Orwell Housing Association Limited	East of England	–	–	–	–	–	–	10,000	–	–	10,000
Paradigm Homes Charitable Housing Association Limited	South East	65,000	–	–	–	–	–	125,000	–	–	190,000
Paragon Asra Housing Limited	National	22,921	–	57	–	1,370	3,000	–	–	–	27,348
Peabody Trust	London	104,000	–	–	–	–	–	100,000	–	–	204,000
Pickering and Ferens Homes	Yorkshire & the Humber	–	–	–	–	–	–	10,000	–	–	10,000
Places for People Homes Living+ Limited	National	4,000	–	–	–	–	–	–	–	–	4,000
Platform Housing Limited	Midlands	14,000	180,000	–	–	–	–	140,000	–	–	334,000
Plymouth Community Homes Limited	South West	30,000	–	–	–	–	–	–	–	–	30,000
Portal Housing Association Limited	South West	21,000	–	–	–	–	–	–	–	–	21,000
Radius Housing Association Limited	Northern Ireland	50,000	–	–	–	–	–	–	–	–	50,000
Railway Housing Association & Benefit Fund	North East	–	–	–	–	–	–	5,000	–	–	5,000
Regenda Limited	North West	3,000	25,000	–	1,913	–	2,000	–	–	–	31,913
Rhondda Housing Association	Wales	10,000	–	–	–	–	–	–	–	–	10,000
Sadeh Lok Limited	Yorkshire & the Humber	650	–	–	–	–	–	–	–	–	650
Salvation Army Housing Association	National	3,000	–	–	–	–	–	–	–	–	3,000
Sanctuary Housing Association	National	7,178	–	145	–	–	–	–	–	–	7,323
Sanctuary Scotland Housing Association Limited	Scotland	15,000	–	–	–	–	–	–	–	–	15,000
Selwood Housing Society Limited	South West	–	–	–	–	–	–	50,000	–	–	50,000
Shepherds Bush Housing Association Limited	London	–	–	–	–	–	–	25,000	–	–	25,000



Fixed Charge Security (continued)

Association borrower (legal entity)	Area	The Housing Finance Corp Limited Loans £000	Blend Funding Plc Loans £000	T.H.F.C. (Indexed) Limited Loans £000	T.H.F.C. (Indexed 2) Limited Loans £000	T.H.F.C. (First Variable) Limited Loans £000	T.H.F.C. (Social Housing Finance) Limited Loans £000	Affordable Housing Finance Plc Loans £000	T.H.F.C. (Capital) Plc Loans £000	UK Rents (No.1) Plc Loans £000	Total Loan Value £000
Silva Homes Limited	South East	–	25,000	–	–	–	–	40,000	–	–	65,000
Soho Housing Association Limited	London	15,000	–	–	–	–	1,500	–	–	–	16,500
South Western Housing Society Limited	South West	5,000	–	–	–	–	–	–	–	–	5,000
South Yorkshire Housing Association Limited	Yorkshire & the Humber	2,722	–	–	–	–	–	–	–	–	2,722
Southern Housing Group Limited	South East	141,439	–	161	–	–	10,000	–	–	–	151,600
Sovereign Housing Association Limited	National	22,000	–	–	–	–	–	155,000	–	–	177,000
Stonewater (3) Limited	National	–	–	–	–	–	–	40,000	–	–	40,000
Stonewater Limited	National	–	–	–	–	–	–	60,000	–	–	60,000
Synergy Housing Limited	South West	–	–	–	–	–	–	50,000	–	–	50,000
Taff Housing Association Limited	Wales	5,500	–	–	–	–	1,000	–	–	–	6,500
The Cambridge Housing Society Limited	East of England	–	–	–	–	–	–	–	–	–	–
The Riverside Group Limited	National	37,217	–	57	–	–	–	55,000	–	–	92,274
The Swaythling Housing Society Limited	South West	12,000	–	–	–	–	–	66,100	–	–	78,100
Thenue Housing Association Limited	Scotland	5,000	–	–	–	–	–	–	–	–	5,000
Torus62 Limited	North West	38,000	–	–	–	–	–	–	–	–	38,000
Trent & Dove Housing Limited	Midlands	24,000	–	–	–	–	–	–	–	–	24,000
Trident Housing Association Limited	Midland	3,500	–	218	–	–	–	–	–	–	3,718
Tunturn Housing Association Limited	Midland	7,000	–	–	–	–	–	–	–	–	7,000
United Communities Limited	South West	10,000	–	–	–	–	–	–	–	–	10,000
United Welsh Housing Association Limited	Wales	64,500	–	–	–	–	–	25,000	–	–	89,500
Vivid Housing Limited	South East	10,000	–	–	–	–	–	164,700	–	2,792	177,492
Wales and West Housing Association Limited	Wales	56,500	110,000	–	–	–	–	46,000	–	–	212,500
Wandle Housing Association Limited	London	21,418	–	–	–	–	–	35,000	–	–	56,418
Watford Community Housing Trust	South East	–	–	–	–	–	–	30,000	–	–	30,000
Weaver Vale Housing Trust Limited	North West	20,500	–	–	–	–	–	–	–	–	20,500
West Kent Housing Association	South East	45,000	–	–	–	–	–	54,000	–	–	99,000
Westfield Housing Association Limited	North West	6,000	–	–	–	–	–	–	–	–	6,000
Westward Housing Group Limited	South West	47,000	–	–	–	–	–	20,000	–	–	67,000
White Horse Housing Association Limited	South West	638	–	–	–	–	–	–	–	–	638
Wirral Methodist Housing Association Limited	North West	5,200	–	–	–	–	–	–	–	–	5,200
Womens Pioneer Housing Limited	London	10,000	–	–	–	–	–	–	–	–	10,000
Worthing Homes Limited	South East	10,000	–	–	–	–	–	–	–	–	10,000
Yarlington Housing Group	South West	–	–	–	–	–	–	15,000	–	–	15,000
York Housing Association Limited	North East	4,000	–	–	–	–	–	–	–	–	4,000
Yorkshire Housing Limited	Yorkshire & the Humber	40,500	–	–	–	–	–	90,000	–	–	130,500
Your Housing Limited	North West	5,000	–	–	4,613	–	6,000	–	–	–	15,613
Total Fixed Charge Security		2,825,473	390,000	4,850	23,505	2,931	86,368	3,244,100	–	18,535	6,595,765

Floating Charge Security

Association borrower (legal entity)	Area	The Housing Finance Corp Limited Loans £000	T.H.F.C. (Indexed) Limited Loans £000	T.H.F.C. (Indexed 2) Limited Loans £000	T.H.F.C. (First Variable) Limited Loans £000	T.H.F.C. (Social Housing Finance) Limited Loans £000	T.H.F.C. (Capital) Plc Loans £000	UK Rents (No.1) Plc Loans £000	Total Loan Value £000
Bernicia Group	North East	500	–	–	–	–	–	–	500
Total Floating Charge Security		500	–	–	–	–	–	–	500



Loans Portfolio as at 31 March 2020

Income Security

Association borrower (legal entity)	Area	The Housing Finance Corp Limited Loans £000	Blend Funding Plc Loans £000	T.H.F.C. (Indexed) Limited Loans £000	T.H.F.C. (Indexed 2) Limited Loans £000	T.H.F.C. (First Variable) Limited Loans £000	T.H.F.C. (Social Housing Finance) Limited Loans £000	Affordable Housing Finance Plc Loans £000	T.H.F.C. (Capital) Plc Loans £000	UK Rents (No.1) Plc Loans £000	Total Loan Value £000
A2 Dominion Homes Limited	London	–	–	–	–	–	–	–	–	2,515	2,515
Cheviot Housing Association Limited	North East	–	–	–	–	–	–	–	–	3,736	3,736
Clarion Housing Group	Midland	–	–	–	–	–	–	–	–	2,822	2,822
Contour Homes Limited	North West	–	–	–	–	–	–	–	–	2,792	2,792
London & Quadrant Housing Trust	London	–	–	–	–	–	–	–	–	3,878	3,878
Vivid Housing Limited	South East	–	–	–	–	–	–	–	–	2,792	2,792
Income Cover		–	–	–	–	–	–	–	–	18,535	18,535
T.H.F.C (Capital) PLC											
Gentoo Group Limited	North East	–	–	–	–	–	–	–	542,373	–	542,373
Total		–	–	–	–	–	–	–	542,373	–	542,373
Grand Total		2,825,973	390,000	4,850	23,505	2,931	86,368	3,244,100	542,373	18,535	7,138,635
Premium 31 March 2020											315,126
Total at 31 March 2020		2,825,973	390,000	4,850	23,505	2,931	86,368	3,244,100	542,373	18,535	7,453,761



Group Source of Funds

Government Guaranteed Funds, Secured Medium Term Notes, Debenture Stocks, Eurobonds, Bank and Other Loans as at 31 March 2020

		Date	Nominal Amount £000	Outstanding Principal Amount £000
Affordable Housing Finance Plc				
30 year £500m Fixed and Variable rate loan 2045 – EIB I (Annuity)		20.12.13	500,000	500,000
30 year £500m Fixed and Variable rate loan 2047 – EIB IIA (Annuity)		29.02.16	500,000	500,000
30 year £500m Fixed and Variable rate loan 2048 – EIB IIB (Annuity)		12.05.16	500,000	500,000
3.8% Guaranteed Secured Bonds 2042/2044 (Bullet)				
	tranche 1	30.05.14	208,400	208,400
	tranche 2	06.11.14	198,500	198,500
	tranche 3	17.03.15	194,000	194,000
2.893% Guaranteed Secured Bonds 2043/2045 (Bullet)				
	tranche 1	11.08.15	208,000	208,000
	tranche 2	16.03.16	209,000	209,000
	tranche 3	02.06.16	130,500	130,500
	tranche 4	04.08.16	191,400	191,400
	tranche 5	18.10.16	124,500	124,500
	tranche 6	18.01.17	114,800	114,800
	tranche 7	04.04.17	88,000	88,000
	tranche 8	24.10.17	77,000	77,000
THFC Debenture Stocks				
Discounted	5% 2027	08.12.87	50,954	36,052
Conventional Fixed Rate:	12.04% 2021 (Annuity)	02.07.91	15,000	2,315
	8.625% 2023 (Bullet)			
		tranche 1	13.10.93	120,600
		tranche 2	24.05.94	31,500
		tranche 3	16.06.99	11,200
		tranche 4	29.02.00	9,500
		tranche 5	05.12.01	14,800
	8.8% 2023 (Annuity)	05.11.93	8,000	2,217
	10.0938% 2024 (Annuity)	14.07.95	13,000	4,160
	9.625% 2025 (Bullet)			
		tranche 1	04.07.95	40,850
		tranche 2	12.11.97	8,600
THFC Bank Loans				
25 year £2.75m variable repayable 2021		08.03.96	750	38
25 year £26.5m fixed rate loan 2023 – EIB (Annuity)		26.11.98	24,860	6,029
25 year £10m fixed rate loan 2024 – EIB (Annuity)		02.09.99	28,000	8,543
25 year £20m fixed rate loan 2025 – EIB (Annuity)		08.09.00	6,500	2,436
25 year £9.35m fixed rate loan – ANTS (from Sep 2003) (Bullet)		02.04.01	8,700	8,700
25 year £17m variable repayable 2026		09.11.01	11,000	5,610
25 year £9.86m sterling facility repayable 2028 (Annuity)		08.09.03	4,640	2,784
25 year £15m sterling fixed loan 2029 (Annuity)		16.06.04	15,000	6,540
25 year £15m revolver into term		14.03.05	15,000	4,650
20 year £100m Fixed and Variable rate loan 2025 – EIB (Bullet)		22.12.05	100,000	100,000
30 year £100m Fixed and Variable rate loan 2040 – EIB (Bullet)		14.11.08	100,000	100,000
30 year £100m Fixed and Variable rate loan 2040 – EIB (Bullet)		04.12.09	172,500	172,500
30 year £100m Fixed and Variable rate loan 2040 – EIB (Bullet)		04.12.09	172,500	172,500
5 year £10m revolving credit facility variable, repayable 2020		28.09.11	5,000	–
30 year £400m Fixed and Variable rate loan 2045 – EIB (Annuity)		19.12.12	400,000	400,000
JESSICA £12m 30 year amortising facility – Greater London Authority (Annuity)		28.02.13	12,000	12,000
THFC Loan from T.H.F.C. (Funding No.1) Plc				
Long term – 5.125% due 2035 (Bullet)				
	tranche 1	13.12.04	53,572	53,572
	tranche 2	21.12.06	32,000	32,000
	tranche 3	28.02.07	37,000	37,000
	tranche 4	28.11.07	32,633	32,633
	tranche 5	30.07.08	80,000	80,000



Government Guaranteed Funds, Secured Medium Term Notes, Debenture Stocks, Eurobonds, Bank and Other Loans as at 31 March 2020

		Date	Nominal Amount £000	Outstanding Principal Amount £000
THFC Loan from T.H.F.C. (Funding No.2) Plc				
Long term – 6.35% due 2041 (Bullet)				
	tranche 1	02.07.09	191,000	191,000
	tranche 2	24.03.10	72,250	72,250
	tranche 3	21.01.11	76,600	76,600
	tranche 4	04.04.11	31,000	31,000
THFC Loan from T.H.F.C. (Funding No.3) Plc				
Long term – 5.2% due 2043 (Bullet)				
	tranche 1	11.10.11	142,100	142,100
	tranche 2	25.01.12	196,000	196,000
	tranche 3	25.04.12	120,500	120,500
	tranche 4	27.09.12	132,100	132,100
	tranche 5	15.04.13	61,600	61,600
	tranche 6	15.10.13	49,500	49,500
	tranche 7	04.08.17	170,500	164,500
	tranche 8	30.03.18	86,500	53,000
	tranche 9	25.01.19	56,500	16,500
T.H.F.C. (First Variable) Bank Loans				
30 year variable 2023 (Annuity)				
	tranche 1	30.04.93	2,750	426
	tranche 2	21.07.93	7,650	1,630
	tranche 3	17.12.93	2,750	426
	tranche 4	30.06.94	2,000	426
T.H.F.C. (Indexed) Limited Index Linked Debenture Stocks				
5.65% 2020 (Annuity)				
	tranche 1	13.11.90	45,600	3,682
	tranche 2	31.03.93	30,060	2,426
T.H.F.C. (Indexed 2) Limited Index Linked Debenture Stocks				
5.50% 2024 (Annuity)				
	tranche 1	16.12.94	20,600	13,632
	tranche 2	28.12.95	15,072	9,875
T.H.F.C. (Social Housing Finance) Limited Debenture Stocks				
8.75% Debenture Stock 2016/21 (Bullet)				
	tranche 1	05.12.96	14,800	14,800
	tranche 2	09.06.97	8,000	8,000
	tranche 3	11.09.97	8,000	8,000
	tranche 4	03.12.97	31,250	31,250
	tranche 5	01.07.98	14,250	14,250
T.H.F.C. (Social Housing Finance) Limited Bank Loans				
25 year £17.7m fixed rate loan 2023 – EIB (Annuity)				
		26.11.98	2,000	538
25 year £40m fixed rate loan 2024 – EIB (Annuity)				
		02.09.99	16,500	5,085
25 year £18.9m fixed rate loan 2025 – EIB (Annuity)				
		08.09.00	14,900	4,444
UK Rents (No.1) Plc Rental Securitisation				
9.10% 2025 (Eurobond)				
		06.01.95	36,143	18,535
Subordinated Loan				
				723
T.H.F.C. (Capital) Plc Loans				
Long term loan – 6.38% due 2042				
		26.03.01	212,802	212,802
Fixed and variable rate loans				
		26.03.01	450,330	329,571
Blend Funding Plc				
3.459% Secured medium term notes 2047/49				
	tranche 1	21.09.18	250,000	250,000
	tranche 2	04.10.19	20,000	20,000
	tranche 3	12.03.20	25,000	25,000
2.984% Secured medium term notes 2034/36				
	tranche 1	15.03.19	50,000	50,000
	tranche 2	06.06.19	25,000	25,000
2.922% Secured medium term notes 2054/56				
	tranche 1	05.04.19	20,000	20,000
Total			7,591,366	7,140,600
Premium at 31 March 2020				315,126
Grand Total				7,455,726



Auditor's Report

Independent Auditor's Report to the Members of The Housing Finance Corporation Limited

Opinion

We have audited the financial statements of The Housing Finance Corporation Limited (THFC) and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the group and THFC Statements of Comprehensive Income, the group and THFC Statements of Financial Position, the group and THFC Statements of Changes in Equity and the group and THFC Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. 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 Co-operative and Community Benefit Societies Act 2014.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of THFC's affairs as at 31 March 2020 and of the group's and THFC's surplus for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the THFC 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 Co-operative and Community Benefit Societies Act 2014; and
- the THFC financial statements have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and THFC in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – impact of COVID-19

We draw attention to the Going Concern accounting policy in note 2 of the financial statements, which describes the impact of COVID-19 on the group. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or THFC's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report & Accounts 2020, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- THFC has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and THFC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or THFC or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report

This report is made solely to THFC's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to THFC'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 THFC and THFC's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nexia Smith & Williamson Statutory Auditor Chartered Accountants

25 Moorgate
London
EC2R 6AY

29 July 2020



Group Statement of Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Operating Income			
On loans to housing associations			
Interest receivable	2	266,967	259,360
Discount amortised	13	1,901	1,733
Premium amortised	13	(10,991)	(10,051)
Income from securitised assets	18	1,742	1,953
Indexation on investments	13	998	2,113
Premium receivable on prepayment		378	3,168
Other interest		457	355
Fees receivable and other income		8,099	10,219
		269,551	268,850
Operating Expenses			
On debenture stocks, secured bonds, bank loans and other loans			
Interest payable	7	268,700	261,293
Discount amortised	15	1,901	1,733
Premium amortised	15	(10,991)	(10,051)
Indexation on loans payable	15	998	2,113
Premium payable on prepayment		378	3,167
Administration expenses		5,095	4,744
Finance costs		83	42
		266,164	263,041
Surplus before taxation	4	3,387	5,809
Taxation	8	(692)	(1,111)
Surplus for the year		2,695	4,698
Other comprehensive income for the year			
Actuarial (loss) on defined benefit pension plan due to change in accounting estimate	25	-	(978)
Actuarial gain/(loss) on defined benefit pension plan in the year	25	1,122	(423)
Deferred tax associated with actuarial gain/(loss) on pension liability	16	(213)	238
Total comprehensive income for the year		3,604	3,535



Group Statement of Financial Position

At 31 March 2020

	Notes	2020 £000	2019 £000
Assets			
Non-current assets			
Loans	13	7,373,538	7,258,246
Intangible assets	9	78	108
Property, plant and equipment	10	1,554	256
Deferred tax asset	16	175	333
Current assets			
Loans	13	80,223	74,745
Other receivables	14	43,558	43,347
Short-term deposits		16,761	9,353
Cash and cash equivalents		56,692	70,404
Total assets		7,572,579	7,456,792
Liabilities			
Non-current liabilities			
Financial liabilities – borrowings	15	7,374,247	7,261,243
Deferred tax liabilities	16	192	100
Defined benefit pension liability	25	914	2,193
Lease liability	11	1,187	-
Current liabilities			
Financial liabilities – borrowings	15	81,479	74,745
Trade and other payables	17	72,405	79,873
Lease liability	11	159	-
Current tax liabilities		293	539
Total liabilities		7,530,876	7,418,693
Equity			
Called up share capital	19	-	-
Retained earnings	20	41,703	38,099
Total equity		41,703	38,099
Total equity and liabilities		7,572,579	7,456,792

The financial statements on pages 32 to 68 were approved by the Board of directors on 28 July 2020 and signed on its behalf by:

George Blunden
Chair

Fenella Edge
Director

Colin Burke
Company Secretary



Group Statement of Changes in Equity

For the year ended 31 March 2020

	Called up share capital £	Retained earnings £000	Total equity £000
Balance as at 1 April 2018	9	34,564	34,564
Surplus for the year	-	4,698	4,698
Shares issued in year	1	-	-
Shares cancelled in year	(1)	-	-
Other comprehensive income	-	(1,163)	(1,163)
Balance as at 31 March 2019	9	38,099	38,099
Surplus for the year	-	2,695	2,695
Shares issued in the year	3	-	-
Shares cancelled in the year	(2)	-	-
Other comprehensive income	-	909	909
Balance as at 31 March 2020	10	41,703	41,703



Group Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Cash flows from operating activities			
Cash generated from operations	21	5,339	4,980
Interest received on loans to housing associations		267,289	260,545
Interest paid on debenture stocks, secured bonds, bank loans and other loans		(276,816)	(259,631)
Premium received on prepayment		378	3,168
Premium paid on prepayment		(378)	(3,168)
Loans to housing associations		(179,879)	(421,828)
Repayment of loans by housing associations		50,614	72,680
New borrowings		179,879	421,828
Repayment of amounts borrowed		(51,581)	(73,462)
Tax paid		(900)	(1,293)
Net cash (used in)/generated from operating activities		(6,055)	3,819
Cash flows from investing activities			
Movement on short-term deposits		(7,408)	6,235
Purchase of property, plant and equipment	10	(176)	(236)
Principal element of lease payments	22	(61)	-
Purchase of intangible assets	9	(12)	(55)
Net cash (used in)/generated from investing activities		(7,657)	5,944
Net increase in cash and cash equivalents		13,712	9,763
Cash and cash equivalents at beginning of year		70,404	60,641
Cash and cash equivalents at end of year		56,692	70,404



THFC Statement of Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Operating income			
On loans to housing associations			
Interest receivable	2	137,989	135,583
Discount amortised	13	1,894	1,724
Premium amortised	13	(4,848)	(3,994)
Premium receivable on prepayment		378	358
Other interest		296	257
Fees receivable and other income		2,949	3,471
Dividend from subsidiary undertaking		2,000	2,875
		140,658	140,274
Operating expenses			
On debenture stocks, bank loans and other loans			
Interest payable	7	137,983	135,568
Discount amortised	15	1,894	1,724
Premium amortised	15	(4,848)	(3,994)
Premium payable on prepayment		378	358
Administration expenses		2,750	3,213
		138,157	136,869
Surplus before taxation	4	2,501	3,405
Taxation	8	(107)	(101)
Surplus for the year		2,394	3,304
Other comprehensive income		-	-
Total comprehensive income for the year		2,394	3,304



THFC Statement of Financial Position

As at 31 March 2020

	Notes	2020 £000	2019 £000
Assets			
Non-current assets			
Loans	13	2,954,570	2,919,852
Investment in subsidiaries	12	-	-
Current assets			
Loans	13	14,463	27,459
Other receivables	14	21,368	21,389
Current tax asset		54	34
Short-term deposits		8,535	5,472
Cash and cash equivalents		41,500	45,927
Total assets		3,040,490	3,020,133
Liabilities			
Non-current liabilities			
Financial liabilities – borrowings	15	2,954,576	2,922,148
Deferred tax liabilities	16	112	100
Current liabilities			
Financial liabilities – borrowings	15	14,463	27,459
Trade and other payables	17	45,983	47,464
Current tax liabilities		-	-
Total liabilities		3,015,134	2,997,171
Equity			
Called up share capital	19	-	-
Retained earnings	20	25,356	22,962
Total equity		25,356	22,962
Total equity and liabilities		3,040,490	3,020,133

The financial statements on pages 32 to 68 were approved by the Board of directors on 28 July 2020 and signed on its behalf by:

George Blunden
Chair

Fenella Edge
Director

Colin Burke
Company Secretary



THFC Statement of Changes in Equity

For the year ended 31 March 2020

	Called up share capital £	Retained earnings £000	Total equity £000
Balance as at 1 April 2018	9	19,658	19,658
Surplus for the year	-	3,304	3,304
Shares issued in the year	1	-	-
Shares cancelled in year	(1)	-	-
Other comprehensive income	-	-	-
Balance as at 31 March 2019	9	22,962	22,962
Surplus for the year	-	2,394	2,394
Shares issued in the year	3	-	-
Shares cancelled in the year	(2)	-	-
Balance as at 31 March 2020	10	25,356	25,356



THFC Statement of Cash Flows

For the year ended 31 March 2020

	Notes	2020 £000	2019 £000
Cash flows from operating activities			
Cash generated from\ (used in) operations	21	190	(745)
Interest received on loans to housing associations		138,427	137,012
Interest paid on debenture stocks, bank loans and other loans		(139,639)	(134,057)
Premium received on prepayment		378	358
Premium paid on prepayment		(378)	(358)
Loans to housing associations		(47,898)	(141,828)
Repayment of loans by housing associations		22,819	19,895
New borrowings		47,898	141,828
Repayment of amounts borrowed		(25,046)	(20,685)
Tax paid		(115)	(313)
Net cash (used in)/generated from operating activities		(3,364)	1,107
Cash flows from investing activities			
Dividend received		2,000	2,875
Movement on short-term deposits		(3,063)	2,539
Net cash (used in)/generated from investing activities		(1,063)	5,414
Net (decrease)/increase in cash and cash equivalents		(4,427)	6,521
Cash and cash equivalents at beginning of year		45,927	39,406
Cash and cash equivalents at end of year		41,500	45,927



Notes to the Financial Statements

1. General Information

The Housing Finance Corporation Limited ("THFC" or "the company") provides funding for housing associations. THFC is a private limited company domiciled and incorporated in England and Wales and registered under the Co-operative and Community Benefit Societies Act 2014. Funding to housing associations is sourced through issuing debenture stocks, secured bonds, bank funding and long-term loans from related companies. The debenture stocks and secured bonds issued by THFC and certain subsidiaries are listed on the Professional Securities Market and International Securities Market of the London Stock Exchange. The address of the registered office is 3rd Floor, 17 St. Swithin's Lane, London EC4N 8AL.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements of THFC, together with its subsidiaries ("the group"), are set out below.

These policies have been consistently applied to all years presented unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with IFRS as adopted by the European Union and, as regards the parent company financial statements, applied in accordance with the provisions of the Co-operative and Community Benefit Societies Act 2014. The financial statements have been prepared under the historical cost convention.

Going Concern

Given the uncertainties around Covid-19, the group has assessed the likely impact of the coronavirus pandemic on its business operations and finances.

The group makes loans to registered providers of social housing and its viability is dependent on the ongoing receipt of interest, principal and fees from its borrowers in accordance with their respective loan agreements thereby ensuring that the group is able to meet its obligations under the terms of its funding arrangements in addition to covering operating costs.

There are a number of key areas where the pandemic could potentially affect the cash flows of borrowers and impact their ability to service debt or meet other obligations. Having reviewed these areas, the group has concluded that there are sufficient mitigants in place to ensure there is no material impact on its borrowers' businesses such that they would encounter difficulty in meeting their loan obligations. These mitigants include government measures to support tenant incomes, the high proportion of tenant rental income payable by housing benefit and the strong liquidity position of the sector in general. More information is given in the Chair and Chief Executives joint statement on pages 2 to 5.

We are in regular contact with our borrowers, valuers and other relevant organisations to maintain a watching brief on the impact of the pandemic on the sector but are not aware of anything other than temporary interruptions to cash flow which will not materially affect any of our borrower's ability to service their debt.

At the date of signing the accounts there is no evidence to suggest that the group or any borrower will be unable to meet its covenants in the foreseeable future.

In accordance with the terms of a corporate services agreement, all operations of the group are provided by T.H.F.C. (Services) Limited ("THFCS"), a subsidiary of THFC which employs all group staff. The operations of THFCS have transitioned smoothly to remote working during the pandemic and there has been no interruption to operations nor prospect of any such interruption which could affect the business. Similarly, additional costs incurred to maintain operations through the pandemic have been minimal.

As such, the board has a reasonable expectation that the group has adequate resources to continue in operation for the foreseeable future being a period of no less than 12 months from approval of these financial statements. The group and company therefore continues to adopt the going concern basis in preparing the financial statements.



Changes in accounting policies and disclosures

(a) New and amended Standards and Interpretations adopted by the group

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

- Amendments to IFRS 16. Leases (Effective: 1 January 2019): The standard replaces IAS 17 Leases and has the effect of bringing almost all leases onto the balance sheet in a manner similar to the current 'finance lease' treatment. Short term leases (with a term of no more than 12 months) and low value leases (not specifically defined so may vary by entity, as a rule of thumb £5k fair value of the leased asset) may remain consistent with current 'operating lease' treatment.
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (Effective 1 January 2019): The amendments clarify the calculation of current service cost and net interest when an entity re-measures the net defined benefit liability (asset) when a plan amendment, curtailment or settlement occurs. The amendments are applied prospectively and early application is permitted.
- Amendments to IFRS 9. Prepayment Features with Negative Compensation (Effective: 1 January 2019): These amendments to IFRS 9 Financial Instruments are designed to enable, if certain conditions are met, companies to measure at amortised cost certain prepayable financial assets with so-called negative compensation and also clarifies the accounting for non-substantial modifications of financial liabilities should follow the same process as financial assets in similar circumstances.
- Annual improvements to IFRS 2015-2017 cycle (effective 1 January 2019): These improvements form part of the IASB's annual improvement process which is designed to make necessary, but not urgent, amendments to IFRSs. The amendments relate to: IAS 12 Income taxes: The amendments clarify that a company accounts for all income tax consequences of dividend payments in the same way.

The adoption of IFRS 16 has had a material impact on the reported results and financial position of the group. The new standard required additional disclosures which have been prepared in note 11. The adoption of all other amendments has not had a material impact on the reported results or financial position of the group and has not given rise to additional disclosure requirements.

(b) New and amended Standards and Interpretations mandatory for the first time for the financial year beginning 1 April 2019 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 group.

(c) New and amended Standards and Interpretations issued but not mandatory for the financial year beginning 1 April 2019

- Amendments to IAS 1 and IAS 8: Definition of Material. Effective for periods beginning on or after 1 January 2020. The amendments to both IAS 1 and IAS 8 refine the definition of 'material' and clarify its application. The amendments improve understanding of the existing requirements, but because they are based on existing guidance, they do not significantly affect how materiality judgements are made in practice or significantly affect entities' financial statements.
- Conceptual Framework for Financial Reporting. Effective for periods beginning on or after 1 January 2020. The amendments build upon the existing Conceptual Framework to provide a comprehensive set of concepts for financial reporting. There have been new concepts added for measurement, presentation and disclosure and derecognition. Updated concepts for definitions and recognition and clarifications to concepts for stewardship, measurement uncertainty, substance over form and the return of a clarified concept of prudence.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current. Effective for periods beginning on or after 1 January 2022 (expected to be delayed to 2023 and not yet endorsed by EU). The amendments aim to promote consistency in presentation of liabilities with an uncertain settlement date as current or non-current and classification for liabilities which may be settled by the issue of equity. Due to the potential impact on bank covenants a long lead time to application date has been given for this amendment.



2. Accounting policies continued

- Narrow scope amendments in May 2020. Effective for periods beginning on or after 1 January 2022 (not yet endorsed by EU). These narrow scope amendments cover the following areas:
 - o IFRS 3 Business combinations: References to the conceptual framework have been updated;
 - o IAS 16 Property, plant and equipment: Prohibits deducting from cost of an asset amounts received from sales of items produced while preparing an asset for intended use;
 - o IAS 37 Provisions, contingent liabilities and contingent assets: Clarifies which costs to consider when determining whether an asset is loss making;
 - o IFRS 1 First time adoption of IFRS: clarification on treatment of foreign exchange differences when a subsidiary adopts IFRS;
 - o IFRS 9 Financial instruments: clarification of the 10% test when modifying a debt instrument; and
 - o IFRS 16 Leases: removal of an example on lease incentives which was not clear;

The directors are currently assessing the impact and timing of adoption of these Standards 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.

a) Basis of consolidation

The group financial statements consolidate the results of THFC and all its subsidiaries drawn up to 31 March each year. The company has effective control of the financial and operating policies of all subsidiaries. UK Rents (Holdings) Limited ('UKRH'), UK Rents (No.1) Plc ('UKR1') and UK Rents Trustee Limited ('UKRT') have financial years ending 6 April, and therefore transactions for the period 1-6 April in each year have been adjusted as part of the consolidation. UKRH, UKR1 and UKRT have different year-ends from the rest of the group for transaction specific reasons.

T.H.F.C. (Indexed) Limited ('THFCIL'), T.H.F.C. (Indexed 2) Limited ('THFCIL2'), T.H.F.C. (First Variable) Limited ('THFCFV') and T.H.F.C. (Social Housing Finance) Limited ('SHF') are registered societies with limited liability incorporated under the Co-operative and Community Benefit Societies Act 2014. All the shareholders of THFCIL, THFCIL2, THFCFV and SHF have executed deeds of trust in favour of THFC and thus THFCIL, THFCIL2, THFCFV and SHF are treated as wholly owned subsidiaries of THFC.

T.H.F.C. (Services) Limited ('THFCS'), UKRH and UKRT are private limited companies; UKR1, T.H.F.C. (Capital) Plc ('THFCC'), Affordable Housing Finance PLC ('AHF') and Blend Funding Plc ('Blend') are public limited companies, all being incorporated under the Companies Act 2006. The shares of THFCS are owned by THFC. THFCS owns all of the shares of THFCC, AHF, Blend and UKRH, and UKRH owns all of the shares of both UKRT and UKR1 so THFCS, THFCC, AHF, UKRH, UKRT and UKR1 are treated as wholly owned subsidiaries of THFC.

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 of the company. Subsidiaries are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the company.

When the group ceases to have control in an entity any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the statement of comprehensive income.



THFCS holds shares on a fiduciary basis in the companies listed below and THFC does not consolidate their results. These companies report to 31 December 2019 and the summary information relates to that period end:

	Net assets	Profit for period
Harbour Funding Plc	£12,500	Nil
T.H.F.C. (Funding No.1) Plc	£12,500	Nil
T.H.F.C. (Funding No.2) Plc	£12,500	Nil
T.H.F.C. (Funding No.3) Plc	£12,500	Nil

At 31 December 2019 Harbour Funding Plc had loans and receivables of £208,882,987 (31 December 2018: £208,869,512), T.H.F.C. (Funding No.1) Plc had loans and receivables of £229,410,410 (31 December 2018: £229,143,395), T.H.F.C. (Funding No.2) Plc had loans and receivables of £401,099,904 (31 December 2018: £401,631,624) and T.H.F.C. (Funding No.3) Plc had loans and receivables of £1,055,792,614 (31 December 2018: £960,964,619).

Investments in subsidiaries are stated at cost less provision for impairment where necessary.

b) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Net transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at FVPL) are respectively added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. The company recovers all transaction costs, so they do not form part of the fair value at recognition.

Financial Assets

Classification and measurement

The group applies IFRS 9 and classifies its financial assets in the following measurement categories:

- fair value through profit or loss (FVPL); or
- fair value through other comprehensive income (FVOCI); or
- amortised cost.

The classification requirements for debt instruments are described below. Classification and subsequent measurement of debt instruments depend on:

- 1) the group's business model for managing the asset; and
 - 2) the cash flow characteristics of the asset ("SPPI test").
- 1) *Business model*: The business model reflects how the group manages the assets in order to generate cash flows. That is, whether the group's objective is:
- solely to collect the contractual cash flows from the assets ("Hold to collect"); or
 - to collect both the contractual cash flows and cash flows arising from sale of the assets ("Hold to collect and sell"); or
 - neither of these ("Other").

Factors considered by the group in determining the business model for a group of assets include past experience of how the cash flows for these assets were collected, how the assets' performance is evaluated and reported to key management personnel, the likely future experience of cash flows, and how credit risks are assessed and managed.



2. Accounting policies continued

2) *SPPI test*: Where the business model is “Hold to collect” or “Hold to collect and sell”, the group assesses whether the financial instruments’ contractual cash flows represent solely payment of principal and interest on that principal (“SPPI”). In making this assessment, the group considers whether those cash flows are consistent with a basic lending arrangement (i.e. interest includes only consideration for the time value of money, credit risk and other basic lending risks that are consistent with a basic lending arrangement) or reflect exposure to risk or volatility that are inconsistent with a basic lending arrangement.

Based on these factors, the group classifies its debt instruments into one of the measurement categories detailed above. All of the group’s financial assets have been assessed as falling within a “Hold to collect” business model whose contractual cash flows are SPPI and therefore measured at amortised cost.

Amortised cost is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest rate method, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of an asset.

Interest income from these financial assets is calculated by applying the effective interest rate to the gross carrying amount of the financial asset and is included in the Statement of Comprehensive Income within ‘operating income’.

Reclassification

The group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change.

The group holds the following debt instruments as financial assets:

Loans receivable

Loans receivable represents monies lent to housing associations under loan agreements and held at amortised cost. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method.

Stepped coupon loans are held at amortised cost including deferred interest. Deferred interest is the difference between the interest calculated on the basis of the yield to redemption and the actual interest paid. Deferred interest is credited to the Statement of Comprehensive Income on a basis that together with the interest receivable gives a constant yield to maturity.

Indexed-linked loans are held at amortised cost. Amortised cost is calculated by taking into account any premium on the issue, indexation and costs that are an integral part of the effective interest rate method. Indexation is applied in line with the pre-indexation schedule at each semi-annual payment date over the expected life of the financial asset. The indexation is adjusted by the percentage rise in the retail price index (RPI), published eight months before the semi-annual payment date, over the RPI published eight months before the financial assets’ issue date with the difference being recognised in the Statement of Comprehensive Income.

Cash and bank balances

Cash and cash equivalents comprise cash balances that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Short-term deposits

Short-term deposits consist of term deposits whose original maturity dates are greater than three months or less from the investment date, but not more than twelve months.

Trade and other receivables

Trade and other receivables are recognised at transaction price and are subsequently measured at amortised cost, less provision for bad debts.



Collateral for loans

Collateral arrangements are described in note 24.

Collateral, unless subject to enforcement, is not recorded on the group's Statement of Financial Position. However, the value of collateral affects the calculation of expected credit losses.

Impairment

The group assesses on a forward-looking basis the expected credit losses (ECL) associated with any debt instruments carried at amortised cost. The group may recognise a loss allowance for such losses at each reporting date.

The IFRS 9 impairment model has three stages – Stage 1, Stage 2 and Stage 3 (default).

The group may recognise a 12-month expected credit loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk (stage 2) that would no longer render the instrument low risk. Stage 3 requires objective evidence that an asset is credit impaired.

The measurement of ECL reflects:

- probability-weighted amounts of loss given default using the group's agreed methodology;
- the time value of money; and
- reasonable and supportable information on the social housing sector that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of the future operating environment.

The model for calculating the provisions for stage 1 and stage 2 is based on historical risk data. The expected loan loss in a future period is obtained by multiplying the present value of the exposure at default (EAD) by the probability of default (PD) and by the loss given default (LGD). The loan loss estimate is based on forward-looking assessments of PD, the LGD based on the latest security value, and the likely EAD.

Management apply their own judgement to resulting outcomes by taking into account such factors as the group's own loss experience, low loan to value ratios, and the regulatory environment. Loans which benefit from a "full faith" guarantee from the UK Government (SoS for MHCLG) have zero expected loss as the LGD is zero.

Significant Increase in Credit Risk (movement from stage 1 to stage 2)

The group has identified a number of early warning indicators (EWIs) against which assets are monitored. If any of the events occur, internal consideration is given as to whether an individual loan should move to stage 2 classification.

EWIs include but are not restricted to, the following:

- a) Unexpected adverse changes in the executive and management structure of the borrower;
- b) Annual financial statements carry an auditor's qualification;
- c) Government or regulatory action which negatively impacts on the client's business;
- d) Significant adverse changes in the business or financial condition of the borrower;
- e) Regulatory down-grade to a non-compliant financial grading;
- f) Payment of interest and capital after due date but within grace period;
- g) Early warning signs of cash flow/ liquidity problems;
- h) Indications of likely difficulty in meeting a forthcoming bullet maturity using the company's proprietary tracker process;
- i) Decline in internal credit grading to a level below an equivalent investment grade.



2. Accounting policies continued

Definition of default (movement to stage 3)

The group has identified a series of quantitative and qualitative criteria that will be used to determine if an account meets the definition of default, and therefore should move to stage 3:

- a) payment default;
- b) cross default;
- c) breach of covenant(s).

Prepayments

Although all loans are expected to run to maturity a borrower may, in accordance with the terms of its loan agreement, prepay the whole (or in some cases part) of the outstanding amount of its original loan. Any prepayment proceeds will be applied in accordance with the relevant Trust Deeds in the case of loans funded by the issue of stock, bonds or notes and in accordance with the relevant loan agreement in the case of bank borrowings. Such application may include redemption of stock, bonds or notes, investment in permitted investments, prepayment of the bank borrowing or on-lending to a substitute borrower.

The terms of the Trust Deeds of THFC and certain other issuers in the group provide that a housing association borrower shall be entitled to purchase an amount of stock, bonds or notes and may surrender the same to THFC for cancellation. In those circumstances an equivalent amount of the borrower's loan shall be deemed to be repaid.

Derecognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either:

- The group transfers substantially all the risks and rewards of ownership; or
- The group neither transfers nor retains substantially all the risks and rewards of ownership and the group has not retained control.

Financial liabilities

Classification and measurement

Financial liabilities are recognised where the substance of the contractual arrangement results in the group having an obligation to either deliver cash or another financial asset to the holder.

Financial liabilities include borrowings and trade and other payables.

Initial recognition and subsequent measurement

Financial liabilities (other than derivatives) are initially recognised at the fair value of consideration less directly attributable net transaction costs and subsequently at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method.

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

c) Interest

Interest receivable on loans to housing associations and interest payable on debenture stocks, bonds, bank borrowings and other loans is accounted for on an effective interest rate basis. Premiums/discounts on issue are added to/deducted from the original loan or bond 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 interest payable, as adjusted for the amortisation of premiums and discounts, gives a constant yield to maturity. If, and when, prepayments take place premiums receivable and payable on prepayment of debenture stocks are taken to the statement of comprehensive income in the period in which the prepayment takes place.



d) Fair values

The fair value of a financial instrument is the amount 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.

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.

e) Fees and premiums receivable

Fees receivable and other income comprise arrangement fees payable on completion of loan transactions, annual fees for the ongoing service provided to borrowers and premiums receivable on completion of loan prepayment transactions. All fees receivable are charged in line with contractual arrangements.

Fees are measured at the transaction price received or receivable allocated to the performance obligation satisfied and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. As the expected period between transfer of a promised good or service and payment from the borrower is one year or less then no adjustment for a financing component has been made.

Arrangement fees and premiums receivable are recognised on the completion of the transaction with the borrower.

Annual fees for the ongoing service provided to borrowers is recognised over the period in which the services are provided.

f) Intangible assets

Intangible fixed assets held for operational use are valued at historical cost and are amortised over the estimated life of the asset on a straight line basis. Intangible assets are subject to impairment reviews annually. The estimated useful life of Intangible assets is four years.

Computer software and related implementation are capitalised as intangible fixed assets. They are amortised over the shorter of the term of the licence and their useful economic lives.

g) Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bring the asset to its working condition for its intended use. Depreciation is calculated on a straight line basis to write the assets down to residual value evenly over their estimated useful lives. The residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.



2. Accounting policies continued

Depreciation rate

Fixtures, fittings and equipments – 25% per annum
Leasehold improvement – length of remaining lease
Right of use asset – length of remaining lease

h) Leases

Accounting policy applicable before 1 April 2019

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Accounting policy applicable after 1 April 2019

IFRS 16 was adopted as of 1 April 2019 without restatement of comparative figures. See note 28 for details of the transition.

A right of use asset and a lease liability has been recognised for all leases except leases of low value assets, which are considered to be those with a fair value below £5,000, and those with a duration of 12 months or less. These are further explained in note 11. The right-of-use asset has been measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date.

The group will depreciate the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Where impairment indicators exist, the right of use asset will be assessed for impairment.

The lease liabilities are measured at the present value of the lease payments due to the lessor over the lease term, discounted using the interest rate implicit in the lease if that rate is readily available or the group's incremental borrowing rate.

After initial measurement, any payments made will reduce the liability and the interest accrued will increase it. Any reassessment or modification will lead to a remeasurement of the liability. In such case, the corresponding adjustment will be reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

In the Statement of Financial Position, right-of-use assets have been included in property, plant and equipment.

i) Taxation

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is determined using the tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

j) Pension fund

The group operates a defined contribution pension scheme and is also a member of the Social Housing Pension Scheme, a multi-employer defined benefit pension scheme administered independently by The Pensions Trust.

Contributions to the defined contribution pension scheme are charged to the Statement of Comprehensive Income as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.



The group recognises in the Statement of Financial Position the present value of its defined benefit obligations less the fair value of plan assets. The current service cost is charged against profit before taxation. Interest on the scheme liabilities net of the expected return on scheme assets is included in finance costs.

The defined benefit obligation is calculated at each period end by independent actuaries using the projected unit credit method. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating to the terms of the related pension liabilities. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected in the Statement of Comprehensive Income in the period in which they arise.

k) Investment in subsidiaries

Investment in subsidiaries is stated at cost, less any provision for impairment.

l) Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in accordance with IFRSs requires the use of certain critical accounting judgements and estimates. It also requires management to exercise judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity or where assumptions are significant to the financial statements are:

Critical accounting judgements

The evaluation as to whether the loans to borrowers are impaired (note 13)

The directors have concluded that no impairment provision is required in relation to its loans to borrowers in accordance with IFRS 9. This is for a number of reasons which includes, but is not limited to, the credit quality of its borrowers and the group's zero loss experience to date. As the group is not subject to any net credit risk, any incurred loss would be matched by a similar adjustment to the gross liability.

Determination of the lease term

Rental contracts are typically made for fixed periods but may have extension options. In these cases, significant judgement is required to ascertain the correct lease term. When assessing whether the group is reasonably certain to exercise the option to extend the lease, the directors consider all relevant facts and circumstances (both monetary and non-monetary) that create an economic incentive for them to exercise or not exercise that option. They also include any expected changes in facts and circumstances from the commencement date until the exercise date of the option.

The non-consolidation of related companies in which the group has a non-beneficial shareholding (note 2a)

The directors have concluded that the related companies do not fall within the definition of control contained in IFRS 10 primarily because the shares are held on a fiduciary basis.

Key areas of estimation uncertainty

Determination of incremental borrowing rate

The calculation of lease liabilities requires the company to determine an incremental borrowing rate to discount future minimum lease payments. Estimation is applied in determining the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. This will take into account risk free rates and any lease specific adjustments. The incremental borrowing rate applied was 2.505%. There is no impact on profit over the life of the lease from changing the rate applied. However, a higher incremental borrowing rate would see the depreciation charge reduced and the finance charge increased – this adjustment would see the overall Statement of Comprehensive Income charge higher in the earlier years of the lease and lower in the latter years. An incremental borrowing rate 0.5% higher would decrease profit before tax by £2,000 in the first year of the lease. The initial liability and matched right-of-use asset recognised would be lower by £36,000.



3. Critical accounting judgements and key sources of estimation uncertainty continued

Defined benefit pension liability (note 25)

Various estimates are used in the calculation of the defined pension liability, such as discount rate, inflation and mortality rates. In determining the appropriate discount rate, consideration is made to the interest rates of corporate bonds with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Inflation is set by considering market expectations, for example taking the difference between yields available on long-dated fixed-interest and index-linked gilts. Mortality rates are set in line with SAPS tables S2, adjusted to allow for any expectation of higher or lower life expectancy of scheme members due to geographic, socio-economic or demographic factors. The sensitivity of the principal actuarial assumptions is disclosed in note 25. At 31 March 2020, a liability of £914,000 for pensions (2019: £2,193,000) is recorded in the Statement of Financial Position.

During the prior year, additional information emerged which allowed the group to reliably measure the defined benefit liability at 31 March 2019 and the cost going forward. This change in accounting estimate was recognised in the Statement of Comprehensive Income in the prior year.

4. Surplus before taxation

Surplus before taxation is stated after charging:

	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
Amortisation of intangible fixed assets	42	-	30	-
Depreciation of property, plant and equipment	251	-	52	-
Fees paid to auditors for:				
auditing of the financial statements	64	64	64	64
auditing of the financial statements of subsidiaries	71	-	72	-
other advisory services	12	-	2	-
Operating lease rentals:				
plant and machinery	-	-	4	-
other	-	-	127	-
Pension provision charge (note 25)	-	-	152	-

5. Staff numbers and cost

	Group 2020	Group 2019
Average number of persons (including directors) employed during the year (monthly average):		
Non-executive directors	9	8
Executive directors	3	3
Management and administrative	18	16
	30	27

The aggregate employee costs amounted to:

	£000	£000
Non-executive directors' fees	300	247
Wages & salaries	2,369	2,095
Social security costs	332	288
Other pension costs	89	233
	3,090	2,863

THFC employed no staff during the year and so had no directly incurred employee related costs. All staff are employed by THFCS.



6. Directors' remuneration

	2020 £000	2019 £000
Non-executive directors:		
Fees	300	247
Executive directors:		
Salaries	747	726
Bonuses	113	106
Benefits	25	23
Aggregate emoluments	1,185	1,102
Pension contributions	11	10
Total	1,196	1,112
Highest paid executive director:		
Salary	355	345
Bonus	53	49
Benefits	14	13
Aggregate emoluments	422	407
Pension contributions	-	-
Total	422	407

The fees of the chair were £44,824 (2019: £40,348). Each other non-executive director (or their employer) received fees at the rate of £16,500 per annum from THFC (2019: £14,732) and £16,500 per annum from AHF (2019: £13,220).

All directors' costs, except those paid by AHF, were incurred by THFCS and recharged to THFC.

During the year fees of £63,250 (2019: £69,124) in respect of three non-executive directors were paid to those directors' employers. No pension contributions were made by the group in respect of non-executive directors (2019: Nil).

On 1 April 2020 non-executive directors' fees were increased by 1.5%. The increase in costs in the year relates to the appointment of additional directors to the board and the result of a benchmarking exercise which took effect on 1 April 2019.

A total amount of £206,376 was paid by the company in the year (2019: £137,992) in respect of the pension scheme past service deficit for current and previous employees. An element of this relates to the executive directors' past service but it is not possible to quantify the attributable amount.

Certain non-executive directors received benefits-in-kind in respect of travel expenses.

Two executive directors were members of the SHPS defined benefit pension scheme up until 31 March 2017 (see note 25). From 1 April 2017 one executive director was a member of the SHPS defined contribution scheme. There are no long-term incentive schemes.

7. Interest payable

	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
On debenture stocks, secured bonds, secured notes, bank borrowings and other borrowings which are:				
Repayable wholly in more than five years				
Interest payable	191,244	95,139	178,886	90,229
Interest deferred	(469)	(466)	(1,632)	(1,632)
Repayable within five years	77,925	43,310	84,039	46,971
	268,700	137,983	261,293	135,568



8. Taxation

	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
UK Corporation Tax in respect of current year	655	95	1,063	101
Deferred taxation in respect of current year (see note 16)	37	12	48	-
Total Tax expense for the year	692	107	1,111	101
The difference between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:				
Profit before taxation	3,387	2,501	5,809	3,405
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	643	475	1,104	647
Timing difference between accountancy and taxation treatment of expenditure:	35	-	(4)	-
Dividend not allowable for taxation	-	(380)	-	(546)
Permanently dis-allowed items and other timing differences	14	12	11	-
	692	107	1,111	101
Effective tax rate	20.43%	4.28%	19.14%	2.96%

9. Intangible assets

	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
Implementation costs of software				
Cost				
At beginning of year	256	-	201	-
Additions	12	-	55	-
At end of year	268	-	256	-
Accumulated amortisation				
At beginning of year	148	-	118	-
Charge for the year	42	-	30	-
At end of year	190	-	148	-
Net book value at end of year	78	-	108	-
Net book value at beginning of year	108	-	83	-



10. Property, plant and equipment – group only

	Fixtures, fittings and equipment £000	Leasehold improvements £000	Right-of-use asset £000	Total £000
Cost				
At 1 April 2018	397	-	-	397
Additions	105	131	-	236
At 1 April 2019	502	131	-	633
Adjustment on adoption of IFRS 16	-	-	1,373	1,373
At 1 April 2019 (restated)	502	131	1,373	2,006
Additions	22	154	-	176
At 31 March 2020	524	285	1,373	2,182
Accumulated depreciation				
At 1 April 2018	325	-	-	325
Charge for the year	52	-	-	52
At 1 April 2019	377	-	-	377
Charge for the year	49	64	138	251
At 31 March 2020	426	64	138	628
Net book value at 31 March 2020	98	221	1,235	1,554
Net book value at 1 April 2019	125	131	-	256

11. Leases – group only

	2020 £000
Leases	
Right-of-use assets	
Property	1,235
Total right-of-use assets	1,235
Lease liabilities	
Current	159
Non-current	1,187
	1,346
Lease charge	
Short term leases	78
Low value leases	6
	84

The nature and accounting of the company's leasing activities

The group has a lease contract for a property which has a lease term of 10 years. The group also has certain leases with lease terms of 12 months or less and leases of office equipment with low value. As explained in note 28, the group has applied the recognition exemptions for these leases. The accounting of all group leases is explained in note 2.

Contracts may contain both lease and non-lease components. The group allocates consideration between lease and non-lease components based on the price a lessor, or similar supplier, would charge to purchase that component separately.

The lease term begins at the commencement date and includes any rent-free periods provided by the lessor. Lease terms vary between contracts and depend on the individual facts and circumstances of the contract.

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the group's incremental borrowing rate as at 1 April 2019. The group's incremental borrowing rate is the rate at which a similar borrowing is expected to be obtained from an independent creditor under comparable terms and conditions. The weighted-average discount rate applied was 2.505%.



12. Investments

Investments in subsidiaries

At 1 April 2019 and 31 March 2020

£

121

Details of the company's subsidiaries which are all included in the ultimate parent's consolidated financial statements are as follows. Subsidiaries denoted by a * are indirect subsidiaries of THFC.

Name of company	Principal place of business and country of incorporation	Nature of business	% voting rights and shares held directly
Affordable Housing Finance Plc*	UK	Financial intermediation	100% of ordinary shares
bLEND Funding Plc*	UK	Financial intermediation	100% of ordinary shares
T.H.F.C. (Capital) Plc*	UK	Financial intermediation	100% of ordinary shares
UK Rents (Holdings) Limited*	UK	Holding company	100% of ordinary shares
UK Rents Trustees Limited*	UK	Trustee	100% of ordinary shares
UK Renting (No 1) Plc*	UK	Financial intermediation	100% of ordinary shares
T.H.F.C. (Indexed) Limited	UK	Financial intermediation	100% of ordinary shares
T.H.F.C. (First Variable) Limited	UK	Financial intermediation	100% of ordinary shares
T.H.F.C. (Services) Limited	UK	Corporate services	100% of ordinary shares
T.H.F.C. (Indexed 2) Limited	UK	Financial intermediation	100% of ordinary shares
T.H.F.C. (Social Housing Finance) Limited	UK	Financial intermediation	100% of ordinary shares

The registered office of the subsidiaries listed above is 3rd Floor, 17 St. Swithin's Lane, London EC4N 8AL.

13. Loans and receivables

	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
Loans to housing associations				
At beginning of year	7,312,078	2,947,311	6,968,427	2,829,076
Premium on new issues	28,267	16,198	32,028	32,028
Loans repaid during the year	(48,236)	(22,819)	(70,544)	(19,895)
Loans advanced during the year	151,612	31,700	389,800	109,800
	7,443,721	2,972,390	7,319,711	2,951,009
Discount amortised for the year	1,901	1,894	1,733	1,724
Premium amortised for the year	(10,991)	(4,848)	(10,051)	(3,994)
Interest deferred for the year	(403)	(403)	(1,428)	(1,428)
Indexation for the year	998	-	2,113	-
At end of year	7,435,226	2,969,033	7,312,078	2,947,311
Securitised assets				
At beginning of year (Note 18)	20,913	-	23,049	-
Loans repaid during the year	(2,378)	-	(2,136)	-
At end of year	18,535	-	20,913	-
Total loans and receivables	7,453,761	2,969,033	7,332,991	2,947,311
Due within one year	80,223	14,463	74,745	27,459
Due after more than one year	7,373,538	2,954,570	7,258,246	2,919,852
Total	7,453,761	2,969,033	7,332,991	2,947,311



Loans have been made to housing associations on similar interest rate and repayment terms as those on which the group was able to raise the finance. Each loan is secured by a combination of:

- (a) either a floating charge secured on the undertakings of the relevant housing association, or a fixed charge on other assets to provide a minimum of one and a half times cover (except in the case of SHF where the minimum is 1.35 times, AHF where the minimum is 1.05 times cover and Blend where the minimum is 1.10 times);
- (b) a first fixed charge over cash and investments representing monies lent by the group pending investment in assets and a first fixed charge over any assets acquired by the relevant housing association with those monies; and
- (c) for discounted loans, a sinking fund comprising monies paid by the relevant housing association and held by a trustee (Law Debenture Trustees Limited) towards the payment to THFC of the amount required to redeem the loan.

For securitised loans see note 18.

The maturity profile of the above loans is detailed in note 24.

Collateral arrangements on the group's loans are described in note 24.

The group's credit rating of its borrowers, together with periodic reviews of credit information provides the basis for credit monitoring. The loan book is regularly reviewed for evidence of potential impairment. Processes include review of available management accounts, covenant compliance, timeliness of payment, security, external investment ratings, viability assessments issued by the regulator, impact of statutory changes, general economic environment and meetings with management. Based upon the information available at the date of this report the directors are of the opinion that there is no evidence that the loans are impaired.

The board continues to monitor the impact of potential additional liabilities housing associations may incur on remedial work and ancillary costs in relation to certain stock in light of the Grenfell tragedy. At the date of this report there is no evidence that the loans are impaired because of this issue.

14. Trade and other receivables

	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
Due within one year:				
Accrued interest income	39,697	19,712	39,591	19,747
Other receivables	3,861	1,640	3,756	1,603
Amounts due from subsidiary undertakings	-	16	-	39
	43,558	21,368	43,347	21,389

15. Financial liabilities – borrowings

	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
Guaranteed secured bonds				
At beginning of year	1,907,976	-	1,912,988	-
Premium amortised	(5,143)	-	(5,012)	-
At end of year	1,902,833	-	1,907,976	-

	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
Guaranteed secured bank loans				
At beginning and end of year	1,500,000	-	1,500,000	-



15. Financial liabilities – borrowings continued

	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
Eurobonds (note 18)				
At beginning of year	20,913	-	23,049	-
Repaid during the year	(2,378)	-	(2,136)	-
At end of year	18,535	-	20,913	-
	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
Secured medium term note programme				
At beginning of year	280,000	-	-	-
Issued during the year	110,000	-	280,000	-
Premium on issue	12,069	-	-	-
Premium amortised	(204)	-	-	-
At end of year	401,865	-	280,000	-
	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
Debtenture stocks				
At beginning of year	637,463	301,929	677,575	314,594
Repaid during the year	(33,649)	(18,093)	(40,185)	(11,662)
Discount amortised	1,524	1,517	1,375	1,368
Premium amortised	(1,584)	(788)	(1,785)	(740)
Deferred interest	(469)	(466)	(1,630)	(1,631)
Indexation	999	-	2,113	-
At end of year	604,284	284,099	637,463	301,929
	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
Bank borrowings				
At beginning of year	1,350,519	1,009,284	1,381,660	1,018,307
Borrowed during the year	9,912	-	-	-
Repaid during the year	(15,554)	(6,953)	(31,141)	(9,023)
At end of year	1,344,877	1,002,331	1,350,519	1,009,284
	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
Loans from T.H.F.C. (Funding No.1) Plc, T.H.F.C. (Funding No.2) Plc and T.H.F.C. (Funding No.3) Plc				
At beginning of year	1,638,394	1,638,394	1,499,464	1,499,464
Loans during the year	31,700	31,700	109,800	109,800
Premium on issue	16,198	16,198	32,028	32,028
Premium amortised	(4,060)	(4,060)	(3,254)	(3,254)
Discount amortised	377	377	356	356
At end of year	1,682,609	1,682,609	1,638,394	1,638,394
Subordinated loans (note 18)	723	-	723	-
Total borrowings at 31 March 2020	7,455,726	2,969,039	7,335,988	2,949,607
	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
Amounts falling due within one year	81,479	14,463	74,745	27,459
Amounts falling due after one year	7,374,247	2,954,576	7,261,243	2,922,148
Total	7,455,726	2,969,039	7,335,988	2,949,607



Amounts falling due after one year are repayable as follows:

	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
Between one and two years	130,112	19,365	55,550	14,165
Between two and five years	395,349	254,554	456,202	248,780
In five years or more	6,848,786	2,680,657	6,749,491	2,659,203
	7,374,247	2,954,576	7,261,243	2,922,148

The guaranteed secured bonds, secured medium term notes, debenture stocks, bank and other loans are secured by floating charges over all the assets of AHF, Blend, THFC, THFCIL, THFCIL2, THFCFV or SHF respectively. The Eurobonds are secured by a first ranking fixed security interest over UKR1's beneficial interest in UKRT together with further security over all of UKR1's other assets. The interest and repayment terms of bonds, secured notes, debenture stocks, bank borrowings and other borrowings are substantially identical to the income and repayment terms of the related investments.

During the year BLEND issued secured notes in principal amount of £110.0m.

16. Deferred tax

	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
At beginning of the year	(233)	100	(43)	100
Charged to the statement of profit or loss	37	12	48	-
(Credited)/charged to other comprehensive income	213	-	(238)	-
	17	112	(233)	100

	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
The (asset)/liability for deferred taxation at the end of the year is as follows:				
Difference between accounting and taxation treatment of discounts	112	112	100	100
Retirement benefit obligation	(175)	-	(374)	-
Accelerated capital allowances	59	-	41	-
Accelerated lease obligation	21	-	-	-
	17	112	(233)	100

The UK government has announced that the planned reduction in the standard rate of corporation tax to 17% will not be implemented and will remain at 19%. This change has been substantively enacted and therefore has been reflected in the calculation of deferred tax for the year ended 31 March 2020.

17. Trade and other payables

	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
Due within one year:				
Accrued interest payable	66,358	45,264	74,007	46,454
Other taxation and social security	105	-	90	-
Other payables	5,942	566	5,776	513
Amounts due to subsidiary undertakings	-	153	-	497
	72,405	45,983	79,873	47,464



18. Securitisation transaction

UK Rents (No.1) Plc (“UKR1”) owns a pool of rent receivables of six housing associations which it purchased in January 1995. The cost of the rental pool was £36.143 million. To finance the purchase of the rent receivables UKR1 issued £36.143 million of Eurobonds. The housing associations’ obligation to repurchase part of the rental stream started in October 2005 and concludes in 2025.

Each housing association which sold rent receivables has provided UKR1 with a subordinated loan to act as a reserve for its obligations. The total of such loans outstanding at 31 March 2020 was £723,000 (2019: £723,000).

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

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

The income from securitised assets in the year amounted to £1,742,000 (2019: £1,953,000) and is included in operating income in the group statement of comprehensive income. This income supports payment of the interest on the bonds to the same value.

THFCS provides all management and administrative services to UKR1 and monitors the performance of the housing associations in meeting their obligations under the terms of the various agreements.

19. Called up share capital

Authorised, allotted, called up and fully paid ordinary shares of £1 each

	2020 £	2019 £
At beginning of year	9	9
Issued in year	3	1
Cancelled in year	(2)	(1)
At end of year	10	9

The board of THFC may in its discretion admit to membership any individual or entity including nominees of unincorporated bodies. Shares cannot be withdrawn but upon a member ceasing to be a director the share is cancelled and the paid up amount added to reserves. The rules of THFC prescribe that surpluses cannot be distributed to members. All members enter into a declaration of trust in respect of their shares in favour of THFC.

20. Reserves

	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
Opening reserves	38,099	22,962	34,564	19,658
Surplus for the year	2,695	2,394	4,698	3,304
Other comprehensive income	909	-	(1,163)	-
Closing reserves	41,703	25,356	38,099	22,962

Under its rules, THFC may not distribute its accumulated reserves either directly or indirectly to its shareholders. The consolidated reserves of the group shown above include the aggregation of the reserves of THFC’s subsidiaries which, in the case of THFCIL, THFCIL2, THFCFV and SHF (being companies registered under the Co-operative and Community Benefit Societies Act 2014), are not available for distribution. The aggregated reserves of these subsidiaries at 31 March 2020 were £1,983,000 (2019: £1,979,000).

THFC group’s reserves represent its capital and are non-distributable to shareholders. The group makes loans only on a fully secured basis and against matching funding; reserves are therefore primarily held to provide liquidity while security is realised, in the event that a borrower defaults. THFC is not subject to any regulatory capital requirement.

AHF reserves can only be used for clearly defined purposes set out in the licence. AHF’s reserves at 31 March 2020 were £6.6m (2019: £6.3m).



21. Reconciliation of surplus to net cash flow from operations

	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
Surplus before taxation	3,387	2,501	5,809	3,405
Interest receivable	(257,904)	(135,035)	(251,042)	(133,313)
Interest payable	259,610	135,029	252,974	133,298
Dividend receivable	-	(2,000)	-	(2,875)
Adjustment for:				
Depreciation and amortisation	293	-	82	-
Finance costs	83	-	42	-
Net employer contribution after administration costs	(206)	-	(137)	-
(Decrease) in other receivables	(105)	(14)	(3,112)	(813)
Increase/(decrease) in other payables	181	(291)	364	(447)
Net cash inflow/(outflow) from operating activities	5,339	190	4,980	(745)

22. Reconciliation of liabilities arising from financing activities

	At 1 April 2019 restated* £	Cashflows £	Other non-cash changes £	At 31 March 2020 £
Lease liabilities due within 1 year	27	(61)	193	159
Lease liabilities due in more than 1 year	1,346	-	(159)	1,187
	1,373	(61)	34	1,346

In 2018-19, the group had no liabilities arising from financing activities.

*The position at 1 April 2019 has been restated on adoption of IFRS16 – see note 28 for details.

23. Commitments

At the end of the year the group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2020 £000	Group 2019 £000
Due within 1 year	-	107
In the 2nd to 5th year inclusive	-	779
Over 5 years	-	145
	-	1,031

Undrawn committed facilities from lenders are given in note 24.

24. Financial instruments

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

The group's financial instruments comprise cash and cash equivalents, short-term deposits, loan receivables, borrowings, lease liability and trade and other payables. THFC also has inter company balances. The purpose of these financial instruments is to provide finance for the group's and THFC's operations.

Fair values

All the group's and THFC's financial instruments are measured at amortised cost.

The fair value of the 5.2% secured bonds and the Affordable Housing Finance Plc Guaranteed Secured Bonds ("the AHF bonds") have been recorded at market value as the markets are considered to be active (Level 1 valuation).

All the group's other debenture stocks, secured bonds and secured medium term notes and the Affordable Housing Finance Plc Guaranteed Secured Bonds ("the AHF bonds") are tradable but the markets are not considered to be active.



24. Financial instruments continued

Accordingly, market prices of a suitable reference gilt have been adjusted for an appropriate credit spread to arrive at a fair value (Level 2 valuation).

The group's fixed rate bank loans and other borrowings are not tradable but fair values are arrived at using current available market data of loans with similar characteristics (Level 2 valuation).

The fair values of the associated loans receivable are adjusted to reflect the group's assessment of the risk premium of the underlying borrower (Level 2 valuation).

Group

	Book value 2020 £000	Fair value 2020 £000	Book value 2019 £000	Fair value 2019 £000
Assets				
Loans receivable	7,453,761	9,399,259	7,332,991	9,049,791
Trade and other receivables	43,359	43,359	43,349	43,349
Short-term cash deposits	16,761	16,761	9,353	9,353
Cash and cash equivalents	56,692	56,692	70,404	70,404
	7,570,573	9,516,071	7,456,097	9,172,897
Liabilities				
Financial liabilities-borrowings	7,455,726	9,401,165	7,335,988	9,053,092
Trade and other payables	72,203	72,203	79,873	79,873
Lease liability	1,346	1,346	-	-
	7,529,275	9,474,714	7,415,861	9,132,965

THFC

	Book value 2020 £000	Fair value 2020 £000	Book value 2019 £000	Fair value 2019 £000
Assets				
Loans receivable	2,969,033	3,845,773	2,947,311	3,639,014
Trade and other receivables	21,167	21,167	21,389	21,389
Short-term cash deposits	8,535	8,535	5,472	5,472
Cash and cash equivalents	41,500	41,500	45,927	45,927
	3,040,235	3,916,975	3,020,099	3,711,802
Liabilities				
Financial liabilities-borrowings	2,969,039	3,845,773	2,949,607	3,641,618
Trade and other payables	45,782	45,782	47,464	47,464
Lease liability	-	-	-	-
	3,014,821	3,891,555	2,997,071	3,689,082

The fair values of short-term deposits, loans and overdrafts with a maturity of less than one year are not materially different from their book values. Financial assets and financial liabilities being loans to borrowers, and bank loans and debenture stocks and bonds issued, are held at amortised cost using the effective interest method.

The directors consider that the carrying value amount of trade and other receivables and trade and other payables is a reasonable approximation of their fair value.

(a) Interest rate risk

THFC and its issuing subsidiaries issue debt with a variety of loan structures, however they all adhere to the same fundamental principle that funds are on-lent on a substantially identical maturity, interest and repayment profile thus ensuring that no material mismatch risk is taken in interest rate movements. The form of all loan agreements (including provisions for setting of interest rates) is approved by the board. The group is subject to interest rate risk on its investment income on short-term deposits and cash balances. The policy and periodic strategy for investing of THFC's reserves is also approved by the board.

Based on the investment income budget for the year ended 31 March 2020 each 0.5% increase/decrease in interest rates gives rise to a £279,613 (2019: £301,027) increase/decrease in income for the group and £168,369 (2019: £180,366) increase/decrease for THFC.



(b) Credit risk

THFC's primary risk is the failure of one or more of its customers to pay principal or interest in a full and timely manner under a loan agreement. Loans are fully secured and covenanted in accordance with the terms of the issuing company's Trust Deed. Security is required with an agreed margin and values are independently verified at regular intervals. In the event of a default the time required to obtain control of rental revenues, and to realise security, may not be certain; the group has taken action to mitigate any resulting impact on liquidity and this is described below.

THFC makes its own independent credit assessment of its borrowers including credit scoring and makes loans only after careful review by the credit committee. THFC has implemented policies that require regular credit assessment of each of its borrowers as well as monitoring the adequacy of underlying collateral. Blend borrowers are not subject to the same credit procedures as other borrowers from the group but they must meet a prerequisite rating assigned by Moody's to be eligible for funding.

Credit monitoring includes estimates of the probability of loss and of the expected loss, given default.

Individual exposures to borrowers which represents maximum credit exposures are represented by the carrying values in the statement of financial position.

Loans made by AHF are guaranteed and carry the same credit risk as the UK Government.

Deposit counter-parties are subject to approval by the credit committee and board and such approval is limited to financial institutions with a suitable minimum rating in accordance with THFC treasury policy. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed at least annually by the board. The carrying value of short-term deposits and cash and cash equivalents represents the maximum credit exposure.

No amounts are past due or otherwise impaired in either the group or THFC at 31 March 2020 (2019: None). The maturity profile of financial assets is given below.

(c) Collateral arrangements

The majority of borrowers provide fixed charge security on specified properties although the lending companies offer housing associations the ability to secure their loans by way of floating charges, subject to appropriate asset cover tests. There are four borrowers who have an element of floating charge security on six loans. Each lending company is required to obtain a first fixed charge over certain assets of its borrowers which, at all times during the life of each loan, covers at least 150% of the outstanding loan balance based on a Market Value subject to Tenancy professional valuation (MVT) (135% MVT for certain loans made by T.H.F.C. (Social Housing Finance) Limited, 105% Existing Use Value (EUV) for AHF) and 120% MVT or 110% EUV for Blend Funding Plc). For loans secured by fixed charges, formal property valuations of the specific security are undertaken at least every five years. For loans secured by floating charge, compliance is measured by reference to the balance sheet of the borrower. The group operates a panel of approved valuers to be used by borrowers in order to ensure a consistent and adequately detailed approach which takes account of the physical condition, the future rental potential and the market context of the property being valued. It is neither practical nor cost effective to obtain a measure of the fair value of the group's entire pool of collateral at a single date.

(d) Liquidity risk

The group mitigates liquidity risk in a number of ways. In general borrowers' payments are received up to one month prior to the group's obligation to pay lenders, thus providing a timing cushion and a source of additional investment income. The group has cash reserves that are held in short-term deposits designed to provide liquidity in the event of a late payment from a borrower. All of the group's lending and borrowing maturities are matched. The bonds issued by related companies to the group have liquidity enhancements comprising a dedicated liquidity facility in the case of T.H.F.C. (Funding No. 1) Plc which is fully drawn as at 31 March 2020 (2019: fully drawn) and a two-year maturity mismatch between the expected and legal maturity dates in the case of T.H.F.C. (Funding No. 1) Plc, T.H.F.C. (Funding No. 2) Plc and T.H.F.C. (Funding No. 3) Plc. Blend Funding Plc notes similarly have a two-year maturity mismatch.



24. Financial instruments continued

In connection with T.H.F.C. (Funding No. 2) Plc and T.H.F.C. (Funding No. 3) Plc, THFC holds an interest service reserve, as Trustee, as a first call in the event of a borrower default. AHF and Blend borrowers provide AHF and Blend as Trustees respectively with a Liquidity Reserve Fund which equates to one year's interest. Loans made by AHF are guaranteed and not subject to liquidity risk. The group is also able to arrange appropriate overdraft facilities to cover short-term timing differences should they arise although none are held at 31 March 2020 (2019: None).

	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
The maturity profile of financial assets				
Loans to housing associations	7,435,226	2,969,033	7,312,078	2,947,311
Securitised assets	18,535	-	20,913	-
	7,453,761	2,969,033	7,332,991	2,947,311
Due within one year	80,223	14,463	74,745	27,459
Due between one and two years	130,112	19,365	55,550	14,165
Due between two and five years	394,349	254,554	456,202	248,780
Due in over five years	6,849,077	2,680,651	6,746,494	2,656,907
	7,453,761	2,969,033	7,332,991	2,947,311

Interest rate risk profile of loans and borrowings

	Group 2020 Financial Liabilities £000	Group 2020 Financial Assets £000	Group 2019 Financial Liabilities £000	Group 2019 Financial Assets £000
Fixed rate	6,785,836	6,784,572	6,678,794	6,676,493
Floating rate	669,167	669,189	656,471	656,498
No interest payable	723	-	723	-
	7,455,726	7,453,761	7,335,988	7,332,991

	THFC 2020 Financial Liabilities £000	THFC 2020 Financial Assets £000	THFC 2019 Financial Liabilities £000	THFC 2019 Financial Assets £000
Fixed rate	2,657,952	2,657,946	2,637,437	2,635,141
Floating rate	311,087	311,087	312,170	312,170
	2,969,039	2,969,033	2,949,607	2,947,311

The effective interest rates during the year for the group and THFC were between 0.75% and 12.04%. The weighted average interest rate on both fixed financial liabilities and fixed financial assets of the group is 4.02% and the weighted average period for which interest rates are fixed is 19.04 years. The corresponding figures for THFC are 5.309% and 16.7 years respectively.

The interest rates on those group borrowings which are at floating rates are determined by the prevailing Sterling LIBOR (London Interbank Offered Rate) for the relevant maturity at the time of determination plus an agreed margin.

All assets and liabilities are denominated in £ sterling.

The financial liability of £723,000 represents the obligation to repay at maturity the six subordinated loans disclosed within note 18. The liability is matched by an equivalent level of short-term deposit with the interest thereon being returned to the housing associations.

Undrawn committed borrowing facilities granted to the group and THFC are as follows:

	Group 2020 £000	THFC 2020 £000	Group 2019 £000	THFC 2019 £000
Within one year	-	-	5,000	5,000
Between one and two years	-	-	-	-
Over two years	119,830	84,500	160,270	111,200
	119,830	84,500	165,270	116,200



Facilities will only be drawn down when corresponding drawdowns are requested by the relevant borrower under matching committed facilities granted to them by the group and THFC.

Contractual cash flows

The table below summarises the cash flows payable by the group from 31 March 2020 until contractual maturity of all its bond, secured note, debenture stock, loan liabilities and lease liability as at the same date. On variable rate facilities it has been assumed that the interest rate and drawn amount as at 31 March 2020 remain unchanged until the contract maturity. Similarly, on indexed liabilities it has been assumed that the liability is fixed from 31 March 2020.

Group

	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
As at 31 March 2020					
Contractual interest cash flows	267,502	265,350	747,118	3,371,076	4,651,046
Contractual principal cash flows	70,575	119,115	362,848	6,602,240	7,154,778
Lease liability principal cash flows	193	193	418	711	1,515
Total contractual cash flows	338,270	384,658	1,110,384	9,974,027	11,807,339

	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
As at 31 March 2019					
Contractual interest cash flows	267,238	264,188	766,416	3,519,903	4,817,745
Contractual principal cash flows	64,466	45,541	426,590	6,517,153	7,053,750
Lease liability principal cash flows	-	-	-	-	-
Total contractual cash flows	331,704	309,729	1,193,006	10,037,056	11,871,495

THFC

	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
As at 31 March 2020					
Contractual interest cash flows	137,104	136,410	389,281	1,595,556	2,258,351
Contractual principal cash flows	9,956	14,712	240,213	2,576,000	2,840,881
Total contractual cash flows	147,060	151,122	629,494	4,171,556	5,099,232

	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
As at 31 March 2019					
Contractual interest cash flows	138,027	136,289	404,812	1,686,518	2,365,646
Contractual principal cash flows	23,117	10,185	236,338	2,564,587	2,834,227
Total contractual cash flows	161,144	146,474	641,150	4,251,105	5,199,873

All the above cash flows are substantially matched by cash flows receivable on the group's and THFC's loan assets.

25. Pensions

The group's employees and past employees are deferred members or pensioners of the Social Housing Pension Scheme (SHPS).

With effect from 1 April 2017 all active membership of defined benefit pension schemes was ceased.

The group currently contributes to one defined contribution pension scheme for certain employees, which is operated by The Pensions Trust.

During the year, the group recognised £84,844 (2019: £76,464) of pension costs in relation to the defined contribution scheme.

Social Housing Pension Scheme

The company participates in this scheme, a multi-employer scheme which provides benefits to approximately 500 non-associated employers.



25. Pensions continued

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A recovery plan has been put in place with the aim of removing this deficit by 30 September 2026.

In line with the recovery plan, the company expects to make a contribution of £210,513 to the SHPS scheme in the year ended 31 March 2021.

The Scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

An actuarial valuation for the scheme was carried out with an effective date of 31 March 2020. The liability figure from the valuation is used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

Pension scheme liabilities recognised in the statement of financial position.

	2020 £000	2019 £000
Pension obligations recognised as Defined Benefit schemes	914	2,193

The weighted average duration of the defined benefit obligation is approximately 20 years.

Reconciliation of opening and closing balances of the defined benefit obligation

	2020 £000	2019 £000
Fair value of plan assets	6,359	6,057
Present value of defined benefit obligation	(7,273)	(8,250)
Deficit in plan	(914)	(2,193)

Reconciliation of opening and closing balances of the defined benefit obligation

	2020 £000	2019 £000
Defined benefit obligation at start of period	8,250	7,917
Expenses	4	4
Interest expense	190	191
Actuarial (gains)/losses due to scheme experience	(76)	178
Actuarial (gains)/losses due to changes in demographic assumptions	(71)	22
Actuarial (gains)/losses due to changes in finance assumptions	(964)	528
Benefits paid and expenses	(60)	(742)
Losses due to benefit changes	-	152
Defined benefit obligation at end of period	7,273	8,250

Reconciliation of opening and closing balances of the fair value of plan assets

	2020 £000	2019 £000
Fair value of plan assets at start of period	6,057	6,052
Interest income	141	149
Experience on plan assets (excluding amounts included in interest income) – gain	17	305
Contributions by the employer	204	293
Benefits paid and expenses	(60)	(742)
Fair value of plan assets at end of period	6,359	6,057

The actual return on the plan assets (including any changes in share of assets) in the year ended 31 March 2020 was £158,000 (2019: £454,000).



Defined benefit costs recognised in statement of comprehensive income (SoCI)

	2020 £000	2019 £000
Expenses	4	4
Net interest expense	49	42
Losses due to benefit changes	-	152
Defined benefit costs recognised in statement of comprehensive income (SoCI)	53	198

The loss due to benefit changes related to the enhanced element of cash enhanced transfer values offered to certain current and past members of the scheme during the prior year as part of a deficit reduction exercise. The cash enhancement was paid by the group.

Defined benefit costs recognised in other comprehensive income

	2020 £000	2019 £000
Experience on plan assets (excluding amounts included in net interest cost) – gain	11	305
Experience gains and losses arising on the plan liabilities – gain/(loss)	76	(178)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain/(loss)	71	(22)
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	964	(528)
Total actuarial gains/(losses)	1,122	(423)
Effects of change in accounting estimate – loss	-	(978)
Total amount recognised in other comprehensive income gain/(loss)	1,122	(1,401)

Assets

	2020 £000	2019 £000
Global equity	930	1,019
Absolute return	332	524
Distressed opportunities	122	110
Credit relative value	174	111
Alternative risk premia	445	349
Fund of hedge funds	4	27
Emerging markets debt	193	209
Risk sharing	215	183
Insurance-linked securities	195	174
Property	140	136
Infrastructure	473	318
Private debt	128	81
Opportunistic illiquid credit	154	-
Corporate bond fund	363	283
Liquid credit	3	-
Long lease property	110	89
Secured income	241	217
Liability driven investment	2,110	2,215
Net current assets	27	12
	6,359	6,057



25. Pensions continued

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Key assumptions

	2020 % per annum	2019 % per annum
Discount rate	2.38	2.30
Inflation (RPI)	2.63	3.30
Inflation (CPI)	1.63	2.30
Salary growth	2.63	3.30
Allowance for commutation of pension for cash at retirement (% of maximum allowance)	75%	75%

The mortality assumptions adopted at 31 March 2020 imply the following life expectancies:

	Life expectancy at age 65 Years
Male retiring in 2020	21.5
Female retiring in 2020	23.3
Male retiring in 2040	22.9
Female retiring in 2040	24.5

The effect of changes in principal actuarial assumptions

The following table presents a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would have been affected by changes in the relevant actuarial assumption that were reasonably possible at the reporting date.

Assumption	Plus	Estimated increase/(decrease) to liability(£000)	Minus	Estimated increase/(decrease) to liability(£000)
Discount rate	0.1%	(140)	0.1%	143
RPI	0.1%	107	0.1%	(100)
CPI	0.1%	107	0.1%	(100)
Salary	0.1%	8	0.1%	(8)
Age of member	1 year	241	1 year	(233)

26. Related party transactions

T.H.F.C. (Services) Limited, a subsidiary undertaking, levies a service charge to THFC and its subsidiaries for management services provided during the year. The fee is levied in accordance with a management services agreement between T.H.F.C. (Services) Limited, THFC and each subsidiary. Each entity will settle the charge in cash as and when required by THFCS. The total service charge payable by THFC to THFCS during the year ended 31 March 2020 was £2,669,264 (2019: £3,133,703).

The amount due to THFCS at 31 March 2020 was £74,391 (2019: £422,544).

The group provides administrative services to the following related companies under management agreements:

Haven Funding Plc
Haven Funding (32) Plc
Harbour Funding Plc
Sunderland (SHG) Finance Plc
T.H.F.C. (Funding No. 1) Plc
T.H.F.C. (Funding No. 2) Plc
T.H.F.C. (Funding No. 3) Plc

The group earned fees of £151,828 (2019: £146,418) for providing these services and had amounts owing from/(due to) these companies at 31 March 2020 of £923 (2019: £2,956). Certain directors of THFC are also directors of these companies.

Details of key management compensation relating to the group's directors are included in note 6 to the financial statements.

During the year, THFC received a cash dividend from THFCS of £2,000,000.



Total loan balances due to T.H.F.C. (Funding No.1) Plc, T.H.F.C. (Funding No.2) Plc and T.H.F.C. (Funding No.3) Plc are disclosed in note 15.

Total interest charged by these companies was as follows:

	2020 £	2019 £
T.H.F.C. (Funding No.1) Plc	£12,087,283	£12,054,258
T.H.F.C. (Funding No.2) Plc	£23,613,493	£23,548,975
T.H.F.C. (Funding No.3) Plc	£47,658,174	£42,937,006

27. Sinking funds and reserve funds

Under certain circumstances, an element of the security for loans made to housing associations can be cash. In those circumstances, the group holds the cash security as trustee on behalf of the housing association borrower. Generally this occurs on loans which are drawn down prior to the completion of property security and for a period of time whilst property security is put in place. Throughout the life of a loan, cash can also be held on trust to cover the period between the release of a property from charge and a substitute property being found.

Under certain loan agreements borrowers are required to maintain a debt service reserve equivalent to one year's worth of interest for the life of the loan. This is held on trust on behalf of the borrower in an Interest Service Reserve Fund or Liquidity Reserve Fund ("reserve funds").

In each case the trust and security arrangements are documented by a Sinking Fund Trust Deed or Interest Service Reserve/Liquidity Reserve Fund Trust Deed between the borrower, the group (as lender) and the group (as Trustee).

Cash flows relating to sinking funds and reserves funds are processed separately from the group's own funds and invested only as directed by the borrower. Funds held by the group as Trustee at 31 March 2020 amounted to £98.5m (2019: £186.2m) for sinking fund balances and £198.8m (2019: £200.6m) for reserve funds balances.

28. Adoption of IFRS 16

IFRS 16 eliminates the classification for lessees of leases as operating leases or finance leases and treats all in a similar way to finance leases. It replaced IAS 17 Leases and related interpretations.

Explanation of changes in accounting policies

The details of the new accounting policies and the nature of the changes to previous accounting policies in relation to the group's goods and services are set out below:

Type of lease	New accounting policy	Nature of change in accounting policy
Long-term property and vehicle leases	Liabilities for such leases are recognised and measured at the present value of the remaining lease payments. For new leases these are discounted using the rate implicit in the lease when readily determinable, for other leases, including those at transition, these are discounted using the incremental borrowing rate ("IBR") relevant for the lease. The weighted average IBR applied to leases at 1 April 2019 was 2.505%. A right of use asset has been recognised using the cumulative catch-up approach.	Under IAS 17, such lease payments were recognised on a straight line basis over the lease term and the leases were effectively 'off balance sheet'.
Short-term and low value leases	A practical expedient offered by IFRS 16 has been applied to not recognise a lease liability and right of use asset for such leases but to recognise payments on a straight-line basis over the lease term. Such leases are considered to either have a lease term of no more than 12 months or an underlying asset value of no more than £5,000.	IFRS 16 did not have a significant impact on the group's accounting policies.



28. Adoption of IFRS 16 continued

Effect of adopting IFRS 16

The group has adopted IFRS 16 using the cumulative catch-up method (including appropriate practical expedients), with the effect of applying this standard at the date of initial application (i.e. 1 April 2019). Accordingly, the information presented for 2019 has not been restated – i.e. it is presented as previously reported under IAS 17 and related interpretations.

The change in policy for the recognition of long-term properties and vehicle leases as described above on transition to IFRS at 1 April 2019 had £nil impact on retained earnings.

Measurement of lease liability

	£000
Operating lease commitments disclosed at 31 March 2019	1,031
Additional lease commitments*	644
Discounted using the incremental borrowing rate at 1 April 2019	(204)
Less: Short-term and low value leases recognised as an expense	(11)
Less: Long-term leases which end within 2020 accounted for as short-term leases	(87)
Lease liability recognised at 1 April 2019	1,373

*Under IFRS 16, the lease liability reflects the full life of the lease as management do not currently intend to make use of any break clauses, whereas under the previous standard the minimum commitment was disclosed.

29. Event after balance sheet date

On 1 April 2020 a borrower in T.H.F.C. (First Variable) Limited prepaid the outstanding balance of their loan in the sum of £0.4m.

On 20 May 2020 a further issue of secured medium-term notes, with a nominal value of £125m, was made through BLEND Funding Plc to finance further loans to borrowers.

On 26 May 2020 the sole borrower in T.H.F.C. (Capital) Plc (THFCC) prepaid the entire principal outstanding of their loan funded through THFCC by the European Investment Bank in the sum of 76.2m. This was financed by an increase in the facility with Royal Bank of Scotland which is also funded through THFCC.

On 6 July 2020 a sale of retained bonds, with a nominal value of £4.5m, was made through Funding No. 3.



Five Year Financial Record

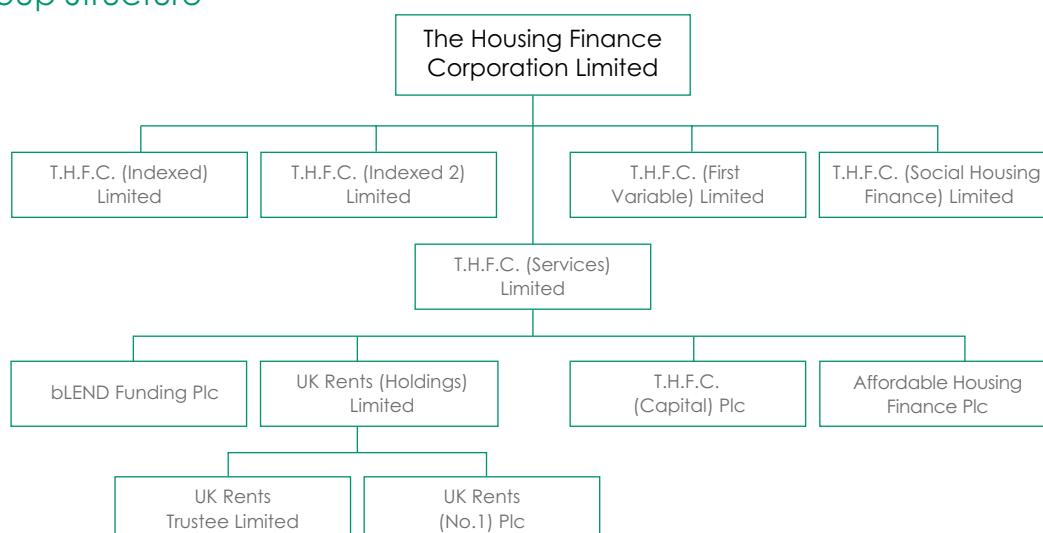
Excluding loan interest and similar items

Year to 31 March	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000
Fees	7,945	9,859	11,000	10,021	7,894
Investment income	283	242	220	354	456
Other income	193	187	204	199	205
Interest margin	1	24	38	21	10
Total revenues (after interest expense off-set)	8,422	10,312	11,462	10,595	8,565
Staff costs	2,269	2,403	2,321	2,531	2,169
Other pension costs	488	42	22	152	-
Non-executive directors costs	175	211	206	247	300
Legal/trustees and registrars	345	395	354	345	322
Premises	202	189	190	224	434
Other	822	936	1,261	1,287	1,953
Total operating expenses	4,301	4,176	4,354	4,786	5,178
Surplus before tax	4,121	6,136	7,108	5,809	3,387
Other comprehensive income	-	-	-	(1,163)	1,122
Tax	(832)	(1,238)	(1,358)	(1,111)	(905)
Surplus after tax	3,289	4,898	5,750	3,535	3,604
Accumulated reserves	23,916	28,814	34,564	38,099	41,703
	£m	£m	£m	£m	£m
Loans outstanding	5,087	5,885	6,991	7,333	7,456
	%	%	%	%	%
Ratio of operating expenses to loan book	0.08	0.07	0.06	0.06	0.07

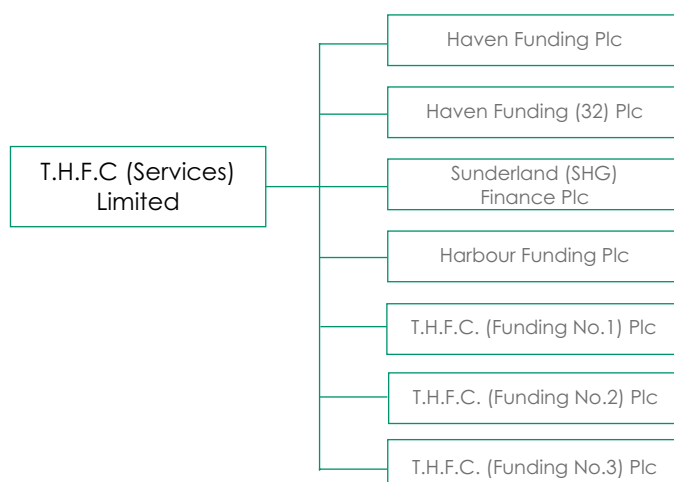
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THFC Group Structure



THFC Related Companies



	Haven Funding Plc	Haven Funding (32) Plc	Harbour Funding Plc	Sunderland (SHG) Finance Plc	T.H.F.C (Funding No.1) Plc	T.H.F.C (Funding No.2) Plc	T.H.F.C (Funding No.3) Plc
Business Activity	Nominal Value £241,208,755 Issue Date 11.03.97 Quoted Eurobonds, proceeds on-lent to 9 borrowers	Nominal Value £67,600,000 Issue Date 12.02.98 Quoted Eurobonds, proceeds on-lent to 6 borrowers	Nominal Value £206,336,361 Issue Date 28.08.03 Quoted Eurobonds, proceeds on-lent to 3 borrowers	Nominal Value £212,802,000 Issue Date 27.06.01 Quoted Eurobonds, dedicated issue to Gentoo Group on-lent via THFC (Capital) Plc	Nominal Value £235,205,000 Issue Date 21.12.04 Quoted Eurobonds, proceeds on-lent to 16 borrowers via THFC	Nominal Value £370,850,000 Issue Date 08.07.09 Quoted Eurobonds, proceeds on-lent to 19 borrowers via THFC	Nominal Value £1,015,300,000 Issue Date 11.10.11 Quoted Eurobonds, proceeds on-lent to 58 borrowers via THFC
Management Activity	Company Secretariat Finance function Administration Credit monitoring	Company Secretariat Finance function Administration Credit monitoring	Company Secretariat Finance function Administration Credit monitoring	Company Secretariat Finance function Administration	Company Secretariat Finance function Administration	Company Secretariat Finance function Administration	Company Secretariat Finance function Administration

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T.H.F.C (Services) Limited provides management services to all the above companies.



The Housing Finance Corporation Limited
A Registered society under the Co-operative and
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