CREATING
LOANS
FOR
AFFORDABLE
HOMES

THFC

The Housing Finance Corporation Limited

2016 Annual Report and Accounts

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.

£5,087m (2015: £4,155m)
THFC GROUP'S LOAN BOOK

£8,421k (2015: £8,312k)
GROUP TOTAL INCOME*

£4,121k (2015: £5,143k)
GROUP PRE-TAX SURPLUS

29 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
- 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

Given the pressing need for efficiencies in the housing association sector, it is particularly pleasing to note that AHF loans have been made at historically very low interest rates, sometimes significantly lower than those rates at which the Government itself borrows.

I am pleased to report another very strong set of results for The Housing Finance Corporation (THFC) Group, with a pre-tax surplus of £4.1m and our group loan book surpassing £5bn for the first time in THFC's 29 year history. As with last year, the principal new business activity has related to Affordable Housing Finance Plc (AHF), our Government guaranteed subsidiary.

The Affordable Homes Guarantee Scheme (for which AHF was the successful bidder) had a three year credit underwriting window. 2015 marked the middle year of AHF's rapid portfolio growth and although underwriting acceptance of new borrowers for AHF came to an end at 31 March 2016, the extant pipeline of applications still to be processed at that date will drive further strong growth in the AHF portfolio throughout the 2017 financial year.

We estimate that once all AHF loans are drawn, the portfolio will amount to approximately £2.5bn, with in excess of sixty housing association participants. By any account this is a very successful outcome for housing associations, Government and THFC.

Given the pressing need for efficiencies in the housing association sector, it is pleasing to note that AHF loans, which carry the Guarantee of the Secretary of State for Communities and Local Government, have been made at historically low interest rates, sometimes significantly lower than those rates at which the Government itself borrows.

From 2017 onwards, the principal business lines of the Group are likely to become a) continued long-term management of the existing THFC portfolio b) long term management of the AHF portfolio and c) origination of new loans and bonds for THFC (with no Government guarantee).

This report has been finalised in the immediate aftermath of the UK Referendum result for the UK to leave the European Community. In the short term this has led to a double downgrade of the UK Sovereign Rating by Standard and Poor's, unprecedented market volatility and a period which is likely to see significant political change. AHF's rating has been revised to "AA", reflecting the sovereign rating and THFC has been downgraded to "A stable" again reflecting the move in the sovereign rating. However, we view underlying sentiment towards investing in both entities as remaining strong, evidenced by investor enquiry since the Referendum. Additionally the European Investment Bank has issued us with a statement confirming its on-going commitment to the business they have written with us.

Like THFC the majority of housing associations have received a one notch downgrade in rating actions from both S&P and Moody's triggered by the Sovereign downgrade. More broadly, it is too early to say whether 'Brexit' will alter the creditworthiness of housing associations in any significant way, and potentially the recoverability of our loans, although it is evident that it has increased uncertainty within the sector.

The build-up of AHF business and the consequent expanded portfolio management has necessitated changes in the structure of THFC and the activities of its personnel. Although there is cross-over between the THFC and AHF portfolios, a significant number of new-to-Group borrowers have come to us through AHF. We should like to thank everyone in the Group for their hard work, skill, enthusiasm and flexibility in responding to the challenges which these various changes have produced.

The Government's housing policy has been focussed on encouraging a growth in home ownership rather than other forms of tenure, despite an affordability crisis in many parts of the country. The recently published Homes and Communities Agency (HCA) prospectus focusses grant availability almost exclusively on shared ownership for the next five years. Housing associations concentrating on the traditional housing needs for vulnerable tenants are increasingly turning to build-for-sale or market rental as a way of cross subsidising affordable rental homes. So far in the current housing cycle this has led to increasing surpluses substituting for the lack of availability of capital grant. However their sales dependency exposes some of the larger housing associations to a cyclical downturn if they are not able to turn off the development tap.

As predicted in last year's report and accounts, the year under review saw major changes in the credit environment for housing associations. The principal changes are:

- The four 1% reductions in housing association rents from 2016-2020, the first of these having just come into effect in April 2016. The rent reductions will themselves lead to falls in security values.
- A number of Government welfare changes introduced over the last 3 years may adversely affect the creditworthiness of housing associations in a situation which had already been made uncertain by the advent of Universal Credit. To date many housing associations have made commendable inroads into tenant arrears, anticipating a tougher operating environment, but the overall scale of required cuts in the growth of the Government's welfare bill implies that further measures are very likely to adversely impact housing associations.
- The year has also been marked by the announcement of a number of significant mergers between housing associations. The driver for these mergers is commonly the need to create additional capacity to support further development activity, whilst absorbing the impact of welfare cuts. Of themselves, mergers may be credit-neutral or positive, but the concentration of lending exposures amongst a relatively small field of bank lenders may drive a progressive redistribution of credit risk.
- The introduction of a voluntary Right to Buy (albeit with relatively demanding qualification criteria), and so-called deregulation provisions in the recent Housing Act - including a new Housing Administration regime, add further to the uncertainty in some respects (though these do not necessarily adversely affect creditworthiness and may improve it in some cases).

Many housing associations remain strong credits (with the majority continuing to have stronger long term ratings than the banks that have historically lent to them), and, particularly since the announcement of the rent cuts, we have seen the majority respond to government measures with cost controls and revenue enhancements. However, we believe that there has been an increase in the likelihood of credit problems in the sector, particularly if there is a turn in the property cycle.

In the past any such credit problems have been solved by the active involvement of the Regulator and some of the stronger housing associations in arranging mergers. As a result the sector has, to date, maintained an enviable record of no payment default in the 29 years that THFC has been in business.

Our experience and dialogue with Government, the Regulation Committee of the HCA and large housing associations indicates that such problems will continue to be solved in a similar way. Nevertheless, given the changes in the credit environment, our view is that the potential for a payment default has risen, albeit from a very low percentage.

THFC's lending book is all secured on individual properties, with low 'loan to value' percentages (compared with those of some other lenders – through a combination of conservative lending criteria and long-established loans) and this may help to reduce or eliminate our losses in the event of a default. However, particularly in the context of making predominantly long term, fixed-rate loans, we remain exposed to the possibility that the security value may not cover the amounts due.

THFC's capital base is relatively small (though it has been augmented in recent years by reinvesting surpluses) and, as a mutual organisation, THFC is not able to raise new equity capital. This would hamper its ability to absorb large credit losses and/or provisions for a prolonged period.

Though there are uncertainties ahead, the current financial position of the sector remains healthy. The latest available HCA Global Accounts for the English housing association sector for the year to March 2015 show a sector operating surplus of over 28% and an accounting surplus of £3.0bn in total (up 25% on the previous year). This reflects the increased contribution from sale of properties, both outright sale and shared ownership, particularly for associations in London and the South East.

Turning to THFC's own governance, we established a Remuneration Committee this year, chaired by Keith Exford. We are very grateful to Keith for agreeing to take on this additional role.

Each year we conduct a Board appraisal. This year we decided to supplement our self-assessment by using an independent consultant, whom we also asked to conduct a staff survey. We believe that an outside view can be of considerable benefit and that the exercise was valuable in helping us to judge our performance.

We welcomed Lee Heley to the Board of AHF in January 2016. Lee has helped us during the busy final months of the AHF Licence and his input will be critical as we move AHF from 'new business' to 'loan administration' mode.

During the year, David Orr stood down as Chairman of the AHF Credit Committee, having retired from the THFC and AHF Boards in 2015. We are hugely grateful to David for his good humoured wisdom and help over the last 10 years.

As we approach our 30th year in business, the ongoing stewardship of both the National Housing Federation (NHF) and the HCA, through their respective shareholding, differentiates THFC from other sector lenders.

It has been an immensely busy year and one where everyone has had to work to difficult timetables. The Board is very grateful for the dedication of the management and staff of THFC.

As Chairman of the Group, I would also like to thank the Board members themselves for their invaluable contributions; they have shared enthusiastically in the additional burden of work, through what has proved an exciting, eventful and successful year.

Ian Peacock
Chairman

19 July 2016

Chief Executive's Review

2015/16 proved another very good year for THFC, with its loan book exceeding £5bn for the first time in its 29 year history. The portfolio grew to £5.09bn (2015: £4.15bn), including £777.4m of new loans during the year advanced by Affordable Housing Finance (AHF) (2015: £634.5m). Our Group surplus after tax was £3.29m (2015: £4.06m).

2015/16 represented AHF's second full year of contribution, generating the majority of new business origination fees. The THFC Board's strategic priority for the year remained the growth of the AHF portfolio. At year end AHF had 45 housing association customers, of which 17 were new to the THFC Group. However there remained continuing contributions to the growth of the core portfolio in the year from THFC originated European Investment Bank (EIB) loan completions.

The operating surplus (before arrangement fees) for the business stood at nearly £340k for the year, after taking into account expansion of staff numbers to service the AHF contract, together with a further provision of £488k to cover additional deficit reduction contributions in relation to the Social Housing Pension Scheme which became due on 1 April 2016. With short term interest rates remaining at an all-time low for the seventh 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 2016/17.

Affordable Housing Finance Plc
In 2013, AHF negotiated 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 could accept housing association applications for guaranteed funding until 31 March 2016. Funding to date has come from two principal sources: EIB and UK Sterling capital market long term fixed income debt issues. We anticipate that the underwriting process for new loans will be substantially completed by September 2016. However, EIB has provided an additional £1bn line of credit to AHF (the largest housing regeneration loan made by EIB in Europe in its entire 58 year history) which can be drawn up until December 2017. Hence we expect the AHF loan portfolio to continue to grow throughout the current and into the next financial year.

AHF loan balances at year end stood at £1,411.9m, with loan agreements signed for a further £278.0m and credit approvals already agreed for an additional £155.3m, giving a total programme size for the AHGS of £1.8bn at the year end.

2015/16 represents the second full year of growth for the AHF portfolio. AHF's initial £500m EIB long term facility was fully drawn by the end of the year at long term rates of interest which, on a number of occasions, were below the UK Government's own cost of finance.

The year also saw AHF launch and consolidate its second 28 year, benchmark public sterling bond. Having grown the initial 28 year bond to £600.9m a decision was made to launch a second bond in August 2015, one of only a very small number of housing-related bonds issued in the period. Its pricing benefited significantly from the Government Guarantee, given the uncertainties alluded to in the Chairman's report. The six borrowers in the August issue went through an additional post Budget due diligence appraisal, before participating. The initial £208m transaction was priced at a competitive cost of: 2.89% (Gilts + 0.40%).

AHF followed this up in March 2016 with a significant tap transaction for seven housing associations. The £194m transaction, priced at Gilts plus 0.43% and an overall cost of 2.71% represented the lowest cost of bulk issuance under the programme to date.

AHF Public Bond Issuance History

Date of Issue	Amount	Effective Rate at Issue	Total Deal Size
May 2014	£208.4m	3.76%	
October 2014	£198.5m	3.30%	
March 2015	£194.0m	2.92%	£600.9m
Second Series			
August 2015	£208.0m	2.89%	
March 2016	£194.0m	2.71%	£402.0m

Throughout the year AHF has also continued to issue relatively small parcels of retained bonds on behalf of individual housing associations. When both retained bonds and public issuance are taken into account, in contrast to housing association own-name bond spreads (which have widened significantly to reflect the market's view of increased risk/uncertainty), AHF's credit spread has varied in a narrow range between Gilts +0.30% and Gilts +0.43%, indicating the market's value of the structural integrity of AHF and the Guarantee. Predominant investors in AHF remain a wide variety of UK institutional insurance and investment funds along with a small number of sovereign wealth funds and central banks.

The majority of housing associations applying to borrow from AHF remain English-based, but the AHGS is a UK scheme and two Scottish and two Welsh borrowers have so far been funded under the programme.

In order for borrowers to access the AHGS, they undergo a comprehensive credit evaluation process. This process was further intensified following the July 2015 Budget announcements.

THFC Rating
Following the downgrade of the UK Sovereign credit on 27 June 2016, THFC and its related issuing companies, 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 were all downgraded one notch to "A stable" on 6 July 2016. According to S&P the stable outlook reflects THFC's stable intrinsic creditworthiness and S&P's view that any potential negative rating action on the UK Sovereign will not have an impact on the ratings of THFC.

Sector Developments
In the last 12 months housing associations have been subject to a period of intense and unprecedented change and challenge. Of most relevance over the course of this Parliament will be the numerous reforms to the welfare budget and rent cuts discussed elsewhere in this report.

There has been an active debate, particularly in the wake of the sector being temporarily re-classified to the public balance sheet, as to whether housing associations are on a path to becoming substantively commercial bodies 'with a social conscience'.

For some time THFC has used a simple framework of five factors to differentiate the risk profile between large housing associations and volume housebuilders as outlined below.

Notwithstanding the shift towards commercial output, we expect large parts of the sector will remain dedicated to the provision of housing for those most in need.

- The presence of £44bn of grant in sector balance sheets. Grant is effectively interest-free, subordinated, undated capital. It is not equity and is usually only repayable upon the sale of a housing association property.
- A statutory regulator for all registered housing associations.
- The prevalent financing model for all housing associations is simple, long term, secured mortgage finance.
- To date, the majority of rentals flow directly from local authorities to housing associations. This will change under proposed Universal Credit, but there are contingency arrangements for reversion to payment to the housing association direct, where tenants fall into arrears.
- Housing associations are predominantly non-profit distributing, independent charities.

The Governance and Financial Viability Standard Code of Practice introduced by the Regulation Committee of the HCA in April 2015, amongst a number of factors pertaining to good governance, sets out the expectation that housing association boards will be able to segment commercial activities and protect social housing assets from significant market risk.

Nevertheless a number of the proposed ‘de-regulation’ features in the Housing Act currently before Parliament have the potential to further ‘commercialise’ housing associations and put the onus on external stakeholders (such as banks and institutional lenders), to play a more active role in policing and differentiating risk. The most important areas for these stakeholders to focus upon will be freedoms around asset disposals and mergers. Whilst these do represent a relaxation of sector regulation, it is important to keep in mind that these in many respects represent a shift to other regulated sector norms. THFC does not expect the substantive objective of risk-based economic regulation by the HCA Regulation Committee to be diluted by these measures.

In summary, THFC believes that up until now, housing associations have been rightly categorised as very low risk borrowers. Because they work at the boundary of public and private bodies, their risk profile has latterly been impacted by the Government’s continuing efforts to constrain the growth in public expenditure. This has caused some housing associations to seek out viable alternatives to capital grant, to cross-subsidise their core social activities. In the short term many housing associations have been highly successful in making meaningful returns from this diversification. However, looking forward it will be important for investors to differentiate between higher and lower risk housing associations.

Outlook for THFC

The AHF Licence has been a very important stepping stone for THFC. It has, and will, continue to be an important driver to the increase in our Group reserves, having already contributed significantly to the stock of low-cost long term investment in the housing association sector.

The relatively intense period of underwriting for AHF has permitted us to build a unique comparator database of a significant number of developing housing associations as they themselves go through a period of significant business change.

We believe that the combination of our credit expertise and the retreat of other lenders from long term commitments gives THFC the opportunity to offer ongoing provision of long term institutional finance to selected housing associations. The strength of our underlying operating surplus allows us to invest further in our staff and systems, without needing to aggressively grow our core lending portfolio.

Piers Williamson
Chief Executive

19 July 2016

Business and Financial Review

The five-year table on page 50 gives a comparative history of the THFC Group and shows that our loan book has increased by 76.8% while total costs have increased by 109.2% and our total revenues (net of interest expense) by 156.4% over the period.

The THFC Group achieved a pre-tax surplus of £4,121,000 (2015: £5,143,000). 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 2016, as a consequence of another successful year, the Group's reserves have risen from £20.6m to £23.9m. 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 £991.4m (2015: £818.0m) 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 £948.5m (2015: £786.7m), before adjustment for indexation and amortisation of premiums and discounts.

As a result the THFC Group loan book stands at £5,087m (2015: £4,155m). Details of borrowings by the THFC Group to fund its loan book are shown on page 19.

At the year-end the Group was the provider of funds to 171 borrowers (2015: 165).

Our operating expenses were 0.08% (2015: 0.08%) of the £5.1bn (2015: £4.2bn) 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 50). The Group achieved another strong surplus before and after tax and the ratio of expenses to the loan book was maintained.

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 in which they operate.

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.

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

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

Property Security

The majority of borrowers continue to prefer to provide fixed charge security on specified properties and most new borrowers choose to adopt this option from the outset although the issuing companies can offer housing associations the ability to secure their loans by way of floating charges, subject to appropriate asset cover tests. There are 9 borrowers who have an element of floating charge security on 17 loans. Where borrowers have opted for fixed charge security, each issuing company is required to obtain a charge over the borrowers' assets which, at all times during the life of each loan, covers at least 150% (135% for certain loans made by T.H.F.C. (Social Housing Finance) Limited) of the outstanding loan balance. For loans secured by fixed charges, formal property valuations of the specific security are undertaken at least every five years. For loans secured by floating charge, compliance is measured by reference to the balance sheet of the borrower. The Group operates a panel of approved valuers to be used by borrowers in order to ensure a consistent and adequately detailed approach which takes account of the physical condition, the future rental potential and the market context of the property being valued.

Loans Administration

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

Credit Monitoring

Each 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. 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 2016 AHF had issued guaranteed secured bonds amounting to £1,002.9m of which £91.0m were retained by AHF to fund further loans. Guaranteed Bank facilities in place at 31 March 2016 amounted to £1.0bn of which £500.0m 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 the 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")
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 £23.9m (2015: £20.6m).

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 £142,403 (2015: £146,932).

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 stable" rating from Standard & Poor's rating agency. Funding No. 1's rating is achieved partly through the addition of a bespoke liquidity facility provided by Royal Bank of Scotland Plc (RBS). Funding No. 1's rating is therefore linked to the short-term rating of the liquidity provider (currently Royal Bank of Scotland Plc). Funding No. 1's liquidity facility was renewed in December 2015. 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 stable" rating from Standard & Poor's rating agency.

T.H.F.C. (Funding No. 3) Plc ("Funding No. 3")
Funding No. 3 is also a non-consolidated company. 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 stable" rating from Standard & Poor's rating agency.

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

Haven Funding Plc and Haven Funding (32) Plc

Since 1999 THFCS has provided loans administration and company secretariat services to Haven Funding Plc and Haven Funding (32) Plc. As at 31 March 2016 these companies had loans outstanding of £323.9m (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 2016 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. One of these associations has since prepaid its loan.

At 31 March 2016 Harbour Funding Plc had loans outstanding of £206.3m (nominal) made to three housing associations.

Directors' Report

The Directors present their report and the audited consolidated financial statements of The Housing Finance Corporation Limited and its subsidiaries ("the Group") for the year ended 31 March 2016.

Principal Activities

The Housing Finance Corporation Limited ("THFC") was incorporated in England and Wales 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 2016 was £4,121,000 (2015: £5,143,000).

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 6.

Directors and Shareholders

Details of Directors, their service periods for the year and the shareholders of THFC are set out in the table below. The biographies of the current Directors appear on pages 14 and 15.

Details of Directors' terms of office are given on page 11.

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

At the forthcoming Annual General Meeting, John Parker 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 12.

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 triennial valuation as of

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 2016	THFC Shareholdings at 31 March 2016
Charlie Arbuthnot	Full Year	£1
Colin Burke	Full Year	NIL
Fenella Edge	Full Year	NIL
Keith Exford	Full Year	£1
John Parker	Full Year	£1
Gill Payne	Full Year	NIL
Ian Peacock	Full Year	£1
Will Perry	Full Year	NIL
Deborah Shackleton	Full Year	£1
Piers Williamson	Full Year	NIL
Other shareholders		
Homes and Communities Agency		£1
The National Housing Federation		£1
Total issued share capital at 31 March 2016		£7

30 September 2014) is by far the largest pension provider in the housing association sector and until 31 March 2007 was operated exclusively on a final salary basis. As part of the plan to accelerate the elimination of the funding deficit the trustees of SHPS offered three alternative scheme structures to employers and members, including a continuation of the existing arrangements. With effect from 1 April 2007 THFCS and all its employees elected to stay with the pre-existing arrangements and to pay increased employer and member contributions for those members of staff who had joined prior to this date. Employees appointed by THFCS after 31 March 2007 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 Co-operative and Community Benefit Societies Act 2014. They are also responsible for ensuring that a satisfactory system of control over transactions has been maintained and for safeguarding the assets of the Group and THFC and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Group's financial statements are published on THFC's website (www.thfcorp.com) and the Directors are responsible for the maintenance and integrity of that website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

(a) so far as the Director is aware, there is no relevant audit information of which THFC's auditor is unaware; and

(b) he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that THFC's auditor is aware of that information.

Corporate Governance Statement

The UK Corporate Governance Code 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 (Chairman of Remuneration Committee)
John Parker (Chairman of Audit Committee and Senior Independent Director)
Gill Payne
Will Perry
Deborah Shackleton
Piers Williamson (Executive Director).

The Directors biographies can be found on pages 14 to 15.

The Board of THFC also comprises the Boards of its subsidiaries except for AHF which has two additional Directors who are nominated Directors.

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

Senior Non-Executive Director

The Board appoints a Senior Non-Executive Director. The 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 9.

Directors' Attendance at Meetings

Directors' attendance at THFC Board and Board committee meetings during the year is shown in the table on page 13. 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 is Charlie Arbuthnot.

The Credit Committee is primarily responsible for the assessment of individual credit propositions and ongoing monitoring of the portfolio. It reports periodically to the Board to administer a risk management 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.

Remuneration Committee

The Remuneration Committee is a non-executive committee of the Board established in the year under the chairmanship of Keith Exford.

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

It agrees the remuneration of the Chief Executive and executive Directors and makes recommendations to the board on the level of non-executive Directors' fees. It also oversees the annual appraisals of the executive Directors.

Members comprise Keith Exford (Chairman), Gill Payne, Ian Peacock and Charlie Arbuthnot. 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. KPMG are the current appointee.

The Directors considered periodic reports on the effectiveness of internal controls during the period to 19 July 2016 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, being the Chief Executive, the Group Treasurer and Finance Director 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 Director nominated by the National Housing Federation (Gill Payne) and the Homes and Communities Agency (Will Perry) were remitted to their employers. The fees of the non-executive Directors were increased with effect from 1 July 2016. 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 pages 34 and 35.

Shareholders

The shareholders of THFC are listed in the table on page 9. 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 (2015: 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 Auditor

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

By order of the Board

Colin Burke
Company Secretary
The Housing Finance Corporation Limited
19 July 2016

Directors' Attendance at Meetings

	Main Board (6)	Special Board (0)	Audit Committee (3)	Credit Committee (6)
Charlie Arbuthnot	5	-	-	4
Colin Burke	6	-	3	6
Fenella Edge	6	-	3	6
Keith Exford	6	-	3	-
John Parker	4	-	3	6
Gill Payne	5	-	-	4
Ian Peacock	6	-	-	5
Will Perry	6	-	3	-
Deborah Shackleton	6	-	-	6
Piers Williamson	6	-	3	6

- 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 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. Fenella is also a Non-executive Board member of Dolphin Living, a Registered Provider operating in central London.

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 CBE

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 and a large mixed tenure development pipeline. Keith's career in housing spans over 40 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.

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 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 independent member, Progress Housing Group Audit Committee.

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 OD and Communications at the CRC and was interim CEO. Gill joined the National Housing Federation in October 2011 to job share with Ruth Davison as the Director for Policy and External Affairs. 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 2016

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 £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	82,721	-	-	-	-	-	-	-	82,721
A2Dominion South Limited	South East	52,500	-	1,932	-	-	-	-	-	54,432
Accent Foundation Limited	National	-	6,864	-	-	-	-	-	-	6,864
Accent Nene Limited	National	1,624	-	-	-	-	-	-	-	1,624
Accent Peerless Limited	National	10,000	-	-	-	-	-	-	-	10,000
Accord Housing Association Limited	Midlands	3,050	-	2,338	902	-	-	-	-	6,290
Adactus Housing Association Limited	North West	6,726	-	-	-	-	22,500	-	-	29,226
Affinity Sutton Homes Limited	National	-	-	1,932	-	-	-	-	-	1,932
Agudas Israel Housing Association Limited	London	166	-	483	-	-	-	-	-	649
Aldwyck Housing Group Limited	South East	1,882	756	-	-	-	-	-	-	2,638
AmicusHorizon Limited	London	40,000	8,440	-	-	-	25,100	-	-	73,540
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	-	-	2,246	-	-	-	-	12,246
Axiom Housing Association Limited	East Anglia	21,704	-	-	-	-	-	-	-	21,704
Bournville Village Trust	Midlands	20,000	-	-	-	-	-	-	-	20,000
Bpha Limited	South East	-	-	-	-	-	36,000	-	-	36,000
Bromford Housing Association Limited	Midlands	-	-	-	-	-	43,000	-	-	43,000
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	163	-	-	-	-	-	-	7,663
Castle Rock Edinvar Housing Association Limited	Scotland	5,500	-	-	-	-	-	-	-	5,500
Catalyst Housing Limited	London	3,337	756	-	-	-	50,000	-	-	54,093
Charter Housing Association Limited	Wales	25,000	-	-	-	-	-	-	-	25,000
Cheviot Housing Association Limited	North East	7,159	1,105	-	-	3,000	-	-	-	11,264
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	1,454	-	-	-	-	-	-	8,454
Coastal Housing Group Limited	Wales	35,000	-	-	-	-	-	-	-	35,000
Coastline Housing Limited	South West	-	-	-	-	-	31,300	-	-	31,300
Colne Housing Society Limited	East Anglia	-	-	-	-	-	21,000	-	-	21,000
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	2,167	-	-	-	5,630	-	-	-	7,797
Cornerstone Housing Limited	South West	5,000	-	-	-	-	5,000	-	-	10,000
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	25,330	3,122	-	-	-	80,000	-	-	108,452
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	1,321	-	-	-	-	-	-	-	1,321
EMH Housing and Regeneration Limited	Midlands	27,000	-	1,111	902	-	-	-	-	29,013
Eildon Housing Association Limited	Scotland	10,000	-	-	-	3,900	-	-	-	13,900
English Rural Housing Association Limited	National	-	-	-	-	-	10,000	-	-	10,000
Equity Housing Group Limited	North West	22,842	204	-	1,464	-	-	-	-	24,510
Estuary Housing Association Limited	East Anglia	31,997	378	-	-	-	-	-	-	32,355
Family Housing Association (Birmingham) Limited	Midlands	8,500	-	-	-	3,522	-	-	-	12,022
Family Mosaic Housing	London	92,927	989	-	-	-	50,000	-	-	143,916
Festival Housing Limited	Midlands	-	-	-	-	-	50,000	-	-	50,000
Friendship Care and Housing Limited	Midlands	2,000	-	-	-	5,500	-	-	-	7,500
First Wessex	South East	6,545	-	-	-	-	84,700	-	-	91,245
Fold Housing Association	Northern Ireland	35,000	-	-	-	-	-	-	-	35,000
Gallions Housing Association Limited	London	24,000	-	-	-	-	-	-	-	24,000
Gateway Housing Association Limited	London	1,250	-	-	-	5,637	25,000	-	-	31,887
Genesis Housing Association Limited	London	56,500	-	-	-	2,000	-	-	-	58,500
Glen Oaks Housing Association Limited	Scotland	14,300	-	-	-	-	-	-	-	14,300
Golding Homes Limited	South East	-	-	-	-	20,000	-	-		20,000
Grampian Housing Association Limited	Scotland	-	-	-	-	2,092	-	-	-	2,092
Gravesend Churches Housing Association Limited	South East	-	-	-	-	1,750	-	-	-	1,750
Great Places Housing Association	North West	24,482	-	483	340	-	50,000	-	-	75,305
Greenoak Housing Association Limited	South East	3,500	-	-	-	-	-	-	-	3,500
Grwp Cynefin	Wales	11,500	-	-	-	-	10,000	-	-	21,500
Habinteg Housing Association Limited	National	4,795	-	-	-	3,000	-	-	-	7,795
Hafod Housing Association Limited	Wales	10,000	-	-	-	-		-	-	10,000
Hanover Housing Association	National	30,000	-	-	-	-	-	-	-	30,000
Harrogate Housing Association Limited	Yorkshire & the Humber	2,000	-	-	-	-	-	-	-	2,000
Heantun Housing Association Limited	Midlands	14,000	-	-	-	-	-	-	-	14,000
Helm Housing Limited	Northern Ireland	15,000	-	-	-	-	-	-	-	15,000
Hexagon Housing Association Limited	London	1,500	145	3,382	-	-	32,000	-	-	37,027
Hightown Housing Association Limited	South East	30,953	582	-	-	-	-	-	-	31,535
Home Group Limited	National	45,572	5,782	9,421	-	-	109,000	-	-	169,775
Home in Scotland Limited	Scotland	20,000	-	-	-	-	10,700	-	-	30,700
Hundred Houses Society Limited	East Anglia	-	-	-	-	-	10,000	-	-	10,000
Hyde Housing Association Limited	South East	62,857	-	9,351	-	1,500	-	-	-	73,708
Innisfree Housing Association Limited	London	3,000	-	-	-	-	-	-	-	3,000
Inquilab Housing Association Limited	London	10,000	-	-	-	-	-	-	-	10,000
Irwell Valley Housing Association Limited	North West	-	-	1,932	-	-	-	-	-	1,932
Islington and Shoreditch Housing Association Limited	London	22,914	-	-	-	2,651	-	-	-	25,565
Isos Housing Limited	North East	-	-	-	-	5,500	-	-	-	5,500

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 £000	T.H.F.C. (Capital) PLC Loans £000	UK Rents (No. 1) PLC Loans £000	Total Loan Value £000
"Johnnie" Johnson Housing Trust Limited	North West	26,000	407	-	-	-	-	-	-	26,407
Joseph Rowntree Housing Trust	Yorkshire & the Humber	15,000	-	-	-	-	-	-	-	15,000
Knightstone Housing Association Limited	South West	22,617	6,251	-	-	-	-	-	-	28,868
Leeds Federated Housing Association Limited	Yorkshire & the Humber	14,300	-	-	-	-	-	-	-	14,300
Leeds and Yorkshire Housing Association Limited	Yorkshire & the Humber	3,500	-	-	-	-	-	-	-	3,500
Leicester Housing Association Limited	Midlands	20,601	-	-	-	3,000	-	-	-	23,601
Liverpool Housing Trust Limited	North West	7,000	-	-	-	3,914	-	-	-	10,914
London & Quadrant Housing Trust	London	30,711	582	-	-	-	-	-	-	31,293
Longhurst & Havelok Homes Limited	East Anglia	9,400	-	-	-	-	-	-	-	9,400
Manningham Housing Association Limited	Yorkshire & the Humber	29,740	-	-	-	2,000	-	-	-	31,740
Melin Homes Limited	Wales	22,000	-	-	-	-	-	-	-	22,000
Merlin Housing Society Limited	South West	-	-	-	-	-	15,000	-	-	15,000
Mercian Housing Association Limited	Midlands	4,068	-	-	-	-	-	-	-	4,068
Metropolitan Housing Trust Limited	London	36,120	1,339	1,449	-	-	-	-	-	38,908
Mid Wales Housing Association Limited	Wales	3,000	-	1,063	-	-	-	-	-	4,063
Midland Heart Limited	Midlands	41,969	5,278	-	-	-	-	-	-	47,247
Moat Homes Limited	South East	3,500	3,648	-	-	-	-	-	-	7,148
Mosscare Housing Limited	North West	34,116	-	-	-	-	-	-	-	34,116
Mount Green Housing Association Limited	South East	-	-	-	-	-	6,000	-	-	6,000
Network Stadium Housing Association Limited	London	130,617	-	-	-	-	75,500	-	-	206,117
New Gorbals Housing Association Limited	Scotland	14,000	-	-	-	-	6,100	-	-	20,100
Newlon Housing Trust	London	24,912	-	-	-	-	-	-	-	24,912
Newydd Housing Association (1974) Limited	Wales	10,000	-	-	-	-	-	-	-	10,000
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	233	-	-	5,000	-	-	-	17,733
Notting Hill Housing Trust	London	15,000	-	-	-	-	50,000	-	-	65,000
Nottingham Community Housing Association Limited	Midlands	13,400	-	-	-	-	29,000	-	-	42,400
Octavia Housing	London	12,000	-	-	-	-	18,000	-	-	30,000
One Housing Group Limited	London	43,159	-	-	-	-	-	-	-	43,159
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	-	-	-	-	-	10,000	-	-	10,000
Oxford Citizens Housing Association Limited	South East	7,600	-	-	-	-	-	-	-	7,600
Paradigm Homes Charitable Housing Association Limited	South East	65,000	-	-	-	-	65,000	-	-	130,000
Pembrokeshire Housing Association Limited	Wales	1,000	-	-	-	-	-	-	-	1,000
Places for People Homes Limited	National	21,769	-	-	-	-	-	-	-	21,769
Places for People Living+ Limited	National	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	-	2,805	-	2,000	-	-	-	7,805
Sadeh Lok Housing Group Limited	Yorkshire & the Humber	650	-	-	-	-	-	-	-	650
Salvation Army Housing Association	London	3,000	-	-	-	-	-	-	-	3,000
Sanctuary Housing Association	National	12,801	1,047	-	-	-	-	-	-	13,848
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	-	-	-	-	35,000	-	-	45,000
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	Yorkshire & the Humber	3,576	-	-	-	-	-	-	-	3,576
Southern Housing Group Limited	London	145,705	1,710	-	-	10,000	-	-	-	157,415
Spectrum Housing Group	South West	22,000	-	-	-	-	-	-	-	22,000
St Vincent's Housing Association Limited	North West	2,660	-	-	-	4,000	-	-	-	6,660
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	54,110	-	-	-	-	25,000	-	-	79,110
Thenue Housing Association Limited	Scotland	5,000	-	-	-	-	-	-	-	5,000
The Riverside Group Limited	National	42,410	407	-	-	-	35,000	-	-	77,817
The Swaythling Housing Society Limited	South West	22,500	-	-	-	-	-	-	-	22,500
Three Rivers Housing Association Limited	North East	12,100	-	-	-	972	5,000	-	-	18,072
Trident Housing Association Limited	Midlands	5,000	1,571	-	-	-	-	-	-	6,571
Tuntum Housing Association Limited	Midlands	7,000	-	-	-	-	-	-	-	7,000
United Welsh Housing Association Limited	Wales	39,500	-	-	-	-	-	-	-	39,500
Viridian Housing	London	-	-	-	-	-	50,000	-	-	50,000
Wales and West Housing Association Limited	Wales	36,500	-	-	-	-	39,000	-	-	75,500
Wandle Housing Association Limited	London	21,418	-	-	-	-	35,000	-	-	56,418
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	788	-	-	-	-	-	-	-	788
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

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 £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		**2,702,368**	**53,219**	**37,682**	**5,854**	**100,118**	**1,411,900**	**-**	**-**	**4,315,966**

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 £000	T.H.F.C. (Capital) PLC Loans £000	UK Rents (No. 1) PLC Loans £000	Total Loan Value £000
Barnsbury Housing Association Limited	London	-	-	-	564	-	-	-	-	564
Black Country Housing Group Limited	Midlands	7,000	-	-	-	-	-	-	-	7,000
Bromford Housing Association Limited	Midlands	4,500	-	1,449	-	-	-	-	-	5,949
De Montfort Housing Society Limited	Midlands	4,250	407	-	-	-	-	-	-	4,657
Leicester Housing Association Ltd	Midlands	-	407	-	629	-	-	-	-	1,036
Manningham Housing Association Limited	Yorkshire & the Humber	5,600	-	-	-	-	-	-	-	5,600
Three Rivers Housing Association Limited	North East	3,000	-	-	-	-	-	-	-	3,000
Your Housing Group Limited	North West	5,000	-	6,764	-	-	-	-	-	11,764
Total Floating Charge Security		**29,350**	**814**	**8,213**	**1,193**	**-**	**-**	**-**	**-**	**39,570**

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 £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	-	-	-	-	-	-	-	3,621	3,621
Cheviot Housing Association Limited	North East	-	-	-	-	-	-	-	5,378	5,378
Contour Homes Limited	North West	-	-	-	-	-	-	-	4,019	4,019
First Wessex	South East	-	-	-	-	-	-	-	4,016	4,016
London & Quadrant Housing Trust	London	-	-	-	-	-	-	-	5,582	5,582
Mercian Housing Association Limited	Midlands	-	-	-	-	-	-	-	4,062	4,062
Income Cover		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**26,678**	**26,678**

Fixed Charge Security – Cash Flow Covenants

Gentoo Group Limited	North East	-	-	-	-	-	-	596,242	-	596,242
Total		**-**	**-**	**-**	**-**	**-**	**-**	**596,242**	**-**	**596,242**
Grand Total		**2,731,716**	**54,029**	**50,727**	**7,046**	**100,118**	**1,411,900**	**596,242**	**26,678**	**4,978,456**
Premium 31 March 2016										**108,623**
Total at 31 March 2016		**2,731,716**	**54,029**	**50,727**	**7,046**	**100,118**	**1,411,900**	**596,242**	**26,678**	**5,087,079**

Group Source of Funds

Debenture Stocks, Eurobonds, Bank and Other Loans as at 31 March 2016

			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	500,000	500,000
30 year £500m Fixed and Variable rate loan 2047 – EIB (Annuity)			29.02.16	500,000	-
3.8% Guaranteed Secured Bonds 2042/2044 (Bullet)	tranche 1		30.05.14	208,400	208,400
	tranche 2		06.11.14	198,500	198,500
	tranche 3		17.03.15	194,000	194,000
2.893% Guaranteed Secured Bonds 2043/2045 (Bullet)	tranche 1		11.08.15	208,000	143,000
	tranche 2		16.03.16	194,000	168,000
THFC Debenture Stocks					
Discounted:	5% 2027		08.12.87	50,954	31,787
Stepped Coupon:	6.58% to 19.60% 2019		02.03.89	9,273	11,321
	7.91% to 19.75% 2019		28.06.89	4,630	5,689
	7.55% to 17.61% 2019		17.08.89	7,860	8,813
	8.44% to 15.98% 2019		11.10.89	2,900	3,268
Conventional Fixed Rate:	12.04% 2021 (Annuity)		02.07.91	15,000	7,875
	11.5% 2016 (Bullet)	tranche 1	27.11.91	66,450	60,250
		tranche 2	27.05.92	32,500	28,500
		tranche 3	20.10.92	74,500	72,600
	8.625% 2023 (Bullet)	tranche 1	13.10.93	121,100	121,100
		tranche 2	24.05.94	31,500	31,500
		tranche 3	16.06.99	12,200	12,200
		tranche 4	29.02.00	9,500	9,500
		tranche 5	05.12.01	14,800	14,800
	8.8% 2023 (Annuity)		05.11.93	8,000	4,410
	10.0938% 2024 (Annuity)		14.07.95	13,000	6,589
	9.625% 2025 (Bullet)	tranche 1	04.07.95	40,850	40,850
		tranche 2	12.11.97	8,600	8,600
THFC Bank Loans					
25 year £2.75m variable repayable 2021			08.03.96	750	187
25 year £26.5m fixed rate loan 2023 - EIB (Annuity)			26.11.98	24,860	10,854
25 year £10m fixed rate loan 2024 - EIB (Annuity)			02.09.99	33,000	17,174
25 year £20m fixed rate loan 2025 - EIB (Annuity)			08.09.00	10,500	5,990
25 year £9.35m fixed rate loan - ANTS (from Sep 2003) (Bullet)			02.04.01	8,700	8,700
25 year £17m variable repayable 2026			09.11.01	11,000	7,810
25 year £9.86m sterling facility repayable 2028 (Annuity)			08.09.03	6,740	5,842
25 year £15m sterling fixed loan 2029 (Annuity)			16.06.04	15,000	9,157
25 year £15m revolver into term			14.03.05	15,000	6,510
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	400,000	400,000
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	53,572
		tranche 2	21.12.06	32,000	32,000
		tranche 3	28.02.07	37,000	37,000
		tranche 4	28.11.07	32,633	32,633
		tranche 5	30.07.08	80,000	80,000
THFC Loan from T.H.F.C. (Funding No.2) Plc					
Long-term – 6.35% due 2041 (Bullet)		tranche 1	02.07.09	191,000	191,000
		tranche 2	24.03.10	72,250	72,250
		tranche 3	21.01.11	76,600	76,600
		tranche 4	04.04.11	31,000	31,000
THFC Loan from T.H.F.C. (Funding No.3) Plc					
Long-term – 5.2% due 2043 (Bullet)		tranche 1	05.10.11	142,100	142,100
		tranche 2	18.01.12	161,000	161,000
		tranche 3	18.04.12	100,500	100,500
		tranche 4	20.09.12	132,100	132,100
		tranche 5	15.04.13	45,100	45,100
		tranche 6	15.10.13	44,500	44,500
T.H.F.C. (First Variable) Bank Loans					
30 year variable 2023 (Annuity)		tranche 1	30.04.93	2,750	895
		tranche 2	21.07.93	7,650	3,423
		tranche 3	17.12.93	4,750	1,790
		tranche 4	30.06.94	2,000	895
T.H.F.C. (Indexed) Limited Index Linked Debenture Stocks					
5.65% 2020 (Annuity)		tranche 1	13.11.90	41,734	33,649
		tranche 2	31.03.93	28,490	20,379
T.H.F.C. (Indexed 2) Limited Index Linked Debenture Stocks					
5.50% 2024 (Annuity)		tranche 1	16.12.94	29,025	26,870
		tranche 2	28.12.95	22,988	23,857
T.H.F.C. (Social Housing Finance) Limited Debenture Stocks					
8.75% Debenture Stock 2016/21 (Bullet)		tranche 1	05.12.96	18,300	14,800
		tranche 2	09.06.97	8,000	8,000
		tranche 3	11.09.97	9,900	9,900
		tranche 4	03.12.97	34,750	34,750
		tranche 5	01.07.98	15,350	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	972
25 year £40m fixed rate loan 2024 – EIB (Annuity)			02.09.99	16,500	8,619
25 year £18.9m fixed rate loan 2025 – EIB (Annuity)			08.09.00	14,900	7,727
UK Rents (No. 1) Plc Rental Securitisation					
9.10% 2025 (Eurobond)			06.01.95	36,143	26,678
Subordinated Loans					723
T.H.F.C. (Capital) Plc Loans					
Long-term loan – 6.38% due 2042			26.03.01	212,802	212,802
Fixed and variable rate loans			26.03.01	475,000	383,440
Total				**5,248,045**	**4,987,650**
Premium at 31 March 2016					**108,623**
Grand Total					**5,096,273**

Auditor’s Report

Independent Auditor’s 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 2016 which comprise the Group and Parent Company Statements 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 26. 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 10, 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 2016 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
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

Group Statement of Comprehensive Income

For the year ended 31 March 2016

	Notes	2016 £000	2015 £000
Operating Income			
On loans to housing associations			
Interest receivable	2	**217,144**	195,807
Discount amortised	11	**1,457**	1,078
Premium amortised	11	**(5,349)**	(2,928)
Income from securitised assets	16	**2,463**	2,599
Indexation on investments	11	**1,080**	3,118
Other interest		**283**	267
Fees receivable and other income		**8,138**	8,045
		225,216	207,986
Operating Expenses			
On debenture stocks, secured bonds, bank loans and other loans			
Interest payable	6	**219,605**	198,374
Discount amortised	14	**1,457**	1,078
Premium amortised	14	**(5,349)**	(2,928)
Indexation on loans payable	14	**1,081**	3,118
Administration expenses	3	**4,301**	3,201
		221,095	202,843
Surplus before taxation		**4,121**	5,143
Taxation	7	**(832)**	(1,081)
Surplus for the year		**3,289**	4,062
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**3,289**	4,062

Group Statement of Financial Position

at 31 March 2016

	Notes	2016 £000	2015 £000
Assets			
Non-current assets			
Loans	11	**4,841,419**	4,066,310
Intangible assets	8	**51**	6
Property, plant and equipment	9	**157**	9
Deferred tax asset	15	**192**	145
Current assets			
Loans	11	**245,660**	88,294
Other receivables	12	**40,821**	37,800
Short-term deposits	2	**16,093**	14,924
Cash and cash equivalents	2	**41,905**	31,094
Total assets		**5,186,298**	4,238,582
Liabilities			
Non-current liabilities			
Financial liabilities – borrowings	14	**4,842,113**	4,067,000
Deferred tax liabilities	15	**118**	118
Provision for other liabilities and charges	23	**1,085**	693
Current liabilities			
Financial liabilities – borrowings	14	**254,160**	88,294
Trade and other payables	13	**64,354**	61,481
Current tax liabilities		**552**	369
Total liabilities		**5,162,382**	4,217,955
Equity			
Called up share capital	17	**-**	-
Retained earnings	18	**23,916**	20,627
Total equity		**23,916**	20,627
Total equity and liabilities		**5,186,298**	4,238,582

The financial statements on pages 21 to 49 were approved by the Board of directors on 19 July 2016 and signed on its behalf by:

Ian Peacock	Piers Williamson	Colin Burke
Chairman	Director	Company Secretary

Group Statement of Changes in Equity

For the year ended 31 March 2016

	Called up share capital £	Retained earnings £000	Total equity £000
Balance as at 1 April 2015	**7**	**20,627**	**20,627**
Surplus for the year	-	3,289	3,289
Other comprehensive income	-	-	-
Balance as at 31 March 2016	**7**	**23,916**	**23,916**
Balance as at 1 April 2014	7	16,565	16,565
Surplus for the year	-	4,062	4,062
Other comprehensive income	-	-	-
Balance as at 31 March 2015	**7**	**20,627**	**20,627**

Group Statement of Cash Flows

For the year ended 31 March 2016

	Notes	2016 £000	2015 £000
Cash flows from operating activities			
Cash generated from operations	19	**7,491**	7,889
Interest received on loans to housing associations		**213,554**	189,723
Interest paid on debenture stocks, secured bonds, bank loans and other loans		**(216,641)**	(190,208)
Loans to housing associations		**(991,366)**	(818,930)
Repayment of loans by housing associations		**51,399**	31,367
New borrowings		**991,365**	818,929
Repayment of amounts borrowed		**(42,893)**	(31,366)
Tax paid		**(696)**	(1,278)
Net cash generated from operating activities		**12,213**	6,126
Cash flows from investing activities			
Movement on short-term deposits		**(1,169)**	1,480
Purchase of property, plant and equipment	9	**(52)**	-
Purchase of intangible assets	8	**(181)**	-
Net cash (used in)/generated from investing activities		**(1,402)**	1,480
Net increase in cash and cash equivalents		**10,811**	7,606
Cash and cash equivalents at beginning of year		**31,094**	23,488
Cash and cash equivalents at end of year	20	**41,905**	31,094

THHFC Statement of Comprehensive Income

For the year ended 31 March 2016

	Notes	2016 £000	2015 £000
Operating income			
On loans to housing associations			
Interest receivable	2	**145,026**	141,389
Discount amortised	11	**1,440**	1,064
Premium amortised	11	**(2,477)**	(1,879)
Other interest		**197**	186
Fees receivable and other income		**2,364**	2,410
Dividend from subsidiary undertaking		**600**	1,800
		147,150	144,970
Operating expenses			
On debenture stocks, bank loans and other loans			
Interest payable	6	**145,008**	141,370
Discount amortised	14	**1,440**	1,064
Premium amortised	14	**(2,477)**	(1,879)
Administration expenses	3	**2,394**	2,382
		146,365	142,937
Surplus before taxation		**785**	2,033
Taxation	7	**(37)**	(43)
Surplus for the year		**748**	1,990
Other comprehensive income		**-**	-
Total comprehensive income for the year		**748**	1,990

THFC Statement of Financial Position

As at 31 March 2016

	Notes	2016 £000	2015 £000
Assets			
Non-current assets			
Loans	11	**2,616,269**	2,612,594
Investment in subsidiaries	10	**2,700**	2,700
Current assets			
Loans	11	**161,885**	8,867
Other receivables	12	**27,167**	27,423
Current tax asset		**-**	93
Short-term deposits	2	**8,530**	7,477
Cash and cash equivalents	2	**32,235**	22,741
Total assets		**2,848,786**	2,681,895
Liabilities			
Non-current liabilities			
Financial liabilities – borrowings	14	**2,616,280**	2,612,606
Deferred tax liabilities	15	**118**	118
Current liabilities			
Financial liabilities – borrowings	14	**170,385**	8,867
Trade and other payables	13	**46,980**	46,066
Current tax liabilities		**37**	-
Total liabilities		**2,833,800**	2,667,657
Equity			
Called up share capital	17	**-**	-
Retained earnings	18	**14,986**	14,238
Total equity		**14,986**	14,238
Total equity and liabilities		**2,848,786**	2,681,895

The financial statements on pages 21 to 49 were approved by the Board of directors on 19 July 2016 and signed on its behalf by:

Ian Peacock
Chairman

Piers Williamson
Director

Colin Burke
Company Secretary

THHFC Statement of Changes in Equity

For the year ended 31 March 2016

	Called up share capital £	Retained earnings £000	Total equity £000
Balance as at 1 April 2015	7	14,238	14,238
Surplus for the year		748	748
Other comprehensive income	-	-	
Balance as at 31 March 2016	**7**	**14,986**	**14,986**
Balance as at 1 April 2014	7	12,248	12,248
Surplus for the year		1,990	1,990
Other comprehensive income		-	-
Balance as at 31 March 2015	**7**	**14,238**	**14,238**

THFC Statement of Cash Flows

For the year ended 31 March 2016

	Notes	2016 £000	2015 £000
Cash flows from operating activities			
Cash generated from operations	19	**303**	249
Interest received on loans to housing associations		**145,263**	141,027
Interest paid on debenture stocks, bank loans and other loans		**(144,212)**	(141,002)
Loans to housing associations		**(178,637)**	(120,000)
Repayment of loans by housing associations		**19,726**	8,565
New borrowings		**178,637**	120,000
Repayment of amounts borrowed		**(11,226)**	(8,564)
Tax credit received/(charge paid)		**93**	(194)
Net cash generated from operating activities		**9,947**	81
Cash flows from investing activities			
Dividend received		**600**	1,800
Movement on short-term deposits		**(1,053)**	2,510
Net cash (used in)/generated from investing activities		**(453)**	4,310
Net increase in cash and cash equivalents		**9,494**	4,391
Cash and cash equivalents at beginning of year		**22,741**	18,350
Cash and cash equivalents at end of year	20	**32,235**	22,741

Notes to the Financial Statements

1. General Information

The Housing Finance Corporation Limited ("THFC" or "the Company") provides funding for housing associations. THFC is a private limited company domiciled and incorporated in England and Wales and registered under the Co-operative and Community Benefit Societies Act 2014. Funding to housing associations is sourced through issuing debenture stocks, secured bonds, bank funding and long-term loans from related companies. The debenture stocks and secured bonds issued by THFC and certain subsidiaries are listed on the 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.

Going Concern

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.

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:

- Annual improvements to IFRSs 2011 – 2013 cycle: These improvements form part of the IASB's annual improvement process which is designed to make necessary, but not urgent, amendments to IFRSs. The amendments relate to IFRS 13 Fair Value Measurement – scope of paragraph 52 (portfolio exceptions).
- Amendments to IAS 19: Defined Benefit Plans: Employee Contributions: The amendments provide a more straight-forward alternative for the accounting of contributions from employees and third parties to defined benefit plans when the contributions payable in a particular period are linked solely to the employee's service rendered in that period. The guidance would be applicable, for example, to accounting for employee contributions that are calculated according to a fixed percentage of salary.
- Annual improvements to IFRSs 2010 – 2012 cycle: 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 13 Fair Value Measurement – short-term receivables and payables;
    - o IAS 16 Property, Plant and Equipment – revaluation method – proportionate restatement of accumulated depreciation;
    - o IAS 24 Related Party Disclosures – key management personnel; and
    - o IAS 38 Intangible Assets – revaluation method – proportionate restatement of accumulated amortisation.

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

(b) New and amended Standards and Interpretations mandatory for the first time for the financial year beginning 1 April 2015 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 2015.

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 is part of a project to replace IAS 39 Financial Instruments: Recognition and Measurement and deals with the classification and measurement of financial assets and financial liabilities. In November 2009, the IASB published IFRS 9 Financial Instruments which covered the classification and measurement of financial assets. In October 2010 the requirements for classifying and measuring financial liabilities were added to IFRS 9.

2. Accounting policies continued

In November 2013 the IASB issued hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39 covering general hedge accounting requirements. The requirements also include enhanced presentation and new disclosure requirements.

Further amendments have been issued relating to the introduction of a fair value through other comprehensive income (FVOCI) measurement category for debt instruments that would be based on an entity's business model and expected credit losses are to be recognised on all financial instruments within the scope of the amendment from when they are originated or purchased. Full lifetime expected credit losses are recognised when a financial instrument deteriorates significantly in credit quality.

- 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): 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): These improvements form part of the IASB's annual improvement process which is designed to make necessary, but not urgent, amendments to IFRSs. The amendments relate to:
  - IFRS 7 Financial Instruments: Disclosures – Servicing Contracts and applicability of the amendments to IFRS 7 to condensed interim financial statements; and
  - IAS 19 Employee Benefits – regional market issue.
- Amendments to IAS 1 Presentation of Financial Statements (Effective 1 January 2016): The amendments address some of the concerns expressed about existing presentation and disclosure requirements relating to the use of judgement when preparing their financial statements. The amendments;
  - Clarify the materiality requirements in IAS 1;
  - Clarify that specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated;
  - Add requirements for how an entity should present subtotals in the above statements;
  - Clarify that entities have flexibility as to the order in which they present the notes; and
  - Remove potentially unhelpful guidance in IAS 1 for identifying a significant accounting policy.
- Amendments to IAS 7 Statement of Cash Flows: Disclosure initiative (Effective 1 January 2017, not yet endorsed by EU): The amendments respond to requests from investors for improved disclosures about changes in liabilities arising from financing activities by introducing a reconciliation of debt balances (not quite the same as an old FRS 1 'net debt reconciliation' but pretty close).

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

- Amendments to IAS 27 Separate Financial Statements (Effective 1 January 2016): The amendments to IAS 27 allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate (parent only) financial statements. The IASB expects the change to reduce compliance costs for many entities, while providing information helpful to an assessment of the investor's net assets and profit or loss.

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

a) 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 (Note 11) and b) the non-consolidation of related companies in which the Group has a non-beneficial shareholding (Note 2b). 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 IFRS 10.

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

2. Accounting policies continued

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 England and Wales 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.

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

THFCS holds shares on a fiduciary basis in the companies listed below and THFC does not consolidate their results. These companies report to 31 December 2015 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 2015 Harbour Funding (Holdings) Limited Group had loans and receivables of £208,830,807 (2015: as at 31 December 2014 £214,063,749), T.H.F.C. (Funding) Holdings Limited Group had loans and receivables of £631,483,522 (2015: as at 31 December 2014 £619,551,033) and T.H.F.C. (Funding No.3) Holdings Limited had loans and receivables of £661,161,323 (2015: as at 31 December 2014 £651,883,195).

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.

2. Accounting policies continued

(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.

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.

2. Accounting policies continued

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 (2015: 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.

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

THFCS 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.

p) Investment in subsidiaries

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

q) Trade and other receivables

Other receivables are recognised at transaction price and are subsequently measured at amortised cost. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due. The amount of any provision is recognised in the Statement of Comprehensive Income.

r) Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost.

Notes to the Financial Statements continued

3. Administration expenses

	Group 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £000
Amortisation of intangible fixed assets	**7**	**-**	2	-
Depreciation of property, plant and equipment	**33**	**-**	7	-
Fees paid to current auditors for:				
auditing of the financial statements (current year)	**52**	**52**	49	49
auditing of the financial statements of subsidiaries (current year)	**50**	**-**	44	-
Fees paid to previous auditors for:				
auditing of the financial statements (prior year)	**-**	**-**	17	17
auditing of the financial statements of subsidiaries (prior year)	**-**	**-**	2	-
other advisory services	**4**	-	14	-
Operating lease rentals				
plant and machinery	**4**	**-**	5	-
other	**96**	**-**	84	-
Staff costs (note 4)	**2,475**	**-**	2,043	-
Pension provision charge	**488**	**-**	-	-
Other	**1,092**	**2,342**	934	2,316
Total administration expenses	**4,301**	**2,394**	3,201	2,382

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 2016	Group 2015
Average number of persons (including Directors) employed during the year (monthly average):		
Non-executive Directors	**7**	7
Executive Directors	**3**	3
Management and administrative	**16**	14
	26	24

The aggregate employee costs amounted to:

	£000	£000
Non-executive Directors' fees	**196**	183
Wages & salaries	**1,877**	1,493
Social security costs	**249**	199
Other pension costs	**153**	168
	2,475	2,043

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

	2016 £000	2015 £000
Non-executive Directors:		
Fees	**196**	183
Executive Directors:		
Salaries	**596**	474
Bonuses	**123**	71
Benefits	**15**	12
Aggregate emoluments	**930**	740
Pension contributions	**67**	64
Total	**997**	804

5. Directors' remuneration (continued)

Highest paid executive director:		
Salary	**283**	236
Bonus	**59**	36
Benefits	**8**	9
Aggregate emoluments	**350**	281
Pension contributions	**26**	30
Total	**376**	311

The fees of the chairman were £39,120 (2015: £36,844). Each other non-executive director (or their employer) received fees at the rate of £19,480 from THFC (2015: £19,308) per annum and between £2,224 and £8,448 from AHF (2015: between £3,336 and £6,448).

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

During the year fees of £58,528 (2015: £56,096) 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 (2015: 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 in that year.

6. Interest payable

	Group 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £000
On debenture stocks, secured bonds, bank borrowings and other borrowings				
Repayable wholly in more than five years				
Interest payable	**163,811**	**117,971**	140,916	113,815
Interest deferred	**(1,181)**	**(1,181)**	(1,060)	(1,060)
Repayable within five years	**56,975**	**28,218**	58,518	28,615
	219,605	**145,008**	198,374	141,370

7. Taxation

	Group 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £000
U.K. Corporation tax at 20% (2015: 21%) on taxable surplus for year	**879**	**37**	1,071	49
Deferred taxation	**(47)**	**-**	10	(6)
	832	**37**	1,081	43
Reconciliation of tax charge				
Profit before tax	**4,121**	**785**	5,143	2,033
Tax charge at standard UK corporation tax rate of 20% (2015: 21%)	**824**	**157**	1,080	427
Reduction in corporation tax rate – deferred	**-**	**-**	(4)	(6)
Intra Group dividend – non taxable	**-**	**(120)**	-	(378)
Lower rate and marginal rate relief	**-**	**-**	-	-
Permanently dis-allowable items and other timing differences	**8**	**-**	5	-
Overall tax charge	**832**	**37**	1,081	43
Effective tax rate	**20.19%**	**4.71%**	21.02%	2.16%

Notes to the Financial Statements continued

8. Intangible assets

	Group 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £000
Implementation costs of software				
Cost				
At beginning of year	**79**	**-**	79	-
Additions	**52**	**-**	-	-
At end of year	**131**	**-**	79	-
Accumulated amortisation				
At beginning of year	**73**	**-**	71	-
Charge for the year	**7**	**-**	2	-
At end of year	**80**	**-**	73	-
Net book value at end of year	**51**	**-**	6	-
Net book value at beginning of year	**6**	**-**	8	-

9. Property, plant and equipment

	Group 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £000
Fixtures, fittings and equipment				
Cost				
At beginning of year	**203**	**-**	203	-
Additions	**181**	**-**	-	**-**
At end of year	**384**	**-**	203	-
Accumulated depreciation				
At beginning of year	**194**	**-**	187	-
Charge for the year	**33**	**-**	7	-
At end of year	**227**	**-**	194	-
Net book value at end of year	**157**	**-**	9	-
Net book value at beginning of year	**9**	**-**	16	-

10. Investments

	THFC 2016 £	THFC 2015 £
Shares held in subsidiary undertakings		
Shares held in subsidiary undertakings		
THFCIL – 6 ordinary shares of £1 each (2015: 6)	**6**	6
THFCFV – 5 ordinary shares of £1 each (2015: 5)	**5**	5
THFCS – 92 ordinary shares of £1 each (2015: 92)	**92**	92
THFCS – 2,700,000 preference shares of £1 each (2015: 2,700,000)	**2,700,000**	2,700,000
THFCIL2 – 5 ordinary shares of £1 each (2015: 5)	**5**	5
SHF – 5 ordinary shares of £1 each (2015: 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 £600,000 (2015: £1,800,000).

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.

11. Loans and receivables

	Group 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £000
Loans to housing associations				
At beginning of year	**4,126,396**	**2,621,461**	3,338,174	2,511,901
Premium on new issues	**12,967**	**637**	46,661	-
Premium adjustments	**116**	**50**	-	-
Loans repaid during the year	**(53,369)**	**(19,726)**	(30,005)	(8,565)
Loans advanced during the year	**978,400**	**178,000**	771,358	120,000
	5,064,510	**2,780,422**	4,126,188	2,623,336
Discount amortised for the year	**1,457**	**1,440**	1,078	1,064
Premium amortised for the year	**(5,465)**	**(2,527)**	(2,928)	(1,879)
Interest deferred for the year	**(1,181)**	**(1,181)**	(1,060)	(1,060)
Indexation for the year	**1,080**	**-**	3,118	-
At end of year	**5,060,401**	**2,778,154**	4,126,396	2,621,461
Securitised assets				
At beginning of year (Note 16)	**28,208**	**-**	29,570	-
Loans repaid during the year	**(1,530)**	**-**	(1,362)	-
At end of year	**26,678**	**-**	28,208	-
Total loans and receivables	**5,087,079**	**2,778,154**	4,154,604	2,621,461
Due within one year	**245,660**	**161,885**	88,294	8,867
Due after more than one year	**4,841,419**	**2,616,269**	4,066,310	2,612,594
Total	**5,087,079**	**2,778,154**	4,154,604	2,621,461

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

(a) either a floating charge secured on the undertakings of the relevant housing association, or a fixed charge on other assets to provide a minimum of one and a half times cover (except in the case of SHF where the minimum is 1.35 times cover and AHF where the minimum is 1.05 times cover);

(b) a first fixed charge over cash and investments representing monies lent by the Group pending investment in assets and a first fixed charge over any assets acquired by the relevant housing association with those monies; and

(c) for discounted loans, a sinking fund comprising monies paid by the relevant housing association and held by a trustee (Law Debenture Trustees Limited) towards the payment to THFC of the amount required to redeem the loan.

For securitised loans see Note 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.

The Group's credit rating of its borrowers, together with periodic reviews of credit information provides the basis for credit monitoring. The loan book is regularly reviewed for evidence of potential impairment. Processes include review of available management accounts, covenant compliance, timeliness of payment, security, external investment ratings, viability assessments issued by the regulator, impact of statutory changes, general economic environment and meetings with management. Based upon the information available at the date of this report the Directors are of the opinion that: a) the outcome of the recent EU referendum and; b) the proposals announced in relation to housing associations in the 8 July 2015 budget do not materially impact on the Directors' assessment that there is no evidence that the loans are impaired.

Notes to the Financial Statements continued

12. Trade and other receivables

	Group 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £000
Due within one year:				
Accrued interest income	**39,627**	**26,503**	36,037	26,741
Other receivables	**1,194**	**621**	1,763	626
Amounts due from subsidiary undertaking	**-**	**43**	-	56
	40,821	**27,167**	37,800	27,423

13. Trade and other payables

	Group 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £000
Due within one year:				
Accrued interest payable	**59,772**	**44,934**	56,808	44,138
Other taxation and social security	**72**	**-**	60	-
Other payables	**4,510**	**93**	4,613	59
Amounts due to subsidiary undertakings	**-**	**1,953**	-	1,869
	64,354	**46,980**	61,481	46,066

14. Financial liabilities – Borrowings

	Group 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £000
Guaranteed Secured Bonds				
At beginning of year	**613,867**	**-**	-	-
Issued during the year	**344,500**	**-**	567,400	-
Premium on issue	**12,330**	**-**	46,661	-
Premium amortised	**(1,652)**	**-**	(194)	-
At end of year	**969,045**	**-**	613,867	-

	Group 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £000
Guaranteed Secured Bank Loans				
At beginning of year	**67,100**	**-**	-	-
Borrowings during the year	**432,900**	**-**	67,100	-
At end of year	**500,000**	**-**	67,100	-

	Group 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £000
Eurobonds (Note 16)				
At beginning of year	**28,208**	**-**	29,570	-
Repaid during the year	**(1,530)**	**-**	(1,362)	-
At end of year	**26,678**	**-**	28,208	-

	Group 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £000
Debenture Stocks				
At beginning of year	**911,210**	**487,714**	925,283	490,535
Premium adjustments	**66**	**-**	-	-
Repaid during the year	**(19,845)**	**(1,875)**	(15,216)	(1,688)
Discount amortised	**1,091**	**1,074**	915	901
Premium amortised	**(2,681)**	**(1,394)**	(1,829)	(974)
Deferred interest	**(1,181)**	**(1,181)**	(1,061)	(1,060)
Indexation	**1,079**	**-**	3,118	-
At end of year	**889,739**	**484,338**	911,210	487,714

14. Financial liabilities – Borrowings continued

	Group 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £000
Bank borrowings				
At beginning of year	**1,263,002**	**862,575**	1,140,932	749,451
Borrowed during the year	**199,000**	**176,000**	136,858	120,000
Repaid during the year	**(25,018)**	**(9,352)**	(14,788)	(6,876)
At end of year	**1,436,984**	**1,029,223**	1,263,002	862,575

	Group 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £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	**1,271,184**	**1,271,184**	1,271,926	1,271,926
Loans during the year	**2,000**	**2,000**	-	-
Premium on issue	**637**	**637**	-	-
Net premium adjustments	**50**	**50**	-	-
Premium amortised	**(1,133)**	**(1,133)**	(905)	(905)
Discount amortised	**366**	**366**	163	163
At end of year	**1,273,104**	**1,273,104**	1,271,184	1,271,184
Subordinated loans (Note 16)	**723**	**-**	723	-
Total borrowings at 31 March 2016	**5,096,273**	**2,786,665**	4,155,294	2,621,473

	Group 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £000
Amounts falling due within one year	**254,160**	**170,385**	88,294	8,867
Amounts falling due after one year	**4,842,113**	**2,616,280**	4,067,000	2,612,606
Total	**5,096,273**	**2,786,665**	4,155,294	2,621,473

Amounts falling due after one year are repayable as follows:

	Group 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £000
Between one and two years	**43,367**	**9,183**	204,504	170,820
Between two and five years	**166,618**	**60,033**	155,510	60,216
In five years or more	**4,632,128**	**2,547,064**	3,706,986	2,381,570
	4,842,113	**2,616,280**	4,067,000	2,612,606

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 2016 T.H.F.C. (Funding No.3) Plc had retained bonds of nil (nominal) (2015: £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.

During the year AHF issued Guaranteed Secured Bonds in principal amount of £435.5m of which £91.0m were retained at 31 March 2016 (2015: £600.9m and £33.5m respectively) to fund further loans to borrowers at future dates. Since the year end £71.0m of these retained bonds have been sold.

15. Deferred tax

	Group 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £000
At beginning of the year	**(27)**	**118**	(37)	124
Credit/charge against surplus	**(47)**	**-**	14	-
Change in tax rate	**-**	**-**	(4)	(6)
At end of the year	**(74)**	**118**	(27)	118

	Group 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £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**	118	118
Timing differences on pension provision	**(218)**	**-**	(145)	-
Other timing differences	**26**	**-**	-	-
Amount provided	**(74)**	**118**	(27)	118

Deferred taxation at 31 March 2016 has been provided at 18%. This rate is effective for the year beginning the 1 April 2016 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 2016 was £723,000 (2015: £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 £2,463,000 (2015: £2,599,000) 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.

17. Called up share capital

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

	2016 £	2015 £
At beginning of year	**7**	7
Issued in year	**-**	-
Cancelled in year	**-**	-
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 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £000
Opening reserves	**20,627**	**14,238**	16,565	12,248
Surplus for the year	**3,289**	**748**	4,062	1,990
Closing reserves	**23,916**	**14,986**	20,627	14,238

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 2016 were £1,967,000 (2015: £1,963,000).

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 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £000
Surplus before taxation	**4,121**	**785**	5,143	2,033
Interest receivable	**(213,252)**	**(143,989)**	(193,957)	(140,574)
Interest payable	**215,713**	**143,971**	196,524	140,555
Dividend receivable	**-**	**(600)**	-	(1,800)
Adjustment for:				
Depreciation and amortisation	**40**	**-**	9	-
Increase/(decrease) in pension provision	**391**	**-**	(75)	-
Decrease/(increase) in other receivables	**569**	**18**	(377)	299
(Decrease)/ increase in other payables	**(91)**	**118**	622	(264)
Net cash inflow from operating activities	**7,491**	**303**	7,889	249

20. Analysis of changes in net funds

	At 1 April 2015 £000	Cash Flows £000	Other Non-cash Changes £000	At 31 March 2016 £000
Group				
Cash and cash equivalents	31,094	10,811	-	**41,905**
Debt due after 1 year	(4,067,000)	(944,974)	169,861	**(4,842,113)**
Debt due within 1 year	(88,294)	-	(165,866)	**(254,160)**
Short-term deposits	14,924	1,169	-	**16,093**
	(4,109,276)	(932,994)	3,995	**(5,038,275)**

	At 1 April 2015 £000	Cash Flows £000	Other Non-cash Changes £000	At 31 March 2016 £000
THFC				
Cash and cash equivalents	22,741	9,494	-	**32,235**
Debt due after 1 year	(2,612,606)	(167,410)	163,736	**(2,616,280)**
Debt due within 1 year	(8,867)	-	(161,518)	**(170,385)**
Short-term deposits	7,477	1,053	-	**8,530**
	(2,591,255)	(156,863)	2,218	**(2,745,900)**

21. Commitments

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

	Group 2016 £000	Group 2015 £000
Due within 1 year	**129**	138
In the 2nd to 5th year inclusive	**302**	431
Over 5 years	**-**	-
	431	569

Undrawn committed facilities from lenders are given in Note 22.

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 2017 each 0.5% increase/decrease in interest rates gives rise to a £167,611 (2015: £163,791) increase/decrease in income for the Group and £97,320 (2015: £74,090) 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.

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

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

No amounts are past due or otherwise impaired in either the Group or THFC at 31 March 2016 (2015: None). The maturity profile of financial assets is given below.

(c) Collateral arrangements
The majority of borrowers provide fixed charge security on specified properties although the lending companies offer housing associations the ability to secure their loans by way of floating charges, subject to appropriate asset cover tests. There are 9 borrowers who have an element of floating charge security on 17 loans. Each lending company is required to obtain a first fixed charge over certain assets of its borrowers which, at all times during the life of each loan, covers at least 150% of the outstanding loan balance based on a Market Value subject to Tenancy professional valuation (MVT) (135% MVT for certain loans made by T.H.F.C. (Social Housing Finance) Limited and 105% Existing Use Value (EUV) for AHF). For loans secured by fixed charges, formal property valuations of the specific security are undertaken at least every five years. For loans secured by floating charge, compliance is measured by reference to the balance sheet of the borrower. The Group operates a panel of approved valuers to be used by borrowers in order to ensure a consistent and adequately detailed approach which takes account of the physical condition, the future rental potential and the market context of the property being valued. It is neither practical nor cost effective to obtain a measure of the fair value of the group's entire pool of collateral at a single date.

(d) Liquidity risk
The Group mitigates liquidity risk in a number of ways. In general borrowers' payments are received 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 2016 (2015: 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. Loans made by AHF are guaranteed and not subject to liquidity risk.The Group is also able to arrange appropriate overdraft facilities to cover short-term timing differences should they arise although none are held at 31 March 2016 (2015: None).

22. Financial risk management continued

The maturity profile of financial assets

	Group 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £000
Loans to housing associations	**5,060,401**	**2,778,154**	4,126,396	2,621,461
Securitised assets	**26,678**	**-**	28,208	-
	5,087,079	**2,778,154**	4,154,604	2,621,461
Due within one year	**245,660**	**161,885**	88,294	8,867
Due between one and two years	**43,367**	**9,183**	207,644	170,820
Due between two and five years	**166,618**	**60,033**	158,914	60,216
Due in over five years	**4,631,434**	**2,547,053**	3,699,752	2,381,558
	5,087,079	**2,778,154**	4,154,604	2,621,461

Interest rate risk profile of loans and borrowings

	Group 2016 Financial Liabilities £000	Group 2016 Financial Assets £000	Group 2015 Financial Liabilities £000	Group 2015 Financial Assets £000
Fixed rate	**4,413,468**	**4,404,954**	3,713,769	3,713,753
Floating rate	**682,082**	**682,125**	440,802	440,851
No interest payable	**723**	**-**	723	-
	5,096,273	**5,087,079**	4,155,294	4,154,604

	THFC 2016 Financial Liabilities £000	THFC 2016 Financial Assets £000	THFC 2015 Financial Liabilities £000	THFC 2015 Financial Assets £000
Fixed rate	**2,429,627**	**2,421,116**	2,382,208	2,382,196
Floating rate	**357,038**	**357,038**	239,265	239,265
	2,786,665	**2,778,154**	2,621,473	2,621,461

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 5.4% and the weighted average period for which interest rates are fixed is 19.06 years. The corresponding figures for THFC are 6.005% and 18.17 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 2016 £000	THFC 2016 £000	Group 2015 £000	THFC 2015 £000
Within one year	**106,000**	**15,000**	644,400	178,000
Between one and two years	**525,000**	**-**	-	-
Over two years	**-**	**-**	69,000	15,000
	631,000	**15,000**	713,400	193,000

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 2016 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 2016 remain unchanged until the contract maturity. Similarly, on indexed liabilities it has been assumed that the liability is fixed from 31 March 2016.

22. Financial risk management continued

Group

As at 31 March 2016	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
Contractual interest cash flows	230,688	209,978	610,707	2,880,678	3,932,051
Contractual principal cash flows	250,179	39,686	150,116	4,562,507	5,002,488
Total contractual cash flows	480,867	249,664	760,823	7,443,185	8,934,539

As at 31 March 2015	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
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

THFC

31 March 2016	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
Contractual interest cash flows	146,686	127,645	371,957	1,750,541	2,396,829
Contractual principal cash flows	168,797	7,865	50,820	2,528,309	2,755,791
Total contractual cash flows	315,483	135,510	422,777	4,278,850	5,152,620

31 March 2015	Within 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000	Total £000
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

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"), a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for THFCS to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore THFCS accounts for the scheme as a defined contribution scheme.

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

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

23. Pensions continued

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1	£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1st April)
Tier 2	£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1st April)
Tier 3	£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1st April)
Tier 4	£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where THFCS has agreed to a deficit funding arrangement, THFCS recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present values of provision

	31 March 2016 (£000)	31 March 2015 (£000)
Present value of provision	1,085	693

Reconciliation of opening and closing provisions

	Period Ending 31 March 2016 (£000)	Period Ending 31 March 2015 (£000)
Provision at start of period	693	768
Unwinding of the discount factor (interest expense)	(6)	10
Deficit contribution paid	(90)	(85)
Remeasurements – impact of any change in assumptions	103	-
Remeasurements – amendments to the contribution schedule	385	-
Provision at end of period	1,085	693

Income and expenditure impact

	Period Ending 31 March 2016 (£000)	Period Ending 31 March 2015 (£000)
Interest expense	(6)	10
Remeasurements – impact of any change in assumptions	103	-
Remeasurements – amendments to the contribution schedule	385	-
Contributions paid in respect of future service	74	82
Costs recognised in income and expenditure account	75	81

Assumptions

	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	2.26	3.50

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

23. Pensions continued

Deficit contributions

Deficit contributions payable within one year amount to £128,000 (2015: £90,000).

THFCS must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive THFCS's balance sheet liability.

Other information

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.

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.

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 2016 was £2,266,769 (2015: £2,267,993). The amount due (to)/from THFCS at 31 March 2016 was (£67,806) (2015: £11,482).

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 £142,403 (2015: £146,932) for providing these services and had amounts due (to)/owing from these companies at 31 March 2016 of (£1,479) (2015: £2,434). 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.

During the year, THFC received a cash dividend from THFCS of £600,000.

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 £12,087,283, £23,613,493 and £32,603,979 respectively (2015: £12,054,256, £23,548,975 and £32,411,600 respectively).

25. Fair values of financial instruments

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

The Groups debenture stocks, secured bonds, bank and other borrowings and associated loans are tradable but the markets are not considered to be active. Accordingly market prices of a suitable reference gilt have been adjusted for an appropriate credit spread to arrive at a fair value (Level 2 valuation).

This is with the exception of T.H.F.C (Funding No.2) Plc 6.35% Secured Bonds and Affordable Housing Finance Plc 3.80% Guaranteed Secured Bonds, for which the markets are considered to be active. Accordingly, the fair values have been recorded at market value (Level 1 valuation).

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

Group

	Book value 2016 £000	Fair value 2016 £000	Book value 2015 £000	Fair value 2015 £000
Assets				
Loans receivable	**5,087,079**	**6,220,848**	4,154,604	5,246,006
Trade and other receivables	**40,821**	**40,821**	37,800	37,800
Short-term cash deposits	**16,093**	**16,093**	14,944	14,944
Cash and cash equivalents	**41,905**	**41,905**	31,094	31,094
	5,185,898	**6,319,667**	4,238,442	5,329,844
Liabilities				
Financial liabilities-borrowings	**5,096,273**	**6,230,899**	4,155,294	5,246,725
Trade and other payables	**64,354**	**64,354**	61,481	61,481
	5,160,627	**6,295,253**	4,216,775	5,308,206

THFC

	Book value 2016 £000	Fair value 2016 £000	Book value 2015 £000	Fair value 2015 £000
Assets				
Loans receivable	**2,778,154**	**3,413,640**	2,621,461	3,368,127
Investments	**2,700**	**2,700**	2,700	2,700
Trade and other receivables	**27,167**	**27,167**	27,423	27,423
Short-term cash deposits	**8,530**	**8,530**	7,477	7,477
Cash and cash equivalents	**32,235**	**32,235**	22,741	22,741
	2,848,786	**3,484,272**	2,681,802	3,428,468
Liabilities				
Financial liabilities-borrowings	**2,786,665**	**3,423,002**	2,621,473	3,368,127
Trade and other payables	**46,980**	**46,980**	46,066	46,066
	2,833,645	**3,469,982**	2,667,539	3,414,193

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

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

26. Sinking funds and debt service reserves

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

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

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

Cash flows relating to sinking funds and debt service reserves are processed separately from the Group's own funds and invested only as directed by the borrower. Funds held by the Group as Trustee at 31 March 2016 amounted to £284.0m for sinking fund balances and £77.9m for debt service reserve balances. Total funds held as Trustee at 31 March 2015 amounted to £395.3m.

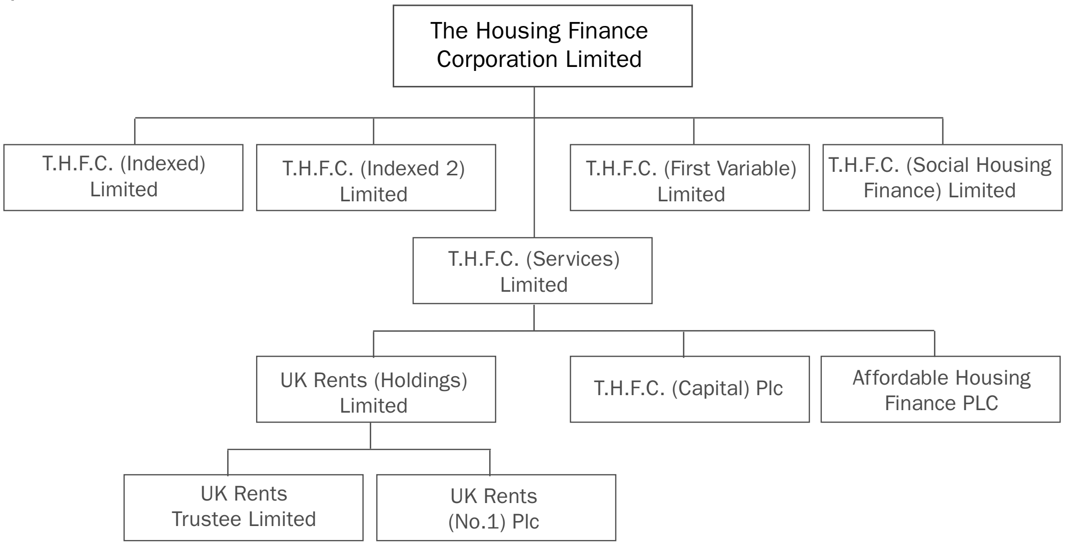
Five Year Financial Record

Excluding loan interest and similar items

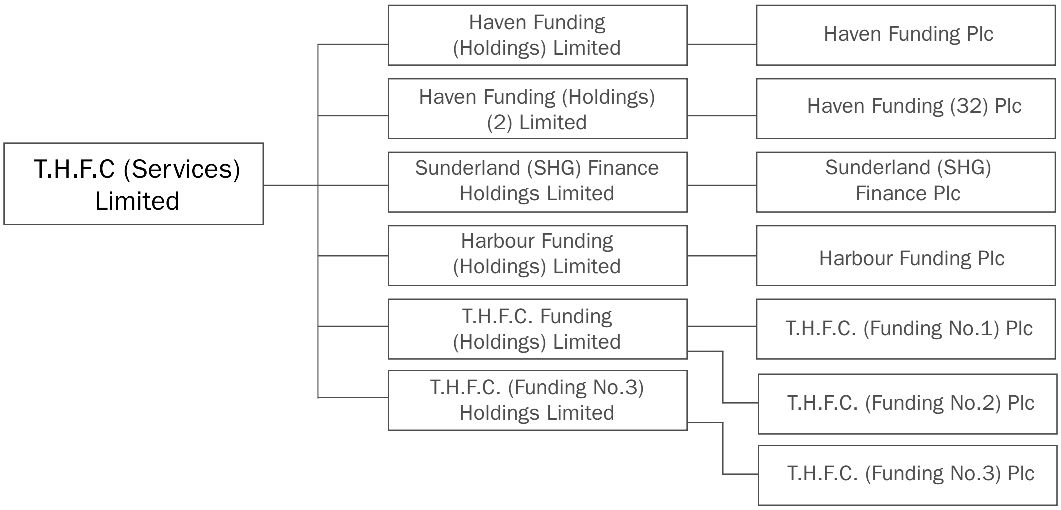
Year to 31 March	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000
Fees	2,697	3,550	7,675	7,848	**7,945**
Investment income	343	406	310	267	**283**
Other income	211	217	302	197	**193**
Interest margin	34	22	29	32	**1**
Total revenues (after interest expense off-set)	3,285	4,195	8,316	8,344	**8,422**
Staff costs	1,114	1,256	1,731	1,840	**2,269**
Pension provision	-	-	768	-	**488**
Non-executive directors costs	149	156	167	163	**175**
Legal/trustees and registrars	270	312	299	360	**345**
Premises	127	130	178	161	**202**
Other	387	487	519	677	**822**
Total operating expenses	2,047	2,341	3,662	3,201	**4,301**
Surplus before tax	1,238	1,854	4,654	5,143	**4,121**
Tax	231	444	1,082	1,081	**832**
Surplus after tax	1,007	1,410	3,572	4,062	**3,289**
Accumulated reserves	11,583	12,993	16,565	20,627	**23,916**
	£m	£m	£m	£m	£m
Loans outstanding	2,882	3,124	3,368	4,155	**5,087**
	%	%	%	%	%
Ratio of operating expenses to loan book	0.07	0.07	0.11	0.08	**0.08**

The information on this page does not form part of the Company's or Group's financial statements.

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 **£256,308,755** Issue Date **11.03.97**	Nominal Value **£67,600,000** Issue Date **12.02.98**	Nominal Value **£206,336,361** Issue Date **28.08.03**	Nominal Value **£212,802,000** Issue Date **27.06.01**	Nominal Value **£235,205,000** Issue Date **21.12.04**	Nominal Value **£370,850,000** Issue Date **08.07.09**	Nominal Value **£625,300,000** Issue Date **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 3 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

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

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