AFFORDABLE HOUSING FINANCE PLC

Annual Report and Financial Statements

For the year ended 31 March 2015

AFFORDABLE HOUSING FINANCE PLC

Annual Report and Financial Statements for the year ended 31 March 2015

Contents

Page:

Directors

Charlie Arbuthnot
Colin Burke
Fenella Edge
Keith Exford
Peter Impey
David Orr
John Parker
Gill Payne
Ian Peacock
Will Perry
Deborah Shackleton
Piers Williamson

Company Secretary

Colin Burke

Registered Office

4th Floor
107 Cannon Street
London
EC4N 5AF

Company Number

08434613

Independent Auditors

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

We are pleased to report that the first full financial year of trading for Affordable Housing Finance Plc has proved a highly successful one with £634.5m of loans drawn at the year-end out of committed facilities of £975.8m. Much of this funding was delivered to the 34 borrowers at record low costs in the sector's 28 year history of borrowing private finance.

The Company has an exclusive licence with the Secretary of State for Communities and Local Government (DCLG) to issue long term debt with the benefit of a full faith Government Guarantee, up to a principal sum of £3.5bn under the Affordable Homes Guarantee Scheme (AHGS). Following an extension of the licence period, the Company can apply for guarantees until 31 March 2016. Funding to date has come from two principal sources: The European Investment Bank ("EIB") and the UK Sterling Capital Markets.

The purpose of the AHGS is to promote incremental affordable housing supply. Although the Government has promoted a number of Guarantee schemes in areas such as infrastructure and small businesses, the combination of perceived low risk and quick delivery have made the AHGS appear a comparative success. Credit approvals stood at £1.26bn at the year end, while drawn loan balances were £634.5m. The difference reflects the availability period of the £500m EIB facility extending to September 2015, along with a small number of loans in the course of negotiation at year end.

2014/15 represents the first full year of the growth of the AHF portfolio. The £500m EIB long term facility was substantially placed in the year. It also saw the rapid growth of AHF's 28 year bond. The £208m original issue, rated 'AAA' by Standard & Poor's, came to market via lead managers Royal Bank of Scotland and Royal Bank of Canada in May 2014. With the addition of a third lead manager, HSBC, during the year it grew relatively quickly through two tap transactions, to stand at £600.9m by year end. This is the largest bond relating to the funding of housing associations and has recently been designated Class B eligible collateral for discount in the Bank of England's various market operations and facilities ('Repo eligibility'). This is the first time to our knowledge that a housing association-related public bond has received this designation.

Throughout the period of issuance in 2014/2015 the credit spread of the bond tightened from Gilts + 0.37% to Gilts +0.32%, indicating the market's value of the structural integrity of AHF and the Guarantee. At launch the bonds were sold principally to a wide variety of UK Institutional Insurance and Investment funds. It is also interesting to note that as the bond has grown to in excess of £500m, sovereign wealth funds have also begun to invest.

The all-in cost of funding via the AHF bond dipped below 3% in its March 2015 tap, representing a significantly lower cost of funding than that available for direct issuance by any housing association. Comparable issues by single housing associations in the two weeks either side of AHF's issuance were in the region of 0.7% p.a. higher in cost. AHF funding represents the lowest cost form of long-term funding in the sector's history of accessing private finance, helping mitigate lower capital grants now available. Increased recent interest in borrowing under the programme is evidence that housing associations are starting to appreciate this lower cost differential.

The majority of housing associations applying to borrow from AHF are English, but the AHGS is a UK scheme and two Scottish and two Welsh borrowers were funded during the year; the former £18.7m and the latter £35m of the portfolio. In England, the spread of the portfolio was national. To borrow under the AHGS, each housing association is required to put forward suitable development sites, investment in which has to accord with the AHGS scheme rules. Loans have been completed for investment in incremental supply of affordable homes in locations as diverse as Darlington, Bradford, Rhyll, Glasgow, Cambridge and Croydon.

In order for borrowers to access the AHGS they undergo a comprehensive credit evaluation process and T.H.F.C (Services) Limited (who provides all staff to the Company under a management Services Agreement) has increased its specialist credit staff in the year, to both underwrite new credit and monitor the growing portfolio over the life of the loans.

For the year ended 31 March 2015 the company made a pre-tax surplus of £1.84m being its 50% share of EIB arrangement fees and a small amount of investment income.

On behalf of the Board, we would like to pay tribute to the hard work of the entire management team throughout the year, growing AHF from concept to being a benchmark issuer of the most cost-effective wholesale debt for housing associations in little over a year.

Finally, on behalf of the Board and executive, we would also like to record our sincere thanks to Emma Fraser, a DCLG Representative, who stepped down from the Board in May 2015 and who will be greatly missed for her valued contribution to the Board during her tenure.

Piers Williamson
Chief Executive

Ian Peacock
Chairman

28 July 2015

The directors submit their Directors' Report, Strategic Report and audited financial statements for the year ended 31 March 2015.

RESULTS AND DIVIDEND

Affordable Housing Finance Plc (the "Company") made a profit after tax for the period of £1,454,000 (2014: £218,000). The directors do not propose the payment of a dividend. The Directors consider the position of the Company at the period end to be satisfactory.

PRINCIPAL ACTIVITIES

The Company was incorporated on 7 March 2013. On 19 June 2013, the Secretary of State for Communities and Local Government granted a licence to the Company for the management and delivery of the Affordable Housing Guarantee Scheme, with exclusivity for the period to 31 March 2015.

In accordance with a Management Services Agreement entered into between the Company and T.H.F.C. (Services) Limited, the latter provides staff, premises and other services to the Company to enable it to fulfil its obligations under the Licence.

SHARE CAPITAL AND COMPANY STRUCTURE

Affordable Housing Finance Plc is a public limited company incorporated and domiciled in the United Kingdom. The entire issued share capital of the Company is owned by T.H.F.C. (Services) Limited.

DIRECTORS

The Directors of the Company who served throughout the period and up to the date of signing the financial statements were:

Charlie Arbuthnot	
Colin Burke (executive director)	(appointed 11 November 2014)
Fenella Edge (executive director)	
Keith Exford	
Emma Fraser	(resigned 11 May 2015)
Peter Impey	
David Orr	
John Parker	
Gill Payne	(appointed 11 November 2014)
Ian Peacock	
Will Perry	(appointed 11 November 2014)
Stuart Ropke	(appointed 17 June 2014, resigned 10 October 2014)
Deborah Shackleton	
Jonathan Walters	(resigned 11 November 2014)
Piers Williamson (executive director)	

CORPORATE GOVERNANCE STATEMENT

Introduction

The Company complies with the UK Corporate Governance Code's best practice guidelines where these are relevant to the Company as an entity without a market in its shares. This statement explains key features of the Company's governance structure how it applies the principles set out in the code and the extent to which the company has complied with the provisions of the code.

Board

The Board comprises up to a maximum of thirteen directors. Up to three of these directors may be executive employees of T.H.F.C. (Services) Limited and the remainder non-executive directors, two of whom may be nominated by the Department for Communities and Local Government. All Board service contracts are available for inspection at the registered office.

Senior Non-Executive Director

The Board appoints a Senior Non-Executive Director. The Senior Non-Executive Director is David Orr.

Directors' Independence

All current directors are non-executive with the exception of the Group Chief Executive, the Group Treasurer and the Group Finance Director. All non-executive directors are Independent Directors with the exception of those nominated by DCLG. 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 apart from those disclosed.

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 Articles of Association of the Company.

Meetings

Directors' attendance at Board and Board committee meetings is monitored and reported in the Annual Report. Where a director is unable to attend a meeting he or she was scheduled to attend, the Chairman receives 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 (two non-executive directors) 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 Company, determines investment policies, and 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 has 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 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 control structure and all borrowing loan agreements and the standard form of all lending loan agreements. All key decisions are taken by the Board or its committees. Exceptionally a Board or committee will delegate certain decisions to management within clearly defined parameters which are minuted. However there is no standing delegation to management beyond that required for the day to day running of the business. The roles of Chairman and Group Chief Executive are not fulfilled by the same individual. The Board reviews and approves the Group 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 the company.

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 orally on the proceedings of their committees at the next 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.

Audit Committee

The Audit Committee is a committee of the Board. It comprises a minimum of three non-executive Directors (one of whom must be a DCLG board nominee). The Chairman of the Audit Committee is John Parker.

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.

Members comprise John Parker (Chairman), Charlie Arbuthnot, Keith Exford, Emma Fraser (until her resignation on 11 May 2015) and Will Perry (who replaced Jonathan Walters on 11 November 2014). The Group Chairman attends by invitation. The Group Chief Executive and other senior members of staff attend when required.

Credit Committee

The Credit Committee is a committee of the Board. It comprises a minimum of three non-executive Directors (one of whom must be a DCLG board nominee) appointed by the Board together with the Chief Executive, Group Treasurer and the Credit and Risk Director. The Chairman of Credit Committee is David Orr.

The Credit Committee is primarily responsible for the assessment of individual credit propositions for recommendation for guaranteed funding and reports periodically to the Board to administer a risk management process and evaluate individual credits.

Members comprise David Orr (Chairman), Charlie Arbuthnot, Peter Impey, John Parker, Gill Payne (who replaced Stuart Ropke on 11 November 2014), Ian Peacock and Deborah Shackleton as non-executive Directors and Piers Williamson, Fenella Edge and David Stokes, Group Chief Executive, Group Treasurer and Group Credit and Risk Director respectively of The Housing Finance Corporation Limited, the Company's ultimate parent undertaking.

Training and Development

New non-executive directors are provided with a tailored induction shortly after their appointment. 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. 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 Company'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 Company 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 with performance is monitored;
- the formulation of policies and of approval procedures in key areas such as a 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 a sufficient income to offset the operating costs. Regular reports on these risks are made to the Board.

The system of internal control is provided and managed by T.H.F.C. (Services) Limited, the Company's holding company, under the terms of a Management Services Agreement.

Internal Audit

KPMG fulfil the internal audit function and undertake periodic reviews in line with a programme of reviews determined by the Audit Committee. Reports are issued to the Chair of the Audit Committee. This role was previously undertaken by Smith & Williamson until their appointment as external auditors in October 2014.

Continuing Resources

After making enquiries, the Directors form a judgment at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Senior Management

The senior management provided to the Company comprise the Group Chief Executive, Group Treasurer, Group Finance Director and Company Secretary and the Group Credit and Risk Director. The Group Chief Executive has defined powers of authority and responsibility which are delegated to him and reviewed annually by the Board. The Group Company Secretary is responsible for ensuring that Board procedures are followed.

Non-executive Directors' Remuneration

Non-executive directors' remuneration is established by the Board in the light of periodic advice from advisers. Fees are paid to non-executive Directors except that the fees payable to the DCLG board nominee are remitted either to their employer or, at the direction of the Guarantor, directly to the DCLG board nominee. The fees of the non-executive Directors are reviewed annually by the board. The non-executive Directors do not receive any pension benefits, bonuses or benefits-in- kind.

The services of executive directors are provided by T.H.F.C. (Services) Limited in accordance with a Management Services Agreement. Remuneration is determined by the board of The Housing Finance Corporation Limited and paid by T.H.F.C. (Services) Limited.

Shareholder

The sole shareholder of the Company is T.H.F.C. (Services) Limited a subsidiary of the Ultimate Parent, The Housing Finance Corporation Limited.

Financial Risk Management

The Board is responsible for approving the Company'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 process 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 Company derives income from three principal sources; arrangement fees on new lending, annual fees accruing on the existing loan book and investment income on any cash balances. Annual fees receivable and payable are contractual and subject to indexation using the Consumer Prices Index. Any investment income is subject to interest rate risk.

The Company's transactions are structured such that all costs are at least covered by matching income.

Risk Management Structure

The Board is ultimately responsible for reviewing and managing all risks facing the Company. 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.

Independent Auditors

Nexia Smith & Williamson Audit Limited have been engaged by the Board as auditors of the Company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each Director in office at the date the Directors' report is approved:

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

This report was approved by the Board of Directors and signed on its behalf by:

Colin Burke
Company Secretary
28 July 2015

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The Company has fulfilled its obligations under the terms of the Licence with the Secretary of State for Communities and Local Goverment and expects to do so for the forseeable future.

The Company raises debt for the purpose of on lending to housing associations in England, Wales, Scotland and Northern Ireland for the development of new affordable housing which meets the eligibility criteria set out in the rules of the Affordable Homes Guarantee Scheme. As set out in the Licence, the Secretary of State for Communities and Local Government guarantees the payment obligations of the Company in respect of debt raised under the Affordable Homes Guarantee Scheme. It also guarantees the payment obligations of each Approved Borrower to the Company pursuant to their respective Loan Agreements.

On 20 December 2013 the Company signed a £500m credit facility with the European Investment Bank with an availability period expiring on 30 September 2015. During the year £67.1m of this facility was drawn and the proceeds on-lent to borrowers.

On 30 May 2014 the Company made an initial issue of £208.4m of guaranteed secured bonds. Further issues amounting to a nominal value of £392.5m were made during the year as outlined in Note 13. The total value of guaranteed secured bonds in issue at 31 March 2015 was £600.9m, of which £33.5m were retained bonds held by the Company.

The proceeds of the bank borrowings and bonds were on lent to the housing associations noted below:

Adactus Housing Association Limited
Coastline Housing Association
Colne Housing Society Limited
Devon & Cornwall Housing Limited
English Rural Housing Association
Family Mosaic Housing
Festival Housing Group
First Wessex
Gateway Housing Association Limited
Great Places Housing Association Limited
Grwp Cynefin
Hexagon Housing Association Limited
Home Group Limited
Home (Scotland) Limited
Hundred Houses Society
Mount Green Housing Association Limited
Network Stadium Housing Association Limited
New Gorbals Housing Association Limited
North Devon Homes Limited
Nottingham Community Housing Association Limted
Orwell Housing Association
Paradigm Homes Charitable Housing Association Limited
Railway Housing Association
Riverside Group Limited
Selwood Housing
Sentinel Housing Association
Shepherds Bush Housing Association
Stonewater Limited
Stonewater (3) Limited

Thames Valley Charitable Housing Association Limited
Three Rivers Housing Association
Wales and West Housing Association Limted
Westcountry Housing Association Limted
Worcester Community Housing

Since 31 March 2015 retained bonds were sold on 22 April 2015 and on 6 May 2015 to a nominal value of £5m on each occasion to fund further loans to borrowers.

Obligations of the Company and borrowers under both transactions are guaranteed by the Secretary of State for Communities and Local Goverment.

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

FINANCIAL RISK MANAGEMENT

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

This report was approved by the Board of Directors and signed on its behalf by:

Colin Burke
Company Secretary
28 July 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AFFORDABLE HOUSING FINANCE PLC
Year ended 31 March 2015

We have audited the financial statements of Affordable Housing Finance Plc for the year ended 31 March 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related Notes 1 to 23. 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.

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

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 7-8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Nexia Smith & Williamson

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

25 Moorgate
London
EC2R 6AY

31 July 2015

AFFORDABLE HOUSING FINANCE PLC

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2015

	Note	2015 £000	56 weeks to 31 March 2014 £000
OPERATING INCOME			
Interest receivable	4	**13,367**	-
Fees receivable and other income		**5,102**	567
		18,469	567
OPERATING EXPENDITURE			
Interest payable	5	**13,367**	-
Operating expenses	6	**3,261**	(284)
		16,628	(284)
PROFIT BEFORE TAXATION	7	**1,841**	283
Taxation	10	**(387)**	(65)
Profit after taxation		**1,454**	218
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		**1,454**	218

AFFORDABLE HOUSING FINANCE PLC

STATEMENT OF FINANCIAL POSITION
As at 31 March 2015

ASSETS	Note	2015 £000	56 weeks to 31 March 2014 £000
Non-Current assets			
Loans to borrowers	11	**679,872**	-
Current assets			
Other receivables	12	**7,451**	456
Cash and cash equivalents		**4,173**	21
TOTAL ASSETS		691,496	477
EQUITY AND LIABILITIES			
Non-Current liabilities			
Financial liabilities – Guaranteed Secured Bonds and bank borrowings	13	**679,872**	-
Current liabilities			
Other payables	14	**9,785**	181
Current tax liabilities		**154**	65
TOTAL LIABILITIES		689,811	246
EQUITY			
Share capital	15	**13**	13
Retained earnings	16	**1,672**	218
TOTAL EQUITY		1,685	231
TOTAL EQUITY AND LIABILITIES		691,496	477

The accompanying notes on pages 16-28 are an integral part of these financial statements.

These financial statements on pages 12-28 were approved by the board and signed on its behalf by:

Ian Peacock
Chairman
28 July 2015

AFFORDABLE HOUSING FINANCE PLC

STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2015

	Share Capital £000	Retained Earnings £000	Total Equity £000
Balance as at 1 April 2014	**13**	**218**	**231**
Shares issued in period	-	-	-
Profit for period	-	**1,454**	**1,454**
Other comprehensive income	-	-	-
Balance as at 31 March 2015	13	**1,672**	**1,685**

	Share Capital £000	Retained Earnings £000	Total Equity £000
Balance as at 7 March 2013	-	-	-
Shares issued in period	13	-	13
Profit for period	-	218	218
Other comprehensive income	-	-	-
Balance as at 31 March 2014	13	218	231

AFFORDABLE HOUSING FINANCE PLC

STATEMENT OF CASH FLOWS
Year ended 31 March 2015

NET CASH FLOW FROM OPERATING ACTIVITIES	Note	2015 £000	56 weeks to 31 March 2014 £000
Cash generated from operations	18	**2,014**	8
Interest paid on borrowings		**(5,671)**	-
Interest received on loans		**7,809**	-
Loans advanced		**(681,161)**	-
NET CASH INFLOW (USED IN)/ GENERATED FROM OPERATING ACTIVITIES		**(677,009)**	8
CASH FLOW FROM FINANCING ACTIVITIES			
Net proceeds from issue of bonds and bank loans		**681,161**	-
Issue of share capital		-	13
NET CASH GENERATED FROM FINANCING ACTIVITIES		**681,161**	13
NET INCREASE IN CASH AND CASH EQUIVALENTS IN THE PERIOD		**4,152**	21
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**21**	-
CASH AND CASH EQUIVALENTS AT 31 MARCH		**4,173**	21

1. GENERAL INFORMATION

Affordable Housing Finance Plc (the "Company") provides finance to housing associations ("HAs") registered under The Housing Act 1996. The Company is a public limited company which raises funding through issuing Secured Bonds listed on the London Stock Exchange and raising bank funding. It is incorporated and domiciled in the United Kingdom.

On occasions the Company retains a certain number of bonds from a particular issue of Secured Bonds. The retained bonds are held at par on the Company's balance sheet and netted off the total amount of bonds outstanding until such time as a HA (on whose behalf the bonds have been retained) requests the release of the bonds into the market to fund further loans.

2. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements of the Company are set out below.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and, as regards the financial statements, applied in accordance with the provisions of the Companies Act 2006. The financial statements have been prepared under the historical cost convention. A summary of the more important accounting policies is set out below.

Changes in accounting policies and disclosures

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

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

- IAS 32 Offsetting Financial Assets and Financial Liabilities: The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'.

The adoption of IAS 32 has not had a material impact on the reported results or financial position of the Company and has not given rise to any additional disclosure requirements.

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

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

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

At the date of authorisation of these financial statements, the following new and amended Standards and Interpretations are in issue but not yet mandatorily effective and are expected to have a material effect on the financial statements of the Company when they are adopted:

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

- Annual improvements to IFRSs 2012-2014 cycle (Effective 1 January 2016, not yet endorsed by EU): 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:

    - IFRS 7 Financial Instruments: Disclosures - Servicing Contracts and applicability of the amendments to IFRS 7 to condensed interim financial statements;
    - IFRS 13 Fair Value Measurement – scope of portfolio exceptions.

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

Critical Accounting Judgements

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

The principal accounting policies adopted in the preparation of these financial statements, which have been applied consistently, are set out below.

Interest

Interest receivable on loans to borrowers and interest payable on the secured bonds and bank loans is accounted for using the effective interest rate method. Any premium/discount on issue is added to/deducted from the original loan amount or Secured Bonds nominal value using the effective interest rate method and charged/credited to the statement of comprehensive income over the expected life of the loan or bonds so that the interest receivable and payable, as adjusted for the amortisation of premiums/discounts, gives a constant yield to maturity.

Fees receivable

Fees receivable are recognised on an effective interest rate basis except for front-end fees that are not considered to form an integral part of the effective interest rate and are therefore taken to income when earned. Fees for services are recognised as the service is provided.

Taxation

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

Cash and cash equivalents

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

Loans to borrowers ("Loans")

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

Secured Bonds and bank loans

Secured Bonds and bank loans are stated at amortised cost.

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

Netting

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

Fair Values

The fair value of a financial instrument is the amount 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. The Company has no instruments classified in Level 3 (2013: none).

The Company's Secured Bonds are tradable and the markets are considered to be active and the Secured Bonds are therefore classified Level 1. Accordingly quoted market prices at, or close to, the balance sheet date have been used to evaluate the fair value of the Secured Bonds. The fair value of the associated fixed rate loan to THFC is based on the same quoted market price on the basis that the Standard and Poor's credit rating of the Company is dependent on that of THFC.

Segmental Analysis

All operating income and expenditure is derived from activities undertaken in the United Kingdom. The Company's only activity is to provide finance to HAs. Other relevant segmental information is given in Note 22.

3. FINANCIAL RISK MANAGEMENT

The Company's operations and debt financing expose it to a variety of potential financial risks including interest rate risk, credit risk, liquidity risk, fair value and market price risk and currency risk. Credit risk and liquidity risk are ultimately mitigated by the existence of the guarantee from DCLG but are none-the-less monitored and controlled with all other risks as set out below:

Credit risk

The Company faces credit risk on its loans which are subject to the collateral arrangements described below.

The Company's primary risk is the failure of one of its borrowers to pay principal or interest in a full and timely manner. The Company has implemented policies that require periodic credit assessment of each of its borrowers as well as monitoring of the adequacy of underlying collateral. Credit monitoring includes an estimate of the probability of default of and the extent of loss, given default.

The Company only makes loans to housing associations registered with, and regulated, by the Homes and Communities Agency (or other relevant authority for housing associations outside England) for the purposes of funding affordable housing within the rules of the Affordable Homes Guarantee Scheme. The Homes and Communities Agency in England has a range of statutory powers as set out in chapter 6 of Housing and Regeneration Act 2008 as amended by the Localism Act 2011. These include enforcement powers and the ability to call a moratorium in certain circumstances.

The obligations of the Company, and those of its borrowers, under any debt raised are ultimately guaranteed by the Department for Communities and Local Government.

The carrying value of the loans represents the maximum exposure to credit risk. None of the loans are past due or impaired at 31 March 2015 (2014: None).

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

Collateral arrangements

AHF has granted security to investors in the Company in the form of a floating charge over its undertaking, property and assets. Its assets are primarily its secured loans to housing associations and some accumulated reserves. All floating charges granted by the Company to secure borrowings are ranked pari passu.

Borrowers from the Company create a first fixed charge in favour of the Company as security for their loans from the Company. All of the Company's assets, including the loans to the borrowers and the security granted in respect of its assets are pooled rather than being allocated to specific liabilities of the Company. As such the obligations to the investors are indirectly secured by the properties owned by the borrowing associations. As the investors are secured by a floating charge on the whole of the Company's pooled undertakings it is not practical or cost effective to obtain a measure of the book or fair value of this collateral.

The Company is required to obtain a charge over property of the borrowers which, at all times during the life of each loan, covers at least 105% of the outstanding loan balance and generate net rental income of at least 100% of interest payable on the loan. Formal property valuations of the specific security are undertaken at least every five years. The range of borrowing associations assists in diversification of the credit risks faced by the Company. All borrowers are subject to external regulation by the relevant Regulator.

Law Debenture Trust Corporation p.l.c. acts as Trustee on behalf of the secured bondholders under the terms of a Trust Deed and has the benefit of a floating charge over the all the assets of the Company.

Liquidity risk

To mitigate liquidity risk the Company collects interest and capital repayments from borrowers 8 business days prior to the scheduled date of payment to investors/lenders. Additionally all borrowers are required to maintain a Liquidity Reserve Fund with AHF, amounting to a minimum of one year's worth of interest that can be drawn upon in the event of a late payment.

The Company has cash reserves that are held on term deposit to provide liquidity in the event of a late payment from a borrower. The Company is able to arrange appropriate overdraft facilities to cover short-term timing differences should they arise.

There is a two year maturity mis-match between expected and legal maturity of the Secured Bonds. This means if a borrower has insufficient funds to repay the principal amount outstanding on its loan on the expected maturity date then repayment of the loan and bond will be postponed to the legal maturity date.

Interest is receivable half yearly in arrears. The maturity profile of liabilities is given in Note 12.

Interest rate risk

The Company issues debt and raises bank funding and on lends funds on an identical maturity, interest and repayment profile thus ensuring that no mis-match risk is taken in interest rate movements.

The Company is subject to interest rate risk on its investment income arising on its surplus cash balances but this is not regarded as significant.

Fair value risk and market price risk

There is a gross fair value risk on the loans and related bonds and bank loan but there is no net risk. Market price risk is not expected to impact on the Company because (i) the loans and borrowings are held at amortised cost in the financial statements and (ii) the Company expects to hold them until maturity.

Currency risk

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

Operational Risk

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

4. INTEREST RECEIVABLE

	2015 £000	56 weeks to 31 March 2014 £000
On loans to borrowers	**13,562**	-
Amortisation of net premium	**(194)**	-
	13,368	-

5. INTEREST PAYABLE

	2015 £000	56 weeks to 31 March 2014 £000
On Guaranteed Secured Bonds and bank loans	**13,562**	-
Amortisation of net premium	**(194)**	-
	13,368	-

6. OPERATING EXPENSES

Operating expenses comprise directors fees, professional fees and fees payable to T.H.F.C. (Services) Limited under the terms of a management services agreement.

7. PROFIT BEFORE TAXATION

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

	2015 £000	56 weeks to 31 March 2014 £000
Fees paid to auditors for:		
Annual audit of financial statements – current period	25	21
- prior period	-	-
	25	21

8. EMPLOYEES

There were no employees during the period other than the Directors.

9. DIRECTORS REMUNERATION

	2015 £000	56 weeks to 31 March 2014 £000
Non-executive directors:	56	21

The fees of the Chairman were £6,048 (2014:£3,281). Each other non-executive director earned fees of between £3,336 and £6,448 per annum (2014:£3,281). All directors' fees were borne by the Company except for the three executive directors who are employed and paid by the immediate parent T.H.F.C. (Services) Limited.

Fees of £17,480 (2014: £8,750) in respect of three non-executive directors were paid to those directors' employers.

No pension contributions were made by the Company in respect of directors. There are no long-term incentive schemes.

10. TAXATION

	2015 £000	56 weeks to 31 March 2014 £000
UK Corporation tax at 21% (2014: 23%)	387	65

The effective tax rate for the period of 21% (2014: 23%) is the same as the standard rate of corporation tax.

11. LOANS TO BORROWERS

	2015 £000	56 weeks to 31 March 2014 £000
Nominal amount in issue at beginning of year	-	-
Unamortised premium at beginning of year	-	-
Loans issued in year	668,000	-
Less retained at end of year	(33,500)	-
	634,500	-
Premium on issue	46,661	-
Premium amortised for the year	(194)	-
Amortised cost at end of year	680,967	-
Premium due within one year	(1,095)	-
Non-current amortised cost	679,872	-

Details of security are set out in Note 3.

12. OTHER RECEIVABLES

	2015 £000	56 weeks to 31 March 2014 £000
Net premium on loans due within one year	1,095	-
Interest receivable	5,752	-
Recoverable issue costs	604	456
	7,451	456

13. FINANCIAL LIABILITIES

	2015 £000	56 weeks to 31 March 2014 £000
3.8% Guaranteed Secured Bonds 2042/44		
Nominal amount in issue at beginning of year	-	-
Unamortised premium at beginning of year	-	-
Bonds issued in year	**600,900**	-
Less retained at end of year	**(33,500)**	-
	567,400	-
Premium on issue of Bonds	**46,661**	-
Premium amortised	**(194)**	-
Amortised cost at end of year	**613,867**	-
Less: premium due within one year	**(1,095)**	-
Amount due after more than one year	**612,772**	-
Bank borrowings		
At beginning of year	-	-
Bank borrowings in the year	**67,100**	-
At end of period	**67,100**	-
Less: falling due within one year	-	-
Amount due after more than one year	**67,100**	-
Total falling due after more than one year	**679,872**	-

Details of security are set out in Note 3.

The 3.8% Guaranteed Secured Bonds are listed and repayable 2042/44 and were issued in the following tranches.

	Nominal Value initially issued £	**Retained by Company £**	**Nominal Value £**	**Premium/ (Discount) £**
30 May 2014	208,400,000	-	208,400,000	1,292,080
6 November 2014	198,500,000	15,000,000	183,500,000	16,478,300
17 March 2015	194,000,000	18,500,000	175,500,000	28,890,810
	600,900,000	**33,500,000**	**567,400,000**	**46,661,190**

A sale of retained bonds was made on 22 April 2015 of £5,000,000 nominal with premium of £1,161,000 and a further sale of retained bonds was made on 6 May 2015 of £5,000,000 nominal with premium of £967,750.

The bank borrowings comprise of a facility totalling £500m provided by the European Investment Bank, of which £67,100,000 has been drawn. The remaining amount of £432,900,000 is to be drawn by 30th September 2015 under the terms of the finance contract.

The interest rates on the bank borrowings are fixed and between the range 2.225% and 3.290%.

14. OTHER PAYABLES

	2015 £000	56 weeks to 31 March 2014 £000
Net premium on Secured Bonds due within one year	**1,095**	-
Interest payable	**7,890**	-
Intra-group payables	**695**	140
Other payables	**105**	41
	9,785	181

15. SHARE CAPITAL

	2015 £000	56 weeks to 31 March 2014 £000
Allotted, called up and quarter paid		
50,000 (2014:50,000) ordinary shares of £1 each	13	13
	13	13

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

16. RETAINED EARNINGS

	2015 £000	56 weeks to 31 March 2014 £000
Opening reserves	**218**	-
Total comprehensive income for the year	1,454	218
Closing reserves	1,672	218

17. CONTRACTUAL CASH FLOWS

2015	Due within one year	Due within one to two years	Due within two to five years	Due in over five years	Total 2015
	£	£	£	£	£
Principal	-	-	-	634,500,000	634,500,000
Interest	21,452,028	23,610,760	70,832,280	515,358,011	631,253,079
Total	21,452,028	23,610,760	70,832,280	1,149,858,011	1,265,753,079

18. RECONCILIATION OF PROFIT TO NET CASH USED IN OPERATIONS

	2015	56 weeks to 31 March 2014
	£000	£000
Results before taxation	1,841	283
Adjustments for:		
Interest receivable	(13,562)	-
Interest payable	13,562	-
Change in working capital:		
(Increase) in receivables	(148)	(456)
Increase in payables	619	181
Tax paid	(298)	-
Cash generated from operations	2,014	8

19. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's Secured Bonds are tradable and the markets are considered to be active and the Secured Bonds are therefore classified Level 1. Accordingly quoted market prices at, or close to, the balance sheet date have been used to evaluate the fair value of the Secured Bonds (Level 1 valuation). The fair value of the associated fixed rate loans to borrowers is based on the same quoted market price as adjusted to reflect the Company's assessment of the risk premium of the underlying borrower (Level 2 valuation).

The Company's fixed rate bank loans are not tradable but fair values are arrived at using current available market data of loans with similar characteristics (Level 2 valuation).The fair value of the associated loans receivable are adjusted to reflect the Company's assessment of the risk premium of the underlying borrower (Level 2 valuation).

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

	2015	
	Carrying value	**Fair Value**
	£000	**£000**
Financial assets:		
Classified as Loans & Receivables		
Loans to borrower(s)		
Non-current	**679,872**	
Current	**1,095**	
Total	**680,967**	**806,383**
Interest receivable	**5,752**	**5,752**
Other receivable	**604**	**604**
Total financial assets	687,323	812,739
Financial liabilities:		
Classified as Financial Liabilities at Amortised Costs		
Secured Bonds		
Non-current	**679,872**	
Current	**1,095**	
Total	**680,967**	**806,383**
Interest payables	**7,890**	**7,890**
Other payables and accruals	**800**	**800**
Total financial liabilities	689,657	815,073

20. RELATED PARTY TRANSACTIONS

The Company operates the government's Affordable Homes Guarantee Scheme under a Licence awarded by the Secretary of State for Communities and Local Government ("SSDCLG"). The SSDCLG appoints two nominees to the board and receives the director's fees in respect of one nominee. No other fees are payable between the parties.

All administrative services are provided to the Company by T.H.F.C. (Services) Limited ("THFCS"), under a management services agreement. THFCS is the Company's immediate holding company. Management fees payable to THFCS during the period amounted to £3,082,736 (2014:£191,260). The amount due to THFCS as at 31 March 2015 was £683,237 (2014:£139,471).

The directors of THFCS are also directors of the Company. The executive directors are employees of and paid by THFCS.

21. ULTIMATE PARENT UNDERTAKING AND INCORPORATION

The Company's immediate parent undertaking and controlling company is T.H.F.C. (Services) Limited which is incorporated in the United Kingdom and registered in England and Wales. The ultimate parent undertaking is The Housing Finance Corporation Limited ("THFC") which is incorporated in Great Britain and is a registered society under the Co-operative and Community Benefit Societies Act 2014. THFC is the only company to prepare consolidated financial statements which include the Company. The consolidated financial statements of THFC may be obtained from the Company Secretary, The Housing Finance Corporation Limited, 4th floor, 107 Cannon Street, London, EC4N 5AF, the Company's registered office.

22. SEGMENTAL INFORMATION

Details of borrowers whose total interest payable to the Company exceeds 10% of the total interest receivable for the year are given below.

Borrower	**2015**
	%
Home Group Limited	**10**
Family Mosaic Housing Association	**10**
Other borrowers	**80**
	100

23. EVENTS AFTER REPORTING PERIOD

On 22 April and 6 May 2015 retained bonds were sold into the market to finance further loans to borrowers as identified in Note 13.