

THFC

The Housing Finance Corporation Limited
Creating loans for affordable homes



Annual Report and Financial Statements

2015

Highlights

The Housing Finance Corporation (“THFC”) and subsidiaries (“the Group”) is an independent, specialist organisation that makes loans to housing associations that provide affordable housing to tenants throughout the United Kingdom.

The Group funds itself through the issue of bonds to private investors and by borrowing from banks. It acts as an aggregating financial intermediary diversifying risk for those who fund housing associations through the Group and providing standardised loan terms, ease of access to funders and value for money for those housing associations that borrow from the Group.

Unlike banks, the Group does not trade with the objective of distributing profits and does not pay dividends to shareholders. Surpluses are retained in order to support additional lending to housing associations.

£4,155m (2014: £3,368m)
THFC GROUP’S LOAN BOOK

£8,312k (2014: £8,288k)
GROUP TOTAL INCOME*

£5,143k (2014: £4,654k)
GROUP PRE-TAX SURPLUS

28 YEAR 100%
CUSTOMER REPAYMENT RECORD

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

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THFC Core Values

At a time when many banks are retrenching, we believe that THFC has assembled a highly professional team, dedicated to delivering capital markets products to housing associations. Set out below are some of the attributes which make the THFC brand unique.

- Rapid, easy and consistent access to the bond market for our customers
- Excellent investor relationships underpinned by regular dialogue
- A longer, stronger track record than any other sector issuer
- Cost-effective, flexible lending, as and when customers need it at the same low rates at which funds are borrowed
- Easy to work with
- Accessible, candid and transparent in all our dealings
- Delivery of what we promise
- Optimising the financial interests of the sector are key to our own success
- Low risk, simple, robust business model
- Durable, consistent activity, even in times of financial crisis
- Trusted and supported by major institutions
- A+ stable credit rating from S&P consistently for the last 11 years
- Excellent long-term relationships with the UK government, European Investment Bank, Homes and Communities Agency, NHF and other key stakeholders. Our trustworthiness creates new lending opportunities and better terms

Chairman's Statement and Chief Executive's Review

2014/15 has proved a highly successful year for the THFC Group with record debt origination and the first full year of delivery under the Affordable Housing Guarantee Scheme leading to record low costs of financing in the sector's 28 year history of borrowing private finance.

Housing associations are widely acknowledged as one of the most successful public/private partnerships. In the year to March 2014, the sector was responsible for nearly 43,000 social and affordable home completions, equating to 33% of total new build completions in England. According to the Regulation Committee of the Homes and Communities Agency (HCA), at the end of calendar year 2014, the sector had borrowed £62.2bn cumulatively and had a further £12.3bn of undrawn committed funding available. However, THFC estimates that circa 71% of that funding was provided by a group of four banks and one building society who, in the wake of the Global Financial Crisis (GFC), face commercial and regulatory pressure to modify the terms of their lending and/or reduce their commitments.

THFC has competed with these lenders throughout its 28 year history. As a consistent provider of credit to housing associations throughout this period, we believe our reputation for rapid, easy and consistent access to markets, coupled with our excellent investor relationships and conservative lending standards positively differentiate us. Unlike the banks, THFC continues to increase its long term lending to the sector.

As a mutually owned organisation THFC's objectives are at all times to deliver competitively priced lending while at the same time reinvesting its modest surpluses in underpinning its sector-specific analytical resource and growing its own reserves.

2014/15 proved a record year for THFC with its loan book exceeding £4bn for the first time in its history. The portfolio grew to £4.15bn (2014: £3.37bn), including £634.5m of loans at year end advanced by Affordable Housing Finance (AHF) (2014: £Nil). Our Group Surplus after tax was £4.06m (2014: £3.57m). 2014/15 represented AHF's first full year of contribution, generating the majority of new business origination fees. With a high profile programme to deliver, the THFC Board's strategic priority for the year was the growth of the AHF portfolio. At year end AHF had 33 housing association customers, of which 12 were new to the THFC Group. However there were also important contributions in the year from THFC originated European Investment Bank (EIB) completions.

The operating surplus (before arrangement fees) for the business stood at nearly £354k for the year after taking into account expansion of staff numbers to service the AHF contract. With short term interest rates remaining at an all-time low for the sixth consecutive year, the operating surplus continues to be driven principally from increased annual fees from both THFC and AHF customers. We expect the healthy growth in operating surplus to continue in 2015/16.

Affordable Housing Finance Plc

AHF has an exclusive licence with the Department of Communities and Local Government (DCLG) to issue long-term debt up to a principal sum of £3.5bn with the benefit of a full faith Government Guarantee, under the Affordable Homes Guarantee Scheme (AHGS). Following an extension of the licence period, AHF can apply for guarantees until 31 March 2016. Funding to date has come from two principal sources: 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 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 in May 2014 via lead managers Royal Bank of Scotland and Royal Bank of Canada. 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 one of the largest bonds 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 2014/15, 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, Rhyl, Glasgow, Cambridge and Croydon.

In order for borrowers to access the AHGS they undergo a comprehensive credit evaluation process and THFC 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.

THFC Rating

THFC once more retained its 'A+ stable' long term rating from Standard & Poor's (S&P) for the 11th consecutive year. Their rating this year included one degree of linkage to the Sovereign Rating, indicating their recognition of the more strategic role THFC is performing through AHF.

Housing Policy

This report has been written at the outset of the first Conservative Government for 19 years and at a point where the Institute for Fiscal Studies forecasts that the UK structural deficit has been approximately halved to 5% of GDP. Absolute debt issuance by the Debt Management Office is forecast to peak in 2016 at approximately £1.6Tn.

For the last five years the Government's Affordable Homes programme has been delivered utilising proportionally lower grant rates, but with more flexibility permitted to housing associations in their rent levels (up to 80% of market) for both new properties and a proportion of re-lets. In some instances housing associations have also been permitted to sell expensive-to-maintain homes.

Although latest available data shows that housing associations produced circa 43,000 units of social, affordable and shared-ownership properties, housing-need data currently estimates annual required growth (including PRS) of 78,400 sub-market homes. The gap in supply, coupled with higher Affordable Rents has progressively increased the housing benefit bill.

As a consequence of lower capital grants, developing housing associations have in the short term tended to use a higher proportion of debt to finance incremental development, offset by capital receipts from shared ownership and outright sales as well as stair-casing receipts.

The HCA's (Homes and Communities Agency) latest Global Accounts quote a marginal rise in sector gearing amongst the

'traditional' housing associations that make up the majority of THFC's customer base. Average gearing rose from 72.1% to 73.8% between 2012/13 and 2013/14. At the same time, EBITDA MRI interest cover for traditional Housing associations rose from 147.3% to 153.7%, indicating the ability of the sector to service this increased debt – albeit in an environment of continued very low interest rates.

To date, the impact of the principal welfare reforms (the £500 per week benefit cap and removal of the Spare Room subsidy) have been limited when looked at on a sector wide basis. Bad debts have risen marginally to 1% in 2013/14 (0.9% 2012/13) and current tenant arrears are marginally down at 4.7% 2013/14 (4.8% 2012/13). This may reflect the fact that the sector has devoted significant resource to absorbing the likely impact of the introduction of Universal Credit (UC). Welfare and employment advice/support is widely available from housing associations and many offer apprenticeship and training schemes. This coupled with the widespread use of Discretionary Housing Payments (DHPs) have meant that, to date, there has been relatively little financial impact on housing associations.

Looking forward, the recent emergency Budget on July 8 contained a number of measures which are very likely to curtail housing association development very considerably over the next five years and may affect the credit worthiness of some associations.

The principal measures announced impact English housing associations and were:

- A break with the 10 year rent formula settlement. Instead of CPI + 1% p.a. housing associations will be required to administer a nominal cut of 1% p.a. in rents in each year between April 2016 and April 2019 inclusive. Government has indicated a reversion to the CPI + 1% formula post 2020, but given its recent change of policy, this is in no way assured and it will be important to see how valuers adapt their assumptions in the light of this change, over the coming months.
- A reduction in the Benefit Cap from £23k to £20k.

Chairman's Statement and Chief Executive's Review continued

- Working age benefits frozen for four years.
- No automatic Housing Benefit for 18 – 21 year olds.
- Compulsory so called 'pay-to-stay' provisions for higher earning tenants.
- A potential extension of Right-to-Buy to traditional housing association tenants.

Some protection may continue to be afforded to associations where payment of the housing element of UC reverts to 'direct' for arrears cases, but it is very likely that significantly more resource (and therefore cost) will need to be devoted by housing associations to understanding their tenants' means and the timely collection of rent in the future.

Regulation

In recent years, developing housing associations have increasingly looked for sales income (from both 'build for sale' and shared ownership) to cross – subsidise the development of further affordable housing. At the same time they are facing potential erosion of their core cash-flows from modification of the Housing Benefit regime. The risks that developing associations face are becoming more complex and governance is becoming more challenging.

Particularly in the light of the recent Budget announcements it is welcome that the Regulation Committee of the HCA has introduced a more comprehensive Regulatory Framework, from 1 April 2015, which covers: Liquidity, Financial Forecasting, Control Systems, Third party covenant compliance, Asset registers, stress testing together with full and timely reporting to the regulator. Risk based analysis, coupled with periodic 'deep-dive' thematic reviews will also give more assurance. Arguably, the impact of recent changes in the rent formula coupled with Welfare reform amount to the imposition of a stress-case on most housing associations – particularly early stage LSVTs (Large Scale Voluntary Transfers).

That said, the sector currently maintains an enviable record of no loss to any secured lender throughout its 28 year period of accessing private finance. The timely intervention and facilitation role of the Regulation Committee remains an important underpinning and differentiator of the sector.

On a personal note, Piers Williamson retired from being a member of the HCA Regulation Committee at the end of March 2015, having served in this capacity since the formation of the Committee in 2012. The HCA still maintains a close relationship with THFC via its shareholding and current Board nominee: Will Perry.

The Outlook

Despite the significant contribution of housing associations to new affordable housing supply, the recent Budget announcements in relation to the rents formula and welfare reform are likely to overshadow sector aspirations of growth. On its own the change in the rent formula is likely to open up a negative variance in sector income of 13% or nearly £2Bn by 2019/20. This may be mitigated by cost savings, but at a time when significantly more resource will need to be applied to rent collection on a timely basis, it is very likely that development expenditure and community spending will be cut back.

In the short term it is for all housing association boards to review their business plans and risk appetite in the light of these changes. This is likely to first manifest itself in some associations, where annual business plan approval is a lender requirement. More broadly this should also lead to rapid re-appraisal of development/stock improvement plans for all sizable associations. In some instances this may also prompt consolidation amongst associations (although we expect this to be a medium term phenomenon).

In addition, the announcement of an extension to Right to Buy to extend the current council housing discounts to traditional housing association tenants is of significant potential concern. Although Right to Buy already impacts most LSVTs as there is an existing 'Right to Acquire' regime offering comparatively low discounts to housing association tenants, the extension

of significant discounts to traditional housing association tenants looks a short sighted policy, benefiting relatively few and potentially further undermining badly needed supply of affordable housing. The potential direct intervention in the affairs of predominantly large independent charities by Government may threaten the classification of housing associations by the Office for National Statistics and more importantly directly undermines investor confidence in the sector.

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.

We would also like to record our sincere thanks to Jonathan Walters and Stuart Ropke (nominee board members) who stepped down during the year and who will be greatly missed for their valued contributions to the Board and respective committees on which they served. At the same time we would like to extend a warm welcome to Will Perry and Gill Payne who joined the board as replacement nominated directors in October 2014.


Piers Williamson
Chief Executive

Ian Peacock
Chairman

28 July 2015

Business and Financial Review

The five-year table on page 49 gives a comparative history of the THFC Group and shows that our loan book has increased by 68.3% while total costs have increased by 67.6% and our total revenues (net of interest expense) by 169.5% over the period.

The THFC Group achieved a pre-tax surplus of £5,143,000 (2014: £4,654,000). This was primarily as a result of the fees we received for arranging new loans for our customers and growth in annual fees. Our objective remains that of generating a sufficient surplus each year to achieve a steady progression in the Group's financial reserves. The Group's reserves are non-distributable and held to provide cash flow cover in the event of a borrower default. For the year ended 31 March 2015, as a consequence of another successful year, the Group's reserves have risen from £16.6m to £20.6m. 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 and, through AHF and THFC, from the European Investment Bank.

A total of £818.0m (2014: £302.8m) 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 £786.7m (2014: £245.9m), before adjustment for indexation and amortisation of premiums and discounts.

As a result the THFC Group loan book stands at £4,155m (2014: £3,368m). Details of borrowings by the THFC Group to fund its loan book are shown on page 18.

At the year-end the Group was the provider of funds to 165 borrowers (2014: 152).

Our operating expenses were 0.08% (2014: 0.11%) of the £4.2bn (2014: £3.4bn) 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 51). The Group achieved another strong surplus before and after tax and the ratio of expenses to the loan book decreased.

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 they all 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.

- The Group 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.

Security Offered to Investors

The security which issuing companies offer to investors is illustrated on pages 16 to 18. 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.

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 10 borrowers who have an element of floating charge security on 20 loans. Each issuing company is required to obtain a charge over the assets of borrowers 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 twenty-eight year history. In general borrowers’ payments are made 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 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 register 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, to allow the likely maximum loss to be assessed. 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 assessment process 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 2015 AHF had issued guaranteed secured bonds amounting to £600.9m of which £33.5m were retained by AHF to fund further loans. Guaranteed Bank facilities in place at 31 March 2015 amounted to £500m of which £67.1m had been drawn by borrowers at that date. 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 have 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 purpose of issuing bonds with a rating of Aa1 (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 (formerly Sunderland Housing 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.

Reserves

All the issuing companies each covenant to their respective investors that they will maintain total operating expenditure within total operating income on a rolling three-year basis. 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 £20.6m (2014: £16.6m).

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. All 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 £146,932 (2014: £153,235).

The related companies are:

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

Funding No. 1 is a non-consolidated company. The entire issued share capital of its holding company, T.H.F.C. Funding (Holdings) Limited, 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+ 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 2014. 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. The entire issued share capital of its holding company, T.H.F.C. Funding (Holdings) Limited, 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+ 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. The entire issued share capital of its holding company, T.H.F.C. Funding (Holdings No.3) Limited, 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+ rating from Standard & Poor's rating agency.

All the funds raised 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 2015 these companies had loans outstanding of £327.4m (nominal) made to 16 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 2015 had £212.8m (nominal) in loans to Gentoo Group (formerly Sunderland Housing 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.

At 31 March 2015 Harbour Funding Plc had loans outstanding of £214.4m (nominal).

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 2015.

Principal Activities

The Housing Finance Corporation Limited ("THFC") was incorporated in Great Britain in 1987, with limited liability 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, 4th Floor, 107 Cannon Street, London EC4N 5AF.

Results

The consolidated operating surplus before taxation for the year ended 31 March 2015 was £5,143,000 (2014: £4,654,000).

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 winding up 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, or be paid out to any other society or charitable body with objects similar to the objects of THFC.

The reserves are held as bank deposits. 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 5.

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 13 and 14.

Details of Directors' terms of office are given on page 10.

Certain restrictions applicable to share capital are detailed in Note 17.

At the forthcoming Annual General Meeting, Charlie Arbuthnot having completed his

second three-year term in office, will be required to resign and offer himself for re-election.

The Chairman is required to retire annually at the Annual General Meeting and accordingly Ian Peacock will retire and offer himself for re-election.

Directors' Remuneration

Details of directors' remuneration are given on page 11.

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.

Pension Scheme

All THFC Group employees, but not non-executive Directors, are eligible to participate in the Social Housing Pension Scheme ("SHPS"). This scheme, with assets under management of £3.12bn and an actuarial deficit of £1.32bn (based on the results of the provisional triennial valuation as of 30 September 2014) is by far the

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 2015	THFC Shareholdings at 31 March 2015
Charlie Arbuthnot	Full Year	£1
Colin Burke (appointed 22 July 2014)	8 months	NIL
Fenella Edge	Full Year	NIL
Keith Exford	Full Year	£1
David Orr (resigned 17 June 2014)	3 Months	NIL
John Parker	Full Year	£1
Gill Payne (appointed 10 October 2014)	6 Months	NIL
Ian Peacock	Full Year	£1
Will Perry (appointed 11 November 2014)	5 Months	NIL
Stuart Ropke (appointed 17 June 2014 – resigned 10 October 2014)	4 Months	NIL
Deborah Shackleton	Full Year	£1
Jonathan Walters (resigned 11 November 2014)	8 months	NIL
Piers Williamson	Full Year	NIL
Other shareholders		
Homes and Communities Agency		£1
The National Housing Federation		£1
Total issued share capital at 31 March 2015		£7

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 participate in SHPS on a career average related earnings ("CARE") basis.

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

As a participant in an indivisible multi-employer scheme, it is currently impossible for THFCS to identify its share of the current scheme deficit. Accordingly, no element of the 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 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 auditors are 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 auditors are aware of that information.

Corporate Governance Statement

The UK Corporate Governance Code 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.

This report explains key features of the Group's governance structure how it applies the principles set out in the Code and the extent to which THFC has complied with the provisions of the Code.

Board

The Board of directors of THFC comprises:

Ian Peacock (Chairman)
 Charlie Arbuthnot (Chairman of Credit Committee)
 Colin Burke (Executive Director)
 Fenella Edge (Executive Director)
 Keith Exford
 David Orr (resigned 17 June 2014)
 John Parker (Chairman of Audit Committee and Senior Independent Director)
 Gill Payne (appointed 10 October 2014)
 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).

The directors biographies can be found on pages 13 to 14.

The Board of THFC also comprises the Boards of its subsidiaries except for AHF which has three additional Directors, two of whom are nominated Directors, the third being David Orr who retired from the Group Board on 17 June 2014.

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

Directors' Report continued

Senior Non-Executive Director

The Board appoints a Senior Non-Executive Director. The appointed Senior Non-Executive Director is John Parker.

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 Homes and Communities Agency 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 8.

Directors' Attendance at Meetings

Directors' attendance at THFC Board and Board committee meetings during the year is shown in the table on page 12. 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 adhoc 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. Adhoc 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 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.

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 Chairman of Credit Committee, up until his retirement from the Board on 17 June 2014, was David Orr. Charlie Arbuthnot was appointed Chairman of the Committee from that date.

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

Members comprise Charlie Arbuthnot (Chairman), John Parker, Gill Payne, Ian Peacock and Deborah Shackleton 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.

Members comprise John Parker (Chairman), Keith Exford and Will Perry. The Group Chairman attends by invitation. The Chief Executive and other senior members of staff attend when required.

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.

All new directors participate in a tailored induction programme involving professional advisors where required.

The Nominations Committee was not convened during the year.

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.

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 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 eighteen. Since April 2010 professional accounting firms have been appointed to undertake periodic reviews of internal controls. Smith and Williamson fulfilled this role until October 2014 when they were appointed as external auditors to the Group and KPMG were appointed internal auditors.

The Directors considered periodic reports on the effectiveness of internal controls during the period to 28 July 2015 and no significant weaknesses have been identified.

Continuing Resources

After making enquiries, 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. 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, the Chief Executive, the Group Treasurer and Finance Director and Company Secretary receive pension benefits and 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 Directors nominated by the National Housing Federation (David Orr until 17 June 2014, Stuart Ropke from 17 June 2014 until 10 October 2014 and Gill Payne since 10 October 2014) and the Homes and Communities Agency (Jonathan Walters until 11 November 2014 and Will Perry from that date) were remitted to their employers. The fees of the non-executive Directors were increased by 0.90% on the annual review date of 1 April 2015. The non-executive Directors do not receive any pension benefits, bonuses or benefits-in-kind except for certain travel expenses.

Details of directors' remuneration is given on page 33.

Directors' Report continued

Shareholders

The shareholders of THFC are listed in the table on page 8. All shareholders of THFC are non-executive directors except for the Homes and Communities Agency 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 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 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 (2014: 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 22 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.

Independent Auditors

Nexia Smith & Williamson Audit Limited have been engaged by the Board as auditors 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 2015

Directors' Attendance at Meetings

	Main Board (7)	Special Board (1)	Audit Committee (3)	Credit Committee (4)
Charlie Arbuthnot	7	1	-	4
Colin Burke	5	1	3	4
Fenella Edge	7	1	2	4
Keith Exford	7	-	3	-
David Orr	2	-	-	1
John Parker	7	1	3	4
Gill Payne	3	-	-	1
Ian Peacock	7	1	3	4
Will Perry	4	-	2	-
Stuart Ropke	2	-	-	-
Deborah Shackleton	6	1	-	3
Jonathan Walters	3	-	1	-
Piers Williamson	7	-	3	4

- 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.

Directors



Ian Peacock Non-Executive Chairman

Ian brings a wealth of financial experience to THFC, including extensive

periods running the Financing Division of Kleinwort Benson and the Merchant Banking operation of Barclays in North America. He was a specialist advisor to the Bank of England between 1998 and 2000. Amongst a number of other non-executive positions, Ian is currently a Non-executive Director of C. Hoare & Co. and Chair of its Audit Committee and its Risk Committee. Until 2013 he was Chair of one of the South East's leading Housing Associations: Family Mosaic.

Ian has had a long and successful career in international financial services. Ian has excellent customer service experience gained as a former Chairman of Mothercare, Chairman of Howdens Joinery plc and Deputy Chairman of a software company that develops systems to assess market risk, credit risk and management reporting. He was also a trustee to a volunteer based charitable organisation with 60,000 volunteers. Ian was appointed to the Board in April 2013 and became Chairman from June 2013.



Charlie Arbuthnot

Charlie currently works as a financial consultant principally in the social housing sector. Prior to this he worked for

S G Warburg, Hambros Bank and Royal Bank of Canada in a variety of funding roles. He has over 25 years' experience in the social housing sector having arranged borrowings for registered providers in both banking and capital markets and having been head of UK institutional corporate bond sales at RBC for six years. He was appointed to the Board in November 2008.



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 Board in April 2006.



Colin Burke

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 board in July 2014.



Keith Exford

Keith is Chief Executive of the Affinity Sutton Group which is one of the largest housing association groups in England with more than

58,000 affordable homes in over 100 local authorities. It is also a major affordable house builder with over 12,000 new homes in its development pipeline. Keith's career in housing spans over 30 years. He is a member of the Chartered Institute of Housing, a Fellow of the Royal Society of Arts and is a trustee of CLIC Sargent, the leading childhood cancer charity. Keith was appointed to the Board in April 2011.

Piers Williamson, Fenella Edge and Colin Burke are the only Executive Directors of the Group.

Directors continued



John Parker Senior Non-Executive Director

John was appointed to the Board in April 2010. John is a qualified Chartered

Accountant. He was Chief Executive of the Stroud and Swindon Building Society for 13 years until retiring in December 2005. Prior to that he has worked as a business economist for Morgan Grenfell, Chief Internal Auditor for the Chelsea Building Society, and in successive financial roles for Burmah Oil plc. John was a member of the Building Societies Association Council for 6 years and was Chairman in 2004. More recently he has been a director of English Partnerships, and Finance Director to the Company of the Proprietors of Stroudwater Navigation. He was also Chair of the Investment Committee of the Department for Work and Pensions and is Vice Chairman of the Newbury Building Society.



Deborah Shackleton CBE

Deborah was appointed to the Board in April 2011. She is Chairman of the Grainger Trust, one of the

first for-profit Registered Providers. Deborah 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 30 years. Her other interests include Trustee of LCVS, Chair of Career Connect, and Deputy Chair at Liverpool John Moores University.



Gill Payne

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 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 Communications and OD at the CRC and was interim CEO. Gill joined the National Housing Federation in October 2011 to job share with Ruth Davison. She was appointed to THFC Board in October 2014.



Piers Williamson

Piers was appointed Chief Executive of THFC in October 2002 and joined its Board in 2003. He has over 30 years of experience of

the UK, US and European financial markets specialising in bank treasury risk management and securitisation.

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.



Will Perry

Will is currently Assistant Director – Commercial and New Entrants at the HCA. He leads the Regulator's engagement with the

lending markets and is responsible for developing regulatory policy around funding, treasury and financial risk. He is also the lead regulator for for-profit registered providers and providers with unconventional corporate structures. 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 THFC board in November 2014.

THFC Group Loans

Loans Portfolio as at 31 March 2015

Fixed 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	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	82,952	-	-	-	-	-	-	-	82,952
A2Dominion South Limited	South East	37,500	-	2,076	-	-	-	-	-	39,576
Accent Foundation Limited	National	-	8,088	-	-	-	-	-	-	8,088
Accent Nene Limited	East Anglia	1,665	-	-	-	-	-	-	-	1,665
Accent Peerless Limited	National	10,000	-	-	-	-	-	-	-	10,000
Accord Housing Association Limited	Midlands	3,050	-	2,511	1,016	-	-	-	-	6,577
Adactus Housing Association Limited	North West	6,845	-	-	-	-	12,900	-	-	19,745
Affinity Sutton Homes Limited	National	-	-	2,076	-	-	-	-	-	2,076
Agudas Israel Housing Association Limited	London	173	-	519	-	-	-	-	-	692
Aldwyck Housing Group Limited	South East	2,055	891	-	-	-	-	-	-	2,946
AmicusHorizon Limited	London	28,500	9,944	-	-	-	-	-	-	38,444
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
Asra Housing Association Limited	London	10,000	-	-	2,532	-	-	-	-	12,532
Axiom Housing Association Limited	East Anglia	21,722	-	-	-	-	-	-	-	21,722
Bournville Village Trust	Midlands	20,000	-	-	-	-	-	-	-	20,000
Cadwyn Housing Association Limited	Wales	5,000	-	-	-	-	-	-	-	5,000
Cambridge Housing Society Limited	East Anglia	4,200	-	-	-	-	-	-	-	4,200
Cardiff Community Housing Association Limited	Wales	7,500	192	-	-	-	-	-	-	7,692
Castle Rock Edinvar Housing Association Limited	Scotland	5,500	-	-	-	-	-	-	-	5,500
Catalyst Housing Limited	London	3,520	891	-	-	-	-	-	-	4,411
Charter Housing Association Limited	Wales	25,000	-	-	-	-	-	-	-	25,000
Cheviot Housing Association Limited	North East	-	-	-	-	3,000	-	-	-	3,000
Choice Housing Ireland Limited	Northern Ireland	45,000	-	-	-	-	-	-	-	45,000
Clanmil Housing Association Limited	Northern Ireland	30,000	-	-	-	-	-	-	-	30,000
Clwyd Alyn Housing Association Limited	Wales	7,000	1,714	-	-	-	-	-	-	8,714
Coastal Housing Group Limited	Wales	35,000	-	-	-	-	-	-	-	35,000
Coastline Housing Limited	South West	-	-	-	-	-	8,300	-	-	8,300
Colne Housing Society Limited	South East	-	-	-	-	-	12,500	-	-	12,500
Connect Housing Association Limited	North East	2,750	-	-	-	5,000	-	-	-	7,750
Connswater Homes Limited	Northern Ireland	4,000	-	-	-	-	-	-	-	4,000
Contour Homes Limited	North West	2,333	-	-	-	6,068	-	-	-	8,401
Cornerstone Housing Limited	South West	5,000	-	-	-	-	-	-	-	5,000
Cotman Housing Association Limited	East Anglia	1,500	-	-	-	-	-	-	-	1,500
De Montfort Housing Society Limited	Midlands	5,550	-	-	-	-	-	-	-	5,550
Derwen Cymru	Wales	1,500	-	-	-	-	-	-	-	1,500
Derwent Housing Association Limited	Midlands	10,000	-	-	-	-	-	-	-	10,000
Devon & Cornwall Housing Limited	South West	25,805	3,678	-	-	-	28,000	-	-	57,483
Ducane Housing Association Limited	London	5,000	-	-	-	-	-	-	-	5,000
Dumfries & Galloway Housing Partnership Limited	Scotland	40,000	-	-	-	-	-	-	-	40,000
Dunedin Canmore Housing Limited	Scotland	16,500	-	-	-	-	-	-	-	16,500
East Homes Limited	London	1,337	-	-	-	-	-	-	-	1,337
EMH Housing and Regeneration Limited	Midlands	27,000	-	1,194	1,016	-	-	-	-	29,210
Eldon Housing Association Limited	Scotland	10,000	-	-	-	3,900	-	-	-	13,900
English Rural Housing Association	London	-	-	-	-	-	10,000	-	-	10,000
Equity Housing Group Limited	North West	22,920	240	-	1,651	-	-	-	-	24,811
Estuary Housing Association Limited	East Anglia	32,118	445	-	-	-	-	-	-	32,563
Family Housing Association (Birmingham) Limited	Midlands	8,500	-	-	-	3,568	-	-	-	12,068
Family Mosaic Housing	London	93,043	1,165	-	-	-	50,000	-	-	144,208
Festival Housing Limited	Midlands	-	-	-	-	-	30,000	-	-	30,000
Friendship Care and Housing Limited	Midlands	2,000	-	-	-	5,500	-	-	-	7,500
First Wessex	South East	6,667	-	-	-	-	28,000	-	-	34,667
Fold Housing Association	Northern Ireland	35,000	-	-	-	-	-	-	-	35,000
Gallions Housing Association Limited	London	14,000	-	-	-	-	-	-	-	14,000
Gateway Housing Association Limited	London	1,250	-	-	-	5,869	15,000	-	-	22,119
Genesis Housing Association Limited	London	56,500	-	-	-	2,000	-	-	-	58,500
Glen Oaks Housing Association Limited	Scotland	14,300	-	-	-	-	-	-	-	14,300
Grampian Housing Association Limited	Scotland	-	-	-	-	2,282	-	-	-	2,282
Gravesend Churches Housing Association Limited	South East	-	-	-	-	1,750	-	-	-	1,750
Great Places Housing Association	North West	24,657	-	519	383	-	20,500	-	-	46,059
Greenoak Housing Association Limited	South East	3,500	-	-	-	-	-	-	-	3,500
Grwp Cynffin	Wales	11,500	-	-	-	-	10,000	-	-	21,500
Habinteg Housing Association Limited	National	5,031	-	-	-	3,000	-	-	-	8,031
Hafod Housing Association Limited	Wales	10,000	-	-	-	-	-	-	-	10,000
Hanover Housing Association	East Anglia	15,000	-	-	-	-	-	-	-	15,000
Harrogate Families Housing Association Limited	Yorkshire & the Humber	2,000	-	-	-	-	-	-	-	2,000
Heantun Housing Association Limited	Midlands	14,000	-	-	-	-	-	-	-	14,000
Helm Housing Limited	Ireland	15,000	-	-	-	-	-	-	-	15,000
Hexagon Housing Association Limited	London	1,500	171	3,633	-	-	15,000	-	-	20,304
Hightown Praetorian and Churches Housing Association Limited	South East	31,027	685	-	-	-	-	-	-	31,712
Home Group Limited	National	45,765	6,813	10,118	-	-	61,000	-	-	123,696
Home in Scotland Limited	Scotland	20,000	-	-	-	-	10,700	-	-	30,700
Hundred Houses Society Limited	East Anglia	-	-	-	-	-	5,000	-	-	5,000
Hyde Housing Association Limited	South East	4,088	-	10,044	-	1,500	-	-	-	15,632
Innisfree Housing Association Limited	London	3,000	-	-	-	-	-	-	-	3,000
Inqulab Housing Association Limited	London	10,000	-	-	-	-	-	-	-	10,000
Irwell Valley Housing Association Limited	North West	-	-	2,076	-	-	-	-	-	2,076
Islington and Shoreditch Housing Association Limited	London	22,942	-	-	-	2,877	-	-	-	25,819
Isos Housing Limited	North East	-	-	-	-	5,500	-	-	-	5,500

THFC Group Loans continued

Fixed Charge Security continued

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	Affordable Housing Finance Plc Loans £000	T.H.F.C. (Capital) PLC (No. 1) PLC Loans £000	UK Rents (No. 1) PLC Loans £000	Total Loan Value £000
"Johnnie" Johnson Housing Trust Limited	North West	26,000	480	-	-	-	-	-	26,480	
Joseph Rowntree Housing Trust	Yorkshire & the Humber	15,000	-	-	-	-	-	-	15,000	
Knightstone Housing Association Limited	South West	22,873	7,365	-	-	-	-	-	30,238	
Leeds Federated Housing Association Limited	North East	14,300	-	-	-	-	-	-	14,300	
Leeds and Yorkshire Housing Association Limited	North East	3,750	-	-	-	-	-	-	3,750	
Leicester Housing Association Limited	Midlands	20,694	-	-	-	3,000	-	-	23,694	
Liverpool Housing Trust Limited	North West	7,000	-	-	-	4,261	-	-	11,261	
London & Quadrant Housing Trust	London	30,862	685	-	-	-	-	-	31,547	
Longhurst & Havelok Homes Limited	East Anglia	9,400	-	-	-	-	-	-	9,400	
Manningham Housing Association Limited	North East	30,186	-	-	-	2,000	-	-	32,186	
Melin Homes Limited	Wales	22,000	-	-	-	-	-	-	22,000	
Mercian Housing Association Limited	Midlands	8,437	-	-	-	-	-	-	8,437	
Metropolitan Housing Trust Limited	London	36,392	1,576	1,557	-	-	-	-	39,525	
Mid Wales Housing Association Limited	Wales	3,000	-	1,142	-	-	-	-	4,142	
Midland Heart Limited	Midlands	42,255	6,217	-	-	-	-	-	48,472	
Moat Homes Limited	South East	3,500	4,298	-	-	-	-	-	7,798	
Mossacre Housing Limited	North West	34,306	-	-	-	-	-	-	34,306	
Mount Green Housing Association Limited	South East	-	-	-	-	-	6,000	-	6,000	
Network Stadium Housing Association Limited	London	130,326	-	-	-	-	30,000	-	160,326	
New Gorbals Housing Association Limited	Scotland	14,000	-	-	-	-	6,100	-	20,100	
Newlon Housing Trust	London	24,938	-	-	-	-	-	-	24,938	
Newydd Housing Association (1974) Limited	Wales	8,000	-	-	-	-	-	-	8,000	
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	274	-	-	5,000	-	-	17,774	
Notting Hill Housing Trust	London	15,000	-	-	-	-	-	-	15,000	
Nottingham Community Housing Association Limited	Midlands	13,400	-	-	-	-	10,500	-	23,900	
Octavia Housing	London	2,000	-	-	-	3,500	-	-	5,500	
One Housing Group Limited	London	43,538	-	-	-	-	-	-	43,538	
One Vision Housing Limited	North West	3,000	-	-	-	3,250	-	-	6,250	
Origin Housing Limited	South East	29,600	-	-	-	-	-	-	29,600	
Orwell Housing Association Limited	East Anglia	-	-	-	-	-	5,000	-	5,000	
Oxford Citizens Housing Association Limited	South East	7,600	-	-	762	-	-	-	8,362	
Paradigm Homes Charitable Housing Association Limited	South East	65,000	-	-	-	-	32,000	-	97,000	
Pembrokeshire Housing Association Limited	Wales	1,000	-	-	-	-	-	-	1,000	
Places for People Homes Limited	National	21,852	-	-	-	-	-	-	21,852	
Places for People Individual Support Limited	London	4,000	-	-	-	-	-	-	4,000	
Plymouth Community Homes Limited	South West	30,000	-	-	-	-	-	-	30,000	
Portal Housing Association Limited	South West	21,000	-	-	-	-	-	-	21,000	
Railway Housing Association and Benefit Fund	North East	-	-	-	-	5,000	-	-	5,000	
Regenda Limited	North West	3,000	-	3,013	-	2,000	-	-	8,013	
Sadeh Lok Housing Group Limited	North East	650	-	-	-	-	-	-	650	
Salvation Army Housing Association	London	3,000	-	-	-	-	-	-	3,000	
Sanctuary Housing Association	National	13,586	1,234	-	-	-	-	-	14,820	
Sanctuary Scotland Housing Association Limited	Scotland	10,000	-	-	-	-	-	-	10,000	
Selwood Housing Society Limited	South West	-	-	-	-	-	10,000	-	10,000	
Sentinel Housing Association Limited	South East	10,000	-	-	-	-	15,000	-	25,000	
Shepherds Bush Housing Association Limited	London	-	-	-	-	-	25,000	-	25,000	
Soho Housing Association Limited	London	15,000	-	-	-	1,500	-	-	16,500	
South Yorkshire Housing Association Limited	North East	3,761	-	-	-	-	-	-	3,761	
Southern Housing Group Limited	London	146,214	2,015	-	-	10,000	-	-	158,229	
St Vincent's Housing Association Limited	North West	2,725	-	-	-	4,000	-	-	6,725	
Staffordshire Housing Association Limited	Midlands	14,800	-	-	-	5,300	-	-	20,100	
Stonewater Limited	Midlands	-	-	-	-	-	35,000	-	35,000	
Stonewater (3) Limited	Midlands	-	-	-	-	-	15,000	-	15,000	
Sutton Housing Society Limited	South East	250	-	-	-	-	-	-	250	
Taff Housing Association Limited	Wales	5,500	-	-	-	1,000	-	-	6,500	
Tenants First Housing Co-operative Limited	Scotland	5,000	-	-	-	-	-	-	5,000	
Thames Valley Charitable Housing Association Limited	South East	29,268	-	-	-	-	25,000	-	54,268	
Thenus Housing Association Limited	Scotland	5,000	-	-	-	-	-	-	5,000	
The Riverside Group Limited	National	42,849	480	-	-	-	20,000	-	63,329	
The Swaythling Housing Society Limited	South West	22,500	-	-	-	-	-	-	22,500	
Three Rivers Housing Association Limited	North East	12,250	-	-	-	1,067	5,000	-	18,317	
Trident Housing Association Limited	Midlands	5,000	1,851	-	-	-	-	-	6,851	
Tuntum Housing Association Limited	Midlands	7,000	-	-	-	-	-	-	7,000	
United Welsh Housing Association Limited	Wales	39,500	-	-	-	-	-	-	39,500	
Wales and West Housing Association Limited	Wales	36,500	-	-	-	-	25,000	-	61,500	
Wandle Housing Association Limited	London	21,418	-	-	-	-	-	-	21,418	
Waterloo Housing Association Limited	Midlands	6,000	-	-	-	-	-	-	6,000	
Westcountry Housing Association Limited	South West	47,000	-	-	-	-	20,000	-	67,000	
West Kent Housing Association	South East	35,000	-	-	-	-	-	-	35,000	
West Mercia Homes Limited	Midlands	12,500	-	-	-	-	-	-	12,500	
Westfield Housing Association Limited	North West	6,000	-	-	-	-	-	-	6,000	
Wiltshire Rural Housing Association Limited	South West	825	-	-	-	-	-	-	825	
Wirral Methodist Housing Association Limited	North West	5,200	-	-	-	-	-	-	5,200	
Womens Pioneer Housing Limited	London	10,000	-	-	-	-	-	-	10,000	
Worcester Community Housing Limited	Midlands	-	-	-	-	-	20,000	-	20,000	
Worthing Homes Limited	South East	10,000	-	-	-	-	-	-	10,000	

Fixed Charge Security continued

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	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
York Housing Association Limited	Yorkshire & the Humber	4,000	-	-	-	-	-	-	-	4,000
Yorkshire Housing Limited	Yorkshire & the Humber	40,500	-	-	-	-	-	-	-	40,500
Your Housing Group Limited	North West	-	-	-	-	6,000	-	-	-	6,000
Total Fixed Charge Security		2,537,370	61,392	40,478	7,360	105,192	634,500	-	-	3,386,292

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	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
Aldwyck Housing Group Limited	South East	-	-	5,190	-	-	-	-	-	5,190
Barnsbury Housing Association Limited	London	-	-	-	635	-	-	-	-	635
Black Country Housing Group Limited	Midlands	7,000	-	-	-	-	-	-	-	7,000
Bromford Housing Association Limited	Midlands	4,500	-	1,557	-	-	-	-	-	7,000
Cheviot Housing Association Limited	North East	7,091	1,302	-	-	-	-	-	-	8,057
De Montfort Housing Society Limited	Midlands	4,250	480	-	-	-	-	-	-	8,393
Leicester Housing Association Ltd	Midlands	-	480	-	-	-	-	-	-	4,730
Manningham Housing Association Limited	North East	5,600	-	-	709	-	-	-	-	1,189
Three Rivers Housing Association Limited	North East	3,000	-	-	-	-	-	-	-	5,600
Your Housing Group Limited	North West	5,000	-	7,265	-	-	-	-	-	3,000
Total Floating Charge Security		36,441	2,262	14,012	1,344	-	-	-	-	64,059

Income 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	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	-	-	-	-	-	-	-	-	3,828
Cheviot Housing Association Limited	North East	-	-	-	-	-	-	-	5,686	5,686
Contour Homes Limited	North West	-	-	-	-	-	-	-	4,250	4,250
First Wessex	South East	-	-	-	-	-	-	-	4,246	4,246
London & Quadrant Housing Trust	London	-	-	-	-	-	-	-	5,903	5,903
Mercian Housing Association Limited	London	-	-	-	-	-	-	-	4,295	4,295
Income Cover		-	-	-	-	-	-	-	28,208	28,208

Fixed Charge Security – Cash Flow Covenants

Gentoo Group Limited	North East	-	-	-	-	-	-	585,682	-	585,682
Total		-	-	-	-	-	-	585,682	-	585,682
Grand Total		2,573,811	63,654	54,490	8,704	105,192	634,500	585,682	28,208	4,054,241
Premium 31 March 2015		-	-	-	-	-	-	-	-	100,363
Total at 31 March 2015		2,573,811	63,654	54,490	8,704	105,192	634,500	585,682	28,208	4,154,604

Group Source of Funds

Debenture Stocks, Eurobonds, Bank and Other Loans as at 31 March 2015

	Date	Nominal Amount £000	Outstanding Principal Amount £000
Affordable Housing Finance Plc			
30 year £500m Fixed and Variable rate loan 2045 - EIB (Annuity)	20.12.13	67,100	67,100
3.8% Guaranteed Secured Bonds 2042/2044 (Bullet)			
tranche 1	22.05.14	208,400	208,400
tranche 2	06.11.14	198,500	183,500
tranche 3	17.03.15	194,000	175,500
THFC Debenture Stocks			
Discounted:	5% 2027	08.12.87	50,954
Stepped Coupon:	6.58% to 19.60% 2019	02.03.89	9,273
	7.91% to 19.75% 2019	28.06.89	4,630
	7.55% to 17.61% 2019	17.08.89	7,860
	8.44% to 15.98% 2019	11.10.89	2,900
Conventional Fixed Rate:	12.04% 2021 (Annuity)	02.07.91	15,000
	11.5% 2016 (Bullet)	27.11.91	60,250
		tranche 1	27.05.92
		tranche 2	20.10.92
		tranche 3	20.10.92
	8.625% 2023 (Bullet)	tranche 1	13.10.93
		tranche 2	24.05.94
		tranche 3	16.06.99
		tranche 4	29.02.00
		tranche 5	05.12.01
	8.8% 2023 (Annuity)	05.11.93	8,000
	10.0938% 2024 (Annuity)	14.07.95	13,000
	9.625% 2025 (Bullet)	04.07.95	40,850
		tranche 1	12.11.97
		tranche 2	12.11.97
			8,600
			8,600
THFC Bank Loans			
25 year £2.75m variable repayable 2021	08.03.96	750	225
25 year £26.5m fixed rate loan 2023 - EIB (Annuity)	26.11.98	24,860	11,901
25 year £10m fixed rate loan 2024 - EIB (Annuity)	02.09.99	33,000	18,699
25 year £20m fixed rate loan 2025 - EIB (Annuity)	08.09.00	10,500	6,448
25 year £9.35m fixed rate loan - AINTS (from Sep 2003) (Bullet)	02.04.01	8,700	8,700
25 year £17m variable repayable 2026	09.11.01	11,000	8,250
25 year £9.86m sterling facility repayable 2028 (Annuity)	08.09.03	6,740	6,290
25 year £15m sterling fixed loan 2029 (Annuity)	16.06.04	15,000	9,811
25 year £15m revolver into term	14.03.05	15,000	11,250
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 2016	28.09.11	15,000	
30 year £400m Fixed and Variable rate loan 2045 - EIB (Annuity)	19.12.12	224,000	224,000
JESSICA £12m 30 year amortising facility - EIB (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
	tranche 2	21.12.06	32,000
	tranche 3	28.02.07	37,000
	tranche 4	28.11.07	32,633
	tranche 5	30.07.08	80,000
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
	tranche 2	24.03.10	72,250
	tranche 3	21.01.11	76,600
	tranche 4	04.04.11	31,000
THFC Loan from T.H.F.C. (Funding No.3) Plc			
Long-term - 5.2% due 2043 (Bullet)			
	tranche 1	05.10.11	142,100
	tranche 2	18.01.12	161,000
	tranche 3	18.04.12	100,500
	tranche 4	20.09.12	132,100
	tranche 5	15.04.13	45,100
	tranche 6	15.10.13	44,500
T.H.F.C. (First Variable) Bank Loans			
30 year variable 2023 (Annuity)			
	tranche 1	30.04.93	2,750
	tranche 2	21.07.93	7,850
	tranche 3	17.12.93	4,750
	tranche 4	30.06.94	2,000
T.H.F.C. (Indexed) Limited Index Linked Debenture Stocks			
5.65% 2020 (Annuity)			
	tranche 1	13.11.90	41,734
	tranche 2	31.03.93	28,490
T.H.F.C. (Indexed 2) Limited Index Linked Debenture Stocks			
5.50% 2024 (Annuity)			
	tranche 1	16.12.94	29,025
	tranche 2	28.12.95	22,988
T.H.F.C. (Social Housing Finance) Limited Debenture Stocks			
8.75% Debenture Stock 2016/21 (Bullet)			
	tranche 1	05.12.96	18,300
	tranche 2	09.06.97	8,000
	tranche 3	11.09.97	9,900
	tranche 4	03.12.97	34,750
	tranche 5	01.07.98	15,350
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	1,067
25 year £40m fixed rate loan 2024 - EIB (Annuity)	02.09.99	16,500	9,382
25 year £18.9m fixed rate loan 2025 - EIB (Annuity)	08.09.00	14,900	8,442
UK Rents (No. 1) Plc Rental Securitisation			
9.10% 2025 (Eurobond)	06.01.95	36,143	26,208
Subordinated Loans			
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	475,000	372,880
Total		4,315,454	4,054,931
Premium at 31 March 2015			100,363
Grand Total			4,155,294

Auditors' Report

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

We have audited the financial statements of The Housing Finance Corporation Limited for the year ended 31 March 2015 which comprise the Group and Parent Company Statement of Comprehensive Income, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Cash Flows and the related notes 1 to 25. 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.

This report is made solely to the company's members, as a body, in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014. 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 the directors and the auditor

As explained more fully in the Statement of Directors Responsibilities set out on page 9, the directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Company's affairs as at 31 March 2015 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union;

- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014 and the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969.

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
- the society 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.

Nexia Smith & Williamson

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY
31 July 2015

Group Statement of Comprehensive Income

For the year ended 31 March 2015

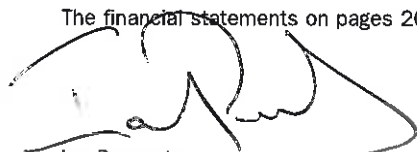
	Notes	2015 £000	2014 £000
Operating Income			
On loans to housing associations			
Interest receivable		195,807	176,901
Discount amortised	11	1,078	1,095
Premium amortised	11	(2,928)	(2,618)
Income from securitised assets	16	2,599	2,719
Indexation on investments	11	3,118	4,275
Other interest		267	311
Fees receivable and other income		8,045	7,977
		207,986	190,660
Operating Expenses			
On debenture stocks, secured bonds, bank loans and other loans			
Interest payable	6	198,374	179,592
Discount amortised	14	1,078	1,095
Premium amortised	14	(2,928)	(2,618)
Indexation on loans payable	14	3,118	4,275
Administration expenses	3	3,201	3,662
		202,843	186,006
Surplus before taxation		5,143	4,654
Taxation	7	(1,081)	(1,082)
Surplus for the year		4,062	3,572
Other comprehensive income for the year			
Total comprehensive income for the year		4,062	3,572

Group Statement of Financial Position

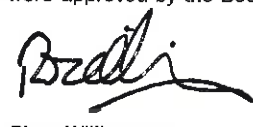
at 31 March 2015

	Notes	2015 £000	2014 £000
Assets			
Non-current assets			
Loans	11	4,066,310	3,308,606
Intangible assets	8	6	8
Property, plant and equipment	9	9	16
Deferred tax asset	15	145	161
Current assets			
Loans	11	88,294	59,138
Other receivables	12	37,800	31,339
Short-term deposits		14,924	16,404
Cash and cash equivalents		31,094	23,488
Total assets		4,238,582	3,439,160
Liabilities			
Non-current liabilities			
Financial liabilities – borrowings	14	4,067,000	3,309,296
Deferred tax liabilities	15	118	124
Provision for other liabilities and charges	23	693	768
Current liabilities			
Financial liabilities – borrowings	14	88,294	59,138
Trade and other payables	13	61,481	52,693
Current tax liabilities		369	576
Total Liabilities		4,217,955	3,422,595
Equity			
Called up share capital	17		
Retained earnings	18	20,627	16,565
Total equity		20,627	16,565
Total equity and liabilities		4,238,582	3,439,160


The financial statements on pages 20 to 48 were approved by the Board of directors on 28 July 2015 and signed on its behalf by:



Ian Peacock
Chairman



Piers Williamson
Director



Colin Burke
Company Secretary

Group Statement of Changes in Equity

For the year ended 31 March 2015

	Called up Share Capital £	Retained earnings £000	Total Equity £000
Balance as at 1 April 2014	7	16,565	16,565
Shares issued in year	-	-	-
Shares cancelled in year	-	-	-
Surplus for the year	-	4,062	4,062
Other comprehensive income	-	-	-
Balance as at 31 March 2015	7	20,627	20,627
Balance as at 1 April 2013	7	12,993	12,993
Shares issued in year	1	-	-
Shares redeemed in year	(1)	-	-
Surplus for the year	-	3,572	3,572
Other comprehensive income	-	-	-
Balance as at 31 March 2014	7	16,565	16,565

Group Statement of Cash Flows

For the year ended 31 March 2015

	Notes	2015 £000	2014 £000
Cash flows from operating activities			
Cash generated from operations	19	7,889	8,188
Interest received on loans to housing associations		189,723	176,790
Interest paid on debenture stocks, secured bonds, bank loans and other loans		(190,208)	(181,900)
Loans to housing associations		(818,930)	(302,757)
Repayment of loans by housing associations		31,367	60,805
New borrowings		818,929	302,757
Repayment of amounts borrowed		(31,366)	(60,807)
Tax paid		(1,278)	(1,402)
Net cash generated from operating activities		6,126	1,674
Cash flows from investing activities			
Movement on short-term deposits		1,480	(229)
Purchase of property, plant and equipment	9	-	(17)
Purchase of intangible assets	8	-	(8)
Net cash generated from/(used in) investing activities		1,480	(254)
Net increase in cash and cash equivalents		7,606	1,420
Cash and cash equivalents at beginning of year		23,488	22,068
Cash and cash equivalents at end of year	20	31,094	23,488

THFC Statement of Comprehensive Income

For the year ended 31 March 2015

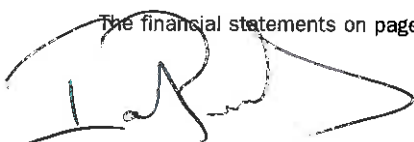
	Notes	2015 £000	2014 £000
Operating income			
On loans to housing associations			
Interest receivable		141,389	135,509
Discount amortised	11	1,064	1,082
Premium amortised	11	(1,879)	(1,783)
Other interest		186	239
Fees receivable and other income		2,410	6,913
Dividend from subsidiary undertaking		1,800	2,000
		144,970	143,960
Operating expenses			
On debenture stocks, bank loans and other loans			
Interest payable	6	141,370	135,492
Discount amortised	14	1,064	1,082
Premium amortised	14	(1,879)	(1,783)
Administration expenses	3	2,382	5,383
		142,937	140,174
Surplus before taxation		2,033	3,786
Taxation	7	(43)	(399)
Surplus for the year		1,990	3,387
Other comprehensive income		-	-
Total comprehensive income for the year		1,990	3,387

THFC Statement of Financial Position

As at 31 March 2015

	Notes	2015 £000	2014 £000
Assets			
Non-current assets			
Loans	11	2,612,594	2,503,354
Investment in subsidiaries	10	2,700	2,700
Current assets			
Loans	11	8,867	8,547
Other receivables	12	27,423	27,358
Current tax asset		93	-
Short-term deposits		7,477	9,987
Cash and cash equivalents		22,741	18,350
Total assets		2,681,895	2,570,296
Liabilities			
Non-current liabilities			
Financial liabilities – borrowings	14	2,612,606	2,503,365
Deferred tax liabilities	15	118	124
Current liabilities			
Financial liabilities – borrowings	14	8,867	8,547
Trade and other payables	13	46,066	45,962
Current tax liabilities		-	50
Total Liabilities		2,667,657	2,558,048
Equity			
Called up share capital	17	-	-
Retained earnings	18	14,238	12,248
Total equity		14,238	12,248
Total equity and liabilities		2,681,895	2,570,296

The financial statements on pages 20 to 48 were approved by the Board of directors on 28 July 2015 and signed on its behalf by:



Ian Peacock
Chairman



Piers Williamson
Director



Colin Burke
Company Secretary

THFC Statement of Changes in Equity

For the year ended 31 March 2015

	Called up Share Capital £	Retained earnings £000	Total Equity £000
Balance as at 1 April 2014	7	12,248	12,248
Shares issued in year	-	-	-
Shares redeemed in year	-	-	-
Surplus for the year	-	1,990	1,990
Other comprehensive income	-	-	-
Balance as at 31 March 2015	7	14,238	14,238
Balance as at 1 April 2013	7	8,861	8,861
Shares issued in year	1	-	-
Shares redeemed in year	(1)	-	-
Surplus for the year	-	3,387	3,387
Other comprehensive income	-	-	-
Balance as at 31 March 2014	7	12,248	12,248

THFC Statement of Cash Flows

For the year ended 31 March 2015

	Notes	2015 £000	2014 £000
Cash flows from operating activities			
Cash generated from operations	19	249	3,146
Interest received on loans to housing associations		141,027	135,323
Interest paid on debenture stocks, bank loans and other loans		(141,002)	(130,886)
Loans to housing associations		(120,000)	(302,757)
Repayment of loans by housing associations		8,565	14,234
New borrowings		120,000	302,757
Repayment of amounts borrowed		(8,564)	(14,234)
Tax paid		(194)	(1,032)
Net cash generated from operating activities		81	6,551
Cash flows from investing activities			
Dividend received		1,800	-
Movement on short-term deposits		2,510	(1,188)
Net cash generated from/(used in) investing activities		4,310	(1,188)
Net increase in cash and cash equivalents		4,391	5,363
Cash and cash equivalents at beginning of year		18,350	12,987
Cash and cash equivalents at end of year	20	22,741	18,350

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 the United Kingdom 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 London Stock Exchange.

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. A summary of the more important Group accounting policies is set out below.

Changes in accounting policies and disclosures

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

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

- IFRS 10 Consolidated Financial Statements: IFRS 10 addresses the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where circumstances may make it otherwise difficult to assess.
- Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance: Amendments to IFRS 10, IFRS 11 and IFRS 12.
- IAS 32 Offsetting Financial Assets and Financial Liabilities: The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'.
- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions

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

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

- Revisions to IAS 27 Separate Financial Statements

The adoption of this revised standard has not had a material impact on the reported results or financial position of the Company. However the standard does require additional disclosure of the principal place of business of significant subsidiaries and this has been included in note 10.

(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 Group or 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 Group and 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 Group's results and financial position.

2. Accounting policies continued

- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation (Effective 1 January 2016, not yet endorsed by EU): The amendments ensure that preparers do not use revenue-based methods to calculate charges for the depreciation or amortisation of items of property, plant and equipment or intangible assets.
- 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:
 - o IFRS 7 Financial Instruments: Disclosures - Servicing Contracts and applicability of the amendments to IFRS 7 to condensed interim financial statements;
 - o IFRS 13 Fair Value Measurement – scope of portfolio exceptions; and
 - o IAS 19 Employee Benefits - regional market issue.

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 judgements. 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 consolidated financial statements are a) the evaluation as to whether the loans to borrowers are impaired and b) the non-consolidation of related companies in which the Group has a non-beneficial shareholding. The directors have concluded the loans to borrowers are not impaired in the current period and that the related companies do not fall within the definition of control contained in IFRS10.

b) 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 incorporated in Great Britain with limited liability 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") and Affordable Housing Finance PLC ("AHF") 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 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.

Notes to the Financial Statements continued

2. Accounting policies continued

When the Group ceases to have control 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 profit or loss. 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 profit or loss.

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 2014 and the summary information relates to that period end:

	Net assets	Profit for period
Harbour Funding (Holdings) Limited Group	Nil	Nil
T.H.F.C. (Funding) Holdings Limited Group	Nil	Nil
T.H.F.C. (Funding No. 3) Holdings Limited Group	Nil	Nil

At 31 December 2014 Harbour Funding (Holdings) Limited Group had loans and receivables of £214,063,749 (2014: as at 31 December 2013 £214,055,864), T.H.F.C. (Funding) Holdings Limited Group had loans and receivables of £619,551,033 (2014: as at 31 December 2013 £619,781,743) and T.H.F.C. (Funding No.3) Holdings Limited had loans and receivables of £651,883,195 (2014: as at 31 December 2013 £652,287,851).

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

c) Loans to housing associations, debenture stocks, secured bonds and bank borrowings

The terms of the loans to housing associations are substantially matched to those on which the funds have been raised through the issue of debenture stocks, secured bonds, bank borrowings and other borrowings and hence both loans and funds borrowed are accounted for on a similar basis as set out below:

Loans to housing associations are expected to run to contractual maturity and are classified as loans and receivables. Debenture stocks, secured bonds, bank borrowings and other long-term borrowings are classified as financial liabilities.

Loans to housing associations are stated at amortised cost. The discounts or premiums on issue are deducted from/added to the original loan value and credited or charged to the statement of comprehensive income over the expected life of the loan so that the interest receivable or payable, as adjusted for the amortisation of discounts or premiums, gives a constant yield to maturity.

The related debenture stocks, secured bonds, bank borrowings and other borrowings are also stated at amortised cost.

Specific types of loan

(I) Stepped coupon loans and debenture stocks

Stepped coupon loans to housing associations and the related debenture stocks are stated at amortised cost including deferred interest. Deferred interest is the difference between 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.

(II) Indexed-linked loans and debenture stocks

The indexed-linked loans to housing associations and the related indexed-linked debenture stocks were issued with a fixed, pre-indexation schedule of semi-annual payments over the life of the instrument. After an initial period during which the payments include no amortisation of principal, subsequent payments are of a constant amount for the rest of the term of the instrument, with no additional final repayment at maturity.

Indexation is applied to each semi-annual payment by adjusting the payment amount by the percentage rise in the retail prices index (RPI), published eight months before the payment date, over the RPI published eight months before the instrument's issue date.

Certain of the bonds and their associated loans were issued at a premium to the instrument's nominal value. This did not affect the semi-annual payments.

For accounting purposes any initial issue premium is amortised over the term of the instrument and credited semi-annually to the statement of comprehensive income. Each semi-annual payment is divided into an interest payment and a repayment of principal, so that the amounts credited semi-annually to the statement of comprehensive income as interest and amortisation of premium, as adjusted for inflation, together give a constant yield to maturity on the outstanding indexed amortised principal at each payment date over the life of the instrument.

Indexed loans to borrowers and liabilities to bond investors are stated in the balance sheet at the indexed, amortised amount as at the latest semi-annual payment date plus an amount equal to any indexed unamortised premium at that date.

2. Accounting policies continued

On prepayment of any of the above loans and associated stock the unamortised portion of the premium or discount relating to the prepayment is written off. THFC's Trust deeds and core lending terms (as amended) provide that THFC shall be entitled to accept from a borrower an amount of stock for cancellation. In those circumstances, an amount of the borrower's loan equivalent to the outstanding balance of the relevant stock surrendered shall be deemed to be prepaid.

d) Impairment losses

The Group and the Company assess at each financial year end (or earlier if there is an indication of impairment) whether there is evidence that the loans and receivables are impaired either individually for a particular borrower or collectively across the portfolio. Impairment losses are incurred if, and only if, there is evidence of impairment as a result of an event that has occurred after the initial recognition of the asset and prior to the balance sheet date and that the event or events has an impact on the estimated future cash flows of the financial asset and that the impact can be reliably estimated.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

e) Cash and cash equivalents

Cash and cash equivalents consist of term deposits (being deposits whose maturity date is three months or less from the investment date), demand deposits, current account balances and cash in hand.

f) Short-term deposits

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

g) Interest

Interest receivable on loans to housing associations and interest payable on debenture stocks, bonds and bank borrowings 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.

h) 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 (2014: none).

i) Securitised assets and related income

Securitised assets are recorded in the financial statements at amortised cost. Income arising from the assets is accounted for on an effective interest rate basis.

j) 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.

Notes to the Financial Statements continued

2. Accounting policies continued

k) 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.

Implementation costs of software are capitalised as intangible fixed assets. They are amortised over the shorter of the term of the licence and their useful economic lives. Their estimated useful economic lives are four years.

There are no internally generated intangible assets.

l) 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. Residual values and estimated useful lives are reviewed annually.

Plant and equipment 25% per annum

m) Leased assets

Operating lease costs are accounted for on a straight line basis over the lease term through the statement of comprehensive income.

n) Taxation

- i) 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.
- ii) 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.

o) Pension fund

THFC participates in the Social Housing Pension Scheme ("SHPS"). SHPS is a multi-employer, defined benefit scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi-employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid out of total scheme assets. Accordingly due to the nature of the scheme, the accounting charge for the period under IAS 19 represents the employer contribution payable for future service. The Group also provided for the present value of contractually agreed past-service deficit recovery contributions.

3. Administration expenses

	Group 2015 £000	THFC 2015 £000	Group 2014 £000	THFC 2014 £000
Amortisation of intangible fixed assets	2	-	-	-
Depreciation of property, plant and equipment	7	-	4	-
Fees paid to current auditors for:				
auditing of the financial statements (current year)	49	49	-	-
auditing of the financial statements of subsidiaries (current year)	44	-	-	-
Fees paid to previous auditors for:				
auditing of the financial statements (prior year)	17	17	54	54
auditing of the financial statements of subsidiaries (prior year)	2	-	45	-
other assurance services	14	-	6	-
tax advisory services	-	-	2	-
Operating lease rentals				
plant and machinery	5	-	4	-
other	84	-	62	-
Staff costs (note 4)	2,043	-	1,817	-
Pension provision charge	-	-	768	-
Other	934	2,305	900	5,329
Total administration expenses	3,201	2,382	3,662	5,383

None of the above costs were incurred by THFC as all administrative services for the Group are provided under management agreements with THFCs.

4. Staff numbers and cost

	Group 2015	Group 2014
Average number of persons (including directors) employed during the year (monthly average):		
Non-executive Directors	7	7
Executive Directors	3	2
Management and administrative	14	12
	24	21

The aggregate employee costs amounted to:

	£000	£000
Directors' fees	183	170
Wages & salaries	1,493	1,340
Social security costs	199	157
Other pension costs	168	150
	2,043	1,817

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

5. Directors' remuneration

	2015 £000	2014 £000
Non-executive directors:		
Fees	183	170
Executive directors:		
Salaries	474	389
Bonuses	71	77
Benefits	12	10
Aggregate emoluments	740	646
Pension contributions	64	55
Total	804	701
Highest paid executive director:		
Salary	236	229
Bonus	36	46
Benefits	9	9
Aggregate emoluments	281	284
Pension contributions	30	33
Total	311	317

The fees of the chairman were £36,844 (2014: £30,538). Each other non-executive director (or their employer) received fees at the rate of £19,308 from THFC (2014: £18,848) per annum and between £3,336 and £6,448 from AHF (2014: £3,281).

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

During the year fees of £56,096 (2014: £43,165) in respect of four non-executive directors were paid to those directors' employers. No pension contributions were made by the Group in respect of non-executive directors (2014: Nil).

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

The three executive directors are members of the SHPS defined benefit pension scheme (see note 23). There are no long-term incentive schemes.

Up until 31 March 2015 Piers Williamson was appointed to the Regulation Committee of the Homes and Communities Agency ("HCA"). He received fees for this, and other services to the HCA, amounting to £11,000 (2014: £11,000).

Notes to the Financial Statements continued

6. Interest payable

	Group 2015 £000	THFC 2015 £000	Group 2014 £000	THFC 2014 £000
On debenture stocks, secured bonds, bank borrowings and other borrowings				
Repayable wholly in more than five years				
Interest payable	140,916	113,815	123,447	109,871
Interest deferred	(1,060)	(1,060)	(952)	(952)
Repayable within five years	58,518	28,615	57,097	26,573
	198,374	141,370	179,592	135,492

7. Taxation

	Group 2015 £000	THFC 2015 £000	Group 2014 £000	THFC 2014 £000
U.K. Corporation tax at 21% (2014: 23%) on taxable surplus for year	1,071	49	1,244	411
Deferred taxation	10	(6)	(162)	(12)
	1,081	43	1,082	399
Reconciliation of tax charge				
Profit before tax	5,143	2,033	4,654	3,786
Tax charge at standard UK corporation tax rate of 21% (2014: 23%)	1,080	427	1,070	871
Reduction in corporation tax rate – deferred	(4)	(6)	1	(12)
Intra Group dividend – non taxable	-	(378)	-	(460)
Lower rate and marginal rate relief	-	-	-	-
Permanently dis-allowable items and other timing differences	5	-	11	-
Overall tax charge	1,081	43	1,082	399
Effective tax rate	21.02%	2.16%	23.26%	10.49%

8. Intangible assets

	Group 2015 £000	THFC 2015 £000	Group 2014 £000	THFC 2014 £000
Implementation costs of software				
Cost				
At beginning of year	79	-	71	-
Additions	-	-	8	-
At end of year	79	-	79	-
Accumulated amortisation				
At beginning of year	71	-	71	-
Charge for the year	2	-	-	-
At end of year	73	-	71	-
Net book value at end of year	6	-	8	-
Net book value at beginning of year	8	-	-	-

9. Property, plant and equipment

	Group 2015 £000	THFC 2015 £000	Group 2014 £000	THFC 2014 £000
Fixtures, fittings and equipment				
Cost				
At beginning of year	203	-	186	-
Additions	-	-	17	-
At end of year	203	-	203	-
Accumulated depreciation				
At beginning of year	187	-	183	-
Charge for the year	7	-	4	-
At end of year	194	-	187	-
Net book value at end of year	9	-	16	-
Net book value at beginning of year	16	-	3	-

10. Investments

	THFC 2015 £	THFC 2014 £
Shares held in subsidiary undertakings		
THFCIL – 6 ordinary shares of £1 each (2014: 6)	6	6
THFCFV – 5 ordinary shares of £1 each (2014: 5)	5	5
THFCS – 92 ordinary shares of £1 each (2014: 92)	92	92
THFCS – 2,700,000 preference shares of £1 each (2014: 2,700,000)	2,700,000	2,700,000
THFCIL2 – 5 ordinary shares of £1 each (2014: 5)	5	5
SHF – 5 ordinary shares of £1 each (2014: 5)	5	5
	2,700,113	2,700,113

The Directors believe that the carrying value of its investments is supported by their underlying net assets.

THFCS declared a cash dividend in the year of £1,800,000 (2014: £2,000,000 in the form of redeemable preference shares).

THFC beneficially owns directly or indirectly 100% of the ordinary share capital of THFCIL, THFCIL2, THFCFV, SHF, THFCC, THFCS, AHF, UKRH, UKRT and UKR1 which are incorporated in Great Britain and registered in England & Wales. (See Group structure on inside back cover).

The principal place of business for all subsidiaries is 4th Floor, 107 Cannon Street, London, EC4N 5AF.

Notes to the Financial Statements continued

11. Loans and receivables

	Group 2015 £000	THFC 2015 £000	Group 2014 £000	THFC 2014 £000
Loans to housing associations				
At beginning of year	3,338,174	2,511,901	3,093,213	2,225,031
Premium on new issues	46,661	-	21,557	21,557
Loans repaid during the year	(30,005)	(8,565)	(59,596)	(14,234)
Loans advanced during the year	771,358	120,000	281,200	281,200
	4,126,188	2,623,336	3,336,374	2,513,554
Discount amortised for the year	1,078	1,064	1,095	1,082
Premium amortised for the year	(2,928)	(1,879)	(2,618)	(1,783)
Interest deferred for the year	(1,060)	(1,060)	(952)	(952)
Indexation for the year	3,118	-	4,275	-
At end of year	4,126,396	2,621,461	3,338,174	2,511,901
Securitised assets				
At beginning of year (Note 16)	29,570	-	30,779	-
Loans repaid during the year	(1,362)	-	(1,209)	-
At end of year	28,208	-	29,570	-
Total loans and receivables	4,154,604	2,621,461	3,367,744	2,511,901
Due within one year	88,294	8,867	59,138	8,547
Due after more than one year	4,066,310	2,612,594	3,308,606	2,503,354
Total	4,154,604	2,621,461	3,367,744	2,511,901

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:

- 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 cover and AHF where the minimum is 1.05 times cover);
- 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
- 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 16.

The maturity profile of the above loans is detailed in Note 22.

Collateral arrangements on the Group's loans are included in Note 22.

Based upon the information available at the date of this report the Directors are of the opinion that the recent proposals announced in relation to housing associations in the 8 July 2015 budget do not materially impact on the Directors' assessment of the carrying values of the loans.

12. Other receivables

	Group 2015 £000	THFC 2015 £000	Group 2014 £000	THFC 2014 £000
Due within one year:				
Accrued interest income	36,037	26,741	29,953	26,377
Other receivables	1,763	626	1,386	614
Amounts due from subsidiary undertaking	-	56	-	367
	37,800	27,423	31,339	27,358

13. Other payables

	Group 2015 £000	THFC 2015 £000	Group 2014 £000	THFC 2014 £000
Due within one year:				
Accruals and deferred income	56,808	44,138	48,642	43,770
Other creditors	4,673	59	4,051	203
Amounts due to subsidiary undertakings	-	1,869	-	1,989
	61,481	46,066	52,693	45,962

14. Financial liabilities – Borrowings

	Group 2015 £000	THFC 2015 £000	Group 2014 £000	THFC 2014 £000
Guaranteed Secured Bonds				
At beginning of year	-	-	-	-
Issued during the year	567,400	-	-	-
Premium on issue	46,661	-	-	-
Premium amortised	(194)	-	-	-
At end of year	613,867	-	-	-
Guaranteed Secured Bank Loans				
At beginning of year	-	-	-	-
Borrowings during the year	67,100	-	-	-
At end of year	67,100	-	-	-
Eurobonds (Note 16)				
At beginning of year	29,570	-	30,779	-
Repaid during the year	(1,362)	-	(1,209)	-
At end of year	28,208	-	29,570	-
Debenture Stocks				
At beginning of year	925,283	490,535	936,858	493,099
Repaid during the year	(15,216)	(1,688)	(13,987)	(1,522)
Discount amortised	915	901	825	812
Premium amortised	(1,829)	(974)	(1,737)	(902)
Deferred interest	(1,061)	(1,060)	(951)	(952)
Indexation	3,118	-	4,275	-
At end of year	911,210	487,714	925,283	490,535

Notes to the Financial Statements continued

14. Financial liabilities – Borrowings continued

	Group 2015 £000	THFC 2015 £000	Group 2014 £000	THFC 2014 £000
Bank borrowings				
At beginning of year	1,140,932	749,451	1,070,543	646,163
Borrowed during the year	136,858	120,000	116,000	116,000
Repaid during the year	(14,788)	(6,876)	(45,611)	(12,712)
At end of year	1,263,002	862,575	1,140,932	749,451

	Group 2015 £000	THFC 2015 £000	Group 2014 £000	THFC 2014 £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	1,271,926	1,271,926	1,085,780	1,085,780
Loans during the year	-	-	165,200	165,200
Premium on issue	-	-	21,557	21,557
Premium amortised	(905)	(905)	(881)	(881)
Discount amortised	163	163	270	270
At end of year	1,271,184	1,271,184	1,271,926	1,271,926
Subordinated loans (Note 16)	723	-	723	-
Total borrowings at 31 March 2015	4,155,294	2,621,473	3,368,434	2,511,912

	Group 2015 £000	THFC 2015 £000	Group 2014 £000	THFC 2014 £000
Amounts falling due within one year	88,294	8,867	59,138	8,547
Amounts falling due after one year	4,067,000	2,612,606	3,309,296	2,503,365
Total	4,155,294	2,621,473	3,368,434	2,511,912

Amounts falling due after one year are repayable as follows:

	Group 2015 £000	THFC 2015 £000	Group 2014 £000	THFC 2014 £000
Between one and two years	204,504	170,820	35,052	9,078
Between two and five years	155,510	60,216	294,287	203,059
In five years or more	3,714,990	2,381,570	2,979,957	2,291,228
	4,075,004	2,612,606	3,309,296	2,503,365

The Guaranteed Secured Bonds, debenture stocks, bank and other loans are secured by floating charges over all the assets of AHF, 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, debenture stocks, bank borrowings and other borrowings are substantially identical to the income and repayment terms of the related investments.

As at 31 March 2015 T.H.F.C. (Funding No.3) Plc had retained bonds of £2m (nominal) (2014: £2m (nominal)). Retained bonds are bonds that the issuer immediately purchased on closing of the original issue, or a subsequent issue, which can be sold into the market at a future date to fund further drawdowns of loans by THFC. The £2m of retained bonds were sold on 2 April 2015.

During the year AHF issued Guaranteed Secured Bonds in principal amount of £600.9m of which £37.5m were retained at 31 March 2015 to fund further loans to borrowers at future dates. Since the year end £10m of these retained bonds have been sold.

15. Deferred tax

	Group 2015 £000	THFC 2015 £000	Group 2014 £000	THFC 2014 £000
At beginning of the year	(37)	124	124	136
Credit/charge against surplus	14	-	(162)	-
Change in tax rate	(4)	(6)	1	(12)
At end of the year	(27)	118	(37)	124
	Group 2015 £000	THFC 2015 £000	Group 2014 £000	THFC 2014 £000

The asset/liability for deferred taxation at the end of the year is as follows:

Difference between accounting and taxation treatment of discounts	118	118	124	124
Timing differences on pension provision	(145)	-	(161)	-
Other timing differences	-	-	-	-
Amount provided	(27)	118	(37)	124

Deferred taxation at 31 March 2015 has been provided at 20%. This rate is effective for the year beginning the 1 April 2015 and thereafter. The deferred tax assets have been recognised at the rate that is expected to apply for the period when the asset is realised.

16. 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 2015 was £723,000 (2014: £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 £2,599,000 (2014: £2,719,000) 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.

Notes to the Financial Statements continued

17. Called up share capital

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

	2015	2014
	£	£
At beginning of year	7	7
Issued in year	-	1
Cancelled in year	-	(1)
At end of year	7	7

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.

18. Retained earnings

	Group 2015 £000	THFC 2015 £000	Group 2014 £000	THFC 2014 £000
Opening reserves	16,565	12,248	12,993	8,861
Surplus for the year	4,062	1,990	3,572	3,387
Closing reserves	20,627	14,238	16,565	12,248

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 2015 were £1,963,000 (2014: £1,959,000).

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. The level of reserves is considered to be adequate for the nature of the Group's operations. THFC is not subject to any regulatory capital requirement.

19. Reconciliation of surplus to net cash flow from operations

	Group 2015 £000	THFC 2015 £000	Group 2014 £000	THFC 2014 £000
Surplus before taxation	5,143	2,033	4,654	3,786
Interest receivable	(195,807)	(141,389)	(176,901)	(135,509)
Interest payable	198,374	141,370	179,592	135,492
Dividend receivable	-	(1,800)	-	(2,000)
Adjustment for:				
Depreciation and amortisation	9	5	5	5
(Decrease)/increase in pension provision	(75)	-	768	-
(Increase)/decrease in other receivables	(377)	299	(104)	242
Increase/(decrease) in other payables	622	(264)	174	1,135
Net cash inflow from operating activities	7,889	249	8,188	3,146

20. Analysis of changes in net funds

	At 1 April 2014 £000	Cash Flows £000	Other Non-cash Changes £000	At 31 March 2015 £000
Group				
Cash and cash equivalents	23,488	7,606	-	31,094
Debt due after 1 year	(3,309,296)	(786,653)	28,949	(4,067,000)
Debt due within 1 year	(59,138)	-	(29,156)	(88,294)
Short-term deposits	16,404	(1,480)	-	14,924
	(3,328,542)	(780,527)	(207)	(4,109,276)

	At 1 April 2014 £000	Cash Flows £000	Other Non-cash Changes £000	At 31 March 2015 £000
THFC				
Cash and cash equivalents	18,350	4,391	-	22,741
Debt due after 1 year	(2,503,365)	(111,436)	2,195	(2,612,606)
Debt due within 1 year	(8,547)	-	(320)	(8,867)
Short-term deposits	9,987	(2,510)	-	7,477
	(2,483,575)	(109,555)	1,875	(2,591,255)

21. Commitments

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

	Group 2015 £000	Group 2014 £000
Due within 1 year	138	31
In the 2nd to 5th year inclusive	431	-
Over 5 years	-	-
	569	31

Undrawn committed facilities from lenders are given in Note 22.

Notes to the Financial Statements continued

22. Financial risk management

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.

(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 2016 each 0.5% increase/decrease in interest rates gives rise to a £163,791 (2014: £156,507) increase/decrease in income for the Group and £74,090 (2014: £122,350) 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.

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.

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 2015 (2014: None). The maturity profile of financial assets is given below.

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 13 borrowers who have an element of floating charge security on 28 loans. Each lending company is required to obtain a charge over the assets of borrowers 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 and 105% for AHF) 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. 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.

(c) Liquidity risk

The Group mitigates liquidity risk in a number of ways. In general borrowers' payments are received 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 2015 (2014: Nil) 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. 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 borrowers also provide AHF as Trustee with a Liquidity Reserve Fund which equates to two years' interest. 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 2015 (2014: None).

22. Financial risk management continued

The maturity profile of financial assets

	Group 2015 £000	THFC 2015 £000	Group 2014 £000	THFC 2014 £000
Loans to housing associations	4,126,396	2,621,461	3,338,174	2,511,901
Securitised assets	28,208	-	29,570	-
	4,154,604	2,621,461	3,367,744	2,511,901
Due within one year	88,294	8,867	59,138	8,547
Due between one and two years	207,644	170,820	35,052	9,078
Due between two and five years	158,914	60,216	294,287	203,059
Due in over five years	3,699,752	2,381,558	2,979,267	2,291,217
	4,154,604	2,621,461	3,367,744	2,511,901

Interest rate risk profile of loans and borrowings

	Group 2015 Financial Liabilities £000	Group 2015 Financial Assets £000	Group 2014 Financial Liabilities £000	Group 2014 Financial Assets £000
Fixed rate	3,713,769	3,713,753	2,934,504	2,934,488
Floating rate	440,802	440,851	433,207	433,256
No interest payable	723	-	723	-
	4,155,294	4,154,604	3,368,434	3,367,744

	THFC 2015 Financial Liabilities £000	THFC 2015 Financial Assets £000	THFC 2014 Financial Liabilities £000	THFC 2014 Financial Assets £000
Fixed rate	2,382,208	2,382,196	2,304,809	2,304,798
Floating rate	239,265	239,265	207,103	207,103
	2,621,473	2,621,461	2,511,912	2,511,901

The effective interest rates during the year for the Group and THFC were between 0.76% and 12.04%. The weighted average interest rate on both fixed financial liabilities and fixed financial assets of the Group is 5.74% and the weighted average period for which interest rates are fixed is 18.80 years. The corresponding figures for THFC are 6.073% and 19.10 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 16. 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 2015 £000	THFC 2015 £000	Group 2014 £000	THFC 2014 £000
Within one year	644,400	178,000	5,000	5,000
Between one and two years	-	-	500,000	-
Over two years	69,000	15,000	375,250	303,000
	713,400	193,000	880,250	308,000

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 2015 until contractual maturity of all its bond, debenture stock and loan liabilities as at the same date. On variable rate facilities it has been assumed that the interest rate and drawn amount as at 31 March 2015 remain unchanged until the contract maturity. Similarly, on indexed liabilities it has been assumed that the liability is fixed from 31 March 2015.

Notes to the Financial Statements continued

22. Financial risk management continued

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 2015					
Contractual interest cash flows	208,424	208,617	554,130	2,675,841	3,647,012
Contractual principal cash flows	84,669	203,882	148,854	3,662,271	4,099,676
Total contractual cash flows	293,093	412,499	702,984	6,338,112	7,746,688

	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 2014					
Contractual interest cash flows	185,185	183,703	500,904	2,199,652	3,069,444
Contractual principal cash flows	56,716	32,530	287,244	2,962,171	3,338,661
Total contractual cash flows	241,901	216,233	788,148	5,161,823	6,408,105

THFC

	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
31 March 2015					
Contractual interest cash flows	144,188	143,775	369,410	1,822,975	2,480,348
Contractual principal cash flows	7,236	169,082	56,131	2,386,841	2,619,290
Total contractual cash flows	151,424	312,857	425,541	4,209,816	5,099,638

	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
31 March 2014					
Contractual interest cash flows	141,617	141,313	383,921	1,896,687	2,563,538
Contractual principal cash flows	7,017	7,449	198,666	2,276,817	2,489,949
Total contractual cash flows	148,634	148,762	582,587	4,173,504	5,053,487

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

23. Pensions

THFCS participates in the Social Housing Pension Scheme ("SHPS"). The Scheme is funded and is contracted out of the state pension scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

Until 31 March 2007 the Scheme operated a single benefit structure based on final salary with a 1/60th accrual rate. From 1 April 2007 three defined benefit structures have been available, namely:

- Final salary with a 1/60th accrual rate.
- Final salary with a 1/70th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.

From April 2010 a further two defined benefit structures have been available, namely:

- Final salary with a 1/80th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate.

A defined contribution benefit structure was made available from 1 October 2010.

A Career average revalued earnings (CARE) structure with a 1/120th accrual rate was made available from 1 April 2013. This structure is contracted-in to the State Second Pension scheme.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can operate one open defined benefit structure plus CARE 1/120th, plus the defined contribution benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

23. Pensions continued

During the year THFCS continued to provide pension benefits based on final salary with a 1/60th accrual rate benefit structure for active members as at 31 March 2007 and on career average revalued earnings with a 1/60th accrual rate benefit structure for new entrants since 1 April 2007. Since 1 April 2013 employees have also been able to join a defined contribution scheme contributing up to 7% of their salary which is matched by the employer.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. Since April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. Since 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period THFCS paid contributions at the rate of 7.8% to 8.01% and member contributions varied between 7.1% and 9.79%.

As at the balance sheet date there were twelve active members of the scheme employed by THFCS. The annual pensionable payroll in respect of these members was £1,083,991. THFCS continues to offer membership of the scheme to its employees.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the scheme is a multi-employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid out of total scheme assets. Accordingly, due to the nature of the scheme, the accounting charge for the period under IAS19 represents the employer contribution payable. The amount charged to the statement of comprehensive income was £83,204 (2014: £150,236). Contributions due and payable at 31 March 2015 amounted to £21,323 (31 March 2014: £23,958). The Group also provided £693,000 (2014: £768,000) being the present value of contractually agreed past-service deficit recovery contributions.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062m. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035m, equivalent to a past-service funding level of 67.0%.

The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123m. There was a shortfall of assets compared with the value of liabilities of £1,323m, equivalent to a past service funding level of 70%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% pa
– Investment return pre-retirement	7.0
– Investment return post retirement	4.2
– Investment return non-pensioner post retirement	4.2
– Rate of pensionable earnings growth (2.5% per annum for 3 years then 4.4%)	2.5
– Rate of pension increases	2.4
– Rate of price inflation (RPI)	2.9

Expenses for death in service insurance, administration and Pension Protection Fund (PPF) levy are included in the contribution rate. The valuation was carried out using the following demographic assumptions:

Mortality pre-retirement – 41% SAPS S1 Male/Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long-term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

Mortality post retirement – 97% SAPS S1 Male/Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long-term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females.

Notes to the Financial Statements continued

23. Pensions continued

The long-term contribution rates applied from April 2013 required from employers and members to meet the cost of future benefit accrual were assessed at:

	Long-term joint contribution rate (% of pensionable salaries)
Final salary with a 1/60th accrual rate	19.4
Career average revalued earnings with a 1/60th accrual rate	18.1

If an actuarial valuation reveals a shortfall of assets compared with liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035m would be dealt with by the payment of deficit contributions as shown in the table below:

From 1 April 2013 to 30 September 2020	A cash amount(*) equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 October 2020 to 30 September 2023	A cash amount(*) equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 April 2013 to 30 September 2026	£30,640,000 per annum(**) (payable monthly and increasing by 3% per annum each 1 April; first increase on 1 April 2014)

(*) The contributions of 7.5% will be expressed in nominal pound terms (for each Employer), increasing each year in line with the Earnings growth assumption used in the 30 September 2008 valuation (i.e. 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 (for each Employer) will be used as the reference point for calculating these contributions.

(**) THFCS' share of this deficit contribution is £28,188 per annum.

These deficit contributions are in addition to the long-term joint contribution rates as set out above.

Employers that have closed the defined benefit section of the Scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past-service liabilities from another pension scheme into the SHPS Scheme.

New employers that do not transfer any past-service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and new employers joining the Scheme between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining the Scheme after 1 April 2010 will be liable for past-service deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan).

In accordance with IAS19 THFCS provides for the net present value of agreed future deficit contributions. The amount provided at 31 March 2015 was £693,000 (2014: £768,000).

24. Related party transactions

T.H.F.C. (Services) Limited, a subsidiary undertaking, levies a service charge to THFC and its other subsidiaries reflecting their share of administrative overhead that is incurred during the year. Each subsidiary's share of the charge is based on their own level of activity during the year and interest payable is adopted as the principal measure for allocating the charge. THFC and each subsidiary 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 2015 was £2,267,993 (2014: £5,275,529). The amount due from THFCS at 31 March 2015 was £11,482 (2014: £223,177).

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 £146,932 (2014: £153,235) for providing these services and had amounts due to/owing from these companies at 31 March 2015 of £2,434 (2014: £4,259). Directors of these companies are also directors of THFC.

Details of key management compensation relating to the Group's directors are included in Note 5 to the financial statements.

THFC received a cash dividend from THFCS of £1,800,000.

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 14. Total interest charged by these companies during the year was £12,054,256, £23,548,975 and £32,411,600 respectively (2014: £12,054,256, £23,548,975 and £29,828,838 respectively).

Notes to the Financial Statements continued

25. Fair values of financial instruments

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

The fair value of the debenture stocks, secured bonds, bank and other borrowings and associated loans are shown below. The fair value is derived from observable attributes in an active market.

Group	Book value	Fair value	Book value	Fair value
	2015	2015	2014	2014
	£000	£000	£000	£000
Assets				
Loans receivable	4,154,604	5,246,006	3,367,744	3,837,629
Trade and other receivables	37,800	37,800	31,353	31,353
Short-term cash deposits	14,944	14,944	16,404	16,404
Cash and cash equivalents	31,094	31,094	23,488	23,488
	4,238,442	5,329,844	3,438,989	3,908,874
Liabilities				
Financial liabilities-borrowings	4,155,294	5,245,957	3,368,434	3,837,580
Trade and other payables	61,481	61,481	52,707	52,707
	4,216,775	5,307,438	3,421,141	3,890,287
THFC				
	Book value	Fair value	Book value	Fair value
	2015	2015	2014	2014
	£000	£000	£000	£000
Assets				
Loans receivable	2,621,461	3,368,127	2,511,901	2,877,953
Investments	2,700	2,700	2,700	2,700
Trade and other receivables	27,423	27,423	27,358	27,358
Short-term cash deposits	7,477	7,477	9,987	9,987
Cash and cash equivalents	22,741	22,741	18,350	18,350
	2,681,802	3,428,468	2,570,296	2,936,348
Liabilities				
Financial liabilities-borrowings	2,621,473	3,368,127	2,511,912	2,877,953
Trade and other payables	46,066	46,066	45,976	45,976
	2,667,539	3,414,193	2,557,888	2,923,929

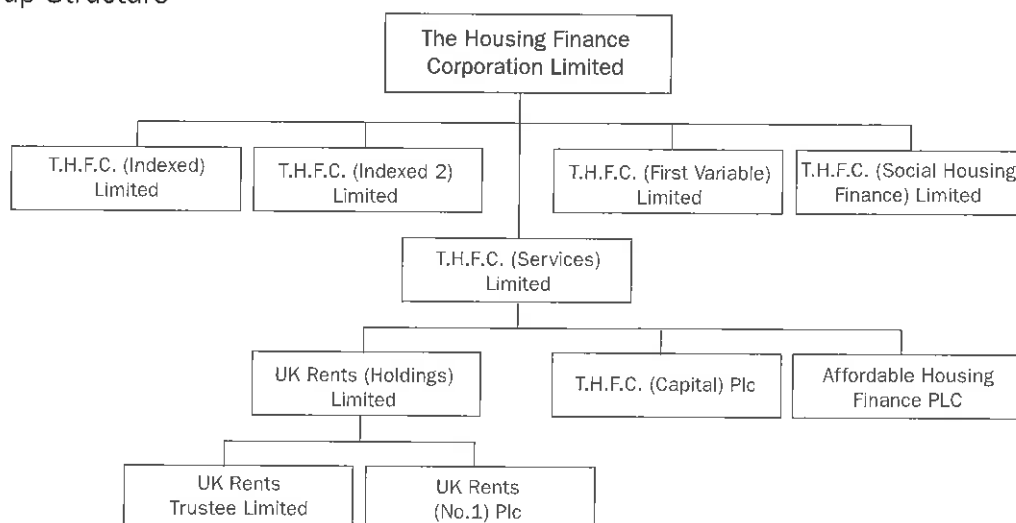
The fair values of short-term deposits, loans and overdrafts with a maturity of less than one year are not materially different from their book values. Financial assets and financial liabilities being loans to borrowers, and bank loans and debenture stocks and bonds issued, are held at amortised cost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

Five Year Financial Record

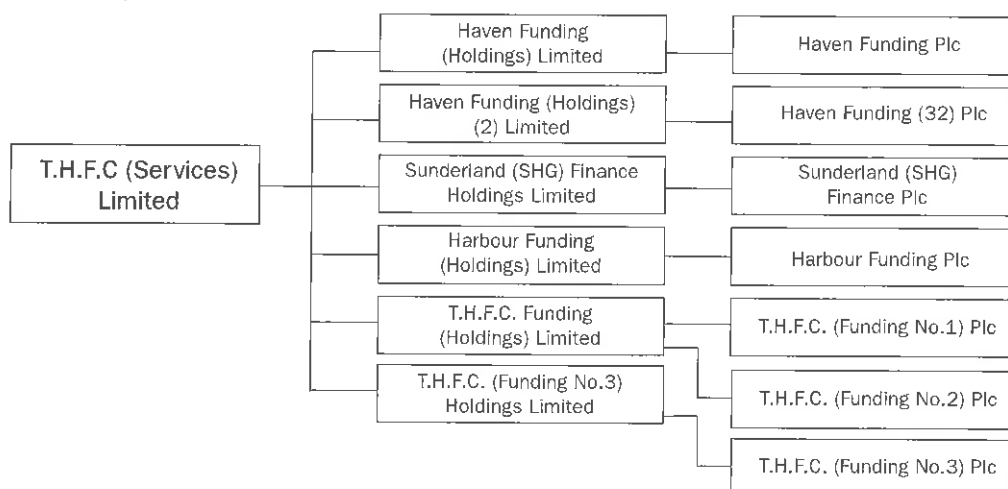
Excluding loan interest and similar items

Year to 31 March	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000
Fees	2,483	2,697	3,550	7,675	7,848
Investment income	316	343	406	310	267
Other income	268	211	217	302	197
Interest margin	29	34	22	29	32
Total revenues (after interest expense off-set)	3,096	3,285	4,195	8,316	8,344
Staff costs	1,048	1,114	1,256	1,731	1,840
Pension provision	-	-	-	768	-
Non-executive directors costs	143	149	156	167	163
Legal/trustees and registrars	250	270	312	299	360
Premises	114	127	130	178	161
Other	346	387	487	519	677
Total operating expenses	1,901	2,047	2,341	3,662	3,201
Surplus before tax	1,195	1,238	1,854	4,654	5,143
Tax	142	231	444	1,082	1,081
Surplus after tax	1,053	1,007	1,410	3,572	4,062
Accumulated reserves	10,576	11,583	12,993	16,565	20,627
	£m	£m	£m	£m	£m
Loans outstanding	2,469	2,882	3,124	3,368	4,155
	%	%	%	%	%
Ratio of operating expenses to loan book	0.08	0.07	0.07	0.11	0.08

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
Nominal Value	£259,783,095	£67,600,000	£214,388,676	£212,802,000	£235,205,000	£370,850,000	£623,300,000
Issue Date	11.03.97	12.02.98	28.08.03	27.06.01	21.12.04	08.07.09	11.10.11
Business Activity	Quoted Eurobonds, proceeds on-lent to 10 borrowers	Quoted Eurobonds, proceeds on-lent to 6 borrowers	Quoted Eurobonds, proceeds on-lent to 4 borrowers	Quoted Eurobonds, dedicated issue to Gentoo Group on-lent via T.H.F.C (Capital) Plc	Quoted Eurobonds, proceeds on-lent to 16 borrowers via T.H.F.C	Quoted Eurobonds, proceeds on-lent to 19 borrowers via T.H.F.C	Quoted Eurobonds, proceeds on-lent to 49 borrowers via T.H.F.C
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

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

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