The Housing Finance Corporation Limited

2023

Annual Report & Accounts

Est. 1987

Contents

Purpose

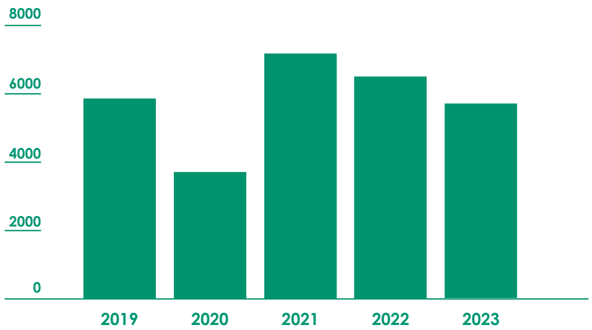
THFC has served the funding requirements of housing associations for the last 35 years.

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

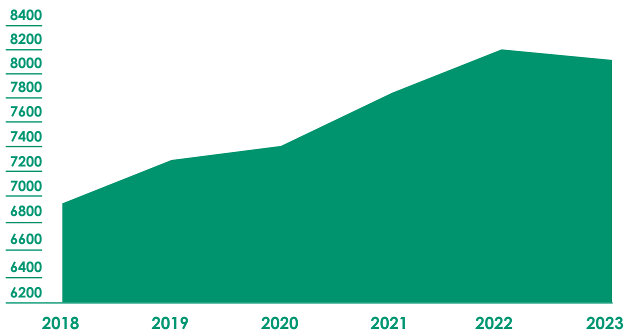
- sourcing funding from a range of institutional investors to deliver cost-efficient, responsible funding through the economic cycle; and
- operating as a non-profit-distributing finance company utilising our expertise, reputation and strong relationships.

Highlights

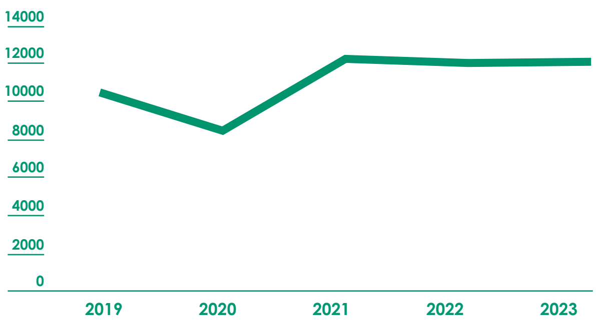
£5,770k **(2022: £6,510k)**
Group pre-tax surplus



£8,130m **(2022: £8,220m)**
THFC group loan book

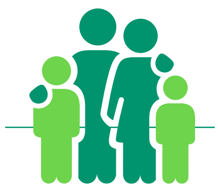


£12,266k **(2022: £12,195k)**
Group total income*



161
(2022: 161)
Housing Associations lent to

32,000+
Homes
Funded under AHF



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

Chair's and Chief Executive's Joint Statement

The Financial period from 1 April 2022 to 31 March 2023 saw the end of the Covid pandemic, but in many ways a return to anything but normal at a macro level. Almost the entire year was dominated by the global-economic and geo-political consequences of Russia's war with the Ukraine. At a national level we traversed a period of unprecedented political change: 2022/3 saw the tenure of five UK Housing Secretaries, four Chancellors and three Prime Ministers. For a sector focused on the delivery of long-term financial plans, this amount of political and economic turbulence has proved challenging in a number of respects.

The inflationary spike that accompanied these geo-political events saw CPI increase from 7% at the start of the financial year to peak at a 40 year high of 11.1% in October 2022. This was accompanied by a doubling of long-term interest rates with 30-year Gilt yields increasing from 1.75% to end the year at 3.8%, having peaked for a brief period at 5%, coinciding with the short political reign of Liz Truss as Prime Minister.

It was in the context of this significant external volatility, that The Housing Finance Corporation enjoyed a solid year of financial performance that could be neatly split into two distinct phases. Q1 saw continued steady growth in our bLEND vehicle with £125m of loans being signed across three borrowers in April 2022. However, the very rapid subsequent spike in inflation with accompanying increases in interest rates caused many of our Housing Association (HA) customers to pause new long term financial commitments and take stock over Q2 and Q3. It was not until the announcement of a 7% rent cap for Social and Affordable Rents in December 2022 (applying from April 2023) that many HAs had enough certainty to restart their investment activities. Even then, given the shift in the long-term cost of capital, the prevalent form of financing has tended to be shorter term bank funding.

Against this backdrop, the robustness of THFC's business model showed its inherent strength. Our £4.61m post tax surplus for the year was underpinned by a strong uplift in operating surplus, accompanied by the continued growth in our balance sheet – partly a consequence of deferred drawdown loans written in the prior year being drawn down.

The size of our loan book, at £8.13Bn and over 150 HA customers across the UK, reflects both our 35 year track record of supporting HAs and our continuing ability to provide timely and cost effective long term funding solutions. The overall weighted average cost of the £1.47Bn bLEND portfolio at 2.66% is testament to our timely delivery of long-term investment that will stand the test of time.

With the contractual maturity of THFC's remaining debenture stocks between 2023 and 2027, we predict that the rate of growth of our balance sheet will slow over the coming years. This, combined with a predicted slow-down in development by our HA customers as they prioritise the combined demands of remediation, the need to retrofit existing stock to meet EPC targets, and invest more in net zero carbon initiatives, will curtail their need/capacity to invest in new development. This causes us to think carefully about the 'value-add' in THFC. It is clear from our HA customers' perceptions that they value the wide sector view that we have from lending to more than 150 HAs and the specialist insights we can add.

We evidenced our thought leadership credentials earlier in the year by holding the first of our Cambridge Symposia since the Covid Pandemic – on the subject of Environmental, Social and Governance (ESG) investing in the sector. Later in the year we followed this up by hosting an Affordability Crisis Seminar, focusing on use of data, risk ranking, and HA insights on how they are navigating the Cost-of-Living Crisis. We also continued our support of the Trussell Trust, both in giving them a platform to describe innovation in the use of their foodbank network, and by directly supporting 'More than Homes', a joint fund raising initiative between HAs and the Trussell Trust.

Throughout the year we have been adding material to the "THFC Insights Hub" on our website with topical articles from subject matter experts: https://www.thfcorp.com/insights/

A major element of the Insights Hub is our annual ESG in relation to the bLEND borrowers. The publication of THFC's 'Funding Housing, Making Impact 2022' report marks the second year that we have asked our borrowers to submit their ESG disclosures in accordance with the Sustainability Reporting Standard for Social Housing (SRS). bLEND customers vary from very large to very small. The SRS core criteria attempt not to discriminate in size, but recognise that the resources that an HA may have to devote to ESG disclosure will vary. Given the long-term nature of bLEND's funding, we hope that over time, readers of its annual ESG Report will be able to see the developing journey that all the participant HAs are on. Given bLEND's size and scope, this provides a unique sector insight when compared to individual HA disclosures. ESG is at the heart of what we do, and during the year we recruited a dedicated ESG Strategy and Communications Manager, further evidencing our commitment to this important area.

The year also marked the launch of the Group's £2Bn MTN programme in THFC Sustainable Finance ("TSF"), intended to be complementary to the Group's existing £3Bn bLEND programme. The vehicle will focus on issuing sustainability bonds, which can be used to invest in both new and existing homes including retrofitting homes, enabling THFC to take its commitment to ESG one step further, with key pillars from the Sustainability Reporting Standard for Social Housing being integrated into core THFC Group issuance.

At a time when many HA Credit Ratings have come under downward pressure, it is pleasing to note that the Group retained both its 'A' S&P Rating and bLEND's 'A2' Moody's Rating in 2022/3.

In their rating assessment S&P commended the company's strong capitalisation and robust funding and liquidity ratios which support the rating, going on to say: 'THFC's prudent risk management policies will likely help in mitigating the pressure coming from the weakening credit quality of the social housing sector in the U.K. from inflation and potential introduction of the rent cap.' Both S&P and Moody's commented on the strength of the management team and its sector and market experience and expertise.

Last year's report and accounts began to set out our Diversity, Equity and Inclusion (DEI) strategy alongside statements on culture and conduct. In the year under review we conducted DEI workshops for the Board and all staff, and have embarked on a series of specific workshops and initiatives to continue to promote an inclusive and trusting culture. We also conducted a follow up detailed "staff survey" at the end of the year which had a 100% response rate and gave us valuable insights on staff perceptions of THFC as an employer. We have implemented a hybrid office/home working environment with a number of core office working days to maximise the interactions between staff, and facilitate the free-flow of new ideas. This also helps promote learning for newer members of staff and provides valuable knowledge transfer opportunities.

During the year under review we have invested heavily in our IT systems, infrastructure and cyber security to improve our resilience and increase our operational flexibility, and have also strengthened our internal resource in this mission critical area.

The end of the year will see the retirement from the Board of Fenella Edge, our Group Treasurer, after a career of 20 years in THFC. We owe Fenella our sincere thanks for her technical input in designing all of THFC's rated bond programmes to date (with £4.8Bn of outstandings), along with her leadership role in the Executive and Board. Replacing her as a Board member will be Arun Poobalasingam, our Marketing and Funding Director. The Board has also chosen to appoint David Stokes, our long-serving Credit and Risk Director, to a full Board role. Both appointments will be effective July 2023. Julie Coetzee joined us as Finance Director in January after a brief interregnum and is already adding considerable value to the Board and Finance Team.

A number of our non-executive directors will also retire at the forthcoming AGM, on completion of their terms of office. Our thanks go to Gill Payne, Will Perry and Peter Impey for their valuable individual contributions and insights to the organisation over the last 9 years.

Catherine Ryder left the National Housing Federation (NHF) in February and so resigned as our NHF Nominee Director in the year, to be replaced by Gail Teasdale, who also serves on the Board of the NHF and is the Chief Executive of Broadacres Housing Association. The intention of the Regulator of Social Housing (RSH) is to replace Will Perry as Nominee Director with Fiona McGregor, the serving Chief Executive of the RSH, at our AGM.

We would like to conclude by thanking everyone who works at THFC. It has been a challenging year corporately for the reasons described earlier in this report, and the team have shown resilience, flexibility and enthusiasm as they go about serving the funding needs of our customers.

George Blunden
Chair

Piers Williamson
Chief Executive

27 July 2023

Strategic Report

The directors present their Strategic Report and the audited financial statements of The Housing Finance Corporation Limited ("THFC") and its subsidiaries (together the "Group") for the year ended 31 March 2023.

Strategic Report

Although THFC is not incorporated under the Companies Act 2006, so would ordinarily not be bound by its requirements, some of its subsidiaries are, and they meet the relevant size criteria required to provide a strategic report on a standalone basis. Following best practice and realising the need for greater transparency to its stakeholders, THFC has therefore voluntarily opted to prepare a group-level strategic report for the year ended 31 March 2023. This has been prepared in accordance with the provisions of Section 414C of the Companies Act 2006 and covers matters relating to the Group's future developments and a summary of how the directors have acted in good faith to promote the success of the Group for the benefit of its stakeholders.

Principal Activity

The Group's principal activity is to provide cost-effective, long-term funding to not-for-profit UK Registered Providers of Social Housing (housing associations, or "HAs") by sourcing funding from institutional investors either through issuing long dated sterling denominated bonds in the capital markets or providing secured loans.

The Group is an unregulated, not-for-profit corporation registered under the Co-operative and Community Benefit Societies Act 2014. The not-for-profit status means the Group operates a non-distributable reserves policy which further supports the principal activity as this provides additional lending and cash flow cover in the event of a borrower default.

The Group Report (pages 10-13) describes the Group's structure and provides more detail on the business model.

The Group's strategy is disclosed within this report as part of the S172(2) Statement: Duty to Promote the Success of the Company (pages 5-9).

Review of Business

The Group achieved a pre-tax surplus of £5.8m (2022: £6.5m) and continued to achieve a steady growth in the Group's financial reserves, being £56.9m (2022: £52.3m).

Refer to page 70 for more detail on the Group's five-year performance.

Highlighting the key performance indicators within these figures shows that total revenues (excluding loan interest) is slightly down from £12.5m to £12.3m, primarily as a result of lower new business fees, offset by increased annual fees and investment income. In addition, our ratio of operating expenses to loan book has increased by 0.01%, primarily reflecting our investment in staff. Net loans have decreased by 1.1% (£8.1Bn v £8.2Bn), principally due to a loan prepayment during the year of £287m nominal off-setting new issuance of £233m.

Additional detail on the business drivers during the financial period is provided in the Chair's and Chief Executive's Joint Statement (pages 2-3).

Principal risks and uncertainties

The Board of Directors are ultimately responsible for adequate risk management and establishing an integrated and companywide risk culture. However, the Board is able to delegate general day to day business conduct to a number of its Committees.

Detail on governance structures and processes in place for assessing and managing risk is discussed in greater detail in the Corporate Governance Report (see pages 14-19).

The principal risks and uncertainties facing the Group are broadly grouped as '*financial risks*', '*business risks*' and '*operational risks*'.

Financial Risks

Financial risks may impact the Group's revenues or balance sheet, or both. This includes credit, liquidity and interest rate risk. Credit risk has been identified as being the Group's most significant risk but this is closely monitored by the Credit Committee through assessing credit propositions and monitoring the Group's portfolio (see Corporate Governance Report pages 17-18).

Financial Risk	Risk Description
Credit risk	Credit risk is the potential for loss arising on an obligor's failure to meet the terms of any contract or otherwise perform as agreed. The Group has credit risk on the loan portfolio, cash held in bank accounts and short-term investments. See *note 21: Financial instruments – Fair value and risk management*, for how this risk is mitigated.
Liquidity risk	Liquidity risk is the risk that the Group becomes unable to meet its obligations as they fall due for payment. Payments that are made by the Group are matched by the incoming cash flow. See *note 21: Financial instruments – Fair value and risk management*, for how this risk is mitigated.

Financial Risk	Risk Description
Interest rate risk	Interest rate risk is the potential for losses that result from a change in interest rates. The Group's income is subject to interest rate risk on its short-term deposits. See *note 21: Financial instruments – Fair value and risk management*, for how this risk is mitigated.

Business risks

Like any business, the Group faces the risk of making poor business decisions, the risk of the poor execution of those decisions and the lack of resource allocation.

Business Risk	Risk Description
Strategy risk	Strategy risk, the risk that a strategy will result in losses, is inherent in all strategies so doesn't necessarily mean the chosen strategy is flawed. The Group will only take risk that is consistent with its risk appetite and the delivery of its strategy and continuously monitors internal and external environments, as well as regulatory landscapes, to identify new and emerging risks to its strategy.
People risk	The risk that people, which are the Group's main resource, are inadequately allocated or capacity is constrained. At a time of record low unemployment and given the high calibre of staff employed by the Group, staff attrition constitutes a key people-related risk for the organisation. To mitigate this, the executive team have in place a plan which considers staff and resourcing implications and risks at different levels of the organisation. There is also a detailed succession plan in place. This approach is vitally important for an organisation of the Group's size and at executive level, is overseen by the Nominations Committee (see Corporate Governance Report page 19).

Operational Risks

Operational risk is the risk of losses caused by flawed or failed processes, policies, systems or events that disrupt business operations.

Whilst operational risk cannot be entirely eliminated, the Group has a documented internal controls policy in place designed to prevent any operational risk incident having a material adverse impact on normal business operations. This policy is reviewed by the Group's third-party internal auditors, on a three-year cycle, who have rated the policy as providing a significant level of assurance.

The Group has the ability to operate remotely and this was demonstrated during the pandemic of 2020/21. There is also a robust business continuity plan which is tested periodically.

Future Trends

The fundamentals underpinning the social housing sector remain strong with demand for affordable housing continuing to be high, with the National Housing Federation estimating that 145,000 additional new affordable homes are needed by 2031 in England alone to meet current demand. Whilst the Government has confirmed that £12.2bn will be available in the current '*Affordable Homes Programme*' ("AHP") for 2021-2026 to support this, HAs continue to raise significant amounts of private debt to fund the building or acquisition of new affordable homes.

However, high inflation and higher interest rates have had and will continue to have a major impact on the sector. Rising interest rates act as a further disincentive to the development of affordable homes and the associated increase in debt. Whilst the sector's rents are usually linked to CPI inflation, they will be subject to a 7% cap this year. There is increasing scrutiny on the quality of the housing and the service that is provided, with consumer regulation soon to be implemented for the sector. Building safety remains a key priority for the sector and a significant burden on some HAs. These competing demands on the sector's resources will require some difficult trade-offs as they all result in reduced cashflow. The natural consequence is likely to be a reduction in the development of new homes and an extended period over which stock energy efficiency and zero carbon improvements are made.

The sector's ambition to support the Government's zero-carbon commitments by making their housing stock more energy efficient will require significant funding. Estimates range between £60-£100bn with private finance playing a key role in this.

While the Group is well placed to continue to provide long term funding to its target clients, it is possible that higher interest rates will result in less demand for this long term funding in the near term with other cashflow pressures and risks meaning a more selective approach to underwriting being taken. This could result in a lower rate of growth of the loan book and reserves than we have seen in recent years.

S172(1): Duty to Promote the Success of the Company

Statement by the directors in performance of their statutory duties in accordance with S172(1) of the Companies Act 2006.

As noted on page 4, whilst THFC itself is not incorporated under the Companies Act 2006, some of its subsidiaries are and those subsidiaries that meet the relevant size criteria will be required to comply with the Companies Regulations 2018 by disclosing how they have met the requirements of Section 172 (1) of the Companies Act 2006.

The Group has therefore decided to voluntarily comply with Section 172 (1) of the Companies Act 2006. Section 172 (1) is a part of the section of the act which defines the directors' duty to promote the success of the company for the benefit of its stakeholders whose interests are in the future success of the Group.

THFC's Stakeholders include members, employees, customers, lenders and investors, suppliers and local communities affected by the Group's activities.

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its stakeholders as a whole and, in doing so have regard (amongst other matters) to:

- the likely consequences of any decisions in the long-term;
- the interests of the Group's employees;
- the need to foster the Group's business relationships with suppliers, customers and others;
- the impact of the Group's operations on the community and environment;
- maintaining a reputation for high standards of business conduct, and
- the need to act fairly between members of the Society.

The following paragraphs summarise how the directors fulfil their duties:

Likely Consequences of any Decisions in the Long-Term

To meet the Group's principal objective of providing cost-effective long-term funding to HAs, the Board has set a strategy to promote steady, sustainable growth.

In the year, the Group launched THFC Sustainable Finance Plc. In developing and launching the vehicle, the Board considered the long-term needs of both the business and the sector. The sustainability-focused vehicle facilitates the Group's growth and responds to a growing appetite from investors and borrowers alike for investment that supports sustainability initiatives in the sector.

Long-termism is a core part of the Group's business model. The long-term tenor and secured nature of the loans made by the Group to its borrowers requires the Group to ensure both it and its borrowers can continue to meet their respective legal and other obligations to investors and the Group as detailed in the relevant transaction documents. Borrowers' performance is monitored regularly to ensure obligations are met on an ongoing basis. The Board also monitors the material risks to the Group and how they might impact its long-term health (see Corporate Governance Report, page 16).

The Group is by far the largest debt aggregator in the HA sector with the strongest credit rating. The breadth of the Group's existing client base, along with the size of its loan book, facilitates an in-depth understanding of sector specific risks. This allows the Group to balance prudence and business growth and maintain its dominant position in the HA funding space, so it continues to attract the broadest range of investors in the market in which it operates. The Group is then able to pass on a lower cost of funding to its borrowers.

The Group's non-profit-distributing status and prudent risk appetite are mutually reinforcing. The Group's approach to business growth is not driven by distributing surpluses, and it does not require new business to cover costs due to its robust annual operating surplus. Prudence is built into the business model through the absence of maturity transformation and currency risk or material interest rate risk.

The Group's high-level risk appetite is set by the Board informed by a range of criteria including; the quality of the borrower's governance; its internal credit grade which is calculated from a range of historic and forecast metrics; the Regulatory status and the likely level of loss in the event of default. There are also wider considerations such as the level of debt concentration within the borrower's portfolio and the lender covenants therein; the nature of its business mix and exposure to higher risk commercial activities; its financial strength measured by reference to detailed financial and non-financial due diligence; and the characteristics of its portfolio of stock including EPC ratings, fire and health and safety remediation needs, and longer-term net zero carbon requirements.

The strong emphasis on prudence and the in-depth understanding and management of risks in lending to the sector has allowed the Group to grow its loan book at a rate commensurate with the Group's perception of the risk profile of the sector, which gives comfort to investors and forms part of the Group's strong credit profile. As a lender that continues to maintain a long-term presence in the sector and whose interests are synergetic with those of the sector, the Group understands the issues it faces. This is a key part of the service the Group offers to borrowers: an intricate knowledge of the sector enables the Group to offer products that meet the sector's needs.

The Group's core values of prudence and stewardship, combined with a central purpose of serving the sector even across the vagaries of economic cycles and when/if other lenders pull back, therefore facilitates a long-term sustainable business model which allows consistent and steady growth.

Throughout the year, the Board engaged in periodic horizon scanning, receiving sector and market updates to ensure that all material decisions are made with a careful consideration of both business-specific risks and requirements and broader trends and risks facing the sector and markets at large.

Culture and conduct

The Group's long-term sustainable success relies upon a healthy organisational culture and high standards of business and workplace conduct. The Group has in place several mechanisms to promote this. The Group conducts regular staff surveys to stay close to staff opinions and to ensure effective communication between the staff, executive and board.

In the year, the Group focused on promoting an environment of 'psychological safety', so staff feel empowered and confident to give feedback, escalate issues and speak up if needed. Staff and directors took part in focus groups and interviews to establish how it can promote an inclusive environment (see "Diversity, Equality & Inclusion" subheading). The Group also has a Whistleblowing Policy in place so staff can raise concerns in confidence with appropriate directors about possible improprieties of financial reporting or other matters.

The Group has established a framework of behavioural competencies, and all staff are assessed against selected behaviours as part of their annual performance assessment. This is because we believe that the way in which performance is delivered is as important as the results themselves. This approach to performance review feeds directly into staff compensation. The Remuneration Committee also provides an independent review of staff performance and compensation.

The Board intends to enshrine a refreshed version of the core values and culture in the coming year.

Governance

Similarly, upholding key governance principles of transparency, accountability, fairness and responsibility are vital in ensuring the long-term success of the Group. The Group operates from a strong and established governance foundation, and benefits from having ten non-executive directors which enables independent constructive challenge. See Corporate Governance Report for more detail on pages 14-15.

The Interests of the Group's Employees

As a small business in headcount terms, the Board strives to ensure there are forums in place to encourage dialogue with its employees so it can react to their changing needs. This includes:

- The annual staff survey which was last conducted in December 2022 and overseen by the Remuneration Committee.

  We are delighted to report that 100% of employees participated and key highlights included: 100% of respondents felt they understood how their work contributes to the Group's objectives; 96% of respondents reported that they had a good relationship with colleagues and 92% with their manager; 96% of respondents believed the Group operates in a socially responsible manner; 92% felt they are treated fairly at work and that the Group respects individual differences; and 88% either agreed or strongly agreed they would recommend the Group as a great place to work.

  The Executive Team and panel of staff representatives appointed to review the results presented a series of actions, desired outcomes and timeline for implementation based on the findings of the survey which were approved by the Remuneration Committee.
- Periodic staff updates, where exceptional staff performance and achievements are highlighted. Staff are also invited to raise any questions or concerns anonymously at these updates.
- Recently launched '*Lunch and Learn*' sessions, to facilitate cross-fertilisation of knowledge across teams.
- THFC is a CPD accredited employer with the Association of Corporate Treasurers ("ACT").
- Hybrid and home office working policies are regularly reviewed by the Executive Team to ensure arrangements continue to meet the needs of staff and the business post-pandemic.
- Staff salaries are benchmarked externally every three years and other benefits available to staff are reviewed periodically to ensure the Group's offering remains competitive in the marketplace.
- Each staff member has a formal appraisal annually with their manager in addition to more informal reviews during the year to monitor their performance and development.
- The health and wellbeing of staff is of paramount importance. The Group offers all employees access to a confidential '*Employee Assistance Programme*' to use free of charge. Other forms of counselling and support services are also available to staff as part of a package of health-benefits offered by the Group.
- The Group retains an HR consultant to assist staff in any personnel related issues and to ensure that the Group adopts best practice in all HR issues.

Diversity, equity and Inclusion ("DEI")

At the time of writing, 30% of non-executive directors, 40% of the executive team; 31% of individuals who report directly to the executive team; and 41% of all staff identified as women.

The Group's diversity, equity and inclusion ("DEI") ambition is to support an inclusive environment where everyone can contribute to its success. The Group aspires to reflect the composition of the Group's stakeholders and wider community, and therefore recognises the importance of having a diverse workforce and promoting an inclusive culture.

Initiatives include:

- Diversity, Equality and Inclusion training sessions for all staff and Board members.
- A review of policies, procedures and structures to ensure these can support DEI ambitions.
- DEI focus groups and interviews engaging both staff and Board members on what good DEI practice should look like for the Group.
- Review of the Group's values and culture, ensuring that DEI considerations are embedded throughout the organisation.
- The '*Nominations Committee*' which undertakes an annual review of talent, to assess the composition of the Board and its Committees. See Corporate Governance Report (page 19)

The Group aims to have in place a DEI Strategy accompanied by a 3-5 year roadmap of activities and responsibilities by the end of the calendar year.

Need to Foster the Group's Business Relationships with Suppliers, Customers and Others

The Board recognises the need to foster on-going business relationships to ensure the long-term success of the business.

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

The Board receives regular presentations from key stakeholders as part of a stakeholder speaker series. This allows the Board to develop its knowledge of the landscape in which the Group operates; ensures board members are familiar with the Group's key stakeholders and their objectives; and provides an opportunity for the Board to strengthen these relationships. The Group also held focus groups with key stakeholders to understand their attitude and engagement with the funding sector, the results of which were collated and presented to the Board.

The Group also has directors nominated by the '*Regulator of Social Housing*' and '*National Housing Federation*' to ensure that the Group's objectives are aligned with these stakeholders.

Impact of the Group's Operations on the Community and Environment

In delivering long-term funding to HAs, the Group aims to boost the number and quality of affordable housing for the benefit of tenants and communities throughout the UK. As noted in the 'Principal Activity' section within this report (page 4), the Group is a not-for-profit, so surpluses are not distributable but retained for the greater good of the sector and the communities it serves. This includes hosting knowledge-sharing events and seminars, researching and developing new products, as well as to mitigate any credit losses. Social purpose is therefore a foundational part of the Group's business.

The Group continues to consider the environmental impact of decisions taken but also acknowledges that due to the nature of its activities, its direct environmental impact is limited. The Group therefore focuses its sustainability efforts around supporting its housing association borrowers in their own transitions. In this vein, the Group has implemented the following initiatives:

- The Group has a published framework to allow the issuance of social and sustainability bonds, so borrowers can access the capital needed to fund decarbonisation and the net zero transition.
- Throughout the year, the Group initiated a series of investor engagement sessions with a specific focus on ESG.

- The Group was an early adopter of the social housing sector's '*Sustainability Reporting Standard*' (SRS) and mandates its completion by bLEND borrowers, while continuously encouraging adoption across the sector.
- Blend Funding Plc ("bLEND") published its second annual SRS Report in November 2022.
- The Group takes part in the '*Cycle to Work*' scheme which subsidises the purchase price of a bicycle for employees.

Detailed energy and carbon reporting can be found in full in the Directors' Report (see page 21).

Maintaining a Reputation for High Standards of Business Conduct

The Board operates the business responsibly and in line with good industry practice and the highest level of governance (see group and governance reports) expected of a lending business and in so doing maintains an exceptional reputation amongst investors and borrowers alike. This includes:

- All new staff receive a comprehensive induction.
- Code of conduct based on the seven principles of public life identified by the Nolan Committee.
- The Group complies with relevant legislation beyond its statutory obligations as best practice (see Corporate Governance Report, page 18).
- Regular compliance training for staff including anti-money laundering and data protection.
- The Group has a Whistleblowing Policy in place so staff can raise concerns in confidence about possible improprieties of financial reporting or other matters.

Acting Fairly Between Members of the Society

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

Events after the Reporting Date

On 30 May 2023 a borrower in THFC (Indexed 2) Limited prepaid a loan amounting to an original nominal value of £7m. These proceeds were paid onto bondholders on 31 May 2023.

On 5 June 2023 £27.5m nominal of loan was drawn down by a borrower through bLEND.

On 13 June 2023 a borrower in THFC prepaid a loan amounting to a nominal value of £3.5m. These proceeds will be paid onto bondholders on the maturity of this issue on 13 November 2023.

Approved by the Board of directors on 27 July 2023 and signed on their behalf by:

Julie Coetzee
Director and Company Secretary
The Housing Finance Corporation Limited

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. The Group operates on a non-profit-distributing basis. The Group is serviced by T.H.F.C. (Services) Limited ("THFCS") which employs a specialist team of 28 experienced professionals covering client relationship management, treasury, credit, risk, security asset management, information technology and finance. This allows the Group to offer full and comprehensive support to its borrowers with very limited reliance on consultants and contractors.

The structure of the Group is set out in the diagram on the inside back cover (page 71).

Business model

The Group has served the funding requirements of not-for-profit UK Registered Providers of Social Housing (housing associations, or "HAs") for the last 35 years to allow HAs to continue meeting the housing needs in their communities. The Group provides cost effective funding to HAs by passing through the cost of funds that the Group has borrowed at. This allows, over the lifetime of the loans, the Group to operate a business model that is fully matched, taking no interest rate, maturity or currency risk and raising debt only when mandated by borrowers for the on-lending.

The Group funds its operations through arrangement fees received upon origination and annual fees charged for the duration of loans provided to each borrower. Given the long-term nature of funding provided, the annuity income generated by the annual fees ensures that the Group has a sustainable business model over the long-term: these fees more than sufficiently cover costs and continue to increase in line with inflation.

The Group has built up a strong network and cultivated relationships with stakeholders both inside and outside the sector. The Group has loans with over 160 HAs across the United Kingdom ("UK"); it maintains close relationships with a number of sector banks, institutional investors and treasury advisors; it works closely with the '*National Housing Federation*' and the '*Regulator of Social Housing*', both of whom are represented on its Board and with the regulators of social housing in other parts of the UK. It also continues to maintain a good working relationship with the '*European Investment Bank*' ("EIB"). The Group works closely with the Department of Levelling Up, Housing and Communities and Homes England in managing the Affordable Housing Guarantee Scheme and has recently begun cultivating closer relationships with the '*Department for Energy Security and Net Zero*'.

Group Financing Principles

THFC and its subsidiaries T.H.F.C. (Indexed 2) Limited, T.H.F.C. (Social Housing Finance) Limited and Blend Funding Plc ("bLEND") (together with THFC, the "issuing companies") – have between them issued a variety of financial instruments including deep-discounted, index-linked and conventional fixed rate public debenture stocks and private placements, raised fixed rate and variable and variable rate bank loans, and, in the case of bLEND, issued publicly listed medium term notes under a £3 billion EMTN Programme.

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

Despite the variety of loan structures, the issuing companies in the Group adhere to the same fundamental principles:

- Funds are raised solely for on-lending to HAs.
- Funds are on-lent on a substantially identical maturity, interest rate and repayment profile thus ensuring that no material mismatch risk is taken on interest rate movements.
- No currency risk in relation to its funds is taken by the Group or passed on to its borrowers.
- Loans are fully secured and covenanted in accordance with the terms of the relevant individual issuing company's governing trust deed.
- THFC makes and maintains its own independent credit assessment of its borrowers, using its proprietary 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 HA borrowers on an on-going basis, including measurement against covenant undertakings. All HA borrowers are subject to external regulation by the social housing regulator in the relevant jurisdiction in which they operate.

THFC, THFC (Indexed 2) Limited and THFC (Social Housing Finance) Limited are societies registered under the Co-operative and Community Benefit Societies Act 2014 ("the Societies").

Security offered to investors

Lenders to each issuing company benefit from a floating charge over that company's assets, which are primarily its secured loans to HAs. A schedule of loans made by each issuing company is included in the THFC Group Loans table found on pages 28-31. 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.

The Group 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 reserves. The shareholders of each company's parent cannot be held liable for the debts of its subsidiary in the event of insolvency.

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

Property security

Most borrowers continue to prefer to provide fixed charge security on specified properties and all new borrowers choose to adopt this option from the outset, although the Societies can offer HAs the ability to secure their loans by way of floating charges, subject to appropriate asset cover tests. Only one borrower has an element of floating charge security on its loan. Where borrowers have opted for fixed charge security, borrowers are required to maintain a minimum level of asset cover (expressed as a percentage of the outstanding loan balance). For borrowers from the Societies, the minimum asset cover is 150% and for borrowers from bLEND, minimum asset cover is between 110% and 120%. In all cases there is a net annual income requirement of a minimum of 100% (120% in THFC (Indexed 2) Limited). 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 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.

External Credit Ratings

THFC has a Group credit rating of A from S&P Global Ratings UK Limited ("S&P").

bLEND's MTN Programme has been assigned a long-term rating of "A2" by Moody's Investors Service Limited ("Moody's"). Factors which drive the rating are the weighted average rating of its pool of borrowers and bLEND's strong risk management policies and processes. bLEND has made a commitment to noteholders to not add a new borrower to the pool if the addition of that borrower would adversely impact the rating of bLEND.

Loans administration

The Group's exemplary record of prompt collection and payment of interest and principal has remained intact over its 35-year history. In general, borrowers' payments are received up to one month prior to the Group's obligation to pay investors, thus providing a timing cushion and a source of additional investment income.

Credit monitoring

Every borrower from each issuing company undergoes full credit due diligence prior to a new or increased 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 borrower's own risk registers and an assessment of its management capabilities. New or increased credit exposures are reviewed and approved or rejected by the Group's Credit Committee, which is a Board Committee.

The Group's proprietary credit rating model reflects forward-looking risks appropriate to the current economic environment. It ranks all current and prospective borrowers against several 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 periodically updated to take account of emerging risks.

The Group's credit monitoring regime is underpinned by the covenants associated with the security provided by our borrowers.

THFC Sustainable Finance Plc ("TSF")

THFC Sustainable Finance Plc ("TSF") was incorporated in September 2021 and in March 2023 established a £2Bn Medium Term Note ("MTN") Programme for the purposes of issuing notes to fund loans to housing associations under varying maturities and interest rates.

TSF is also able to borrow via bank loans or private placements separately from the MTN programme.

TSF has an issuer rating of "A" from S&P as part of S&P's rating of the THFC Group.

TSF will follow the Group Financing Principles set out above and will be an issuing company.

Borrowers from TSF will be required to maintain a minimum asset cover of between 110% and 120% and will be required to allocate a proportion of the funding to "green" projects.

Covenants

Each of the Societies covenants to investors stipulates that they will maintain total operating expenditure within total operating income each year or on a rolling three-year basis as set out in their respective Trust Deeds. They have all successfully complied with this covenant since incorporation.

THFC also covenants in its Trust Deeds that the outstanding balance of borrower loans will, at all times, be not less than 95% of pari-passu borrowing.

Reserves

As registered societies and as set out in their Rules, surpluses generated by the Societies are non-distributable so each Society will have its own accumulated reserves.

Any surplus made by AHF can only be used for clearly defined purposes set out in the licence.

There are no restrictions on bLEND's reserves.

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 £56.9m (2022: £52.3m).

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 2023 AHF had issued guaranteed secured bonds amounting to £1,744.1m. Guaranteed bank loans drawn at 31 March 2023 amounted to £1,500.0m. Under the Guarantee both the obligations of the borrowers to AHF (under their respective loan agreements) are guaranteed as well as AHF's obligations to its investors/lender.

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

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

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

UK Rents is a subsidiary company established in 1994 solely for the purpose of issuing bonds with a current long-term rating of A3(SF) (Moody's Investor Services, "Moody's") achieved through a rental securitisation, and using the funds raised to purchase rent receivables from housing associations.

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

THFC Capital is a subsidiary company established in 2001 to act as a conduit for funds raised from bank lenders and bond investors for the transfer of housing stock from '*Sunderland City Council*' to '*Gentoo Group*' Following a refinancing exercise by Gentoo in March 2023, none of the bank lenders to Gentoo lends through THFC Capital and the remaining loan reflects just the funds raised from bond investors. The loan to the Gentoo Group is structured on a non-recourse (to THFC Capital) basis and the property security is held by a security trustee for the benefit of bond investors. Its bond-issuing vehicle, Sunderland (SHG) Finance Plc (currently rated: A3, Moody's and A-, S&P) currently has issued bonds with a nominal value of £212.8m as at the financial year end.

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

The Group's service company, THFCS, also provides administration and management services to certain related companies. All the related companies lend to the social housing sector. The majority of directors of these companies are also directors of THFC. These companies are regarded as related parties for accounting disclosure purposes. THFCS is the largest provider of bond administration services to the HA sector and its income in the year from related company contracts was £164,580 (2022: £154,479).

The related companies are:

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

Funding No. 1 is a non-consolidated company. Its entire issued share capital is held by THFCS under a declaration of trust. It was incorporated in November 2004 to act as the issuing company for secured bonds currently carrying an "A stable" long-term rating from S&P Global Ratings ("S&P"). Funding No. 1 has the benefit of a liquidity facility provided by Royal Bank of Scotland which was renewed in November 2022. Under the terms of the facility, a standby drawing can be made if the short-term rating of the liquidity facility provider falls below the minimum requirement. A standby drawing was made in January 2014 and was repaid in April 2023.

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

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

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

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

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 loan administration and company secretariat services to Haven Funding Plc and Haven Funding (32) Plc, rated A- and BBB respectively by S&P, and Baa1 by Moody's, as at 31 March 2023. On 27 June 2023 S&P downgraded Haven Funding Plc to BBB+. As at 31 March 2023 these companies had loans outstanding of £189.8m (nominal) made to 12 housing associations funded by bond issues arranged by a third party investment bank.

Sunderland (SHG) Finance Plc

Since 2001 THFCS has provided loan administration and company secretariat services to Sunderland (SHG) Finance Plc, rated A- by S&P and A3 by Moody's, which as at 31 March 2023 had a £204.8m (nominal) loan to Gentoo Group on-lent via T.H.F.C. (Capital) Plc.

Corporate Governance Report

Whilst THFC is under no legal or regulatory obligation to apply any code of corporate governance or practice, the Board recognises that high levels of corporate transparency, responsibility, business ethics and probity are vital to its success.

For this reason, the Group has, for a number of years, chosen to comply with the FRC's UK Corporate Governance Code 2018 ("the Code") where relevant to the organisation as a not-for-profit distributing entity operating as a society registered under the Co-operative and Community Benefit Societies Act 2014, without a market in its shares.

Group Governance

As a Community Benefit Society, THFC's shareholders are members of the Society (see the Directors' Report for a full list of shareholders on page 20). Each member owns one share with a nominal value of £1 which is held under a Declaration of Trust. THFC does not operate any share incentive schemes and all surpluses are non-distributable.

All independent non-executive directors are issued with a share in THFC and entered into the register of members, except for the *Regulator of Social Housing* ("RSH") *Nominated Director* and the *'National Housing Federation'* ("NHF") *Nominated Directors*, who are appointed to the Board by the RSH and NHF respectively on their organisation's behalf. In practice, this means that THFC's Board and shareholders, for all intents and purposes, function as one and the same.

The Board has sought to comply with the provisions of the Code in so far as it is appropriate to do so, given its constitutional form and for a group of its size and nature. However, there are certain provisions in the Code (namely, those concerned with safeguarding the vested interests of shareholders, as distinct from directors) which are not appropriate for the Group and therefore not complied with.

It is therefore vital that THFC's compliance with the Code is understood against this contextual backdrop. Where the Group does not or cannot comply with certain provisions, these are explicitly signposted and accompanied by clear explanations.

Board

THFC is governed by a group-level board which has oversight of all activities within the Group structure and is responsible for ensuring the Group achieves its objectives.

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.

At the time of writing, the THFC Board of Directors comprises the following:

Non-Executive Chair
George Blunden

Other Non-Executive Directors
Scott Bottles (Chair of Credit Committee)
Peter Impey
Anthony King (Chair of Nominations Committee)
David Montague
Gill Payne (Chair of Remuneration Committee)
Will Perry (RSH Nominee)
Shirley Smith (Senior Independent Director)
Gail Teasdale (NHF Nominee, nominated 28 March 2023)
Guy Thomas (Chair of Audit and Risk Committee)

Chief Executive
Piers Williamson

Group Treasurer
Fenella Edge

Finance Director
Julie Coetzee (appointed 7 February 2023)

Resigned
Colin Burke (resigned 24 May 2022)
Catherine Ryder (appointed 1 April 2022, nomination withdrawn 17 February 2023)
Ray Walker (appointed 24 May 2022, resigned 1 November 2022)

Additional information

The roles of Chief Executive and Chair are exercised by different individuals. George Blunden, Chair of the Board, is an Independent Non-Executive Director whose independence was determined on appointment.

Gail Teasdale was nominated to the Group's Board by the NHF on 28 March 2023 to replace Catherine Ryder, whose nomination was withdrawn following her departure from the NHF.

The directors' biographies can be found on pages 24-27.

THFC Board members are common to the Boards of all subsidiaries, with the exception of AHF, which has one additional director nominated by the Guarantor under the Affordable Housing Guarantee Scheme.

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

Senior Independent Director

The Board nominates a Senior Independent Director ("SID"), who maintains independence from the Chair and Executive as and when required. Their central responsibilities include: providing a sounding board for the Chair; acting as an intermediary for other directors in the event the Board is not functioning effectively; carrying out the appraisal of the Chair; and acting as a point of contact to investors and other stakeholders to address any concerns through which the standard channels of Chair, Chief Executive and other Executive Director have failed to resolve or is inappropriate.

The current SID is Shirley Smith, who was appointed on 28 July 2020.

Directors' Independence

All directors are non-executive with the exception of the Chief Executive, Group Treasurer and Finance Director.

The Board has determined that all non-executive directors are independent and free from any material relationship that could interfere with their ability to discharge their duties.

Whilst Will Perry and Gail Teasdale are nominated by the RSH and NHF respectively, the Board still considers them to be independent under Code provision 10. Neither the RSH or NHF constitute 'significant shareholders' (nominally holding 1 share each, or 10% of the total issued share capital and voting rights), nor does either organisation have a material business relationship with the Group.

Directors declare their interests at the start of every meeting and in relation to any specific business of the meeting. Any conflicts that arise are managed or approved, as appropriate, by the Board. A full record of these are kept in Board and Committee minutes.

Terms of Office

All non-executive directors are limited to nine years' service on the Board. Independent directors are elected initially for two terms of three years, followed by three terms of one year. They may offer themselves for re-election at the conclusion of each of these terms.

Non-executive directors who are nominated by members of the Society (i.e. Gail Teasdale and Will Perry, who are nominated by the NHF and RSH respectively) are not subject to the same three-yearly, and later annual retirement provisions but can be removed at will by the nominating member. They are, however, subject to the same maximum 9-year tenure.

We note the Code requirement that all directors should be subject to annual re-election. The Group's Chair is subject to annual re-election in this way, however THFC's constitution stipulates that independent director re-election occurs at the end of their terms as outlined above. The Group understand the motivation behind this provision to protect shareholder interests and influence over the composition of the Board. However, as the Group's shareholders (members) are appointed as non-executive directors, it is the Board's belief that two three-yearly terms, followed by annual re-election is sufficient to ensure standards of good governance are met.

The Chair of the Board may serve for a maximum term of six years and is subject to re-election annually at the annual general meeting. In exceptional circumstances, the Board may extend this by a year. The Board will select each Chair 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 20.

Directors' Remuneration

Executive Directors

Executive directors' remuneration is established by the Board in the light of periodic advice from advisers. Willis Towers Watson provides THFC with remuneration advice – it has no known connections with the Group or any executive or non-executive directors.

In addition to salaries and bonuses, the executive directors (the Chief Executive, the Group Treasurer and the Finance Director) are entitled to receive pension benefits and/or certain other employee benefits in accordance with guidelines determined by the Board.

THFC operates a maximum 6-month notice period for all staff, including executive directors. This limits compensation commitments in the event of a departing director.

As a Community Benefit Society, shares in THFC are non-beneficial and non-distributing. The Group therefore does not operate any share or other remuneration schemes for Executive Directors other than the salaries, bonuses, pension and other benefits available to all staff. This reflects the Group's key remuneration principle of alignment.

Non-Executive Directors

Fees are paid to non-executive directors, with the exception of the fees payable to the director nominated by the RSH (Will Perry) and NHF (Gail Teasdale), which are remitted to their nominating body.

On 1 April 2023 fees were increased by 7% (2022: 5%), after considering the annual rate of change of the Consumer Price Index in the 12 months to 31 March 2023. 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 in *note 4: Directors' remuneration*.

Training and Development

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

Senior Management

Piers Williamson, Fenella Edge, David Stokes and Arun Poobalasingam the Chief Executive, Group Treasurer, Credit and Risk Director and Head of Relationship Management and Business Development respectively, held those positions throughout the year. Following Ray Walker's departure on 1 November 2022, Julie Coetzee joined THFC as Finance Director and Company Secretary on 30 January 2023 and was appointed to the Board on 7 February 2023.

The Chief Executive has defined powers of authority and responsibility which are delegated to him and reviewed annually by the Board. These are set out in the 'Roles and Responsibilities of Members of the Board' document, which is published on the Group's website. The Company Secretary is responsible for advising on all governance matters and ensuring that Board procedures are followed. All directors have access to the advice from the Company Secretary, whose appointment and removal is considered and approved by the Board.

Board meetings

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

Two of the six scheduled meetings focus specifically on strategic issues. Ad hoc meetings are convened as and when required where board approval is required outside of the scheduled meetings. The Company Secretary keeps a record of all decisions made, all material discussion and concerns expressed by directors in the Board minutes. These are reviewed by Board members at the start of the subsequent meeting.

After every scheduled board meeting, the Chair meets with the non-executive directors without the executive directors present.

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.

In line with Provision 9 of the Code, the roles of Chair 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 Chair or non-executive approval. All other decisions require board approval.

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

Directors' Attendance at Meetings

Directors' attendance at THFC Board and board committee meetings during the year is shown on the table on page 22 in the Directors' Report. Where a director was unable to attend a meeting they were scheduled to attend, the Chair received a sound reason for 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.

Work of the Board

Certain matters are dealt with exclusively by the Board. These include ultimate responsibility for risk management; approval of the 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. This is set out in full in the 'Schedule of Matters Reserved for the Board' document, published on the Group's website.

Risk management

The Board is ultimately responsible for reviewing and managing all risks facing the Group. This involves approving THFC's strategy and the level of acceptable risks.

THFC has in place a robust risk management framework, which provides an overarching approach to the management of risk within the Group. The framework identifies the key risks faced by the business, ascribes ownership of each risk area to specific executive team members, is reviewed by the Audit and Risk Committee on an annual basis and recommended for final approval by the Board. The Group monitors the perceived level of risk in each area using a risk register. The risk register is reviewed continually and presented to the Audit and Risk Committee formally on a quarterly basis. The principal risks facing the Group are set out in the Strategic Report.

The Audit and Risk Committee has oversight of all key business, financial and operational risks and reports to the Board on these. The Credit Committee approves all new credit risks, and oversees the wider portfolio monitoring, with extracts of key reports provided to the Board. The Board then reviews reports and minutes submitted by those committees on how those risks are being managed.

The Board carries out robust assessments of the Group's principal and emerging risks on a bi-annual basis and implements appropriate controls and mitigating actions.

This was last conducted during February 2023, and there were no significant changes to the risk landscape to report.

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;
- Assurance regarding the proper implementation and efficacy of internal controls provided by third-party internal auditors (see page 18).

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. The Board receives regular reports on these risks.

The directors considered periodic reports on the effectiveness of internal controls during the financial period and to date.

Performance evaluation

The Board conducts an internal critical evaluation of its activities on an annual basis. Periodically, this process is led by an external facilitator – this was last conducted in 2021/22.

2022/23 Annual Board evaluation

Throughout the year, the Board undertook its annual self-evaluation. The questionnaire-based peer review considered the performance of the Board, its committees, the chair, individual directors and the secretariat support it receives, and was conducted by the Company Secretary.

The findings of the review saw a continuation of some of the themes identified by the 2021/22 External Board Effectiveness Review (see below). Namely, that: time given to strategic issues had improved; delegations were clearer and better communicated; and there remained work to be done to support DEI. Additional themes also came to light, around succession planning and formalising stakeholder engagement.

2021/22 External board effectiveness review – implementation of actions

The Group conducts an independent board effectiveness review approximately every three years. This was last performed in 2021/22, when the Board commissioned '*Campbell Tickell*' to perform this review. The Board adopted an action plan to implement the recommendations from the review, and set overarching objectives for 2022.

Throughout the year, the Board reviewed progress against the action plan from the external Board Effectiveness Review. The Board satisfied itself that the actions agreed had been implemented, and where this had not been possible, set revised or renewed aims. Progress had been made around ensuring sufficient time is made for long-term strategy discussions; planning and reporting on executive and non-executive planning; clarifying delegations and stakeholder engagement. The Board set refreshed actions with respect to DEI.

The Board also reflected upon its 2022 objectives, and based on both progress made since the 2021/22 External Board Effectiveness review and the findings of the 2022/23 Internal Board evaluation, set renewed objectives for 2023. Progress against these actions and objectives are reviewed by the Board periodically.

Committees of the Board

The Board governs through clearly mandated board committees. Each committee has written terms of reference which it reviews annually for approval by the Board – these are available to view on the Group's website. Committee chairs report on the proceedings of meetings at the following board meeting and the minutes of all committee meetings are available to board members.

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

Credit Committee

The Credit Committee is a committee of the Board, which meets quarterly and on an ad-hoc basis as required. It comprises a minimum of four non-executive directors appointed by the Board of THFC, together with the Chief Executive, Group Treasurer and Credit and Risk Director. The Chair of the Credit Committee is Scott Bottles.

This committee is primarily responsible for the assessment of individual credit propositions and ongoing monitoring of the portfolio. It also has responsibility for overseeing all aspects of portfolio credit risk, and in particular new lending commitments, consideration of requests for consent to mergers and trends within the portfolio; as well as consideration of wider sectoral risks. Day to day responsibility for tasks is mostly delegated to the executive team.

Full details about the Credit Committee (including a full list of responsibilities and delegations) are outlined in the Committee's terms of reference which are published on the Group's website.

Members comprise Scott Bottles (Chair), George Blunden, Anthony King, Peter Impey, David Montague (appointed member on 22 March 2022), Gill Payne, Shirley Smith and Guy Thomas as non-executive directors and Piers Williamson (Chief Executive), Fenella Edge (Group Treasurer) and David Stokes (Credit and Risk Director) as executive directors.

Audit and Risk Committee

The Audit and Risk Committee is a committee of the Board and its primary purpose is to provide oversight of the financial reporting process, the audit process, the Group's system of internal controls and ensure the Group complies with the relevant laws and regulations. This includes overseeing the appointment, engagement with, remuneration and independence of the external auditor; appointing and monitoring engagement with the internal auditor; as well as overseeing compliance with key legislation, policies and procedures.

The Committee meets three times a year at minimum and is comprised of a minimum of three independent non-executive directors. The Board appoints one of these directors as committee chair.

The Chair of THFC is not eligible to be a member of the Committee but is invited to attend each meeting and receives copies of all committee papers. At least one member of the Committee should have recent and relevant financial experience.

Members comprise Guy Thomas (Chair), Anthony King, Will Perry, Scott Bottles (appointed 15 November 2023) and David Montague. Both Guy Thomas and Will Perry are chartered accountants, and Guy has over 30 years' experience as a Chartered Accountant and Chartered Director in financial services. The Chief Executive and other members of the executive team attend when required.

Full details about the Audit and Risk Committee (including a full list of responsibilities) are outlined in the Committee's terms of reference which are published on the Group's website.

Work of the Audit and Risk Committee

The Committee reviewed the financial statements for the year ending 31 March 2023.

During the course of the year, the Committee has overseen a process of risk management and has advised the Board on the current risk exposures of the Group *(See note: 21 Financial instruments – fair value and risk management)*

THFC is registered with the FCA for anti-money laundering purposes, and voluntarily complies with relevant legislation both in accordance with its statutory obligations and beyond these as best practice. This includes Data Protection Legislation; the Modern Slavery Act 2015; Criminal Finances Act 2015; and Anti-Bribery Act 2010. Over the year, the Board and Audit and Risk Committee undertook its annual reviews of the Group's policies and procedures in relation to these.

The Group also has a '*Whistleblowing Policy*' in place which enables staff to raise concerns in confidence directly with appropriate directors about possible improprieties in matters of financial reporting or other matters. This is reviewed by the Audit and Risk Committee on an annual basis.

Independent Auditor

CLA Evelyn Partners Limited, formerly Nexia Smith & Williamson, have been engaged by the Board as auditor of all Group companies, and a resolution for their re-appointment will be proposed at the annual general meeting. CLA Evelyn Partners Limited were originally appointed in 2014, following a tendering process overseen by the chair of the Audit and Risk Committee and the executive team.

Prior to making a recommendation for reappointment, the Committee undertakes an annual review of the auditor's independence and the non-audit services they provide. CLA Evelyn Partners Limited have various safeguards in place to ensure their integrity and independence, which includes ensuring audit partners and senior staff are considered for periodic rotation in line with best practice. In July 2021, CLA Evelyn Partners Limited rotated THFC's audit engagement partner at the end of an agreed seven-year tenure.

The Committee has assessed and concluded it is satisfied as to the independence of the auditor. The Board has accepted the Committee's recommendation to reappoint the auditor. The independent auditor's report for the year ending 31 March 2023 is given at pages 34-36 of this report.

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 28. THFC appoints professional accounting firms to undertake periodic reviews of internal controls: Crowe (UK) LLP is the current appointee.

The external auditor has full access to the reports of internal audit to assist in informing their risk assessment; however, they will not place reliance on the work of internal audit in performing their audit procedures.

Remuneration Committee

The Remuneration Committee is a non-executive committee of the Board. It meets a minimum of three times per year and its membership comprises a minimum of four non-executive directors. Its central role is to oversee remuneration, pay and reward practices across the organisation.

The Committee is responsible for approving the remuneration of the Chief Executive, executive directors and changes to non-executive directors' fees; overseeing the appraisal of the Chief Executive and other executive directors; overseeing decisions relating to staff remuneration, terms and conditions (including annual pay and bonus awards); significant changes to the Group's human resources strategy; and reviewing proposals in relation to the Group's pension scheme.

Full details on the role and responsibilities of the Remuneration Committee (including matters reserved for the Board) can be found in its terms of reference which are published on the Group's website.

Members comprise Gill Payne (chair), George Blunden, David Montague, Tony King (appointed 15 November 2023) and Shirley Smith. The Chief Executive and other members of the Executive Team attend when required.

Gill Payne was appointed chair on 28 July 2020. Prior to this, and in line with Provision 32 of the Code, Gill had served on THFC's Remuneration Committee for 2.5 years.

Work of the Remuneration Committee

In the year, the Committee undertook its annual review and approval of the remuneration policy; reviewed and approved the Executive Directors' remuneration; received the findings of the annual Staff Survey and its proposed actions; and made recommendations to the Board regarding the annual Staff Pay Award and bonus award, in line with the remuneration policy.

The Group's Remuneration Policy outlines the key principles underpinning remuneration, pay and reward across the organisation. It covers staff pay and benefits, director remuneration and the organisation's bonus policy. It enshrines alignment as a key remuneration principle: executive directors and staff are entitled to the same levels of pension contribution, benefits and bonus, in recognition of THFC's pay principles of fairness and proportionality.

The Committee exercises discretion and judgement over all recommendations it considers (including annual pay and bonus awards and maximum pension contributions) to ensure such awards align with the long-term performance of the organisation.

Further detail on executive remuneration (including pay ratios) can be found in *note 4: Directors' remuneration*.

Whilst the Group upholds a principle of equal pay for equal work at all times, the Group does not report on pay gaps. This is because the small team size means most individuals hold unique roles within the organisation, meaning it is not possible in most cases to perform direct comparisons. To report pay gaps in respect of the small number of cases for which this is possible would run the risk of identifying individuals.

Nominations Committee

The Nominations Committee meets at least two times per year to consider potential nominees to the Board, both executive and non-executive directors.

The Committee is also responsible for recommending any changes relating to the structure, size and composition of the Board; overseeing the process of identifying candidates for non-executive director roles (including the chair) of the Boards of THFC and other group companies; monitoring executive and non-executive succession planning; and overseeing the Group's approach to DEI. When making new appointments, the Committee considers other demands on directors' time, including any significant appointments. Any additional external appointments undertaken by directors are disclosed to the Board.

The Committee comprises a minimum of four non-executive directors. All Committee members are independent non-executive directors. The members of the Nominations Committee are Tony King (Chair), Gill Payne, Peter Impey, Shirley Smith and David Montague. Tony King was appointed Chair on 20 October 2022.

Work of the Committee

The Board seeks to ensure that its composition reflects a wide range of different skills, experience and perspectives. To facilitate this, the Committee continues to place a particular focus on succession. Specific attention continues to be given to encouraging as wide and diverse a pool of applicants as possible through the cycle of board rotation, and when appointing senior executives.

This year, the Committee oversaw the recruitment process for a new Finance Director and Company Secretary, with the support of an external executive search agency; received the internal Board evaluation findings, before recommending actions to the Board for approval; reviewed the composition of the Board and its committees, undertaking a Board skills assessment and considering non-executive succession planning; reviewed and monitored the executive succession plan; and oversaw progress with respect to Diversity, Equality and Inclusion. In carrying out this work, the Committee considered the balance of skills, experience, independence and knowledge of the Board with the aim of increasing diversity wherever possible.

Directors' Report

The directors present their Report together with the audited consolidated Financial Statements of The Housing Finance Corporation Limited and its subsidiaries (the "Group") for the year ended 31 March 2023. These have been prepared in accordance with the provisions of the Companies Act 2006.

Going concern

The Group's principal business activity, together with a review of the business, principal risks & uncertainties and future trends are set out within the strategic report located on page 4. The financial position of the Group and its liquidity position is reflected on the balance sheet.

The directors have concluded that the Group has adequate resources to continue in operational existence for the 12 months from the date on which the financial statements are approved. For this reason, the Group will continue to adopt the going concern basis in preparing the financial statements.

Directors

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 24-27.

Details of directors' terms of office are given on page 15.

Certain restrictions applicable to share capital are detailed in *note 17: Called up share capital*.

Details of directors' remuneration are given in *note 4: Directors' remuneration*.

At the forthcoming annual general meeting, Tony King and David Montague, having completed their first three-year terms in office, will be required to retire and offer themselves for re-election.

Peter Impey, Gill Payne and Will Perry will also retire having served their full tenure on the Group's Boards.

The chair of the Board is required to retire annually at the annual general meeting and accordingly George Blunden will retire and offer himself for re-election.

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 2023	THFC Shareholdings at 31 March 2023
George Blunden	Full year	£1
Scott Bottles	Full year	£1
Colin Burke	- *Resigned 24 May 2022*	Nil
Julie Coetzee	- *Appointed 7 February 2023*	Nil
Fenella Edge	Full year	Nil
Peter Impey	Full year	£1
Anthony King	Full year	£1
David Montague	Full year	£1
Gill Payne	Full year	£1* **Issued 1 April 2022*
Will Perry	Full year	Nil
Catherine Ryder	- *Nomination withdrawn 17 February 2023*	- Nil
Shirley Smith	Full year	£1
Gail Teasdale	- *Nominated 28 March 2023*	- Nil
Guy Thomas	Full year	£1
Ray Walker	- *Resigned 1 November 2022*	- Nil
Piers Williamson	Full year	Nil
Other shareholders		
National Housing Federation		£1
Regulator of Social Housing		£1
Total issued share capital at 31 March 2023		£10

Directors' attendance at meetings

This is given on page 22.

Insurance of directors

The Group maintains third-party liability insurance in respect of proceedings brought by third parties in respect of their duties as directors of the Company.

Charitable and political contributions

Throughout the year, the Group has continued to support a couple of nominated charities, with further donations of £6,200 to the More than Homes Initiative and £10,000 to Sustainability for Housing Limited (to support the development of the Sustainability Reporting Standard for Social Housing – see Strategic Report), as well as other sundry charitable donations with a value of £2,350.

The Group is proud to have sponsored the More than Homes initiative. The initiative, which is backed by the National Housing Federation, aims to raise £1m for the Trussell Trust – a charity which supports the UK's largest network of food banks.

Streamlined Energy and Carbon Reporting ("SECR")

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, which came into effect for reporting periods beginning on or after 1 April 2019, has implemented the UK Government's policy on SECR. This regulation requires The Housing Finance Corporation Limited and its subsidiaries, together known as (the "Group"), to disclose its annual UK energy use in kilowatt-hours ("kWh") relating to purchased electricity and gas consumption for 17 St Swithin's Lane, London, and the associated greenhouse gas emissions in tonnes of carbon dioxide equivalent ("tCO2e"). The overall purpose of this regulation is to increase the awareness of the Group's energy usage and to adopt energy efficient measures (where possible) to ultimately reduce the impact the Group has on climate change.

The Group falls into scope of the regulation as entities that are deemed 'large' (as per s465 and s466 of the Companies Act 2006), as such the Group has disclosed the following:

- The methodology used for the carbon emissions calculation;
- The annual UK energy used (in kWh) relating to purchased gas and electricity and the associated greenhouse gas emissions in tCO2e;
- An emissions intensity ratio;
- A narrative of measures taken to improve energy efficiency.

Methodology

The following disclosure shows the Group's energy usage and greenhouse gas emissions, as prepared using the 'Greenhouse Gas Reporting Protocol - Corporate Standard'. The 2022 (2022: 2021) UK Government greenhouse gas conversion factors have been used to convert the kWh used into tCO2e.

The Group leases the 3rd floor of 17 St Swithin's Lane, London and as such, all energy consumption is categorised as Scope 2 (indirect energy emissions from generation of purchased energy). Natural gas consumption has been calculated using the total annual invoiced consumption of 17 St Swithin's Lane, apportioned to the 3rd floor square footage, adjusted for shared space. This equates to 17.5%. Electricity consumption has been calculated based on metered data for lighting, small power, associated heating, ventilation and air conditioning services for the building.

The annual UK energy used (in kWh) converted to tonnes of carbon dioxide equivalent (tCO2e)

Emissions and energy usage for the period 1 April to 31 March	2023	2022
Total energy consumption used to calculate emissions (kWh)	**51,398**	**45,473**
Natural gas – fuel type brown (fossil fuel)	28,561	15,842
Electricity – fuel type green (renewable source)	22,837	29,631
Total emissions in metric tCO2e	**9.570**	**9.123**
Natural gas – fuel type brown (fossil fuel)	5.203	2.896
Electricity – fuel type green (renewable source)	4.367	6.227

Emissions intensity ratio

The Group's chosen intensity metric is to weight the Group's tCO2e emissions by its loan book size, this being an approximate measure of the size of the business and its growth between reporting periods. For every GBP 1m in loans made, the Group generates 1.1772kg of CO2 (2022: 1.1099kg).

Actions the Group has taken during the reporting period to reduce energy consumption and improve climate change are as follows:

Due to the absence of floor level meters, the Group has limited influence to reduce its energy usage. However, the building has the following energy saving initiatives:

- EPC rating of 'A'
- 'Excellent' BREEAM rating
- Lighting is motion sensor automated
- Efforts have been taken to reduce waste and integrate sustainability into office supply chains

Re-appointment of Auditor

CLA Evelyn Partners Limited, formerly Nexia Smith & Williamson, Chartered Accountants and Registered Auditor, have been engaged by the Board as auditor of all group companies, and have indicated their willingness to continue in office so a resolution for their re-appointment will be proposed at the annual general meeting.

Directors' Attendance at Meetings

Covering period 1 April 2022 – 31 March 2023

	Main Boards (6)	Audit Committees (3)	Credit Committees (4)	Remco (3)	Nomco (2)
George Blunden	6	-	4	3	2
Scott Bottles	6	1(1)	4	-	-
Colin Burke*	1(1)	-	-	-	-
Julie Coetzee**	2(2)	-	-	-	-
Fenella Edge	5	-	3	-	-
Peter Impey	6	-	4	-	1
Anthony King	6	3	4	1(1)	2
David Montague	6	3	4	3	2
Gill Payne	5	-	3	3	2
Will Perry	5	3	-	-	-
Catherine Ryder***	4(5)	-	3	1(2)	-
Shirley Smith	6	-	4	3	2
Gail Teasdale****	1(1)	-	-	-	-
Guy Thomas	6	3	3	-	-
Ray Walker*****	3(3)	-	-	-	-
Piers Williamson	6	-	4	-	-

This table sets out directors' attendance at scheduled meetings as board and committee members only. Board and committee members may be asked to attend additional special or ad hoc meetings as required. The chair, chief executive and other members of the executive team also attend certain committees. Details of committee attendance beyond membership is given in the committee descriptions set out in the Corporate Governance Report, as well as in each committee's terms of reference.

'-' indicates not a member of that committee/not required to attend.

- Figures in brackets at the top of the column are the total number of scheduled meetings the director could have attended if in office for the whole year. Where a director was not present in office, or not a member of a committee for the full year, the total number of meetings that director could have attended is stated separately in brackets, next to their actual attendance in their own box.

* Resigned 24 May 2022

** Appointed 7 February 2023

*** Nomination withdrawn 17 February 2023

**** Nominated 28 March 2023

*****Appointed 24 May 2022, resigned 1 November 2022

Statement of Directors' Responsibilities in Respect of the Financial Statements

The directors are responsible for preparing the financial statements, Strategic Report and Directors' Report in accordance with applicable United Kingdom 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 UK-adopted international accounting standards.

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 and appropriate accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable comparable and understandable information;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards 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.

Disclosure of Information to the Auditor

Each of the directors at the date of the board approval of this Report and the Accounts has confirmed that:

a) so far as they are aware, there is no relevant audit information of which the auditor is unaware; and

b) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

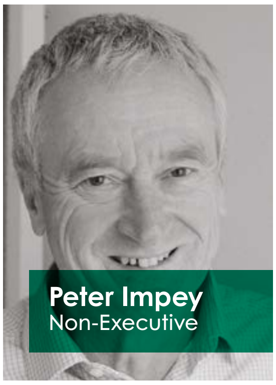
Approved by the Board of directors on 27 July 2023 and signed on their behalf by:

Julie Coetzee
Director and Company Secretary
The Housing Finance Corporation Limited

Directors

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

Scott was appointed to the Board as a non- executive director in March 2018. Prior to this, he served as Executive Vice President and Senior Credit Officer for International Commercial Real Estate at Wells Fargo Bank. Now retired, he has more than 30-years of experience in the commercial and residential real estate sectors in both United Kingdom and the United States. Scott chairs THFC's Credit Committee.



Peter's career spans over 40 years in commercial banking and social finance. From 1995 to 2002, he served as the Head of Credit for The Housing Finance Corporation. More recently, he provided commercial advice and support for the design and implementation of the Housing Guarantees Schemes, firstly to HM Treasury and then to the former Department for Communities and Local Government. He was appointed to the board of Affordable Housing Finance Plc as a DCLG nominee in July 2013 and to the THFC board in May 2020. He also serves as an independent director of PRS Operations Ltd, and a director of Oak House Consulting Limited.

After twenty years in the housing sector, Tony retired as Group Treasurer of Sanctuary Group in 2019. He began his career in banking, including roles at various international banks. At Sanctuary, Tony used his experience in finance to oversee the Group's loan book and fund new housing developments and regeneration projects. Tony is a trustee of the Church of England Pension Board, a non-executive board member of Platform Housing Group, and a Governor of the Heart of Worcestershire College. Tony was appointed to the Board of THFC as a non-executive director in March 2020.

David Montague
Non-Executive

David served as the Chief Executive of L&Q, one of Britain's largest housing associations, between 2008 and 2021. Over thirty-two years David has, in a number of roles, overseen the company's growth and success through mergers, acquisitions, major regenerations schemes and development partnerships with smaller associations. A leading figure in the sector, David has been Chair of the G15, served on the Board of the National Housing Federation, and has worked with successive London Mayors. In 2013 David was awarded a CBE for services to housing in London. David was appointed to the Board of THFC as a non-executive director in March 2020. He is also Chair of Joseph Homes; non-executive director of Hadley Property Group, Heylo Housing Group and the Abri Group; and senior adviser to Lloyds Banking Group.

Gill Payne
Non-Executive

Gill has worked in a variety of management and strategy roles across the private and public sector. She has worked for Eagle Star Assurance Company, the (then) Financial Services Authority, and in 2001 joined the Countryside Agency. As Director of Organisation and Development (OD) she led work to establish Natural England and the Commission for Rural Communities (CRC).

At the CRC, Gill was Director for OD and Communications and served as interim CEO. Gill joined the National Housing Federation in October 2011 to job-share with Ruth Davison as the Director for Policy and External Affairs and then Executive Director of Public Impact until August 2019. She was appointed to the Board as a non-executive director in 2014 and is Chair of THFC's Remuneration Committee.

Will Perry
Non-Executive

Will is Director of Strategy at the Regulator of Social Housing, where he is responsible for developing corporate strategy, business intelligence and regulatory policy. He is also responsible for the Regulator's relationships with the funding markets. Will is a qualified chartered accountant, and has previously worked in social housing consultancy, corporate finance lead advisory for a top 10 firm and government audit. Will joined the Board as a non-executive director in November 2014.

Gail Teasdale
Non-Executive

Gail is a Chartered Accountant with over 30 years' experience, much of it in Finance Director roles in a variety of industries both in the private and public sectors. She is Chief Executive of Broadacres, a housing association based in North Yorkshire with over 6,600 homes. She is a Board Member of the National Housing Federation where she chairs their audit and risk committee. She is also a board member of the Chorley Building Society. Gail was nominated by the National Housing Federation to THFC's Board in March 2023.

Shirley Smith
Non-Executive

Shirley's experience comprises over 35-years in real estate and infrastructure finance, covering debt, investment, restructuring, workout and credit with blue chip organisations (including CBRE, Citi, Barings, PwC, Lend Lease, Assured Guaranty and EY). She has an MA in Economics & Land Economy from the University of Cambridge, is a qualified Chartered Surveyor and holds a Certificate in Investments and Financial Derivatives from the Securities & Investment Institute. She was previously a non-executive director at CREFC (Europe), the Industry Association for commercial real estate finance in Europe. Shirley was appointed to the Board as a non-executive director in March 2018 and is THFC's Senior Independent Director.

Guy Thomas
Non-Executive

Guy is a Chartered Accountant and Chartered Director with over 30 years' experience in the financial services. Prior to his executive retirement he was Group Finance Director of Principality Building Society, a lender to housing associations. A fellow of the Association of Corporate Treasurers, he has extensive experience in treasury and risk management. Guy is currently a non-Executive director of Sainsbury's Bank, where he chairs the risk committee and is a member of the audit committee. He is also the chair of Penhurst Properties Limited. He was appointed to the Board as a non-executive director in May 2019 and chairs THFC's Audit & Risk Committee.

Piers Williamson
Chief Executive

Piers has been the Chief Executive of The Housing Finance Corporation ("THFC" – £8Bn not-for-profit lender to UK Housing Associations) for the last twenty years, working extensively with government and government agencies and viewed as a sector expert on all aspects of housing finance. He has also advised the Australian Federal Treasury on setting up an equivalent bond aggregator in Australia.

He has over 35 years of experience of the UK, US and European financial markets specialising in bank treasury risk management, securitisation and the interface between private sector financing and Government.

He holds professional qualifications in both treasury and banking and in addition to his duties at THFC served as a non-executive member of the Homes & Communities Agency's Regulation Committee for Social Housing between 2012 and 2015.

In addition to his duties at THFC, Piers is currently the Chair of the Board of Newbury Building Society.

In 2015 he received a lifetime contribution award at the Housing Association National Accountancy Awards.

Fenella Edge
Group Treasurer

Fenella joined THFC in 2002, having previously spent eleven years at Abbey National Treasury Services (ANTS). Her roles at ANTS included Director of Market Risk, Director of Financial Products and Manager, Capital Markets. Prior to joining ANTS she was at Wood Gundy, Elders Finance Group and Nikko Securities in a variety of capital markets and derivative roles. She was appointed to the THFC board in April 2006. Fenella is also a non-executive board member of Dolphin Living, a Registered Provider operating in central London.

Julie joined THFC as Finance Director and Company Secretary in February 2023. Julie is a chartered accountant with over 30 years' experience and holds a bachelor's degree in business and a master's in applied finance. Julie has spent the last 20 years at JPMorganChase & Co holding several different positions in financial controlling and regulatory reporting, both in the United Kingdom and Australia. Prior to that she was with KPMG Australia in their audit practice.

THFC Group Loans

Loans Portfolio as at 31 March 2023

Fixed Charge Security

Association borrower (legal entity)	Area	The Housing Finance Corp Limited Loans £000	Blend Funding Plc Loans £000	T.H.F.C (Indexed 2) Limited Loans £000	T.H.F.C. (Social Housing Finance) Limited Loans £000	Affordable Housing Finance Plc Loans £000	T.H.F.C. (Capital) Plc Loans £000	UK Rents (No.1) Plc Loans £000	Total Loan Value £000
54 North Homes Limited	North East	13,250	–	–	–	–	–	–	13,250
A2Dominion Homes Limited	South East	80,685	–	–	–	–	–	–	80,685
A2Dominion South Limited	South East	50,000	–	647	–	–	–	–	50,647
Abri Group Limited	South West	21,000	–	–	–	48,700	–	–	69,700
Accent Housing Limited	National	10,000	–	–	–	20,000	–	–	30,000
Anchor Hanover Group	National	30,000	–	–	–	–	–	–	30,000
Apex Housing Association Limited	Northern Ireland	34,875	–	–	–	–	–	–	34,875
Arches Housing Limited	Yorkshire & the Humber	5,100	–	–	–	–	–	–	5,100
Arcon Housing Association Limited	North West	4,000	–	–	–	–	–	–	4,000
Aster Communities	South West	–	–	–	–	100,000	–	–	100,000
ATEB Group Limited	Wales	1,000	18,000	–	–	–	–	–	19,000
B3 Living	South East	–	35,000	–	–	–	–	–	35,000
Barcud Cyfyngedig	Wales	3,000	–	356	–	–	–	–	3,356
Bernicia Group	North East	14,452	–	–	145	5,000	–	–	19,597
Bournville Village Trust	West Midlands	20,000	–	–	–	–	–	–	20,000
Brighter Places	South West	10,000	–	–	–	–	–	–	10,000
bpha Limited	East of England	–	–	–	–	80,000	–	–	80,000
Bromford Housing Association Limited	West Midlands	57,000	–	–	–	70,000	–	–	127,000
Bromsgrove District Housing Trust Limited	West Midlands	10,000	–	–	–	–	–	–	10,000
Cadwyn Housing Association Limited	Wales	5,000	–	–	–	–	–	–	5,000
Cardiff Community Housing Association Limited	Wales	6,938	37,000	–	–	–	–	–	43,938
Castle Rock Edinvar Housing Association Limited	Scotland	5,500	–	–	–	–	–	–	5,500
Catalyst Housing Limited	London	–	–	–	–	50,000	–	–	50,000
Choice Housing Ireland Limited	Northern Ireland	44,625	50,000	–	–	–	–	–	94,625
Citizen Housing Group Limited	West Midlands	16,500	–	–	112	–	–	–	16,612
Clanmil Housing Association Limited	Northern Ireland	30,000	–	–	–	–	–	–	30,000
Clwyd Alyn Housing Association Limited	Wales	7,000	–	–	–	–	–	–	7,000
Coastal Housing Group Limited	Wales	35,000	–	–	–	20,000	–	–	55,000
Coastline Housing Limited	South West	–	–	–	–	31,300	–	–	31,300
Cobalt Housing Limited	North West	–	25,000	–	–	–	–	–	25,000
Connect Housing Association Limited	Yorkshire & the Humber	–	30,000	–	–	–	–	–	30,000
Connswater Homes Limited	Northern Ireland	4,000	–	–	–	–	–	–	4,000
Cornerstone Housing Limited	South West	5,000	–	–	–	5,000	–	–	10,000
Cotman Housing Association Limited	National	1,500	–	–	–	–	–	–	1,500
Croydon Churches Housing Association Limited	London	7,500	–	–	–	13,000	–	–	20,500
Durham Aged Mineworkers' Homes Association	North East	8,000	–	–	–	–	–	–	8,000
Eastlight Community Homes Limited	East of England	–	–	–	–	46,000	–	–	46,000
Eildon Housing Association Limited	Scotland	10,000	–	–	–	–	–	–	10,000
EMH Housing and Regeneration Limited	East Midlands	25,000	–	–	–	–	–	–	25,000
English Rural Housing Association Limited	National	–	–	–	–	10,000	–	–	10,000
Estuary Housing Association Limited	East of England	28,500	–	–	–	–	–	–	28,500
Flagship Housing Group Limited	East of England	–	–	–	–	45,000	–	–	45,000
ForHousing Limited	North West	–	30,000	–	–	–	–	–	30,000
Gateway Housing Association Limited	London	1,250	–	–	568	45,000	–	–	46,818
Glen Oaks Housing Association Limited	Scotland	14,300	–	–	–	–	–	–	14,300
Golding Homes Limited	South East	–	–	–	–	102,500	–	–	102,500
Grampian Housing Association Limited	Scotland	4,750	–	–	–	–	–	–	4,750
Great Places Housing Association	North West	40,000	–	–	–	50,000	–	–	90,000
Greenoak Housing Association Limited	South East	3,500	–	–	–	–	–	–	3,500
GreenSquareAccord Limited	National	23,100	75,000	–	–	20,000	–	–	118,100
Grwp Cynefin	Wales	11,500	–	–	–	10,000	–	–	21,500
Habinteg Housing Association Limited	National	798	–	–	–	–	–	–	798
Hafod Housing Association Limited	Wales	10,000	–	–	–	–	–	–	10,000

Fixed Charge Security (continued)

Association borrower (legal entity)	Area	The Housing Finance Corp Limited Loans £000	Blend Funding Plc Loans £000	T.H.F.C (Indexed 2) Limited Loans £000	T.H.F.C. (Social Housing Finance) Limited Loans £000	Affordable Housing Finance Plc Loans £000	T.H.F.C. (Capital) Plc Loans £000	UK Rents (No.1) Plc Loans £000	Total Loan Value £000
Harrogate Housing Association Limited	Yorkshire & the Humber	3,500	–	–	–	–	–	–	3,500
Hexagon Housing Association Limited	London	7,000	–	1,133	–	49,000	–	–	57,133
Hightown Housing Association Limited	East of England	30,000	50,000	–	–	–	–	–	80,000
Home Group Limited	National	44,000	–	3,155	–	139,000	–	–	186,155
Home in Scotland Limited	Scotland	20,000	–	–	–	10,700	–	–	30,700
Honeycomb Group Limited	West Midlands	14,800	–	–	–	–	–	–	14,800
Hundred Houses Society Limited	East of England	–	–	–	–	10,000	–	–	10,000
Hyde Housing Association Limited	South East	59,000	–	–	–	–	–	–	59,000
Innisfree Housing Association Limited	London	3,000	–	–	–	–	–	–	3,000
Inquilab Housing Association Limited	London	25,000	–	–	–	–	–	–	25,000
Irwell Valley Housing Association Limited	North West	25,000	–	647	–	–	–	–	25,647
Islington & Shoreditch Housing Association Limited	London	22,000	–	–	673	–	–	–	22,673
Jigsaw Homes North	North West	18,184	–	–	–	48,500	–	–	66,684
"Johnnie" Johnson Housing Trust Limited	North West	22,500	–	–	–	–	–	–	22,500
Joseph Rowntree Housing Trust	Yorkshire & the Humber	15,000	–	–	–	–	–	–	15,000
Karbon Homes Limited	North East	–	–	–	–	34,400	–	–	34,400
Leeds Federated Housing Association Limited	Yorkshire & the Humber	13,300	20,000	–	–	15,000	–	–	48,300
LiveWest Homes Limited	South West	32,710	–	–	–	122,500	–	–	155,210
London & Quadrant Housing Trust	London	11,000	–	–	–	–	–	–	11,000
Longhurst Group Limited	East Midlands	28,000	–	–	–	–	–	–	28,000
Manningham Housing Association Limited	Yorkshire & the Humber	13,345	–	–	–	–	–	–	13,345
Melin Homes Limited	Wales	22,000	–	–	–	–	–	–	22,000
Merlin Housing Society Limited	West Midlands	–	–	–	–	75,000	–	–	75,000
Merthyr Tydfil Housing Association Limited	Wales	6,000	–	–	–	–	–	–	6,000
Metropolitan Housing Trust Limited	National	78,061	–	485	–	25,000	–	–	103,546
Midland Heart Limited	West Midlands	35,708	–	–	–	50,000	–	–	85,708
Moat Homes Limited	South East	–	–	–	–	50,000	–	–	50,000
Mosscare St. Vincents Housing Group Limited	North West	20,932	40,000	–	–	5,000	–	–	65,932
Mount Green Housing Association Limited	South East	–	–	–	–	6,000	–	–	6,000
Network Homes Limited	London	132,345	–	–	–	75,500	–	–	207,845
New Gorbals Housing Association Limited	Scotland	18,500	–	–	–	6,100	–	–	24,600
Newlon Housing Trust	London	22,000	–	–	–	–	–	–	22,000
Newydd Housing Association (1974) Limited	Wales	25,875	–	–	–	–	–	–	25,875
Newport City Homes Housing Association Limited	Wales	12,000	25,000	–	–	–	–	–	37,000
North Devon Homes Limited	South West	–	–	–	–	8,000	–	–	8,000
North Glasgow Housing Association Limited	Scotland	5,600	–	–	–	–	–	–	5,600
North London Muslim Housing Association Limited	London	1,000	–	–	–	–	–	–	1,000
North Wales Housing Association Limited	Wales	12,500	–	–	–	–	–	–	12,500
Notting Hill Genesis	London	65,500	–	–	–	50,000	–	–	115,500
Nottingham Community Housing Association Limited	East Midlands	12,400	–	–	–	29,000	–	–	41,400
Octavia Housing	London	13,500	–	–	–	18,000	–	–	31,500
One Vision Housing Limited	North West	3,000	–	–	–	–	–	–	3,000
Ongo Homes Limited	East of England	–	50,000	–	–	–	–	–	50,000
Onward Homes Limited	North West	7,000	–	–	2,619	–	–	–	9,619
Orbit Housing Association Limited	National	–	–	–	–	100,000	–	–	100,000
Origin Housing Limited	London	29,600	–	–	–	–	–	–	29,600
Orwell Housing Association Limited	East of England	–	20,000	–	–	10,000	–	–	30,000
Paradigm Homes Charitable Housing Association Limited	South East	65,000	–	–	–	125,000	–	–	190,000
Paragon Asra Housing Limited	National	22,526	–	–	–	–	–	–	22,526
Peabody Trust	London	104,000	–	–	–	100,000	–	–	204,000
Pickering and Ferens Homes	Yorkshire & the Humber	4,500	–	–	–	10,000	–	–	14,500
Places for People Homes Living+ Limited	National	4,000	–	–	–	–	–	–	4,000
Platform Housing Limited	West Midlands	14,000	180,000	–	–	140,000	–	–	334,000

Loans Portfolio as at 31 March 2023

Fixed Charge Security (continued)

Association borrower (legal entity)	Area	The Housing Finance Corp Limited Loans £000	Blend Funding Plc Loans £000	T.H.F.C (Indexed 2) Limited Loans £000	T.H.F.C. (Social Housing Finance) Limited Loans £000	Affordable Housing Finance Plc Loans £000	T.H.F.C. (Capital) Plc Loans £000	UK Rents (No.1) Plc Loans £000	Total Loan Value £000
Plymouth Community Homes Limited	South West	30,000	–	–	–	–	–	–	30,000
Pobl Homes and Communities Limited	Wales	26,500	–	–	–	–	–	–	26,500
Radius Housing Association Limited	Northern Ireland	50,000	–	–	–	–	–	–	50,000
Railway Housing Association & Benefit Fund	North East	–	–	–	–	5,000	–	–	5,000
Regenda Limited	North West	3,000	50,000	939	–	–	–	–	53,939
Rhondda Housing Association	Wales	10,000	–	–	–	–	–	–	10,000
Rooftop Housing Association Limited	West Midlands	–	50,000	–	–	–	–	–	50,000
Salvation Army Housing Association	National	3,000	–	–	–	–	–	–	3,000
Sanctuary Housing Association	National	3,873	–	–	–	–	–	–	3,873
Sanctuary Scotland Housing Association Limited	Scotland	14,625	–	–	–	–	–	–	14,625
Selwood Housing Society Limited	South West	–	–	–	–	50,000	–	–	50,000
Shepherds Bush Housing Association Limited	London	–	–	–	–	25,000	–	–	25,000
Silva Homes Limited	South East	–	25,000	–	–	40,000	–	–	65,000
Soho Housing Association Limited	London	16,500	–	–	–	–	–	–	16,500
South Yorkshire Housing Association Limited	Yorkshire & the Humber	1,942	–	–	–	–	–	–	1,942
Southern Housing	South East	177,785	–	–	–	150,100	–	–	327,885
Sovereign Housing Association Limited	National	22,000	–	–	–	155,000	–	–	177,000
Stonewater Limited	National	–	–	–	–	100,000	–	–	100,000
Synergy Housing Limited	South West	–	–	–	–	50,000	–	–	50,000
Taff Housing Association Limited	Wales	5,500	15,000	–	–	–	–	–	20,500
Teign Housing	South West	–	33,000	–	–	–	–	–	33,000
The Cambridge Housing Society Limited	East of England	2,200	–	–	–	–	–	–	2,200
The Community Housing Group Limited	West Midlands	–	35,000	–	–	–	–	–	35,000
The Riverside Group Limited	National	73,000	–	–	–	55,000	–	–	128,000
The Swaythling Housing Society Limited	South West	12,000	–	–	–	66,100	–	–	78,100
Thenue Housing Association Limited	Scotland	5,000	–	–	–	–	–	–	5,000
Torus62 Limited	North West	38,000	100,000	–	–	–	–	–	138,000
Trent & Dove Housing Limited	East Midlands	40,000	27,500	–	–	–	–	–	67,500
Trident Housing Association Limited	West Midlands	3,500	–	–	–	–	–	–	3,500
Trust Housing Association Ltd	Scotland	–	22,000	–	–	–	–	–	22,000
Tuntum Housing Association Limited	East Midlands	7,000	–	–	–	–	–	–	7,000
United Welsh Housing Association Limited	Wales	63,000	–	–	–	25,000	–	–	88,000
Unity Housing Association Limited	Yorkshire & the Humber	7,500	–	–	–	–	–	–	7,500
Valleys to Coast Housing Limited	Wales	–	35,000	–	–	–	–	–	35,000
Vivid Housing Limited	South East	10,000	–	–	–	164,700	–	–	174,700
Wakefield and District Housing Association Limited	Yorkshire & the Humber	–	100,000	–	–	–	–	–	100,000
Wales and West Housing Association Limited	Wales	56,500	110,000	–	–	46,000	–	–	212,500
Walsall Housing Group	West Midlands	–	75,000	–	–	–	–	–	75,000
Wandle Housing Association Limited	London	21,418	–	–	–	35,000	–	–	56,418
Watford Community Housing Trust	East of England	–	–	–	–	30,000	–	–	30,000
Weaver Vale Housing Trust Limited	North West	20,500	–	–	–	–	–	–	20,500
West Kent Housing Association	South East	45,000	–	–	–	54,000	–	–	99,000
Westfield Housing Association Limited	North West	6,000	–	–	–	–	–	–	6,000
Westward Housing Group Limited	South West	47,000	–	–	–	20,000	–	–	67,000
Wheatley Homes South Limited	Scotland	40,000	–	–	–	–	–	–	40,000
Wheatley Homes East Limited	Scotland	16,500	–	–	–	–	–	–	16,500
White Horse Housing Association Limited	South West	600	–	–	–	–	–	–	600
Willow Tree Housing Partnership Limited	South West	5,000	–	–	–	–	–	–	5,000
Wirral Methodist Housing Association Limited	North West	5,200	–	–	–	–	–	–	5,200
Womens Pioneer Housing Limited	London	10,000	–	–	–	–	–	–	10,000
Worthing Homes Limited	South East	10,000	25,000	–	–	–	–	–	35,000
Yorkshire Housing Limited	Yorkshire & the Humber	40,500	–	–	–	90,000	–	–	130,500
Your Housing Limited	North West	5,000	–	2,265	–	–	–	–	7,265
Total Fixed Charge Security		**2,813,651**	**1,387,500**	**9,627**	**4,117**	**3,244,100**	**–**	**–**	**7,458,995**

Floating Charge Security

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

Income Security

Association borrower (legal entity)	Area	The Housing Finance Corp Limited Loans £000	Blend Funding Plc Loans £000	T.H.F.C (Indexed 2) Limited Loans £000	T.H.F.C. (Social Housing Finance) Limited Loans £000	Affordable Housing Finance Plc Loans £000	T.H.F.C. (Capital) Plc Loans £000	UK Rents (No.1) Plc Loans £000	Total Loan Value £000
A2 Dominion Homes Limited	South East	–	–	–	–	–	–	1,318	1,318
Bernicia Group	North East	–	–	–	–	–	–	1,958	1,958
Clarion Housing Group	National	–	–	–	–	–	–	1,479	1,479
London & Quadrant Housing Trust	London	–	–	–	–	–	–	2,032	2,032
Onward Homes Limited	North West	–	–	–	–	–	–	1,462	1,462
Vivid Housing Limited	South East	–	–	–	–	–	–	1,463	1,463
Income Cover		**–**	**–**	**–**	**–**	**–**	**–**	**9,712**	**9,712**
T.H.F.C (Capital) PLC									
Gentoo Group Limited	North East	–	–	–	–	–	204,789	–	204,789
Total		**–**	**–**	**–**	**–**	**–**	**204,789**	**–**	**204,789**
Grand Total		**2,814,151**	**1,387,500**	**9,627**	**4,117**	**3,244,100**	**204,789**	**9,712**	**7,673,996**
Premium 31 March 2023		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**455,808**
Total at 31 March 2023		**2,814,151**	**1,387,500**	**9,627**	**4,117**	**3,244,100**	**204,789**	**9,712**	**8,129,804**

Group Source of Funds

Government Guaranteed Funds, Secured Medium Term Notes, Debenture Stocks, Eurobonds, Bank and Other Loans as at 31 March 2023.

			Date	Nominal Amount £000	Outstanding Principal Amount £000
Affordable Housing Finance Plc					
30 year £500m Fixed and Variable rate loan 2045 - EIB I (Annuity)			20.12.13	500,000	500,000
30 year £500m Fixed and Variable rate loan 2047 - EIB IIA (Annuity)			29.02.16	500,000	500,000
30 year £500m Fixed and Variable rate loan 2048 - EIB IIB (Annuity)			12.05.16	500,000	500,000
3.8% Guaranteed Secured Bonds 2042/2044 (Bullet)		tranche 1	30.05.14	208,400	208,400
		tranche 2	06.11.14	198,500	198,500
		tranche 3	17.03.15	194,000	194,000
2.893% Guaranteed Secured Bonds 2043/2045 (Bullet)		tranche 1	11.08.15	208,000	208,000
		tranche 2	16.03.16	209,000	209,000
		tranche 3	02.06.16	130,500	130,500
		tranche 4	04.08.16	191,400	191,400
		tranche 5	18.10.16	124,500	124,500
		tranche 6	18.01.17	114,800	114,800
		tranche 7	04.04.17	88,000	88,000
		tranche 8	24.10.17	77,000	77,000
THFC Debenture Stocks					
Discounted:	5% 2027		08.12.87	50,954	40,657
Conventional Fixed Rate:	8.625% 2023 (Bullet)	tranche 1	13.10.93	113,950	113,950
		tranche 2	24.05.94	29,000	29,000
		tranche 3	16.06.99	11,200	11,200
		tranche 4	29.02.00	6,500	6,500
		tranche 5	05.12.01	14,800	14,800
	10.0938% 2024 (Annuity)		14.07.95	5,000	798
	9.625% 2025 (Bullet)	tranche 1	04.07.95	36,850	36,850
	9.625% 2025 (Bullet)	tranche 2	12.11.97	8,600	8,600
THFC Bank Loans					
25 year £26.5m fixed rate loan 2023 - EIB (Annuity)			26.11.98	24,860	1,635
25 year £10m fixed rate loan 2024 - EIB (Annuity)			02.09.99	33,000	3,092
25 year £20m fixed rate loan 2025 - EIB (Annuity)			08.09.00	10,500	1,210
25 year £8.7m fixed rate loan - ANTS (from Sep 2003) (Bullet)			02.04.01	5,950	5,950
25 year £17m variable repayable 2026			09.11.01	11,000	3,520
25 year £9.86m sterling facility repayable 2028 (Annuity)			08.09.03	1,040	416
25 year £15m sterling fixed loan 2029 (Annuity)			16.06.04	10,000	3,120
25 year £15m revolver into term			14.03.05	8,000	2,800
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/Annuity)			14.11.08	100,000	93,500
30 year £100m Fixed and Variable rate loan 2040 - EIB (Bullet/Annuity)			04.12.09	172,500	169,688
30 year £100m Fixed and Variable rate loan 2040 - EIB (Bullet/Annuity)			14.01.10	162,500	155,994
£10m revolving credit facility variable, repayable 2024			28.09.11	5,000	–
30 year £400m Fixed and Variable rate loan 2045 - EIB (Annuity)			19.12.12	400,000	400,000
JESSICA £12m 30 year amortising facility - Greater London Authority (Annuity)			28.02.13	12,000	12,000
THFC Loan from T.H.F.C. (Funding No.1) Plc					
Long term - 5.125% due 2035 (Bullet)		tranche 1	13.12.04	48,052	48,052
		tranche 2	21.12.06	32,000	32,000
		tranche 3	28.02.07	37,000	37,000
		tranche 4	28.11.07	20,133	20,133
		tranche 5	30.07.08	80,000	80,000

		Date	Nominal Amount £000	Outstanding Principal Amount £000
THFC Loan from T.H.F.C. (Funding No.2) Plc				
Long term – 6.35% due 2041 (Bullet)	tranche 1	02.07.09	191,000	191,000
	tranche 2	24.03.10	72,250	72,250
	tranche 3	21.01.11	76,600	76,600
	tranche 4	04.04.11	31,000	31,000
THFC Loan from T.H.F.C. (Funding No.3) Plc				
Long term – 5.2% due 2043 (Bullet)	tranche 1	11.10.11	142,100	142,100
	tranche 2	25.01.12	196,000	196,000
	tranche 3	25.04.12	120,500	120,500
	tranche 4	27.09.12	132,100	132,100
	tranche 5	15.04.13	61,600	61,600
	tranche 6	15.10.13	59,500	59,500
	tranche 7	04.07.17	170,500	169,000
	tranche 8	30.03.18	86,500	71,250
	tranche 9	25.01.21	46,500	42,000
	tranche10	29.09.21	40,000	19,500
T.H.F.C. (Indexed 2) Limited Index Linked Debenture Stocks				
5.50% 2024 (Annuity)	tranche 1	16.12.94	17,100	5,590
	tranche 2	28.12.95	12,653	4,038
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	145
25 year £40m fixed rate loan 2024 - EIB (Annuity)		02.09.99	16,500	1,844
25 year £18.9m fixed rate loan 2025 - EIB (Annuity)		08.09.00	14,900	2,128
UK Rents (No.I) Plc Rental Securitisation				
9.10% 2025 (Eurobond)		06.01.95	36,143	9,712
Subordinated Loan				723
T.H.F.C. (Capital) Plc Loans				
Long term loan - 6.38% due 2042		26.03.01	212,802	204,789
Blend Funding Plc				
3.459% Secured medium term notes 2047/49	tranche 1	21.09.18	250,000	250,000
	tranche 2	04.10.19	20,000	20,000
	tranche 3	12.03.20	25,000	25,000
	tranche 4	20.05.20	125,000	125,000
	tranche 5	12.08.20	38,000	38,000
	tranche 6	01.04.21	40,000	40,000
	tranche 7	17.08.21	35,000	35,000
	tranche 8	10.03.22	55,000	55,000
2.984% Secured medium term notes 2034/36	tranche 1	15.03.19	50,000	50,000
	tranche 2	06.06.19	25,000	25,000
2.922% Secured medium term notes 2054/56	tranche 1	05.04.19	20,000	20,000
	tranche 2	12.10.20	250,000	250,000
	tranche 3	09.12.20	25,000	25,000
	tranche 4	13.01.21	37,000	37,000
	tranche 5	19.02.21	50,000	50,000
	tranche 6	28.04.21	33,000	33,000
	tranche 7	21.05.21	35,000	35,000
	tranche 8	17.08.21	50,000	50,000
	tranche 9	29.10.21	55,000	55,000
	tranche 10	10.03.22	52,000	52,000
2.467% Secured medium term notes 2061/63	tranche 1	16.06.21	75,000	75,000
3.508% Secured medium term notes 2057/59	tranche 1	04.05.22	125,000	125,000
Total			**8,002,737**	**7,759,932**
Premium at 31 March 2023				**453,515**
Grand Total				**8,213,477**

Auditor's Report

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

Opinion

We have audited the financial statements of The Housing Finance Corporation Limited (''the Parent Company'') and its subsidiaries (the "Group") for the year ended 31 March 2023 which comprise the Group and the Parent Company Statements of Comprehensive Income, the Group and the Parent Company Statements of Financial Position, the Group and the Parent Company Statements of Changes in Equity and the Group and the Parent Company Statements of Cash Flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 and of the Group's and Parent Company's surplus for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report & Accounts, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report & Accounts. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

As explained more fully in the Statement Directors' Responsibilities set out on page 23, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained a general understanding of the Group's and the Parent Company's legal and regulatory framework through enquiry of management concerning: their understanding of relevant laws and regulations; the entity's policies and procedures regarding compliance; and how they identify, evaluate and account for litigation or claims. We also drew on our existing understanding of the Group's and the Parent Company's industry and regulation.

We understand the Group and the Parent Company complies with requirements of the framework through:

- The Directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly;
- Engagement with legal and professional advisers as to the Listing Rule requirements of the Professional Securities Market ("PSM") ("the PSM Rules") and to the International Securities Market ("ISM") ("the ISM Rules"), in relation to the listing of secured bonds; and
- The outsourcing of tax compliance and payroll to external experts.

In the context of the audit, we considered those laws and regulations which determine the form and content of the financial statements, which are central to the Group's ability to conduct business and where failure to comply could result in material penalties. We have identified the following laws and regulations as being of significance in the context of the Group and the Parent Company:

- The requirements of the Co-operative and Community Benefit Societies Act 2014 and UK-adopted international accounting standards in respect of the preparation and presentation of the financial statements;
- The PSM Rules and the ISM Rules, in relation to the listing of secured bonds; and
- The requirements of the Affordable Housing Guarantee Licence ("AHGL") with the Department for Levelling Up, Housing and Communities.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations above:

- Discussions with management including consideration of known or suspected non-compliance with the PSM Rules, the ISM Rules and the AHGL;
- Performing a review of board minutes to identify any indicators of known or suspected non-compliance with significant laws and regulations;
- Confirming through review of the engagement letter with legal advisors that they are engaged to provide ongoing updates and advice to ensure ongoing compliance with the PSM Rules and the ISM Rules;
- Performing a review of the AHGL to understand its key requirements and obtaining written representations from the board regarding compliance with the AHGL; and
- Performing a review of any legal correspondence with the company's legal advisors.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the Group's and the Parent Company's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were with regard to the manipulation of the financial statements, especially operating income, through manual journals and significant estimates used for the Right of Use Asset and Defined Benefit Pension Scheme. This was communicated to the other members of the engagement team who were not present at the discussion.

The procedures carried out to gain evidence in the above areas included:

- Testing a sample of manual journal entries, selected based on specific risk assessments applied based on the Group's processes and controls surrounding manual journals;
- Challenging management regarding the assumptions used in the estimates above; and
- Substantive testing of operating income.

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

Use of our report

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

CLA Evelyn Partners Limited
Statutory Auditor
Chartered Accountants

45 Gresham Street
London
EC2V 7BG

27 July 2023

Group Statement of Comprehensive Income

For the year ended 31 March 2023

	Notes	2023 £000	2022 £000
Operating Income			
On loans to housing associations			
Interest receivable		290,358	278,525
Discount amortised	11	2,492	2,868
Premium amortised	11	(16,463)	(15,662)
Income from securitised assets	16	960	1,248
Indexation on investments	11	1,266	271
Premium receivable on prepayment		1,360	630
Other interest		1,858	81
Fees receivable and other income		10,363	12,107
		292,194	280,068
Operating Expenses			
On debenture stocks, secured bonds, bank loans and other loans			
Interest payable	5	291,302	279,767
Discount amortised	13	2,539	2,872
Premium amortised	13	(16,525)	(15,959)
Indexation on loans payable	13	1,267	271
Premium payable on prepayment		1,345	630
Administration expenses		6,437	5,914
Finance costs		59	63
		286,424	273,558
Surplus before taxation	2	5,770	6,510
Taxation	6	(940)	(1,170)
Surplus for the year		4,830	5,340
Other comprehensive income for the year			
Actuarial (loss)/gain on defined benefit pension plan in the year	22	(267)	475
Deferred tax associated with actuarial (loss)/gain on pension liability	15	51	(90)
Total comprehensive income for the year		4,614	5,725

Group Statement of Financial Position

At 31 March 2023

	Notes	2023 £000	2022 £000
Assets			
Non-current assets			
Loans	11	7,910,053	8,138,668
Intangible assets	7	106	153
Property, plant and equipment	8	890	1,115
Deferred tax asset	15	307	294
Current assets			
Loans	11	219,751	81,810
Trade and other receivables	12	43,794	40,981
Short-term deposits	21	131,201	217,644
Cash and cash equivalents	21	53,724	68,447
Total assets		8,359,826	8,549,112
Liabilities			
Non-current liabilities			
Financial liabilities – borrowings	13	7,991,696	8,326,742
Deferred tax liabilities	15	16	178
Defined benefit pension liability	22	1,183	1,132
Lease liability	9	752	856
Current liabilities			
Financial liabilities – borrowings	13	221,751	82,231
Trade and other payables	14	86,812	84,621
Lease liability	9	109	167
Current tax liabilities		586	878
Total liabilities		8,302,905	8,496,805
Equity			
Called up share capital	17	-	-
Retained earnings	18	56,921	52,307
Total equity		56,921	52,307
Total equity and liabilities		8,359,826	8,549,112

The financial statements on pages 37 to 69 were approved by the Board of directors on 27 July 2023 and signed on its behalf by:

George Blunden
Chair

Piers Williamson
Chief Executive

Julie Coetzee
Finance Director

Group Statement of Changes in Equity

For the year ended 31 March 2023

	Called up share capital £	Retained earnings £000	Total equity £000
Balance as at 1 April 2021	**9**	**46,582**	**46,582**
Surplus for the year	-	5,340	5,340
Shares issued in the year	-	-	-
Shares cancelled in the year	-	-	-
Other comprehensive income	-	385	385
Balance as at 31 March 2022	**9**	**52,307**	**52,307**
Surplus for the year	-	4,830	4,830
Shares issued in the year	1	-	-
Shares cancelled in the year	-	-	-
Other comprehensive income	-	(216)	(216)
Balance as at 31 March 2023	**10**	**56,921**	**56,921**

Group Statement of Cash Flows

For the year ended 31 March 2023

	Notes	2023 £000	2022 £000
Net Cash flow from operating activities			
Cash generated from operations as per reconciliation of surplus to net cash flow from operations	19	5,967	7,188
Adjustments for:			
Interest received on loans to housing associations		288,872	279,987
Interest paid on debenture stocks, secured bonds, bank loans and other loans		(293,686)	(275,824)
Premium received on prepayment		1,360	630
Premium paid on prepayment		(1,345)	(630)
Loans to housing associations		(254,145)	(502,683)
Repayment of loans by housing associations		332,114	143,831
New borrowings		147,957	689,384
Premium received on deferred loans		4,098	4,953
Repayment of amounts borrowed		(330,764)	(145,920)
Tax paid		(1,356)	(1,275)
Net cash (used in) / generated from operating activities		(100,928)	199,641
Cash flows from investing activities			
Movement on short-term deposits		86,443	(201,639)
Purchase of property, plant and equipment	8	(31)	(43)
Purchase of intangible assets	7	(14)	(38)
Net cash generated from / (used in) investing activities		86,398	(201,720)
Cash flows from financing activities			
Principal element of lease payments	20	(193)	(193)
Net cash (used in) financing activities		(193)	(193)
Net increase in cash and cash equivalents		(14,723)	(2,272)
Cash and cash equivalents at beginning of year		68,447	70,719
Cash and cash equivalents at end of year		53,724	68,447

THFC Statement of Comprehensive Income

For the year ended 31 March 2023

	Notes	2023 £000	2022 £000
Operating income			
On loans to housing associations			
Interest receivable		140,504	135,126
Discount amortised	11	2,474	2,862
Premium amortised	11	(6,977)	(6,360)
Premium receivable on prepayment		1,045	630
Other interest		948	47
Fees receivable and other income		3,350	3,150
Final distribution of reserves from subsidiary		-	632
		141,344	136,087
Operating expenses			
On debenture stocks, bank loans and other loans			
Interest payable	5	140,489	135,121
Discount amortised	13	2,474	2,862
Premium amortised	13	(6,977)	(6,360)
Premium payable on prepayment		1,030	630
Administration expenses		3,828	2,702
		140,844	134,955
Surplus before taxation	2	500	1,132
Taxation	6	52	(107)
Surplus for the year		552	1,025
Other comprehensive income		-	-
Total comprehensive income for the year		552	1,025

THFC Statement of Financial Position

As 31 March 2023

	Notes	2023 £000	2022 £000
Assets			
Non-current assets			
Loans	11	2,784,607	2,963,943
Current assets			
Loans	11	193,833	19,304
Trade and other receivables	12	20,215	19,519
Current tax asset		54	55
Short-term deposits	21	27,154	19,399
Cash and cash equivalents		33,952	41,160
Total assets		3,059,815	3,063,380
Liabilities			
Non-current liabilities			
Financial liabilities – borrowings	13	2,785,320	2,965,306
Deferred tax liabilities	15	-	147
Current liabilities			
Financial liabilities – borrowings	13	195,833	19,304
Trade and other payables	14	48,283	48,796
Total liabilities		3,029,436	3,033,553
Equity			
Called up share capital	17	-	-
Retained earnings	18	30,379	29,827
Total equity		30,379	29,827
Total equity and liabilities		3,059,815	3,063,380

The financial statements on pages 37 to 69 were approved by the Board of directors on 27 July 2023 and signed on its behalf by:

George Blunden
Chair

Piers Williamson
Chief Executive

Julie Coetzee
Finance Director

THFC Statement of Changes in Equity

For the year ended 31 March 2023

	Called up share capital £	Retained earnings £000	Total equity £000
Balance as at 1 April 2021	9	28,802	28,802
Surplus for the year	-	1,025	1,025
Shares issued in the year	-	-	-
Shares cancelled in the year	-	-	-
Balance as at 31 March 2022	**9**	**29,827**	**29,827**
Surplus for the year	-	552	552
Shares issued in the year	1	-	-
Shares cancelled in the year	-	-	-
Balance as at 31 March 2023	**10**	**30,379**	**30,379**

THHFC Statement of Cash Flows

For the year ended 31 March 2023

	Notes	2023 £000	2022 £000
Net Cash flow from operating activities			
Cash generated from operations as per reconciliation of surplus to net cash flow from operations	19	1,696	498
Adjustments for:			
Interest received on loans to housing associations		140,054	135,606
Interest paid on debenture stocks, bank loans and other loans		(139,474)	(135,016)
Premium received on prepayment		1,045	630
Premium paid on prepayment		(1,030)	(630)
Loans to housing associations		(27,088)	(37,884)
Repayment of loans by housing associations		27,392	49,309
New borrowings		27,088	37,884
Repayment of amounts borrowed		(26,042)	(48,599)
Tax paid		(94)	(94)
Net cash generated from operating activities		3,547	1,704
Cash flows from investing activities			
Distribution of reserves from subsidiary		-	632
Movement on short-term deposits		(7,755)	(14,390)
Net cash (used in) investing activities		(7,755)	(13,758)
Cash flows from financing activities			
Inter-company balances		(3,000)	3,000
Net cash (used in) / generated from financing activities		(3,000)	3,000
Net (decrease) in cash and cash equivalents		(7,208)	(9,054)
Cash and cash equivalents at beginning of year		41,160	50,214
Cash and cash equivalents at end of year		33,952	41,160

Notes to the Financial Statements

Year ended 31 March 2023

1. Accounting policies

a) Significant accounting policies

The accounting policies applied in the preparation of the financial statements of The Housing Financing Corporation Limited, (the "Company") and its subsidiaries together known as (the "Group") are described in this note. These policies have been applied consistently in all the years presented unless otherwise stated.

Presentational currency

The financial statements are presented in pound sterling, which is also the Company's and Group's functional currency with no transactions in foreign currency.

Basis of preparation

The financial statements have been prepared in accordance with UK-adopted international accounting standards and, as regards the Company's financial statements, in conformity with the requirements of the Co-operative and Community Benefit Societies Act 2014. The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The Group prepares consolidated financial statements. The Company has effective control of the financial and operating policies of all subsidiaries. UK Rents (Holdings) Limited ('UKRH"), UK Rents (No.1) Plc ('UKR1") and UK Rents Trustee Limited ('UKRT") have financial years ending 6 April, and therefore transactions for the period 1-6 April in each year have been adjusted as part of the consolidation. UKRH, UKR1 and UKRT have different year-ends from the rest of the group for transaction specific reasons.

T.H.F.C. (Indexed 2) Limited ("THFCIL2") and T.H.F.C. (Social Housing Finance) Limited ("SHF") are registered societies with limited liability incorporated under the Cooperative and Community Benefit Societies Act 2014. All the shareholders of THFCIL2 and SHF have executed deeds of trust in favour of THFC and thus THFCIL2 and SHF are treated as wholly owned subsidiaries of THFC.

T.H.F.C. (Services) Limited ("THFCS"), UKRH and UKRT are private limited companies; UKR1, T.H.F.C. (Capital) Plc ("THFCC"), Affordable Housing Finance PLC ("AHF") and Blend Funding Plc ("bLEND") are public limited companies, all incorporated under the Companies Act 2006. The shares of THFCS are owned by THFC. THFCS owns all of the shares of THFCC, AHF, bLEND and UKRH, and UKRH owns all of the shares of both UKRT and UKR1 so THFCS, THFCC, AHF, bLEND, 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 Group. Subsidiaries are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between the Group 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 Group.

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 under the terms of a declaration of trust in four companies, Harbour Funding Plc, 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 and THFC does not consolidate their results. These companies report to 31 December 2022 and summary financial information relating to that period end can be found in *note 23: Related Party Transactions*.

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

Year ended 31 March 2023

1. Accounting policies continued

Going Concern

The Company continues to adopt the going concern basis, as disclosed in the Directors' Report on page 20. At the date of signing the accounts there is no evidence to suggest that the Group or any borrower will be unable to meet its covenants in the foreseeable future. Having reviewed its own financial position and that of the borrowers upon which it is dependent, the Board has a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future, being a period of no less than 12 months from approval of these financial statements. The Group and Company therefore continue to adopt the going concern basis in preparing the financial statements.

Critical accounting judgements, estimates and assumptions

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

Critical accounting judgements

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

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

The non-consolidation of related companies in which the Group has a non-beneficial shareholding: The directors have concluded that the related companies do not fall within the definition of control contained in IFRS 10 primarily because the shares are held on a fiduciary basis.

Key areas of estimation uncertainty

Determination of incremental borrowing rate: The calculation of lease liabilities requires the Group to determine an incremental borrowing rate to discount future minimum lease payments. Estimation is applied in determining the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. This will take into account risk free rates and any lease specific adjustments. The incremental borrowing rate applied was 2.505%. There is no impact on profit over the life of the lease from changing the rate applied. However, a higher incremental borrowing rate would see the depreciation charge reduced and the finance charge increased – this adjustment would see the overall statement of comprehensive income charge higher in the earlier years of the lease and lower in the latter years.

Defined benefit pension liability: Various estimates are used in the calculation of the defined benefit pension liability, such as discount rate, inflation and mortality rates. In determining the appropriate discount rate, consideration is made to the interest rates of corporate bonds with minimum AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Inflation is set by considering market expectations, for example taking the difference between yields available on long-dated fixed-interest and index-linked gilts. Mortality rates are set in line with SAPS tables S2, adjusted to allow for any expectation of higher or lower life expectancy of scheme members due to geographic, socio-economic or demographic factors. The sensitivity of the principal actuarial assumptions is disclosed in *note 22: Pensions*. At 31 March 2023, a liability of £1,183,000 for pensions (2022: £1,132,000) is recorded in the statement of financial position.

Accounting for transfer of engagements

Following the maturity of the loans issued by T.H.F.C. (First Variable) Limited during April 2021, the subsidiary ceased trading. In an effort to streamline the Group's structure and operations, the Company applied for and received approval from the FCA to transfer the remaining assets to the Company on 21 August 2021 pursuant to a transfer of engagements. In preparing these financial statements, the Group is required to determine the accounting treatment in line with UK-adopted international accounting standards. In the opinion of the directors, there is no international accounting standard that specifically applies to this transaction. *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* requires the Group to develop and apply an accounting policy suitable to the transaction in accordance with the particulars laid out in the standard. IAS 8 also notes that the directors may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to development standards, other accounting literature and accepted industry practice. In reviewing the scope of the transfer of engagements, the directors have determined the selection of an accounting policy analogous to that of the UK's FRS 102 Section 19 Business Combinations and Goodwill (merger accounting method) will provide the most relevant, reliable and representative accounting treatment which reflects the economic substance of the transaction. The assets transferred have been recognised at carrying value on the date of registration of the transfer of engagements with the FCA and the final distribution of reserves has been recognised within the Company's Statement of Comprehensive Income.

Financial instruments

Financial assets and financial liabilities are recognised when the Company or a member of the Group becomes a party to the contractual provisions of the instrument and are initially measured at the amount an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction, (known as the "fair value") but may be subsequently amortised if held at amortised cost. Net transaction costs that are directly attributable to the acquisition or issue of the financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVPL")) are respectively added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. The Group incurs and recovers substantially all transaction costs, so they do not form part of the fair value at recognition.

Further disclosure on fair values, see *note 21: Financial instruments – Fair value and risk management*.

Debt instruments at amortised cost

A debt instrument is measured at amortised cost if it meets the following conditions:

- It is held within a business model that has an objective to hold financial assets to collect contractual cash flow; and
- The contractual terms of the financial asset result in cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

Refer to note 11: Loans receivable and note 13: Financial liabilities – borrowings

Expected credit loss provision

Debt instruments measured at amortised cost are assessed for their expected credit loss ("ECL") in the 12 months after the reporting date. ECL is the probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of a financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. ECL recognises the shortfall of cash flows that would result if default occurred within 12 months of the reporting date, weighted by the risk of that default occurring.

The Group operates within a loss free sector and all borrowers have complied with their obligations under their respective loan agreements since inception. The 12-month ECL is based on its loss experience and to date, there are no material indicators of future losses, so the Group's ECL on its loans and undrawn loan commitments remains at zero.

The Group has identified a number of early warning indicators ("EWI") against which its loans and undrawn loan commitments are monitored. If any of the events occur, internal consideration is given as to whether the loan or undrawn loan commitment should move to stage 2 classification.

The Group has also identified a series of criteria that will be used to determine if a loan or undrawn loan commitment meets the definition of default, and therefore should move to stage 3.

Year ended 31 March 2023

1. Accounting policies continued

Reclassification

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

Derecognition

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

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

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

Loans receivable

Loans represents monies lent to not-for-profit UK Registered Providers of Social Housing (housing associations, or "HAs") under loan agreements and held at amortised cost. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method.

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

Undrawn loan commitments

Undrawn loan commitments represent monies committed to be lent to not-for-profit HAs under the terms of a loan agreement at a future date. As the loan receivable arising from the commitment will be held by the Group in line with its "hold to collect" business model, the loan commitment is not recognised in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents comprise balances with an original maturity of three months or less, including cash and money market products.

Short-term deposits

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

Trade and other receivables

Trade and other receivables are amounts due to the Group in the ordinary course of business and recognised at transaction price and are subsequently measured at amortised cost. If collection is expected within one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other payables

Trade and other payables are obligations to pay for services that have been acquired in the ordinary course of business. These are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. They are recognised initially at fair value and subsequently measured at amortised cost.

Collateral for loans

Collateral, unless subject to enforcement, is not recorded on the Group's Statement of Financial Position. However, the value of collateral affects the calculation of expected credit losses. Collateral arrangements are described in *note 21: Financial instruments – Fair value and risk management*

Pension fund

The Group operates a defined contribution pension scheme and is also a member of the Social Housing Pension Scheme, ("SHPS"), a multi-employer defined benefit pension scheme administered independently by The Pensions Trust. Contributions to the defined contribution pension scheme are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position. The Group recognises in the statement of financial position the present value of its defined benefit obligations less the fair value of plan assets. The current service cost is charged against profit before taxation. Interest on the scheme liabilities net of the expected return on scheme assets is included in finance costs. The defined benefit obligation is calculated at each period end by independent actuaries using the projected unit credit method. The present value of the obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and which have terms to maturity approximating to the terms of the related pension liabilities. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected in the statement of comprehensive income in the period in which they arise.

Leases

The Group will depreciate the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Where impairment indicators exist, the right of use asset will be assessed for impairment. The lease liabilities are measured at the present value of the lease payments due to the lessor over the lease term, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. After initial measurement, any payments made will reduce the liability and the interest accrued will increase it. Any reassessment or modification will lead to a remeasurement of the liability. In such case, the corresponding adjustment will be reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. In the statement of financial position, right-of-use assets have been included in property, plant and equipment.

Property, plant and equipment

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

Depreciation rate

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

Intangible assets

Intangible fixed assets held for operational use are valued at historical cost and are amortised over the estimated life of the asset on a straight-line basis. Intangible assets are subject to impairment reviews annually. The estimated useful life of intangible assets is four years. Computer software and related implementation are capitalised as intangible fixed assets. They are amortised over the shorter of the term of the licence and their useful economic lives.

Year ended 31 March 2023

1. Accounting policies continued

Taxation

Corporation taxation payable on profits is recognised as an expense based on the applicable tax laws in the period in which profits arise. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities using tax rates (and laws) that have been enacted by the balance sheet date. Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using the tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Equity instruments

Equity instruments issued are recorded as the proceeds received, net of direct issue costs.

Segmental Analysis

All operating income and expenditure is derived from activities undertaken in the United Kingdom. The Group's only activity is to provide finance to HAs. Therefore, no segmental information is prepared by management.

Interest

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

Fees and premium receivable

This comprises arrangement fees receivable on completion of loan transactions, annual fees (for the ongoing service provided to borrowers) and premiums receivable on completion of loan prepayment transactions. Fees are measured at the transaction price received or receivable, net of discounts, VAT and other sales related taxes. They are recognised over the performance obligation satisfied, which is expected to be less than one year, so there is no adjustment for a financing component. Arrangement fees and premiums receivable are recognised on the completion of the transaction with the borrower. Annual fees are recognised over the period in which the services are provided.

Other Interest

Interest income on cash and cash equivalents as well as short-term deposits is recognised on an accruals basis.

b) New and amended Standards and Interpretations adopted by the Group.

The following new and amended Standards and Interpretations are effective for periods beginning on or after 1 January 2023, but were adopted early by the Group in the prior year:

- Amendments to IAS 8: Definition of Accounting Estimates. The IASB issued Definitions of Accounting Estimates (Amendments to IAS 8) in February 2021. The changes focus on the distinction between accounting estimates and accounting policies, and make the following key clarifications:
    - The definition of a change in accounting estimate has been deleted and replaced with a definition of an accounting estimate, which includes "monetary amounts in the financial statements which are subject to measurement uncertainty";
    - A change in an accounting estimate arises from new information or new developments and is applied prospectively. A change in an accounting estimate differs from a correction of a prior period error, with the latter arising from information which should have been known at the prior period end.

The amendment is effective for financial periods beginning on or after 1 January 2023, with early application permitted.

- IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies. This amendment applies the concept of materiality to the disclosure of accounting policies. Consequently, all instances of "significant accounting policies" within IAS 1 Presentation of financial statements has been replaced with "material accounting policy information". Information in an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make based on those financial statements. Immaterial accounting policies can still be presented if these do not obscure material accounting policy information. The amendments to IFRS Practice Statement 2 provide guidance and examples to determine when an accounting policy is material to the financial statements. For example, an accounting policy may be considered material if:
    - o it relates to a complex area of accounting and the users of the financial statements would not understand the related transactions, events of balances without information on the accounting policy
    - o it has changed during the period with a material impact
    - o it was chosen from alternatives permitted by IFRS Standards
    - o where an accounting policy is developed in accordance with IAS 8, in the absence of specific guidance in IFRS Standards
    - o it relates to an area of the financial statements involving significant judgements and assumptions.

The changes are applied prospectively. The amendment to IAS 1 is effective for periods beginning on or after 1 January 2023, with early application permitted. As the guidance per IFRS Practice Statement 2 is not mandatory, no effective date is issued.

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

c) New and amended Standards and Interpretations mandatory for the first time for the financial year beginning 1 January 2022 but not currently relevant to the Group

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

d) New and amended Standards and Interpretations issued but not mandatory and not yet UK endorsed so not yet available for early adoption

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current. The proposed amendments are designed to improve presentation in financial statements by clarifying the criteria for the classification of a liability as either current or non-current. The proposed amendments do this by:
    - o Clarifying that the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period rather than requiring an unconditional right to defer settlement; and
    - o Making clear the link between the settlement of the liability and the outflow of resources from the entity.

Year ended 31 March 2023

1. Accounting policies continued

The effective date is for periods beginning on or after 1 January 2023, subject to endorsement in the EU and UK.

- Amendments to IAS 1: Non-current Liabilities with Covenants. The amendments to IAS 1 specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Therefore, where a covenant based on the entity's financial position at the reporting date is assessed for compliance after the reporting date, the rights in existence at the reporting date are assessed when determining whether the liability is current or non-current.

The amendments are effective for periods beginning on or after 1 January 2024 and are applied retrospectively. These amendments are subject to endorsement in the EU and UK and are applied with the amendments to IAS 1 – Classification of Liabilities as Current or Non-current.

The directors are currently assessing the impact and timing of adoption of these Standards on the Group's results and financial position.

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

2. Surplus before taxation

Surplus before taxation is stated after charging:

	Group 2023 £000	THFC 2023 £000	Group 2022 £000	THFC 2022 £000
Amortisation of intangible fixed assets	61	-	54	-
Depreciation of property, plant and equipment	256	-	268	-
Fees paid to the auditor for:				
auditing of the financial statements	108	108	92	92
auditing of the financial statements of subsidiaries	148	-	60	-
other advisory services	33	-	24	-

3. Staff numbers and cost

	Group 2023	Group 2022
Average number of persons (including directors) employed during the year (monthly average):		
Non-executive directors	10	9
Executive directors	3	3
Management and administrative	23	21
	36	33

The aggregate employee costs amounted to:

	£000	£000
Non-executive directors' fees	386	295
Wages & salaries	3,011	2,729
Termination benefits	32	-
Social security costs	424	364
Other pension costs	129	114
	3,982	3,502

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

4. Directors' remuneration

	Group 2023 £000	Group 2022 £000
Non-executive directors:		
Fees	386	295
Executive directors:		
Salaries	771	799
Termination benefits	11	-
Bonuses	104	119
Benefits	21	21
Aggregate emoluments	1,293	1,234
Pension contributions	4	11
Total	1,297	1,245
Highest paid executive director:		
Salary	398	389
Bonus	59	57
Benefits	9	9
Aggregate emoluments	466	455
Pension contributions	-	-

The fees of the Chair were £53,656 (2022: £51,104). Each other non-executive director (or their employer) received fees at the rate of £17,876 per annum from the Company (2022: £16,748) and £17,876 per annum from AHF, (2022: £16,748).

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

During the year fees of £84,362 (2022: £50,592) in respect of three non-executive directors (2022: two non-executive directors) were paid to those directors' employers. No pension contributions were made by the Group in respect of non-executive directors (2022: Nil).

On 1 April 2023 non-executive directors' fees were increased by 7.0%.

A total amount of £243,901 was paid by the Group in the year (2022: £214,723) in respect of the pension scheme past service deficit for current and previous employees. An element of this relates to the executive directors' past service but it is not possible to quantify the attributable amount. Certain non-executive directors receive benefits-in-kind in respect of travel expenses. Two executive directors were members of the SHPS defined benefit pension scheme up until 31 March 2017 *(see note 22: Pensions)*. From 1 April 2017 one executive director was a member of the SHPS defined contribution scheme. There are no long-term incentive schemes.

Chief executive pay ratio reporting

The table below compares the total remuneration of the chief executive against the total remuneration of the median employee and those who sit at the 25th and 75th percentiles (lower and upper quartiles). This reporting will build annually to cover a rolling 10-year period.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022/23	**Option A**	**13.2 :1**	**7.6 :1**	**3.4 :1**
2021/22	Option A	10.0 :1	5.4 :1	3.1 :1

The total remuneration and salary values for the 25th, median and 75th percentile employees for 2022/23 are:

Year	25th percentile	Median	75th percentile
Total remuneration	£34,617	£60,268	£134,308
Salary	£28,064	£55,354	£110,462

Notes:

i. The calculation is based on Option A as set out in the regulations which is considered to be the most statistically accurate methodology.

ii. Employee data includes full time equivalent total remuneration for all UK employees as at 31 March 2023. For each employee, remuneration was calculated based on all components of pay including base pay, performance pay paid in 2022/23, core benefits including medical insurance and car allowance, and pension payments.

iii. The Remuneration Committee has considered the pay data for the three individuals identified for 2022/23 and confirms that the ratios reasonably represent the Society's approach to pay and reward for employees taken as a whole.

Year ended 31 March 2023

5. Interest payable

	Group 2023 £000	THFC 2023 £000	Group 2022 £000	THFC 2022 £000
On debenture stocks, secured bonds, secured notes, bank borrowings and other borrowings which are:				
Repayable wholly in more than five years	249,188	88,030	213,493	92,659
Repayable within five years	47,399	52,459	68,053	42,462
Accelerated premium on deferred loans in year	(5,285)	-	(1,779)	-
	291,302	140,489	279,767	135,121

6. Taxation

	Group 2023 £000	THFC 2023 £000	Group 2022 £000	THFC 2022 £000
UK Corporation Tax in respect of current year	1,064	95	1,231	95
Deferred taxation in respect of current year (see note 15)	(124)	(147)	(61)	12
Total Tax expense/(credit) for the year	940	(52)	1,170	107
The difference between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:				
Profit before taxation	5,770	500	6,510	1,132
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	1,096	95	1,237	215
Timing difference between accountancy and taxation treatment of expenditure	(155)	(147)	(66)	-
Distribution not allowable for taxation	-	-	-	(120)
Permanently dis-allowed items and other timing differences	(1)	-	(1)	12
	940	(52)	1,170	107
Effective tax rate	16.29%	(10.40)%	20.28%	3.33%

7. Intangible assets – group only

	2023 £000	2022 £000
Implementation costs of software		
Cost		
At beginning of year	305	267
Additions	14	38
At end of year	319	305
Accumulated amortisation		
At beginning of year	152	98
Charge for the year	61	54
At end of year	213	152
Net book value at end of year	106	153
Net book value at beginning of year	153	169

8. Property, plant and equipment – Group only

Cost	Fixtures, fittings and equipment £000	Leasehold improvements £000	Right-of-use £000	Total £000
At 31 March 2022	177	310	1,383	1,870
Additions	31	-	-	31
At 31 March 2023	208	310	1,383	1,901
Accumulated depreciation				
At 31 March 2022	117	211	427	755
Charge for the year	41	77	138	256
At 31 March 2023	158	288	565	1,011
Net book value at 31 March 2023	**50**	**22**	**818**	**890**
Net book value at 1 April 2022	60	99	956	1,115

9. Leases – Group only

Leases	2023 £000	2022 £000
Right-of-use assets		
Property	818	956
Total right-of-use assets	818	956
Lease liabilities		
Current	109	167
Non-current	752	856
Total lease liabilities	861	1,023
Lease charge		
Short term leases	-	-
Low value leases	-	11
Total lease charge	-	11

The nature and accounting of the leasing activities

The Group has a lease contract for a property which has a lease term of 10 years. The Group also has certain other leases with lease terms of 12 months or less and leases of office equipment with low value. Contracts may contain both lease and non-lease components. The Group allocates consideration between lease and non-lease components based on the price a lessor, or similar supplier, would charge to purchase that component separately. The lease term begins at the commencement date and includes any rent-free periods provided by the lessor. Lease terms vary between contracts and depend on the individual facts and circumstances of the contract. Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 April 2022. The Group's incremental borrowing rate is the rate at which a similar borrowing is expected to be obtained from an independent creditor under comparable terms and conditions. The weighted-average discount rate applied was 2.505%.

Year ended 31 March 2023

10. Investments

Investments in subsidiaries	**£**
At 1 April 2022 and 31 March 2023	121

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

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

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

** In April 2021, the loans within T.H.F.C (First Variable) Limited ("THFCFV") were prepaid and the subsidiary ceased trading. To streamline the Group's operations, the remaining assets were transferred to the Company on 25 August 2021 pursuant to a transfer of engagements as approved by the FCA. At 31 March 2023 we still awaited the deregistration of THFCFV on the FCA Mutuals Public Register.

11. Loans receivable

	Group 2023 £000	**THFC 2023 £000**	**Group 2022 £000**	**THFC 2022 £000**
Loans to housing associations				
At beginning of year	8,207,517	2,983,247	7,858,256	2,998,170
Premium on new issues	20,895	6,338	61,183	12,384
Loans repaid during the year	(328,865)	(27,392)	(140,899)	(49,309)
Loans advanced during the year	233,250	20,750	441,500	25,500
	8,132,797	2,982,943	8,220,040	2,986,745
Discount amortised for the year	2,492	2,474	2,868	2,862
Premium amortised for the year	(16,463)	(6,977)	(15,662)	(6,360)
Indexation for the year	1,266	-	271	-
At end of year	8,120,092	2,978,440	8,207,517	2,983,247
Securitised assets				
At beginning of year (Note 14)	12,961	-	15,893	-
Loans repaid during the year	(3,249)	-	(2,932)	-
At end of year	9,712	-	12,961	-
Total loans and receivables	8,129,804	2,978,440	8,220,478	2,983,247
Due within one year	219,751	193,833	81,810	19,304
Due after more than one year	7,910,053	2,784,607	8,138,668	2,963,943
Total	8,129,804	2,978,440	8,220,478	2,983,247

Loans have been made to HAs 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 HA, or a fixed charge on other assets to provide a minimum of one and a half times cover (except in the case of AHF where the minimum is 1.05 times cover and bLEND where the minimum is 1.10 times);

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

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

For securitised loans see *note: 16 Securitisation transaction*.

The maturity profile and the collateral arrangements for the above loans are detailed in *note 21: Financial instruments – Fair value and risk management*.

The Group's credit rating of its borrowers, together with periodic reviews of credit information, provides the basis for credit monitoring. The loan book is regularly reviewed for evidence of potential impairment. Processes include review of available management accounts, covenant compliance, timeliness of payment, security, external investment ratings, viability assessments issued by the regulator, impact of statutory changes, general economic environment and meetings with management. Based upon the information available at the date of this report the directors are of the opinion that there is no evidence that the loans are impaired. The Board continues to monitor the impact of potential additional liabilities HAs may incur on remedial work and ancillary costs in relation to certain stock in light of the Grenfell tragedy. At the date of this report there is no evidence that the loans are impaired because of this issue.

12. Trade and other receivables

	Group 2023 £000	THFC 2023 £000	Group 2022 £000	THFC 2022 £000
Due within one year:				
Accrued interest income	38,301	18,729	36,816	18,279
Other receivables	5,493	1,485	4,165	1,126
Amounts due from subsidiary undertakings	-	1	-	114
	43,794	20,215	40,981	19,519

13. Financial liabilities – borrowings

	Group 2023 £000	THFC 2023 £000	Group 2022 £000	THFC 2022 £000
Guaranteed secured bonds				
At beginning of year	1,892,207	-	1,897,587	-
Premium amortised	(5,509)	-	(5,380)	-
At end of year	1,886,698	-	1,892,207	-

	Group 2023 £000	THFC 2023 £000	Group 2022 £000	THFC 2022 £000
Guaranteed secured bank loans				
At beginning and end of year	1,500,000	-	1,500,000	-

	Group 2023 £000	THFC 2023 £000	Group 2022 £000	THFC 2022 £000
Eurobonds				
At beginning of year	12,961	-	15,893	-
Repaid during the year	(3,249)	-	(2,932)	-
At end of year	9,712	-	12,961	-

Year ended 31 March 2023

13. Financial liabilities – borrowings continued

	Group 2023 £000	THFC 2023 £000	Group 2022 £000	THFC 2022 £000
Secured medium term note programme				
At beginning of year	1,499,632	-	862,780	-
Issued during the year	125,000	-	575,000	-
Net premium/discount on issue	(4,131)	-	65,500	-
Discount amortised	65	-	4	-
Premium amortised	(4,005)	-	(3,652)	-
At end of year	1,616,561	-	1,499,632	-

	Group 2023 £000	THFC 2023 £000	Group 2022 £000	THFC 2022 £000
Debenture stocks				
At beginning of year	497,521	271,732	584,688	275,118
Repaid during the year	(22,480)	(9,941)	(87,898)	(4,407)
Discount amortised	2,055	2,055	1,865	1,859
Premium amortised	(928)	(894)	(1,405)	(838)
Indexation	1,267	-	271	-
At end of year	477,435	262,952	497,521	271,732

	Group 2023 £000	THFC 2023 £000	Group 2022 £000	THFC 2022 £000
Bank borrowings				
At beginning of year	1,262,075	969,024	1,288,145	995,196
Borrowed during the year	-	-	11,000	-
Repaid during the year	(305,035)	(16,101)	(37,070)	(26,172)
At end of year	957,040	952,923	1,262,075	969,024

	Group 2023 £000	THFC 2023 £000	Group 2022 £000	THFC 2022 £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	1,743,854	1,743,854	1,728,509	1,728,509
Loans during the year	20,750	20,750	25,500	25,500
Premium on issue	6,338	6,338	12,384	12,384
Repaid during the year	-	-	(18,020)	(18,020)
Premium amortised	(6,083)	(6,083)	(5,522)	(5,522)
Discount amortised	419	419	1,003	1,003
At end of year	1,765,278	1,765,278	1,743,854	1,743,854
Subordinated loans (note 16)	723	-	723	-
Total borrowings at 31 March 2023	8,213,447	2,981,153	8,408,973	2,984,610

	Group 2023 £000	THFC 2023 £000	Group 2022 £000	THFC 2022 £000
Amounts falling due within one year	221,751	195,833	82,231	19,304
Amounts falling due after one year	7,991,696	2,785,320	8,326,742	2,965,306
Total	8,213,447	2,981,153	8,408,973	2,984,610

Amounts falling due after one year are repayable as follows:

	Group 2023 £000	THFC 2023 £000	Group 2022 £000	THFC 2022 £000
Between one and two years	51,195	23,067	238,455	203,551
Between two and five years	456,034	296,893	284,635	143,431
In five years or more	7,484,467	2,465,360	7,803,652	2,618,324
	7,991,696	2,785,320	8,326,742	2,965,306

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

14. Trade and other payables

	Group 2023 £000	THFC 2023 £000	Group 2022 £000	THFC 2022 £000
Due within one year:				
Accrued interest payable	75,760	46,173	72,859	45,158
Premium interest provision on deferred loans	1,987	-	3,176	-
Other taxation and social security	137	-	131	-
Other payables	8,928	464	8,455	591
Amounts due to subsidiary undertakings	-	1,646	-	3,047
	86,812	48,283	84,621	48,796

15. Deferred tax

	Group 2023 £000	THFC 2023 £000	Group 2022 £000	THFC 2022 £000
At beginning of the year	(116)	147	(145)	135
Charged to the statement of profit or loss	(124)	(147)	(61)	12
Charged/(credited) to other comprehensive income	(51)	-	90	-
	(291)	-	(116)	147

	Group 2023 £000	THFC 2023 £000	Group 2022 £000	THFC 2022 £000
The (asset)/liability for deferred taxation at the end of the year is as follows:				
Difference between accounting and taxation treatment of discounts	-	-	148	147
Retirement benefit obligation	(307)	-	(294)	-
Accelerated capital allowances	16	-	30	-
	(291)	-	(116)	147

As part of the Finance Act 2021, which was substantively enacted on 24 May 2021, the UK corporation tax rate will increase from 19% to 25% from 1 April 2023. This change has therefore been reflected in the calculations for the year ended 31 March 2023.

Year ended 31 March 2023

16. Securitisation transaction

UKR1 owns a pool of rent receivables of six HAs 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 HA obligation to repurchase part of the rental stream started in October 2005 and concludes in 2025.

Each HA 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 2023 was £723,000 (2022: £723,000).

Under the terms of the transaction each HA 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 HA has given first fixed charges over the underlying properties.

UKRT receives the rental flow and holds it on trust for UKR1 and thereafter the HA 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 HA.

The income from securitised assets in the year amounted to £960,000 (2022: £1,248,000) 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 HAs 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

	2023 **£**	**2022** **£**
At beginning of year	9	9
Issued in year	1	-
Cancelled in year	-	-
At end of year	10	9

The Board of the Company 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 the Company prescribe that surpluses cannot be distributed to members. All members enter into a declaration of trust in respect of their shares in favour of the Company.

18. Reserves

	Group **2023** **£000**	**THFC** **2023** **£000**	**Group** **2022** **£000**	**THFC** **2022** **£000**
Opening reserves	52,307	29,827	46,582	28,802
Surplus for the year	4,830	552	5,340	1,025
Other comprehensive income	(216)	-	385	-
Closing reserves	56,921	30,379	52,307	29,827

Under its rules, the Company 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 the Company's subsidiaries which, in the case of THFCIL2 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 2023 were £0.53m (2022: £0.53m).

On 31 March 2022, the reserves of THFCFV transferred to the Company pursuant to a transfer of engagements. The 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 Company is not subject to any regulatory capital requirement. AHF reserves can only be used for clearly defined purposes set out in the licence. AHF's reserves at 31 March 2023 were £7.7m (2022: £7.2m).

19. Reconciliation of surplus to net cash flow from operations

	Group 2023 £000	THFC 2023 £000	Group 2022 £000	THFC 2022 £000
Surplus before taxation	5,770	500	6,510	1,132
Interest receivable	(277,747)	(137,046)	(265,731)	(132,258)
Interest payable	278,661	137,016	264,901	132,253
Distribution of final reserves from subsidiary	–	–	–	(632)
Adjustment for:				
Depreciation and amortisation	317	–	322	–
Finance costs	59	–	63	–
Net employer contribution after administration costs	(244)	–	(214)	–
(Increase)/decrease in other receivables	(1,328)	(246)	(726)	(120)
Increase/(decrease) in other payables	479	1,472	2,063	123
Net cash inflow from operating activities	5,967	1,696	7,188	498

20. Reconciliation of liabilities arising from financing activities

	1-Apr-2022 £000	Cashflows £000	Other non-cash charges £000	31-Mar-2023 £000
Lease liabilities due within 1 year	167	(193)	135	109
Lease liabilities due in more than 1 year	856	–	(104)	752
	1,023	(193)	31	861

	1-Apr-2021 £000	Cashflows £000	Other non-cash charges £000	31-Mar-2022 £000
Lease liabilities due within 1 year	163	(193)	197	167
Lease liabilities due in more than 1 year	1,024	–	(168)	856
	1,187	(193)	29	1,023

In 2022-23 and 2021-22, the Company had no other liabilities arising from financing activities.

21. Financial instruments – Fair value and risk management

Fair values

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

Level 1 - Quoted market prices

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.

Level 2 - Valuation technique using observable inputs

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.

Level 3 - Valuation technique using significant unobservable inputs

Financial instruments are classified as level 3 if their valuation incorporates significant inputs that are not based on observable market data. The Group has no instruments classified in Level 3 (2022: None).

Year ended 31 March 2023

21. Financial instruments – Fair value and risk management continued

All the Group's financial instruments are measured at amortised cost. All the Group's debenture stocks, secured bonds and secured medium term notes and the AHF Guaranteed Secured Bonds ("the AHF bonds") 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). The Group's fixed rate bank loans and other borrowings are not tradable but fair values are arrived at using current available market data of loans with similar characteristics (level 2 valuation).

The fair values of the associated loans receivable are adjusted to reflect the Group's assessment of the risk premium of the underlying borrower (level 2 valuation). 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, bank loans, debenture stocks, notes and bonds issued, are held at amortised cost using the effective interest method. The Directors consider that the carrying value of other receivables and trade and other payables is a reasonable approximation of their fair value.

GROUP	Book value 2023 £000	Fair value 2023 £000	Book value 2022 £000	Fair value 2022 £000
Assets				
Loans receivable	8,129,804	6,488,978	8,220,478	9,335,264
Trade and other receivables	43,794	43,794	40,981	40,981
Short-term cash deposits	131,201	131,201	217,644	217,644
Cash and cash equivalents	53,724	53,724	68,447	68,477
	8,358,523	6,717,697	8,547,550	9,662,336
Liabilities				
Financial liabilities-borrowings	8,213,447	6,499,315	8,408,973	9,430,540
Trade and other payables	86,812	86,812	84,621	84,621
Lease liability	861	861	1,023	1,023
	8,301,120	6,586,988	8,494,617	9,516,184

THFC

	Book value 2023 £000	Fair value 2023 £000	Book value 2022 £000	Fair value 2022 £000
Assets				
Loans receivable	2,978,440	1,836,257	2,983,247	3,497,465
Trade and other receivables	20,215	20,215	19,519	19,519
Short-term cash deposits	27,154	27,154	19,399	19,399
Cash and cash equivalents	33,952	33,952	41,160	41,160
	3,059,761	1,917,578	3,063,325	3,577,543
Liabilities				
Financial liabilities-borrowings	2,981,153	1,792,726	2,984,610	3,452,957
Trade and other payables	48,283	48,283	48,796	48,796
	3,029,436	1,841,009	3,033,406	3,501,753

Risk management

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

(a) Interest rate risk

The Company 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 gilts which are held to maturity. The policy and periodic strategy for investing of the Company's reserves is also approved by the Board.

Based on the investment income budget for the year ended 31 March 2023, each 0.5% increase or decrease in interest rates gives rise to a £300,167 (2022: £329,377) increase or decrease in income for the Group and £192,642 (2022: £200,022) increase or decrease for the Company.

The effective interest rates during the year for the Group and the Company were between 0.76% and 10.09%. The weighted average interest rate on both fixed financial liabilities and fixed financial assets of the group is 3.76% and the weighted average period for which interest rates are fixed is 18.08 years. The corresponding figures for the Company are 5.186% and 14.12 years respectively. The interest rates on those Group borrowings which are at floating rates are determined by the prevailing SONIA for the relevant maturity at the time of determination plus an agreed margin. The financial liability of £723,000 represents the obligation to repay at maturity the six subordinated loans disclosed within *note 16: Securitisation transaction*. The liability is matched by an equivalent level of short-term deposit with the interest thereon being returned to the HA.

Interest rate risk profile of loans and borrowings

	Group 2023 Financial Assets £000	THFC 2023 Financial Assets £000	Group 2022 Financial Assets £000	THFC 2022 Financial Assets £000
Fixed rate	7,781,473	2,730,209	7,691,419	2,716,670
Floating rate	348,331	248,231	529,023	266,540
	8,129,804	2,978,440	8,220,442	2,983,210

	Group 2023 Financial Liabilities £000	THFC 2023 Financial Liabilities £000	Group 2022 Financial Liabilities £000	THFC 2022 Financial Liabilities £000
Fixed rate	7,864,393	2,732,922	7,879,192	2,718,033
Floating rate	348,331	248,231	529,023	266,540
No interest payable	723	–	723	–
	8,213,447	2,981,153	8,408,938	2,984,573

(b) Credit risk

The Group'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. Where a borrower has issued a drawdown notice under a loan commitment for a future date and defaults in the intervening period the Group's matching obligation to borrow an equivalent amount of funds is released. In the event of a default of a drawn loan the time required to realise security, may not be certain; the Group has taken action to mitigate any resulting impact on liquidity and this is described below.

The Group makes its own independent credit assessment of its borrowers including internal credit grades and makes loans only after careful review by the Credit Committee. The Group 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 represent maximum credit exposures are represented by the carrying values in the statement of financial position.

Loans made by AHF are guaranteed by the Secretary of State for Levelling Up, Housing and Communities and carry the same credit risk as the UK Government.

Deposit counter-parties are subject to approval by the Board and such approval is limited to financial institutions with a suitable minimum rating in accordance with the Company's investment policy. The amount of exposure to any individual counter-party 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.

21. Financial instruments – Fair value and risk management continued

No amounts are past due or otherwise impaired in either the Group or the Company at 31 March 2023 (2022: None). The maturity profile of financial assets is given below.

The maturity profile of financial assets	Group 2023 £000	THFC 2023 £000	Group 2022 £000	THFC 2022 £000
Loans to housing associations	8,120,092	2,978,440	8,207,517	2,983,247
Securitised assets	9,712	–	12,961	–
	8,129,804	2,978,440	8,220,478	2,983,247
Due within one year	219,751	193,833	81,810	19,304
Due between one and two years	51,195	23,067	238,455	203,551
Due between two and five years	456,034	296,893	284,635	143,431
Due in over five years	7,402,824	2,464,647	7,615,578	2,616,961
	8,129,804	2,978,440	8,220,478	2,983,247

(c) Collateral arrangements

The majority of borrowers provide fixed charge security on specified properties although the lending societies offer HAs the ability to secure their loans by way of floating charges, subject to appropriate asset cover tests. There is one borrower who has an element of floating charge security on one loan. 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) for the societies, 105% Existing Use Value (EUV) for AHF and 120% MVT or 110% EUV for bLEND Funding Plc). For loans secured by fixed charges, formal property valuations of the specific security are undertaken at least every five years. For loans secured by floating charge, compliance is measured by reference to the balance sheet of the borrower. The Group operates a panel of approved valuers to be used by borrowers in order to ensure a consistent and adequately detailed approach which takes account of the physical condition, the future rental potential and the market context of the property being valued. It is neither practical nor cost effective to obtain a measure of the fair value of the Group's entire pool of collateral at a single date.

It is a requirement that all loans made by the Group are secured. Where a loan is not fully secured, or only partially secured, all or part of the drawdown proceeds are retained as cash security for the loan and held on trust by the relevant lender in accordance with a trust deed.

(d) Liquidity risk

The Group mitigates liquidity risk in a number of ways. In general, borrowers' payments are received up to one month prior to the Group's obligation to pay lenders, thus providing a timing cushion and a source of additional investment income. The Group has cash reserves that are held in short-term deposits designed to provide liquidity in the event of a late payment from a borrower. All of the Group's lending and borrowing maturities are matched. Similarly all commitments to lend funds to a borrower at a future date are fully matched by a commitment to borrow on identical terms. 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 2023 (2022: fully drawn) and a two-year maturity mismatch between the expected and legal maturity dates in the case of T.H.F.C. (Funding No. 1) Plc, T.H.F.C. (Funding No. 2) Plc and T.H.F.C. (Funding No. 3) Plc. bLEND Funding Plc notes similarly have a two-year maturity mismatch.

Undrawn committed borrowing facilities granted to the Group and the Company are as follows:

	Group 2023 £000	THFC 2023 £000	Group 2022 £000	THFC 2022 £000
Within one year	5,000	5,000	–	–
Between one and two years	–	–	–	–
Over two years	41,750	41,750	144,395	67,500
	46,750	46,750	144,395	67,500

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 the Company.

In connection with loans funded by T.H.F.C. (Funding No. 2) Plc and T.H.F.C. (Funding No. 3) Plc, the Company holds an interest service reserve, as Trustee, as a first call in the event of a borrower default. AHF and bLEND borrowers provide AHF and bLEND as Trustees respectively with a liquidity reserve fund which equates to one year's interest. Loans made by AHF are guaranteed and not subject to liquidity risk. The Group is also able to arrange appropriate overdraft facilities to cover short-term timing differences should they arise although none are held at 31 March 2023 (2022: None).

(e) Pension risk

Pension risk arises on underfunded defined benefit pension plans. This risk is mitigated through recovery plans. See note 22: Pensions.

Contractual cash flows

The table below summarises the cash flows payable by the Group from 31 March 2023 until contractual maturity of all its bond, secured note, debenture stock, loan liabilities and lease liability as at the same date. On variable rate facilities it has been assumed that the interest rate and drawn amount as at 31 March 2023 remain unchanged until the contract maturity. Similarly, on indexed liabilities it has been assumed that the liability is fixed from 31 March 2023.

GROUP

As at 31 March 2023	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	292,960	276,007	800,247	3,647,561	5,016,775
Contractual principal cash flows	207,798	37,305	412,196	7,112,207	7,769,506
Lease liability principal cash flows	129	96	579	129	933
Total contractual cash flows	500,887	313,408	1,213,022	10,759,897	12,787,214

As at 31 March 2022	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	286,306	284,619	788,569	3,745,231	5,104,725
Contractual principal cash flows	68,489	224,640	244,094	7,416,031	7,953,254
Lease liability principal cash flows	193	129	482	322	1,126
Total contractual cash flows	354,988	509,388	1,033,145	11,161,584	13,059,105

THFC

As at 31 March 2023	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	143,986	128,120	363,387	1,359,164	1,994,657
Contractual principal cash flows	191,570	19,062	284,138	2,332,390	2,827,160
Total contractual cash flows	335,556	147,182	647,525	3,691,554	4,821,817

As at 31 March 2022	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	136,356	135,794	350,600	1,465,435	2,088,185
Contractual principal cash flows	15,094	199,489	132,248	2,485,620	2,832,451
Total contractual cash flows	151,450	335,283	482,848	3,951,055	4,920,636

All the above cash flows are substantially matched by cash flows receivable on the Group's and the Company's loan assets. At 31 March 2023, the Group has undrawn loan commitments of £47m (2022: £144m) which are not recognised in the statement of financial position. Of this amount, £47m (2022: Nil) can be contractually drawn down within 1 year.

Year ended 31 March 2023

22. Pensions

The Group's employees and past employees are deferred members or pensioners of the Social Housing Pension Scheme. With effect from 1 April 2017 all active membership of defined benefit pension schemes was ceased.

The Group currently contributes to one defined contribution pension scheme for certain employees, which is operated by The Pensions Trust. During the year, the Group recognised £125,665 (2022: £110,306) of pension costs in relation to the defined contribution scheme.

Social Housing Pension Scheme

The Group participates in this scheme, a multi-employer scheme which provides benefits to approximately 500 non-associated employers. The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK. The last published triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,560m. A recovery plan has been put in place with the aim of removing this deficit by 30 September 2026. In line with the recovery plan, the Company expects to make a contribution of £260,114 (2023: £246,552) to the scheme in the year ended 31 March 2024.

The scheme is classified as a 'last-man standing arrangement'. Therefore, the Group is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme. An actuarial valuation for the scheme was carried out with an effective date of 31 March 2023. The liability figure from the valuation is used in conjunction with the Group's fair share of the scheme's total assets to calculate the Group's net deficit or surplus at the accounting period start and end dates.

We have been notified by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

Pension scheme liabilities recognised in the statement of financial position.

	2023 £000	2022 £000
Pension obligations recognised as Defined Benefit schemes	1,183	1,132

The weighted average duration of the defined benefit obligation is approximately 15 years.

Reconciliation of opening and closing balances of the defined benefit obligation

	2023 £000	2022 £000
Fair value of plan assets	5,124	7,308
Present value of defined benefit obligation	(6,307)	(8,440)
Deficit in plan	(1,183)	(1,132)

Reconciliation of opening and closing balances of the defined benefit obligation

	2023 £000	2022 £000
Defined benefit obligation at start of period	8,440	9,119
Expenses	4	4
Interest expense	235	196
Actuarial losses/(gains) due to scheme experience	284	(74)
Actuarial (gains) due to changes in demographic assumptions	(13)	(126)
Actuarial (gains) due to changes in finance assumptions	(2,600)	(638)
Benefits paid and expenses	(43)	(41)
Defined benefit obligation at end of period	6,307	8,440

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

	2023 £000	2022 £000
Fair value of plan assets at start of period	7,308	7,335
Interest income	207	159
Experience on plan assets (excluding amounts included in interest income) – (loss)	(2,596)	(363)
Contributions by the employer	248	218
Benefits paid and expenses	(43)	(41)
Fair value of plan assets at end of period	5,124	7,308

The actual return on the plan assets (including any changes in share of assets) in the year ended 31 March 2023 was a loss of £2,389,000 (2022: £204,000 loss).

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

	2023 £000	2022 £000
Expenses	4	4
Net interest expense	28	37
Defined benefit costs recognised in statement of comprehensive income (SoCI)	32	41

Defined benefit costs recognised in other comprehensive income

	2023 £000	2022 £000
Experience on plan assets (excluding amounts included in net interest cost) – (loss)	(2,596)	(363)
Experience (losses)/gains arising on the plan liabilities – (loss)	(284)	74
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain	13	126
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain	2,600	638
Total actuarial (loss)/gain recognised in other comprehensive income	(267)	475

Year ended 31 March 2023

22. Pensions continued

Assets

	2023 £000	2022 £000
Global equity	96	1,402
Absolute return	55	293
Distressed opportunities	155	262
Credit relative value	193	243
Alternative risk premia	10	241
Cash	37	25
Currency Hedging	10	(29)
Emerging markets debt	28	213
Risk sharing	377	241
Insurance-linked securities	129	170
Property	221	197
Infrastructure	585	521
Private debt	228	187
Opportunistic illiquid credit	219	246
High yield	18	63
Opportunistic credit	–	26
Corporate bond fund	–	488
Long lease property	155	188
Secured income	235	272
Liability driven investment	2,360	2,039
Net Current Assets	13	20
	5,124	7,308

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

Key assumptions

	2023 % per annum	2022 % per annum
Discount rate	4.87	2.79
Inflation (RPI)	3.19	3.59
Inflation (CPI)	2.75	3.20
Salary growth	3.75	4.20
Allowance for commutation of pension for cash at retirement (% of maximum allowance)	75%	75%

The mortality assumptions adopted at 31 March 2023 imply the following life expectancies:

	Life expectancy at age 65 Years
Male retiring in 2023	21.0
Female retiring in 2023	23.4
Male retiring in 2043	22.2
Female retiring in 2043	24.9

The effect of changes in principal actuarial assumptions

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

Assumption	Plus	Estimated increase/(decrease) to liability (£000)	Minus	Estimated increase/(decrease) to liability (£000)
Discount rate	0.1%	(86)	0.1%	88
RPI	0.1%	17	0.1%	(17)
CPI	0.1%	51	0.1%	(48)
Salary	0.1%	2	0.1%	(3)
Age of member	1 year	131	1 year	(129)

23. Related party transactions

THFCS, a subsidiary undertaking, levies a service charge to the Group for management services provided during the year. The fee is levied in accordance with a management services agreement between THFCS, the Company and each subsidiary. Each entity will settle the charge in cash as and when required by THFCS. The total service charge payable by the Company to THFCS during the year ended 31 March 2023 was £3,722,524 (2022: £2,498,701).

The amount due to THFCS at 31 March 2023 was £452,446 (2022: £47,021).

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 £164,580 (2022: £154,479) for providing these services and had amounts owing from these companies at 31 March 2023 of £7,963 (2022: £7,070). Certain directors of the Company are also directors of these companies. Details of key management compensation relating to the Group's directors are included in *note 4: Directors' remuneration*.

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 13: Financial liabilities – borrowings*.

Total interest charged to the Company by these companies was as follows:

	2023 £	2022 £
T.H.F.C. (Funding No.1) Plc	£11,130,731	£11,539,828
T.H.F.C. (Funding No.2) Plc	£23,484,457	£23,548,975
T.H.F.C. (Funding No.3) Plc	£52,661,151	£50,922,816

24. Cash security and reserve funds

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

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

In each case the trust and security arrangements are documented by a Sinking Fund/Cash Security 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 cash security and reserve funds are processed separately from the Group's own funds and invested only as directed by the borrower. Funds held by the Group as Trustee at 31 March 2023 amounted to £134.2m (2022: £138.4m) for sinking fund balances and £228.7m (2022: £177.9m) for reserve funds balances.

25. Events after the reporting date

On 30 May 2022 a borrower in THFC (Indexed 2) Limited prepaid a loan amounting to an original nominal value of £7,000,000. These proceeds were paid onto bondholders on 31 May 2023.

On 5 June 2023 £27,500,000 loan nominal was drawn down by a borrower through bLEND.

On 13 June 2023 a borrower in THFC prepaid a loan amounting to a nominal value of £3,500,000. These proceeds will be paid onto bondholders on the maturity of this issue on 13 November 2023.

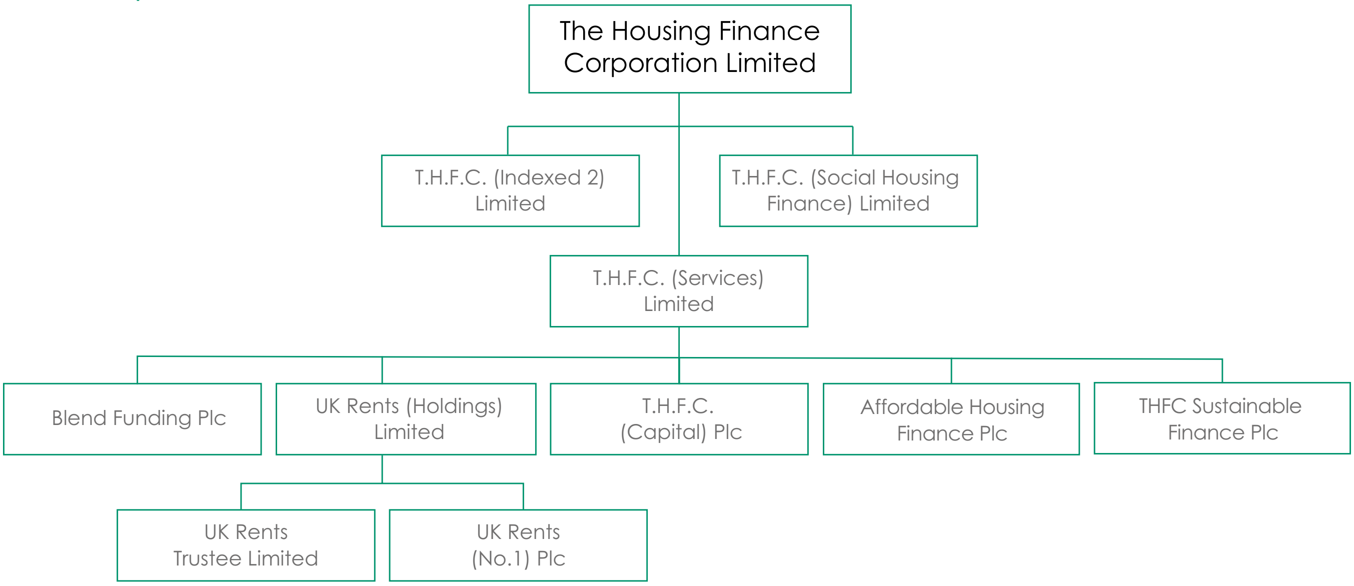
Five Year Financial Record

Excluding loan interest and similar items

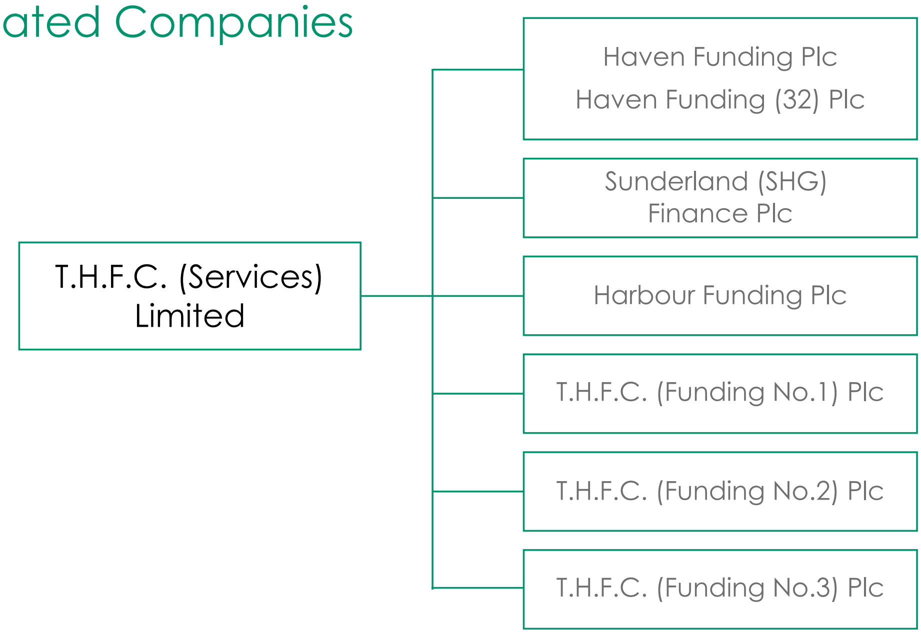
Year to 31 March	2019 £000	2020 £000	2021 £000	2022 £000	2023 £000
Fees	10,021	7,894	12,027	11,897	10,127
Investment income	354	456	153	81	1,858
Other income	199	205	224	501	236
Interest margin	21	10	23	7	45
Total revenues (after interest expense off-set)	10,595	8,565	12,427	12,486	12,266
Staff costs	2,531	2,874	2,993	3,303	3,596
Other pension costs	152	–	–	–	–
Non-executive directors costs	247	300	341	295	386
Legal/trustees and registrars	345	322	345	391	222
Premises	224	434	333	338	312
Other	1,287	1,248	1,217	1,649	1,980
Total operating expenses	4,786	5,178	5,229	5,976	6,496
Surplus before tax	5,809	3,387	7,198	6,510	5,770
Other comprehensive income	(1,163)	909	(216)	385	(216)
Tax	(1,111)	(692)	(1,096)	(1,170)	(940)
Total comprehensive income after tax	3,535	3,604	5,886	5,725	4,614
Accumulated reserves	38,099	41,703	46,582	52,307	56,921
	£m	£m	£m	£m	£m
Loans outstanding	**7,333**	**7,456**	**7,874**	**8,220**	**8,130**
	%	%	%	%	%
Ratio of operating expenses to loan book	0.06	0.07	0.07	0.07	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 **£145,208,755** Issue Date **11.03.97**	Nominal Value **£44,600,000** 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 **£217,185,000** Issue Date **21.12.04**	Nominal Value **£370,850,000** Issue Date **08.07.09**	Nominal Value **£1,055,300,000** Issue Date **11.10.11**
Business Activity	Quoted Eurobonds, proceeds on-lent to 8 borrowers	Quoted Eurobonds, proceeds on-lent to 4 borrowers	Quoted Eurobonds, proceeds on-lent to 3 borrowers	Quoted Eurobonds, dedicated issue to Gentoo Group on-lent via THFC (Capital) Plc	Quoted Eurobonds, proceeds on-lent to 12 borrowers via THFC	Quoted Eurobonds, proceeds on-lent to 19 borrowers via THFC	Quoted Eurobonds, proceeds on-lent to 65 borrowers via THFC
Management Activity	Company Secretariat Finance function Administration Credit monitoring	Company Secretariat Finance function Administration Credit monitoring	Company Secretariat Finance function Administration Credit monitoring	Company Secretariat Finance function Administration	Company Secretariat Finance function Administration	Company Secretariat Finance function Administration	Company Secretariat Finance function Administration

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Est. 1987

The Housing Finance Corporation Limited
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