The Housing Finance Corporation Limited

Annual Report and Accounts

2024

The Housing Finance Corporation Limited

Contents

Purpose

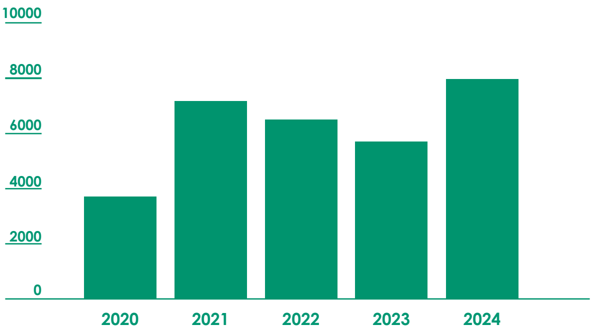
THFC has served the funding requirements of housing associations for the last 36 years.

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:

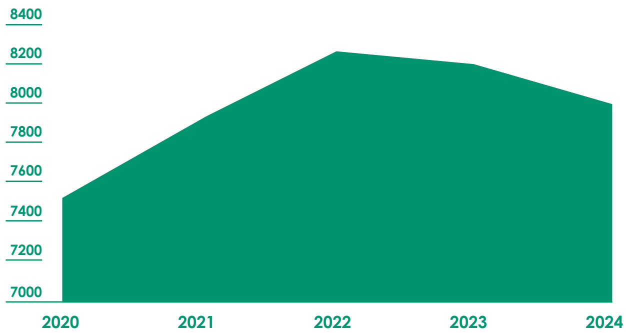
- sourcing funding from a range of institutional investors to deliver cost-efficient, responsible funding through the economic cycle; and
- operating as a non-profit-distributing finance company utilising our expertise, reputation and strong relationships.

Highlights

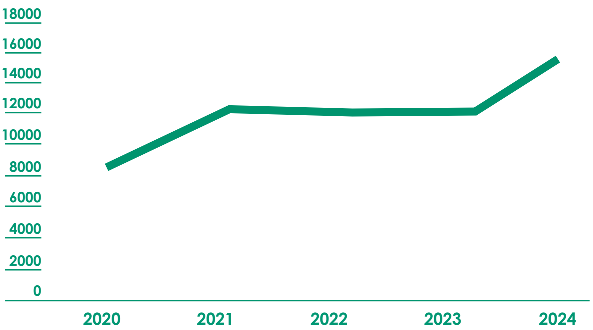
£7,992k **(2023: £5,770k)**
Group pre-tax surplus



£7,952m **(2023: £8,130m)**
THFC group loan book

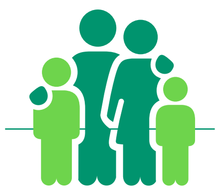


£15,206k **(2023: £12,266k)**
Group total revenue*



155
(2023: 161)
Housing Associations lent to

32,000+
Homes
Funded under AHF



*includes all fees and investment income on deposits

Chair's and Chief Executive's Joint Statement

The financial period from 1 April 2023 to 31 March 2024 was a year of sustained higher interest rates and the prolonged wait for the consumer price index ("CPI") inflation to fall towards the Bank of England MPC's desired range. In order to tackle the continuing UK inflationary spike, the Bank of England Bank Rate was increased in the year from 4 to 5.25% (a level where it has remained since August 2023) and long gilt yields averaged 4.54% throughout the year and actually peaked at a higher level than during the previous year's so-called 'Trussonomics period', at 5.11%. Registered Provider ("RP's") rent increases were capped at 7%, Housing Association ("HA") development programmes were systemically curtailed and HA Bond Issuance (particularly own-name bonds) was muted for the majority of the year.

Despite these headwinds, THFC Group delivered a very strong financial performance. A pre-tax surplus of £8.0m for the financial year is the highest in the business's 36-year history, translating to a post-tax surplus of £5.8m. The addition of this surplus takes group reserves to over £62m, representing a doubling in the last 7 years. At £215m (2023: £170m), new business generation was above last year and our second largest debenture, the £175m 8.625% (involving loans to some 34 HAs downstream) was successfully redeemed in the year.

THFC's overall surplus for the year was significantly assisted by a £7.7m core operating surplus, driven from interest earnings on reserves/early receipt of interest payments. This evidences the resilience we have embedded in our business model. The level of surplus allows us to invest not only in our staff, but in new product development and seeking further ways that we can add value to our customer relationships.

Many of THFC's customers slowed their development aspirations in the year. London RPs in particular, had to focus their expenditure on continued fire remediation costs (typically at the expense of incremental development). A number of regulations contained in the Fire Safety Act 2022 came into force in the year, reflecting a delayed response to the Grenfell Tower tragedy.

Whilst RPs are typically well advanced in their remediation of tall buildings, there is a long tail of work still to be carried out on 9-18m buildings, and in some cases significant changes in planning permission required. New consumer regulations standards also came into force in the year via the Social Housing (Regulation) Act 2023. Much publicity was given to the tragic case of Awaab Ishak, and the intended introduction of Awaab's Law will ensure that social housing landlords take swift action on the assessment and remediation of a variety of serious hazards, not least in relation to cases of damp and mould. Inevitably this will come at a cost. Last but not least, many HAs are also focussed on the recommendation from the Climate Change Committee that all their Social properties should have attained Energy Performance Certificates (EPCs) 'C' or better for their stock by 2030. The majority of new-build social and affordable housing already exceeds this standard, but there is significant 'noise' around measurement methodologies, and prioritisation of fabric-first measures versus zero carbon, as well as doubts over industry capacity to efficiently install the required technology. Recent changes of course by both the Government and opposition party have added to HA sector uncertainty as to how to prioritise necessary measures and who pays. It is recognised that tenants in fuel poverty benefit from improvements in the fabric of their properties delivered by HAs, but at some considerable cost to the HA. As cash for new development tends to be the predominant purpose for raising long term funding, it is evident why demand for new funding in the year was relatively muted.

With a change in government as a result of the General Election, on July 4, we expect our HA customers to now await the aftermath. Given that the election was called slightly earlier than predicted, this should permit the next Government to undertake a comprehensive spending review in the Autumn of 2024. THFC, like many long-term lenders to the sector, have advocated the necessity for a medium-term rent settlement as well as for grant levels to recognise the significant increase in the cost of capital for HAs. We were able to make this clear in the year as an expert witness to the Levelling Up, Housing and Communities Committee's investigation into the Finances and Sustainability of the Social Housing Sector.

With interest rates at their highest levels in recent time, our borrowers have focussed on extending bank facilities and 10 year capital markets borrowing rather than longer term. Nevertheless, from a new business perspective, generating a total of £215m (2023: £170m) of new business is above par when compared with last year's performance. The nature of the credit envelopes/facilities being written continues our innovative record and is more relevant to the current needs of the sector.

We completed a further external hybrid seminar in the year on Health and Housing with c100 attendees. We used learning from previous events to fine tune proceedings. As our second themed seminar, this was the 'furthest out of the box' subject matter we have tackled to date. It has nevertheless given us some detailed insights into aspects of tech innovation contributing to zero-carbon (and alleviating fuel poverty), and we have been able to share practice amongst HA clients from all four parts of the UK.

THFC launched its inaugural sustainability report in the year alongside publishing its third ESG Report for bLEND and the team has been very active highlighting articles on our Insights Hub.

We maintained both our principal external credit ratings in the year (when a number of individual HAs were downgraded), completed our annual investor roadshow (in virtual format) and met with a significant number of investors on a 1:1 basis. Our views on the sector continue to be sought by a very wide range of stakeholders, both within the investor community and from other social housing bodies outside the UK.

The year marked the tenth anniversary of the award of the £3.3bn Affordable Homes Guarantee Scheme. Our credit team had a very active year in monitoring the performance of the 62 borrowers under the scheme and there was continual engagement with Homes England throughout the year on many aspects of the portfolio, including watch-list borrowers.

We are almost at the end of our period of the executive management transition and this report marks Piers Williamson's 22nd and last year as Chief Executive. We have continued to put significant effort into encouraging an inclusive working environment. We launched the staff portal in the year, encouraged internal recruitment and utilised blind CV hiring for a number of posts. Hiring our first in-house People and Culture manager is intended to ensure that the focus on Diversity, Equity and Inclusion (as well as wider Human Resource initiatives) is further enhanced.

The past year has been a time of change in the sector and also in the leadership of THFC. As Chair I wish to acknowledge the extraordinary contributions of a number of individuals, both non-executive and executive who have stepped down over the past 12 months. We have benefited for many years from the wise counsel of Peter Impey, Gill Payne and Will Perry.

They have collectively used their long experience of social housing to inform and guide THFC to become the organisation it is today. We welcomed Gail Teasdale as Gill's replacement as the nominee of the National Housing Federation and Fiona MacGregor as Will's replacement as the nominee of the Regulator of Social Housing. We are fortunate to continue having such great support from these two organisations as they provide once again exceptional individuals to enhance our boards.

At the end of March, our Chief Executive, Piers Williamson stepped down from the board after serving as CEO for over 20 years. His leadership of the company through countless periods of change has been exceptional. Calm authority, clear vision and a friendly approachability has made the successful organisation that THFC is today. Countless people are living better lives in homes that were made possible by THFC's financial acumen under his leadership. That is the real tribute to his time as our CEO.

As Piers stepped down our new CEO arrived and we are delighted and fortunate to welcome Priya Nair who has spent more than 25 years working in international infrastructure and housing investment.

A time of change which is appropriate as we enter a dramatically changing world in which social housing is dealing with increasing pressures from many directions.

Our changing team is committed to continue what THFC has always done, seizing new opportunities and ideas to help the sector better meet the challenges of today.

George Blunden **Chair**	**Priyanka Nair** **Chief Executive**

30 July 2024

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 2024.

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 seeking to provide greater transparency to its stakeholders, THFC has therefore voluntarily opted to prepare a group-level strategic report for the year ended 31 March 2024. 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.

THFC is an unregulated, not-for-profit Society registered under the Co-operative and Community Benefit Societies Act 2014. The not-for-profit status of the Group Parent Company 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 5-6).

Review of Business

The Group achieved a pre-tax surplus of £8.0m (2023: £5.8m) and continued to achieve a steady growth in the Group's financial reserves, being £62.7m (2023: £56.9m).

Refer to page 69 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) has increased by from £12.3m to £15.2m, primarily as a result of increased annual fees and investment income, offset by lower new business fees. In addition, our ratio of operating expenses to loan book has increased by 0.01%, primarily reflecting our investment in staff and increased regulatory costs. Net loans have decreased by 2.2% (£7.9Bn v £8.1Bn), principally due to loan maturities during the year of £207.7m nominal off-setting new issuance of £42.5m.

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 company wide 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.
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 pages 18-19).

Operational Risks

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

The Group has a rigorous approach to operational risk and has documented internal controls policies in place designed to prevent any operational risk incident having a material adverse impact on normal business operations. This policy is scrutinised by the Audit & Risk Committee and is also 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 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 per annum additional new affordable homes are needed through to 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 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 on a 5-year basis, a settlement for CPI+1% has been agreed until April 2026 in England. There continues to be increasing scrutiny on the quality of the housing and the service that is provided, with recently implemented consumer regulation 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 are 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 company 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.

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 overall approach to risk appetite for new lending is set by the Board and informed by a range of criteria including; the strength of the financial risk profile, the quality of the prospective 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 any exposure to higher risk commercial activities such as "build for sale". Its overall risk profile is assessed through detailed financial and non-financial due diligence taking into consideration 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 selectively grow its loan book and the Group's prudent approach gives comfort to investors and forms part of the Group's strong credit profile.

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

Recognising that our long-term success relies on a strong organisational culture and high standards of conduct, we have implemented several measures to promote this. Regular staff surveys keep us attuned to staff opinions and ensure effective communication across all levels. This year, we are committed to making our organisation a Great Place to Work. To achieve this, we hope to subscribe to the Great Place to Work survey, which benchmarks THFC against similar-sized companies across various sectors. The feedback from this survey will provide us with valuable insights to drive improvements and enhance our workplace culture.

This year, we have made significant strides in refining our People and Culture initiatives to support our strategic goals and reinforce our commitment to a healthy, inclusive organisational culture.

We are pleased to announce the appointment of a full-time permanent Director of People, who brings a wealth of experience and vision to our team. This new leadership role is pivotal in driving our People and Culture strategy, working closely with the executive team and board. The Director of People is spearheading efforts to review and enhance the entire employee lifecycle. This includes:

- **Talent Attraction and Retention:** Developing innovative strategies to attract and retain top talent, ensuring our workforce remains diverse and highly skilled.
- **Performance Management:** Implementing robust performance management systems that promote accountability, continuous improvement, and alignment with our organisational goals.
- **Succession Planning:** Identifying and nurturing future leaders within the organisation to ensure sustainable growth and leadership continuity.
- **Development and Onboarding:** Enhancing our onboarding processes and professional development programmes to support employee growth and integration.

We have refined our DEI Action Plan and completed our first DEI survey involving both our team and board. The insights from this survey will guide our DEI initiatives moving forward, ensuring we foster an inclusive and equitable workplace.

We are currently reviewing our performance management strategy to ensure it aligns with our organisational goals. Our aim is to implement a fair and empowering appraisal process that supports growth and ambition. This process will set out clear objectives and KPIs, fostering an environment where employees can thrive and contribute effectively to our success.

In the coming year, the Board intends to formalise a refreshed version of our core values and culture, solidifying our commitment to a supportive and high-performing work environment. By continually enhancing our People and Culture strategies, we aim to drive long-term sustainable success for our organisation. The Remuneration Committee continues to play a crucial role in independently reviewing team performance and compensation.

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 eight 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:

- Periodic employee updates, where exceptional employee performance and achievements are highlighted. Employees 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 that arrangements continue to meet the needs of staff and the business post-pandemic.
- Employee salaries are benchmarked externally every three years and other benefits available to employees are reviewed periodically to ensure the Group's offering remains competitive in the marketplace.
- Each employee has a formal appraisal annually with their manager in addition to more informal reviews during the year to monitor their performance and development.
- 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.
- The health and wellbeing of the team 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.

Diversity, Equity and Inclusion

THFC's Diversity, Equity & Inclusion ("DEI") ambition is to cultivate an environment where everyone can contribute to the Group's success. The Group is committed to achieving a diverse workforce and Board, fostering an inclusive culture, and promoting DEI values to better serve its customers and wider stakeholders.

The Group's DEI Strategy and Action Plan was approved by the Board and published on THFC's website in autumn 2023. This DEI Strategy and Action Plan incorporates insights from individuals at all levels of the organisation, which were gathered through a comprehensive set of focus groups and individual interviews conducted by an external DEI expert. It comprises the Group's official DEI statement, the

Group's six strategic DEI pillars, a short, medium, and long-term DEI Action Plan, and a Board-specific DEI Action Plan.

Oversight of THFC's DEI Strategy has been delegated to the Remuneration & Nominations Committee. The Board has nominated David Montague as the Group's DEI Champion, ensuring that DEI ambitions are championed at the highest level. The Group has also established a DEI Committee comprised of seven employees and one sponsor from the Executive Team to discuss actions, monitor progress, and hold the organisation to account regarding its DEI objectives. Initiatives from the Group's DEI Strategy include:

- A review of policies, procedures, and structures to ensure these can support DEI ambitions.
- Review of the Group's values and culture, ensuring that DEI considerations are embedded throughout the organisation.
- Enhance the Group's recruitment processes to reflect DEI ambitions and objectives.
- Incorporate assessment of DEI ambitions into Executive Team appraisals and objectives.

The Group's Board has voluntarily agreed to adopt the Financial Conduct Authority's Board diversity targets (listed below) and to report on the diversity of the Board by gender and ethnicity in the Annual Report and Accounts.

1. 40% of board members should be women.
2. At least 1 senior board position (Chair, Chief Executive (CE), Finance Director (FD), or Senior Independent Director (SID)) should be a woman.
3. At least one board member should be from an ethnic minority background.

A voluntary and anonymous Group-wide DEI survey was conducted in spring 2024 to enable the Group to gather accurate, up-to-date DEI information on its team members and report against the Board's diversity targets. According to the results of this DEI survey:

- 42% of Board members surveyed identify as a woman.
- It can be deduced that at least one senior board position identifies as a woman, although the survey did not ask respondents to disclose their roles to preserve anonymity.
- 8% of Board members surveyed identify as belonging to a minority ethnic group.

The Group recognises that DEI is a continuous journey and is committed to investing the time, effort, and resources necessary to ensure continual progress in this area.

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 borrowings 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 homes for the benefit of tenants and communities throughout the UK. As noted in the 'Principal Activity' section within this report (page 6), the Group is a not-for-profit organisation, so surpluses are not distributable but retained to enable the Group to continue to provide loans to the sector and provide other value-added services. This can involve hosting knowledge sharing events and seminars and researching and developing new products, as well as mitigating any credit losses. Social purpose is therefore a foundational part of the Group's business.

The Group recognises that climate change represents an existential threat to our planet and society. As such, we are committed to minimising our negative impact on the environment as much as possible. The Group considers 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 sustainability initiatives. 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.
- The Group was an early adopter of the social housing sector's 'Sustainability Reporting Standard' (SRS) and mandates its completion by Blend Funding Plc ("bLEND") borrowers, while continuously encouraging adoption across the sector.
- bLEND published its third annual SRS Report in November 2023.
- The Group published its inaugural Group Sustainability Report in November 2023.
- The Group undertook a comprehensive ESG risk mapping exercise, including its exposure to environmental risks.
- Throughout the year, the Group participated in several retrofit and ESG-focused thought leadership initiatives.
- The Group transitioned from the use of paper business cards to a predominantly digital business card system.
- The Group takes part in the 'Cycle to Work' scheme which subsidises the purchase price of a bicycle for employees.

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 26 April 2024 £40m deferred loan nominals were drawn down by borrowers and a £30m new loan was drawn down by Abri Group.

Approved by the Board of directors on 30 July 2024 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 70).

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 36 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 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 150 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 rate bank loans, and, in the case of bLEND, issued publicly listed medium term notes ("MTN's") under a £3bn 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. During the reporting period the Group established Housing Finance Trustee Limited as a "captive" security trustee which will afford the Group's borrowers considerable flexibility going forward, allowing them to optimise the security pledged for their loans from the Group.

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 36-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 a range of parameters. This model enables internal ratings to be derived for each borrower and a default probability to be estimated. The loss given default is also estimated. This exercise is an integral part of the credit assessment process and a necessary component in the maintenance of the Group's external credit rating.

The Group's credit rating of its borrowers, together with regular reviews of credit information and customer visits, provides the basis for credit monitoring and reports to the Credit Committee and the Board on the health of the portfolio.

The credit rating model is 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 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 £62.7m (2023: £56.9m).

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 2024 AHF had issued guaranteed secured bonds amounting to £1.7bn. Guaranteed bank loans drawn at 31 March 2024 amounted to £1.5bn. 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) from (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*' 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 Gentoo 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) 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 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 £181,632 (2023: £164,580).

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 in 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 in 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 on-lent via T.H.F.C. (Capital) Plc.

Harbour Funding Plc

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

At 31 March 2024 Harbour Funding Plc had loans outstanding of £206.3m (nominal) made to three housing associations.

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 have regard to the Financial Reporting Council's ("FRC") UK Corporate Governance Code 2018 ("the Code") where relevant to a not-for-profit distributing 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 on behalf of THFC. 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 to act on their behalf. In practice, this means that THFC's Board and shareholders, for all intents and purposes, function as one and the same.

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)
Anthony King (Chair of Remuneration & Nomination Committee)
Fiona MacGregor (RSH Nominee, nominated 28 July 2023)
David Montague
Shirley Smith (Senior Independent Director)
Gail Teasdale (NHF Nominee)
Guy Thomas (Chair of Audit and Risk Committee)

Executive Directors
Priyanka Nair, Chief Executive (appointed 1 April 2024)
Julie Coetzee, Finance Director
Arun Poobalasingam, Funding & Marketing Director (appointed 28 July 2023)
David Stokes, Credit & Risk Director (appointed 28 July 2023)

Resigned
Fenella Edge (resigned 27 July 2023)
Peter Impey (resigned 27 July 2023)
Gill Payne (resigned 27 July 2023)
Will Perry (resigned 27 July 2023)
Piers Williamson (resigned 1 April 2024)

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.

Fiona MacGregor was nominated to the Group's Board by the RSH on 28 July 2023 to replace Will Perry whose nomination was withdrawn after reaching the end of his 9 year term of service on the Board.

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 our registered office.

Senior Independent Director

The Board has appointed 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, Finance Director, Funding & Marketing Director and Credit & Risk 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 Fiona MacGregor 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 in trust for THFC) 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 Fiona MacGregor, 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.

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. 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 external 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 Funding and Marketing Director, the Credit and Risk Director 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 directors nominated by the RSH (Fiona MacGregor) and NHF (Gail Teasdale), which are remitted to their nominating body.

On 1 April 2024 non-executive director fees were increased by 4% (2023: 7%), after considering the annual rate of change of the Consumer Price Index in the 12 months to 31 March 2024. 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, Julie Coetzee, David Stokes and Arun Poobalasingam, the Chief Executive, Finance Director, Credit and Risk Director and Funding and Marketing Director respectively, held those positions throughout the year. Fenenella Edge, former Group Treasurer, retired in July 2023.

Following Piers Williamson's retirement as Chief Executive and Executive Director on 1 April 2024, Priyanka Nair formally assumed the position of Chief Executive and was appointed to the Board on 1 April 2024.

The Chief Executive has defined powers of authority and responsibility which are delegated to the Chief Executive 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 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 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 board 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.

Having regard to 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 to approve urgent matters of business. 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 overall 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 in February 2024, 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 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 Audit and Risk Committee 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.

2023/24 Annual Board evaluation

During 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 governance 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) and 2022/23 self-evaluation. Namely, that: time dedicated to strategic matters was much improved; delegations were clearer and better communicated. Additional themes also came to light, around succession planning and formalising stakeholder engagement.

2023/24 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. An internal board and committee effectiveness review was undertaken in 2023/24.

During the year, the Board reviewed progress against the action plan from the external Board Effectiveness Review undertaken in 2021/22 and internal self-evaluation in 2022/23. The Board satisfied itself that the actions agreed had been implemented, and where this had not been possible, set revised or renewed aims. Improvements had been made to ensure sufficient time was dedicated to long-term strategic discussions; considering and reporting on executive and non-executive succession planning; clarifying delegations and stakeholder engagement and implementation of a robust DEI Strategy.

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, Funding and Marketing Director 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, David Montague, Shirley Smith and Guy Thomas as non-executive directors and Priyanka Nair (Chief Executive), Arun Poobalasingam (Funding and Marketing Director) 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, Scott Bottles, David Montague and Gail Teasdale (appointed 14 November 2023). Both Guy Thomas and Gail Teasdale are chartered accountants. 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.

Matters of business considered by the Committee

The Committee reviewed the financial statements for the year ending 31 March 2024. During the course of the year, the Committee has overseen risk management processes 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 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 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 2024 is given at pages 34-36 of this report.

Internal Audit

The Board has decided that the establishment of an in-house 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 & Nomination Committee

During the year the Remuneration Committee and Nomination Committee were merged to form the Remuneration and Nomination Committee. The Code requirements for the Remuneration Committee and the

Nomination Committee respectively are fulfilled by the combined Committee.

The Remuneration and Nomination 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 which is higher than required by the Code. Its central role is to oversee remuneration, pay and reward practices across the organisation as well as board succession planning (including considering potential executive and non-executive nominees to the Board).

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.

The Committee is also responsible for oversight of the Group's DEI Strategy, 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.

Full details on the role and responsibilities of the Remuneration and Nomination 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 Anthony King (Chair), George Blunden, David Montague, Shirley Smith and Fiona MacGregor (appointed 14 November 2023). The Chief Executive and other members of the Executive Team attend when required.

Anthony King was appointed Chair of the Remuneration and Nomination Committee on 27 July 2023. Prior to this Anthony had served on THFC's Remuneration Committee for 9 months. The Board determined that Anthony was the best candidate for the role of Chair of the Remuneration and Nomination Committee. Due to his professional background, experience on Risk and Audit Committees and tenure on THFC's Remuneration Committee, Anthony had gained a full understanding of the Committee's responsibilities for all matters related to remuneration. Together with the other members of the Remuneration and Nomination Committee, the Chair is able to seek independent advice from a remuneration consultant.

Work of the Remuneration and Nomination 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 triennial external salary benchmarking exercise; and made recommendations to the Board regarding maximum pension contributions, revised salaries and bonus awards, 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 employee pay and benefits, director remuneration and the organisation's bonus policy. It enshrines alignment as a key remuneration principle: executive directors and employees 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 and therefore 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.

This year, the Committee also oversaw the recruitment process for a new Chief Executive, 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 implementation of the Group's DEI Strategy.

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. 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.

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.

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 2024. 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, Scott Bottles and Shirley Smith, having completed their second three-year term in office, will be required to retire and offer themselves for re-election for a further year.

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 2024	THFC Shareholdings at 31 March 2024
George Blunden	Full year	£1
Scott Bottles	Full year	£1
Julie Coetzee	Full year	Nil
Fenella Edge	*Resigned 27 July 2023*	Nil
Peter Impey	*Resigned 27 July 2023*	Nil
Anthony King	Full year	£1
David Montague	Full year	£1
Fiona MacGregor	*Nominated 28 July 2023*	Nil
Priyanka Nair	*Appointed 1 April 2024*	Nil
Gill Payne	*Resigned 27 July 2023*	Nil
Will Perry	*Nomination withdrawn 27 July 2023*	Nil
Arun Poobalasingam	*Appointed 28 July 2023*	Nil
Shirley Smith	Full year	£1
David Stokes	*Appointed 28 July 2023*	Nil
Gail Teasdale	Full year	Nil
Guy Thomas	Full year	£1
Piers Williamson	Full year	Nil
Other shareholders		
National Housing Federation		£1
Regulator of Social Housing		£1
Total issued share capital at 31 March 2024		£8

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.

Charitable and political contributions

Throughout the year, the Group has continued to support nominated charities, with a donation of £7,200 to More than Homes.

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; and
- A narrative of measures taken to improve energy efficiency.

Energy usage

The following disclosure shows the Group's energy usage and greenhouse gas emissions, as prepared using the 'Greenhouse Gas Reporting Protocol - Corporate Standard'. The 2023 (2023: 2022) 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 on direct usage as well as annual invoiced consumption for common areas of 17 St Swithin's Lane, apportioned based on the 3rd floor square footage. Electricity consumption has been calculated based on metered data for lighting, small power, associated heating, ventilation and air conditioning services for the building.

Floor level meters have been introduced in 2024, allowing for the calculation of actual energy usage on a floor-by-floor basis. This new sub-metering system has been used to calculate consumption from March 2023 onwards. The reason why THFC's reported consumption increased year-on-year is due to the switch from calculating energy usage based on equal floor apportionment to actual floor-by-floor energy consumption. The reduction in gas consumption is due to the landlord's efforts to optimise the energy efficiency of the building as part of its sustainability commitment.

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

Emissions and energy usage for the period 1st April 2023 to 31st March 2024	**2024**	**2023**
Total energy consumption used to calculate emissions	**(Kwh) 48,717**	**(Kwh) 51,398**
Natural gas - fuel type brown (fossil fuel)	16,234	28,561
Electricity - fuel type green (renewable source)	32,483	22,837
Total emissions in metric	**tCO2e 9,621**	**tCO2e 9,570**
Natural gas - fuel type brown (fossil fuel)	2,964	5,203
Electricity - fuel type green (renewable source)	6,658	4,367

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 1.2098kg of tCO2e (2023: 1.1772kg).

17 St Swithin's Lane has undertaken a range of energy efficiency initiatives, mitigating the Group's indirect energy emissions:

The building maintains the following energy saving credentials:

- 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
- The Landlord has a commitment to sustainability and energy efficiency

Re-appointment of Auditor

CLA Evelyn Partners Limited 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 2023 – 31 March 2024

	Main Boards (6)	Audit & Risk Committees (3)	Credit Committees (4)	Remco (1)	Nomco (0)	RemNomCo (2)
George Blunden	6	-	3	1	n/a	2
Scott Bottles	6	3	4	-	-	-
Julie Coetzee	6	-	-	-	-	-
Fenella Edge*	2(2)	-	2(2)	-	-	-
Peter Impey**	2(2)	-	1(2)	-	n/a	-
Anthony King	6	3	4	1	n/a	2
Fiona MacGregor***	3(4)	-	-	-	-	1(1)
David Montague	6	2	3	1	n/a	2
Gill Payne****	2(2)	-	2(2)	1	n/a	-
Will Perry *****	2(2)	1(1)	-	-	-	-
Arun Poobalasingam ******	4(4)	-	1(2)	-	-	-
Shirley Smith	6	-	4	1	n/a	2
David Stokes *******	4(4)	-	4	-	-	-
Gail Teasdale ********	6	1(1)	-	-	-	-
Guy Thomas	6	3	4	-	-	-
Piers Williamson	5	-	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.

* Resigned 27 July 2023

** Resigned 27 July 2023

*** Appointed to the Board on 28 July 2023. Appointed to RemNomCo on 14 November 2023.

**** Resigned 27 July 2023

***** Nomination withdrawn 27 July 2023

****** Appointed to the Board on 28 July 2023.

******* Appointed to the Board on 28 July 2023

******** Appointed to the Audit & Risk Committee on 14 November 2023.

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 (the Act) requires the directors to prepare financial statements for each financial year. The directors have prepared the Group and THFC's financial statements in accordance with UK-adopted international accounting standards.

Furthermore, the Act stipulates that 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 Act. 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 30 July 2024 and signed on their behalf by:

Julie Coetzee
Director and Company Secretary
The Housing Finance Corporation Limited

Directors

George Blunden
Chair and
Non-Executive

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 Bottles
Non-Executive

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.

Anthony King
Non-Executive

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 Group, 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.

Fiona MacGregor

Fiona was nominated to the Board of THFC by the Regulator of Social Housing (RSH) in July 2023. Fiona has been the Chief Executive of RSH since October 2018 Prior to that she was the Executive Director of Regulation at the Homes and Communities Agency. Fiona worked at the HCA since it launched in 2008, before which she was Deputy Director of Investment at the Housing Corporation, and Head of Development at London and Quadrant, a large, registered provider.

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 and was a member of the Investment Property Forum. Shirley was appointed to the THFC Board as a non-executive director in March 2018 and is THFC's Senior Independent Director.

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

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 David oversaw, 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.

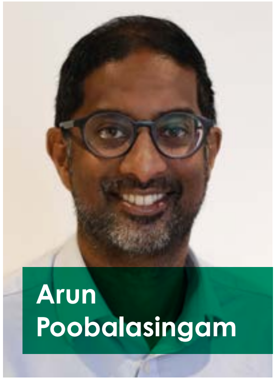
Gail is a Chartered Accountant with over 30 years' experience, much of it in Finance Director roles in a variety of industries both in the private and public sectors. She is Chief Executive of Broadacres, a housing association based in North Yorkshire with over 6,800 homes. She is a Board Member of the 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 2024.

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 was with JPMorgan Chase & Co for 20 years 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.

Priya Nair was appointed Chief Executive of The Housing Finance Corporation in April 2024. A senior executive with over 25 years' experience in financial services, infrastructure and housing, Priya is passionate about leveraging sustainable, long-term investment to help deliver positive economic and societal outcomes in the affordable housing sector.

Before joining in March 2024, Priya was a Senior Director at abrdn, the global investment company, in its infrastructure team in London, UK. With a focus on infrastructure and housing, Priya was responsible for financing, capital raising and deal strategy across all its flagship infrastructure funds and investments. Prior to that, Priya spent over 13 years at the Royal Bank of Canada (RBC) in their global private markets team. Her work at RBC included advising on capital markets issuance for THFC and other housing providers. She also previously worked at Citi and started her career at Deutsche Bank as a graduate in their investment banking/global markets programme.

In addition to leading THFC, Priya acts as a senior advisor to organisations working across government, infrastructure and technology where she provides counsel on corporate finance, governance, risk management and investment strategies. She is a Non-Executive Director and the Chair of the Investment Committee at the Port of London Authority and a Senior Adviser to Good Governance Capital.



Arun was appointed to the Board of THFC in July 2023. He joined THFC in August 2021 as Head of Relationship Management and Business Development and is now Funding and Marketing Director. Prior to this, he worked at HSBC where he helped set up and then led their social housing business focusing predominantly on larger housing associations. Having started his career working at Diageo, he moved to Network Rail where starting as a financial modeller he moved on to the Treasury team that raised over £20bn of debt through the Global Capital Markets during his stint. He left in 2007 to join HSBC's real estate team at an interesting time for the sector and specialised in property for most of his time there.

David joined THFC in 2012, having specialised in credit risk at a number of financial institutions. Immediately prior to joining THFC he was Head of Corporate Credit at Santander UK with responsibility for the social housing, large corporates, real estate and specialised finance portfolios. His earlier career included Head of Credit positions at Bank of Ireland and Fortis Bank and a range of senior credit and relationship management roles at NatWest. He was appointed to the Board of THFC in July 2023.

THFC Group Loans

Loans Portfolio as at 31 March 2024

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	13,000	-	-	-	-	-	-	13,000
A2Dominion Homes Limited	South East	80,122	-	-	-	-	-	-	80,122
A2Dominion South Limited	South East	50,000	-	377	-	-	-	-	50,377
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	34,625	-	-	-	-	-	-	34,625
Arches Housing Limited	Yorkshire & the Humber	5,100	-	-	-	-	-	-	5,100
Aster Communities	South West	-	-	-	-	100,000	-	-	100,000
ATEB Group Limited	Wales	-	18,000	-	-	-	-	-	18,000
B3 Living	South East	-	35,000	-	-	-	-	-	35,000
Barcud Cyfyngedig	Wales	3,000	-	207	-	-	-	-	3,207
Bernicia Group	North East	14,459	-	-	-	5,000	-	-	19,459
Bolton at Home Limited	North West	4,000	-	-	-	-	-	-	4,000
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	55,000	-	-	-	70,000	-	-	125,000
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	6,563	37,000	-	-	-	-	-	43,563
Castle Rock Edinvar Housing Association Limited	Scotland	5,500	-	-	-	-	-	-	5,500
Choice Housing Ireland Limited	Northern Ireland	44,375	50,000	-	-	-	-	-	94,375
Citizen Housing Group Limited	West Midlands	11,000	-	-	38	-	-	-	11,038
Clanmil Housing Association Limited	Northern Ireland	30,000	-	-	-	-	-	-	30,000
Clwyd Alyn Housing Association Limited	Wales	5,000	-	-	-	-	-	-	5,000
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
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	20,000	-	-	-	-	-	-	20,000
English Rural Housing Association Limited	National	-	-	-	-	10,000	-	-	10,000
Estuary Housing Association Limited	East of England	25,000	-	-	-	-	-	-	25,000
Flagship Housing Group Limited	East of England	-	-	-	-	45,000	-	-	45,000
ForHousing Limited	North West	-	30,000	-	-	-	-	-	30,000
Gateway Housing Association Limited	London	-	-	-	196	45,000	-	-	45,196
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	20,100	75,000	-	-	20,000	-	-	115,100
Grwp Cynefin	Wales	7,500	-	-	-	10,000	-	-	17,500
Habinteg Housing Association Limited	National	279	-	-	-	-	-	-	279
Hafod Housing Association Limited	Wales	10,000	-	-	-	-	-	-	10,000
Harrogate Housing Association Limited	Yorkshire & the Humber	3,500	-	-	-	-	-	-	3,500
Hexagon Housing Association Limited	London	7,000	-	660	-	49,000	-	-	56,660

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
Hightown Housing Association Limited	East of England	30,000	50,000	-	-	-	-	-	80,000
Home Group Limited	National	44,000	-	1,839	-	139,000	-	-	184,839
Home in Scotland Limited	Scotland	20,000	-	-	-	10,700	-	-	30,700
Honeycomb Group Limited	West Midlands	11,000	-	-	-	-	-	-	11,000
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	-	377	-	-	-	-	25,377
Islington & Shoreditch Housing Association Limited	London	20,000	-	-	324	-	-	-	20,324
Jigsaw Homes North	North West	16,000	-	-	-	48,500	-	-	64,500
"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	11,300	20,000	-	-	15,000	-	-	46,300
LiveWest Homes Limited	South West	30,498	-	-	-	122,500	-	-	152,998
Longhurst Group Limited	East Midlands	19,000	-	-	-	-	-	-	19,000
Manningham Housing Association Limited	Yorkshire & the Humber	12,649	-	-	-	-	-	-	12,649
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	65,410	-	283	-	25,000	-	-	90,693
Midland Heart Limited	West Midlands	32,684	-	-	-	50,000	-	-	82,684
Moat Homes Limited	South East	-	-	-	-	50,000	-	-	50,000
Mosscare St. Vincents Housing Group Limited	North West	20,633	40,000	-	-	5,000	-	-	65,633
Mount Green Housing Association Limited	South East	-	-	-	-	6,000	-	-	6,000
New Gorbals Housing Association Limited	Scotland	18,500	-	-	-	6,100	-	-	24,600
Newlon Housing Trust	London	20,000	-	-	-	-	-	-	20,000
Newydd Housing Association (1974) Limited	Wales	25,625	-	-	-	-	-	-	25,625
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	4,800	-	-	-	-	-	-	4,800
North Wales Housing Association Limited	Wales	10,000	-	-	-	-	-	-	10,000
Notting Hill Genesis	London	63,000	-	-	-	50,000	-	-	113,000
Nottingham Community Housing Association Limited	East Midlands	-	-	-	-	29,000	-	-	29,000
Octavia Housing	London	13,000	-	-	-	18,000	-	-	31,000
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	-	-	1,386	-	-	-	8,386
Orbit Housing Association Limited	National	-	-	-	-	100,000	-	-	100,000
Origin Housing Limited	London	23,800	-	-	-	-	-	-	23,800
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	7,077	-	-	-	-	-	-	7,077
Peabody Trust	London	102,300	-	-	-	150,000	-	-	252,300
Pickering and Ferens Homes	Yorkshire & the Humber	4,500	-	-	-	10,000	-	-	14,500
Places for People Homes Living+ Limited	National	5,500	-	-	-	-	-	-	5,500
Platform Housing Limited	West Midlands	3,750	180,000	-	-	140,000	-	-	323,750
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	-	50,000	548	-	-	-	-	50,548
Rhondda Housing Association	Wales	10,000	-	-	-	-	-	-	10,000

Loans Portfolio as at 31 March 2024

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
Rooftop Housing Association Limited	West Midlands	-	50,000	-	-	-	-	-	50,000
Salvation Army Housing Association	National	3,000	-	-	-	-	-	-	3,000
Sanctuary Housing Association	National	643	-	-	-	-	-	-	643
Sanctuary Scotland Housing Association Limited	Scotland	14,375	-	-	-	-	-	-	14,375
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	152	-	-	-	-	-	-	152
Southern Housing	National	166,375	-	-	-	150,100	-	-	316,475
Sovereign Housing Association Limited	National	22,000	-	-	-	155,000	-	-	177,000
Sovereign Network Homes	London	132,057	-	-	-	75,500	-	-	207,557
Stonewater Limited	National	-	-	-	-	100,000	-	-	100,000
Synergy Housing Limited	South West	-	-	-	-	50,000	-	-	50,000
Taff Housing Association Limited	Wales	5,000	15,000	-	-	-	-	-	20,000
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	63,000	-	-	-	55,000	-	-	118,000
The Swaythling Housing Society Limited	South West	-	-	-	-	66,100	-	-	66,100
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	55,000	-	-	-	-	-	95,000
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	57,750	-	-	-	25,000	-	-	82,750
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 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 East Limited	Scotland	16,500	-	-	-	-	-	-	16,500
Wheatley Homes South Limited	Scotland	40,000	-	-	-	-	-	-	40,000
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	4,000	-	-	-	-	-	-	4,000
Womens Pioneer Housing Limited	London	10,000	-	-	-	-	-	-	10,000
Worthing Homes Limited	South East	10,000	40,000	-	-	-	-	-	50,000
Yorkshire Housing Limited	Yorkshire & the Humber	40,500	-	-	-	90,000	-	-	130,500
Total Fixed Charge Security		**2,626,269**	**1,430,000**	**4,291**	**1,944**	**3,244,100**	**-**	**-**	**7,306,604**

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
A2Dominion Homes Limited	South East	-	-	-	-	-	-	830	830
Bernicia Group	North East	-	-	-	-	-	-	1,233	1,233
Clarion Housing Group	National	-	-	-	-	-	-	931	931
London & Quadrant Housing Trust	London	-	-	-	-	-	-	1,280	1,280
Onward Homes Limited	North West	-	-	-	-	-	-	921	921
Vivid Housing Limited	South East	-	-	-	-	-	-	921	921
Income Cover		**-**	**-**	**-**	**-**	**-**	**-**	**6,116**	**6,116**
T.H.F.C. (Capital) PLC									
Gentoo Group Limited	North East	-	-	-	-	-	199,013	–	199,013
Total		**-**	**-**	**-**	**-**	**-**	**199,013**	**-**	**199,013**
Grand Total		**2,626,269**	**1,430,000**	**4,291**	**1,944**	**3,244,100**	**199,013**	**6,116**	**7,511,733**
Premium 31 March 2024		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**440,707**
Total at 31 March 2024		**2,626,269**	**1,430,000**	**4,291**	**1,944**	**3,244,100**	**199,013**	**6,116**	**7,952,440**

Group Source of Funds

Government Guaranteed Funds, Secured Medium Term Notes, Debenture Stocks, Eurobonds, Bank and Other Loans as at 31 March 2024.

			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	42,545
Conventional Fixed Rate:	10.0938% 2024 (Annuity)		14.07.95	5,000	279
	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 £10m fixed rate loan 2024 - EIB (Annuity)			02.09.99	33,000	1,060
25 year £20m fixed rate loan 2025 - EIB (Annuity)			08.09.00	10,500	748
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	2,750
25 year £9.86m sterling facility repayable 2028 (Annuity)			08.09.03	1,040	347
25 year £15m sterling fixed loan 2029 (Annuity)			16.06.04	10,000	2,674
25 year £15m revolver into term			14.03.05	8,000	2,400
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	90,750
30 year £100m Fixed and Variable rate loan 2040 - EIB (Bullet/Annuity)			04.12.09	172,500	167,938
30 year £100m Fixed and Variable rate loan 2040 - EIB (Bullet/Annuity)			14.01.10	162,500	152,606
£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	398,500
JESSICA £12m 30 year amortising facility - Greater London Authority (Annuity)			28.02.13	12,000	11,400
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
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

		Date	Nominal Amount £000	Outstanding Principal Amount £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	10,100	1,962
	tranche 2	28.12.95	12,653	2,330
T.H.F.C. (Social Housing Finance) Limited Bank Loans				
25 year £40m fixed rate loan 2024 - EIB (Annuity)		02.09.99	16,500	632
25 year £18.9m fixed rate loan 2025 - EIB (Annuity)		08.09.00	14,900	1,312
UK Rents (No.1) Plc Rental Securitisation				
9.10% 2025 (Eurobond)		06.01.95	36,143	6,116
Subordinated Loan				723
T.H.F.C. (Capital) Plc Loans				
Long term loan - 6.38% due 2042		26.03.01	212,802	201,946
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			**7,793,427**	**7,556,103**
Premium at 31 March 2024				**437,674**
Grand Total				**7,993,777**

Auditor's Report

Independent Auditor's Report to 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 2024 which comprise the Group and THFC Statements of Comprehensive Income, the Group and THFC Statements of Financial Position, the Group and THFC Statements of Changes in Equity, the Group and THFC 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 2024 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; and
- 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 Board of 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 Board of 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 the Board of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 23, the Board of 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 Board of 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 Board of 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 Board of 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 comply with requirements of the framework through:

- The Board of 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") Rulebook ("the ISM Rules"), in relation to the listing of secured bonds; and
- The outsourcing of 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;
- Performing a review of any legal correspondence with the company's legal advisors; and
- Obtaining written representations regarding the adequacy of procedures in place.

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, 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 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, 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

30 July 2024

Group Statement of Comprehensive Income

For the year ended 31 March 2024

	Notes	2024 £000	2023 £000
Operating Income			
On loans to housing associations			
Interest receivable		288,598	290,358
Discount amortised	11	2,612	2,492
Premium amortised	11	(16,616)	(16,463)
Income from securitised assets	16	648	960
Indexation on investments	11	1,056	1,266
Premium receivable on prepayment		155	1,360
Other interest		4,868	1,858
Fees receivable and other income		10,388	10,363
		291,709	292,194
Operating Expenses			
On debenture stocks, secured bonds, bank loans and other loans			
Interest payable	5	289,244	291,302
Discount amortised	13	2,653	2,539
Premium amortised	13	(16,605)	(16,525)
Indexation on loans payable	13	1,056	1,267
Premium payable on prepayment		155	1,345
Administration expenses		7,141	6,437
Finance costs		73	59
		283,717	286,424
Surplus before taxation	2	7,992	5,770
Taxation	6	(2,060)	(940)
Surplus for the year		5,932	4,830
Other comprehensive income for the year			
Actuarial (loss) on defined benefit pension plan in the year	22	(230)	(267)
Deferred tax associated with actuarial (loss) on pension liability	15	58	51
Total comprehensive income for the year		5,760	4,614

Group Statement of Financial Position

At 31 March 2024

	Notes	2024 £000	2023 £000
Assets			
Non-current assets			
Loans	11	7,901,845	7,910,053
Intangible assets	7	123	106
Property, plant and equipment	8	802	890
Deferred tax asset	15	294	307
Current assets			
Loans	11	50,595	219,751
Trade and other receivables	12	39,704	43,794
Short-term deposits	21	88,491	131,201
Cash and cash equivalents	21	65,512	53,724
Total assets		8,147,366	8,359,826
Liabilities			
Non-current liabilities			
Financial liabilities – borrowings	13	7,940,300	7,991,696
Deferred tax liabilities	15	-	16
Defined benefit pension liability	22	1,206	1,183
Lease liability	9	698	752
Current liabilities			
Financial liabilities – borrowings	13	53,477	221,751
Trade and other payables	14	87,824	86,812
Lease liability	9	98	109
Current tax liabilities		1,082	586
Total liabilities		8,084,685	8,302,905
Equity			
Called up share capital	17	-	-
Retained earnings	18	62,681	56,921
Total equity		62,681	56,921
Total equity and liabilities		8,147,366	8,359,826

The financial statements on pages 37 to 68 were approved by the Board of directors on 30 July 2024 and signed on its behalf by:

George Blunden
Chair

Priyanka Nair
Chief Executive

Julie Coetzee
Finance Director

Group Statement of Changes in Equity

For the year ended 31 March 2024

	Called up share capital £	Retained earnings £000	Total equity £000
Balance as at 1 April 2022	**9**	**52,307**	**52,307**
Surplus for the year	-	4,830	4,830
Shares issued in the year	1	-	-
Other comprehensive income	-	(216)	(216)
Balance as at 31 March 2023	**10**	**56,921**	**56,921**
Surplus for the year	-	5,932	5,932
Shares cancelled in the year	(2)	-	-
Other comprehensive income	-	(172)	(172)
Balance as at 31 March 2024	**8**	**62,681**	**62,681**

Group Statement of Cash Flows

For the year ended 31 March 2024

	Notes	2024 £000	2023 £000
Net Cash flow from operating activities			
Cash generated from operations as per reconciliation of surplus to net cash flow from operations	19	9,260	5,967
Adjustments for:			
Interest received on loans to housing associations		292,850	288,872
Interest paid on debenture stocks, secured bonds, bank loans and other loans		(288,916)	(293,686)
Premium received on prepayment		155	1,360
Premium paid on prepayment		(155)	(1,345)
Loans to housing associations		(43,291)	(254,145)
Repayment of loans by housing associations		207,707	332,114
New borrowings		-	147,957
Premium (paid)/received on deferred loans		(1)	4,098
Repayment of amounts borrowed		(206,774)	(330,764)
Tax paid		(1,508)	(1,356)
Net cash used in operating activities		(30,673)	(100,928)
Cash flows from investing activities			
Movement on short-term deposits		42,709	86,443
Purchase of property, plant and equipment	8	(20)	(31)
Purchase of intangible assets	7	(66)	(14)
Net cash generated from investing activities		42,623	86,398
Cash flows from financing activities			
Principal element of lease payments	20	(162)	(193)
Net cash used in financing activities		(162)	(193)
Net increase/(decrease) in cash and cash equivalents		11,788	(14,723)
Cash and cash equivalents at beginning of year		53,724	68,447
Cash and cash equivalents at end of year		65,512	53,724

THFC Statement of Comprehensive Income

For the year ended 31 March 2024

	Notes	2024 £000	2023 £000
Operating income			
On loans to housing associations			
Interest receivable		141,062	140,504
Discount amortised	11	2,578	2,474
Premium amortised	11	(6,841)	(6,977)
Premium receivable on prepayment		-	1,045
Other interest		2,870	948
Fees receivable and other income		3,281	3,350
Final distribution of reserves from subsidiary		-	-
		142,950	141,344
Operating expenses			
On debenture stocks, bank loans and other loans			
Interest payable	5	141,061	140,489
Discount amortised	13	2,578	2,474
Premium amortised	13	(6,841)	(6,977)
Premium payable on prepayment		-	1,030
Administration expenses		5,652	3,828
		142,450	140,844
Surplus before taxation	2	500	500
Taxation	6	(143)	52
Surplus for the year		357	552
Other comprehensive income		-	-
Total comprehensive income for the year		357	552

THFC Statement of Financial Position

At 31 March 2024

	Notes	2024 £000	2023 £000
Assets			
Non-current assets			
Loans	11	2,761,341	2,784,607
Current assets			
Loans	11	23,067	193,833
Trade and other receivables	12	15,964	20,215
Current tax asset		-	**54**
Short-term deposits	21	26,000	27,154
Cash and cash equivalents		32,498	33,952
Total assets		2,858,870	3,059,815
Liabilities			
Non-current liabilities			
Financial liabilities – borrowings	13	2,762,053	2,785,320
Current liabilities			
Financial liabilities – borrowings	13	23,067	195,833
Trade and other payables	14	42,981	48,283
Current tax liabilities		33	-
Total liabilities		2,828,134	3,029,436
Equity			
Called up share capital	17	-	-
Retained earnings	18	30,736	30,379
Total equity		30,736	30,379
Total equity and liabilities		2,858,870	3,059,815

The financial statements on pages 37 to 68 were approved by the Board of directors on 30 July 2024 and signed on its behalf by:

George Blunden
Chair

Priya Nair
Chief Executive

Julie Coetzee
Finance Director

THFC Statement of Changes in Equity

For the year ended 31 March 2024

	Called up share capital £	Retained earnings £000	Total equity £000
Balance as at 1 April 2022	9	29,827	29,827
Surplus for the year	-	552	552
Shares issued in the year	1	-	-
Balance as at 31 March 2023	**10**	**30,379**	**30,379**
Surplus for the year	-	357	357
Shares cancelled in the year	(2)	-	-
Balance as at 31 March 2024	**8**	**30,736**	**30,736**

THFC Statement of Cash Flows

For the year ended 31 March 2024

	Notes	2024 £000	2023 £000
Net Cash flow from operating activities			
Cash (used in)/generated from operations as per reconciliation of surplus to net cash flow from operations	19	(1,003)	1,696
Adjustments for:			
Interest received on loans to housing associations		145,911	140,054
Interest paid on debenture stocks, bank loans and other loans		(145,459)	(139,474)
Premium received on prepayment		-	1,045
Premium paid on prepayment		-	(1,030)
Loans to housing associations		-	(27,088)
Repayment of loans by housing associations		189,769	27,392
New borrowings		-	27,088
Repayment of amounts borrowed		(191,770)	(26,042)
Tax paid		(56)	(94)
Net cash (used in)/generated from operating activities		(2,608)	3,547
Cash flows from investing activities			
Movement on short-term deposits		1,154	(7,755)
Net cash generated from/(used in) investing activities		1,154	(7,755)
Cash flows from financing activities			
Loan repaid to subsidiary		-	(3,000)
Net cash used in financing activities		-	(3,000)
Net decrease in cash and cash equivalents		(1,454)	(7,208)
Cash and cash equivalents at beginning of year		33,952	41,160
Cash and cash equivalents at end of year		32,498	33,952

Notes to the Financial Statements

Year ended 31 March 2024

1. Accounting policies

a) Significant accounting policies

The accounting policies applied in the preparation of the financial statements of The Housing Finance 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"), Housing Finance Trustee Limited ("HFT"), 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, HFT and UKRH, and UKRH owns all of the shares of both UKRT and UKR1 so THFCS, THFCC, AHF, bLEND, HFT, 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 related 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 2023 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 2024

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 2024, a liability of £1,206,000 for pensions (2023: £1,183,000) is recorded in the statement of financial position.

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.

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).

Year ended 31 March 2024

1. Accounting policies continued

Loans receivable

Loans represent 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.

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 pension 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 pension 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.

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.*

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.

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.

Year ended 31 March 2024

1. Accounting policies continued

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 period in within which the performance obligation is 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) Standards and interpretations effective for the Group in these financial statements

The following new and amended Standards and Interpretations are effective for periods beginning on or after 1 January 2024, but were adopted early by the Group in the prior year:

- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates
- IAS 1 Presentation of Financial Statements: Disclosure initiative - accounting policies

In addition, the company adopted Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of `material', rather than `significant' accounting policies. The amendments did not result in any changes to the accounting policies themselves or the accounting policy information disclosed in this note. The adoption of these amendments has not had a material impact on the reported results or financial position of the company and has not given rise to any additional disclosure requirements.

c) Standards and interpretations effective for the company in future periods

i. Effective for periods beginning on or after 1 January 2024

- IAS 1 Presentation of Financial Statements: Classification of Liabilities
- IAS 7/IFRS 7 Supplier Finance Arrangements
- IFRS 16 Lease Liability in a Sale and Leaseback

i. Effective for periods beginning on or after 1 January 2025

- IAS 21 Lack of Exchangeability

These changes to standards effective on or after 1 January 2024 or 1 January 2025 are not expected to have a material effect on the financial statements.

2. Surplus before taxation

Surplus before taxation is stated after charging:

	Group 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £000
Amortisation of intangible fixed assets	49	-	61	-
Depreciation of property, plant and equipment	179	-	256	-
Fees paid to the auditor for:				
auditing of the financial statements	108	108	108	108
auditing of the financial statements of subsidiaries	122	-	148	-
other advisory services	50	-	33	-

3. Staff numbers and cost

	Group 2024	Group 2023
Average number of persons (including directors) during the year (monthly average):		
Non-executive directors	9	10
Executive directors	4	3
Management and administrative staff	23	23
	36	36

The aggregate costs amounted to:

	£000	£000
Non-executive directors' fees	366	386
Wages & salaries	2,843	2,649
Bonuses	378	362
Termination benefits	-	32
Social security costs	459	435
Employee benefits	71	59
Other pension costs	183	129
	4,300	4,052

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 2024 £000	Group 2023 £000
Non-executive directors:		
Fees	366	386
Executive directors:		
Salaries	923	771
Termination benefits	-	11
Bonuses	139	104
Benefits	25	21
Aggregate emoluments	1,453	1,293
Pension contributions	31	4
Total	1,484	1,297
Highest paid executive director:		
Salary	430	398
Bonus	64	59
Benefits	12	9
Aggregate emoluments	506	466
Pension contributions	-	-

Year ended 31 March 2024

4. Directors' remuneration continued

The fees of the Chair were £57,408 (2023: £53,656). Each other non-executive director (or their employer) received fees at the rate of £18,948 per annum from the Company (2023: £17,876) and £18,948 per annum from AHF (2023: £17,876).

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

During the year fees of £94,749 (2023: £84,362) in respect of three non-executive directors (2023: three non-executive directors) were paid to those directors' employers. No pension contributions were made by the Group in respect of non-executive directors (2023: £Nil).

On 1 April 2024 non-executive directors' fees were increased by 4.0%.

A total amount of £258,984 was paid by the Group in the year (2023: £243,901) 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
2023/24	**Option A**	**9.9 :1**	**6.6 :1**	**3.1 :1**
2022/23	Option A	13.2 :1	7.6 :1	3.4 :1

The total remuneration and salary values for the 25th, median and 75th percentile employees for 2023/24 are:

Year	25th percentile	Median	75th percentile
Total remuneration	£50,002	£75,063	£158,979
Salary	£42,081	£61,579	£127,668

Notes:

i. The calculation is based on Option A as set out in The Companies (Miscellaneous Reporting) Regulations 2018 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 2024. For each employee, remuneration was calculated based on all components of pay including base pay, performance pay paid in 2023/24, 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 2023/24 and confirms that the ratios reasonably represent the Society's approach to pay and reward for employees taken as a whole.

5. Interest payable

	Group 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £000
On debenture stocks, secured bonds, secured notes, bank borrowings and other borrowings which are:				
Repayable wholly in more than five years	236,479	87,965	249,188	88,030
Repayable within five years	54,640	53,096	47,399	52,459
Accelerated premium on deferred loans in year	(1,875)	-	(5,285)	-
	289,244	141,061	291,302	140,489

6. Taxation

	Group 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £000
UK Corporation Tax in respect of current year	2,006	143	1,064	95
Deferred taxation in respect of current year (see note 15)	54	-	(124)	(147)
Total Tax expense/(credit) for the year	2,060	143	940	(52)
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	7,992	500	5,770	500
Profit before tax multiplied by the standard rates of corporation tax in the UK (2023: 19%)	1,998	125	1,096	95
Timing difference between accounting and taxation treatment of expenditure	3	-	(155)	(147)
Permanently dis-allowed items and other timing differences	59	18	(1)	-
	2,060	143	940	(52)
Effective tax rate	25.78%	28.60%	16.29%	(10.40) %

7. Intangible assets – Group only

	2024 £000	2023 £000
Implementation costs of software		
Cost		
At beginning of year	319	305
Additions	66	14
At end of year	385	319
Accumulated amortisation		
At beginning of year	213	152
Charge for the year	49	61
At end of year	262	213
Net book value at end of year	123	106
Net book value at beginning of year	106	153

8. Property, plant and equipment – Group only

	Fixtures, fittings and equipment £000	Leasehold improvements £000	Right-of-use Asset £000	Total £000
Cost				
At 31 March 2023	208	310	1,383	1,901
Additions	20	-	76	96
Disposal of assets	(8)	-		(8)
At 31 March 2024	220	310	1,459	1,989
Accumulated depreciation				
At 31 March 2023	158	288	565	1,011
Charge for the year	21	13	145	179
Disposal of assets	(3)	-	-	(3)
At 31 March 2024	176	301	710	1,187
Net book value at 31 March 2024	**44**	**9**	**749**	**802**
Net book value at 1 April 2023	50	22	818	890

Year ended 31 March 2024

9. Leases – Group only

Leases	2024 £000	2023 £000
Right-of-use assets		
Property	749	818
Total right-of-use assets	749	818
Lease liabilities		
Current	98	109
Non-current	698	752
Total lease liabilities	796	861

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. 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 2024. 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%.

10. Investments

Investments in subsidiaries	£
At 1 April 2023 and 31 March 2024	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	Trustee	100% of ordinary shares
Housing Finance Trustee Limited*	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 Trustee 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. (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.

11. Loans receivable

	Group 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £000
Loans to housing associations				
At beginning of year	8,120,092	2,978,440	8,207,517	2,983,247
Premium on new issues	791	-	20,895	6,338
Loans repaid during the year	(204,111)	(189,769)	(328,865)	(27,392)
Loans advanced during the year	42,500	-	233,250	20,750
	7,959,272	2,788,671	8,132,797	2,982,943
Discount amortised for the year	2,612	2,578	2,492	2,474
Premium amortised for the year	(16,616)	(6,841)	(16,463)	(6,977)
Indexation for the year	1,056	-	1,266	-
At end of year	7,946,324	2,784,408	8,120,092	2,978,440
Securitised assets				
At beginning of year (Note 16)	9,712	-	12,961	-
Loans repaid during the year	(3,596)	-	(3,249)	-
At end of year	6,116	-	9,712	-
Total loans and receivables	7,952,440	2,784,408	8,129,804	2,978,440
Due within one year	50,595	23,067	219,751	193,833
Due after more than one year	7,901,845	2,761,341	7,910,053	2,784,607
Total	7,952,440	2,784,408	8,129,804	2,978,440

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.

Year ended 31 March 2024

12. Trade and other receivables

	Group 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £000
Due within one year:				
Accrued interest income	34,049	13,880	38,301	18,729
Other receivables	5,655	1,869	5,493	1,485
Amounts due from subsidiary undertakings	-	215	-	1
	39,704	15,964	43,794	20,215

13. Financial liabilities – borrowings

	Group 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £000
Guaranteed secured bonds				
At beginning of year	1,886,698	-	1,892,207	-
Premium amortised	(5,651)	-	(5,509)	-
At end of year	1,881,047	-	1,886,698	-

	Group 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £000
Guaranteed secured bank loans				
At beginning and end of year	1,500,000	-	1,500,000	-

	Group 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £000
Eurobonds				
At beginning of year	9,712	-	12,961	-
Repaid during the year	(3,596)	-	(3,249)	-
At end of year	6,116	-	9,712	-

	Group 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £000
Secured medium term note programme				
At beginning of year	1,616,561	-	1,499,632	-
Issued during the year	-	-	125,000	-
Net premium/discount on issue	-	-	(4,131)	-
Discount amortised	73	-	65	-
Premium amortised	(4,094)	-	(4,005)	-
At end of year	1,612,540	-	1,616,561	-

	Group 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £000
Debenture stocks				
At beginning of year	477,435	262,952	497,521	271,732
Repaid during the year	(185,204)	(175,969)	(22,480)	(9,941)
Discount amortised	2,136	2,134	2,055	2,055
Premium amortised	(657)	(638)	(928)	(894)
Indexation	1,056	-	1,267	-
At end of year	294,766	88,479	477,435	262,952

	Group 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £000
Bank borrowings				
At beginning of year	957,040	952,923	1,262,075	969,024
Repaid during the year	(17,974)	(15,801)	(305,035)	(16,101)
At end of year	939,066	937,122	957,040	952,923

	Group 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £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	1,765,278	1,765,278	1,743,854	1,743,854
Loans during the year	-	-	20,750	20,750
Premium on issue	-	-	6,338	6,338
Premium amortised	(6,203)	(6,203)	(6,083)	(6,083)
Discount amortised	444	444	419	419
At end of year	1,759,519	1,759,519	1,765,278	1,765,278
Subordinated loans (note 16)	723	-	723	-
Total borrowings	7,993,777	2,785,120	8,213,447	2,981,153

	Group 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £000
Amounts falling due within one year	53,477	23,067	221,751	195,833
Amounts falling due after one year	7,940,300	2,762,053	7,991,696	2,785,320
Total	7,993,777	2,785,120	8,213,447	2,981,153

Amounts falling due after one year are repayable as follows:

	Group 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £000
Between one and two years	112,381	77,242	51,195	23,067
Between two and five years	478,919	261,763	456,034	296,893
In five years or more	7,349,000	2,423,048	7,484,467	2,465,360
	7,940,300	2,762,053	7,991,696	2,785,320

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 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £000
Due within one year:				
Accrued interest payable	77,963	41,775	75,760	46,173
Premium interest provision on deferred loans	111	-	1,987	-
Other taxation and social security	151	-	137	-
Other payables	9,599	516	8,928	464
Amounts due to subsidiary undertakings	-	690	-	1,646
	87,824	42,981	86,812	48,283

Year ended 31 March 2024

15. Deferred tax

	Group 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £000
At beginning of year	291	-	116	(147)
Charged to the statement of profit or loss	(55)	-	124	147
Charged to other comprehensive income	58	-	51	-
	294	-	291	-

	Group 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £000
The (asset)/liability for deferred taxation at the end of the year is as follows:				
Difference between accounting and taxation treatment of discounts				
Retirement benefit obligation OCI	301	-	307	-
Retirement benefit obligation	6	-	-	-
Accelerated capital allowances	(13)	-	(16)	-
	294	-	291	-

As part of the Finance Act 2023, which was substantively enacted on 31 March 2023, the UK corporation main rate of tax is 25% as from 1 April 2023. UK corporation tax rates in THFC's subsidiaries may be less than this main rate of tax if they are considered small or eligible for marginal relief. This change has therefore been reflected in the calculations for the year ended 31 March 2024.

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 2024 was £723,000 (2023: £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 £640,000 (2023: £960,000) 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

	2024 £	2023 £
At beginning of year	10	9
Issued in year	-	1
Cancelled in year	(2)	-
At end of year	8	10

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 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £000
Opening reserves	56,921	30,379	52,307	29,827
Surplus for the year	5,932	357	4,830	552
Other comprehensive income	(172)	-	(216)	-
Closing reserves	62,681	30,736	56,921	30,379

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 2024 were £0.54m (2023: £0.54m).

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 2024 were £8.4m (2023: £7.7m).

19. Reconciliation of surplus to net cash flow from operations

	Group 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £000
Surplus before taxation	7,992	500	5,770	500
Interest receivable	(274,749)	(136,799)	(277,747)	(137,046)
Interest payable	275,447	136,798	278,661	137,016
Adjustments for:				
Depreciation and amortisation	228	-	317	-
Loss on disposal of fixed assets	5	-	-	-
Finance costs	73	-	59	-
Net employer contribution after administration costs	(259)	-	(244)	-
(Increase) in other receivables	(162)	(597)	(1,328)	(246)
Increase/(decrease) in other payables	685	(905)	479	1,472
Net cash inflow/(outflow) from operating activities	9,260	(1,003)	5,967	1,696

Year ended 31 March 2024

20. Reconciliation of liabilities arising from financing activities

	1-Apr-2023 £000	Cashflows £000	Other non-cash charges £000	31-Mar-2024 £000
Lease liabilities due within 1 year	109	(162)	162	109
Lease liabilities due in more than 1 year	752	-	(65)	687
	861	(162)	97	796

	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

In 2023-24 and 2022-23, 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 (2023: None).

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 2024 £000	Fair value 2024 £000	Book value 2023 £000	Fair value 2023 £000
Assets				
Loans receivable	7,952,440	7,172,877	8,129,804	6,488,978
Trade and other receivables	39,704	39,704	43,794	43,794
Short-term cash deposits	88,491	88,491	131,201	131,201
Cash and cash equivalents	65,512	65,512	53,724	53,724
	8,146,147	7,366,584	8,358,523	6,717,697
Liabilities				
Financial liabilities - borrowings	7,993,777	7,159,670	8,213,447	6,499,315
Trade and other payables	87,824	87,824	86,812	86,812
Lease liability	796	796	861	861
	8,082,397	7,248,290	8,301,120	6,586,988

THFC

	Book value 2024 £000	Fair value 2024 £000	Book value 2023 £000	Fair value 2023 £000
Assets				
Loans receivable	2,784,408	2,649,204	2,978,440	1,836,257
Trade and other receivables	15,964	15,964	20,215	20,215
Short-term cash deposits	26,000	26,000	27,154	27,154
Cash and cash equivalents	32,498	32,498	33,952	33,952
	2,858,870	2,723,666	3,059,761	1,917,578
Liabilities				
Financial liabilities - borrowings	2,785,120	2,621,309	2,981,153	1,792,726
Trade and other payables	42,981	42,981	48,283	48,283
	2,828,101	2,664,290	3,029,436	1,841,009

Risk management

The Group's operations and significant debt financing expose it to a variety of potential financial risks including interest rate, 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 2024, each 0.5% increase or decrease in interest rates gives rise to a £396,703 (2023: £300,167) increase or decrease in income for the Group and £260,652 (2023: £192,642) increase or decrease for the Company.

The effective interest rates during the year for the Group and the Company were between 1.046% and 10.09%.
The weighted average interest rate on both fixed financial liabilities and fixed financial assets of the group is 3.8% and the weighted average period for which interest rates are fixed is 17.52 years. The corresponding figures for the Company are 5.358% 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.

Year ended 31 March 2024

21. Financial instruments – Fair value and risk management continued

Interest rate risk profile of loans and borrowings

	Group 2024 Financial Assets £000	THFC 2024 Financial Assets £000	Group 2023 Financial Assets £000	THFC 2023 Financial Assets £000
Fixed rate	7,620,344	2,552,411	7,781,473	2,730,209
Floating rate	332,096	231,997	348,331	248,231
	7,952,440	2,784,408	8,129,804	2,978,440

	Group 2024 Financial Liabilities £000	THFC 2024 Financial Liabilities £000	Group 2023 Financial Liabilities £000	THFC 2023 Financial Liabilities £000
Fixed rate	7,660,958	2,553,123	7,864,393	2,732,922
Floating rate	332,096	231,997	348,331	248,231
No interest payable	723	-	723	-
	7,993,777	2,785,120	8,213,447	2,981,153

(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.

No amounts are past due or otherwise impaired in either the Group or the Company at 31 March 2024 (2023: None). The maturity profile of financial assets is given below.

The maturity profile of financial assets	Group 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £000
Loans to housing associations	7,946,324	2,784,408	8,120,092	2,978,440
Securitised assets	6,116	-	9,712	-
	7,952,440	2,784,408	8,129,804	2,978,440
Due within one year	50,595	23,067	219,751	193,833
Due between one and two years	112,381	77,242	51,195	23,067
Due between two and five years	478,919	261,763	456,034	296,893
Due in over five years	7,310,545	2,422,336	7,402,824	2,464,647
	7,952,440	2,784,408	8,129,804	2,978,440

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 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. In 2023 the Group formed "Housing Finance Trustee Ltd" as a "captive" security trust enabling borrowers to secure their loans via the security trust which then allocates security to the Group lending entity.

(c) 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 or a commitment to source matching funding at terms agreed by the borrower. 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's £22.3m which was repaid in April 2023 (2023: 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 2024 £000	THFC 2024 £000	Group 2023 £000	THFC 2023 £000
Within one year	5,000	5,000	5,000	5,000
Between one and two years	-	-	-	-
Over two years	41,750	41,750	41,750	41,750
	46,750	46,750	46,750	46,750

Facilities will only be drawn down when corresponding drawdowns are requested by a borrower under a similarly matching committed loan agreement 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 2024 (2023: None).

Year ended 31 March 2024

21. Financial instruments – Fair value and risk management continued

Contractual cash flows

The table below summarises the cash flows payable by the Group from 31 March 2024 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 2024 remain unchanged until the contract maturity. Similarly, on indexed liabilities it has been assumed that the liability is fixed from 31 March 2024.

GROUP

As at 31 March 2024	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	280,240	276,042	794,002	3,417,864	4,768,148
Contractual principal cash flows	39,586	98,408	432,048	6,993,747	7,563,789
Trade and other payables	87,824	-	-	-	87,824
Lease liability principal cash flows	117	200	533	-	850
Total contractual cash flows	407,767	374,650	1,226,583	10,411,611	12,420,611

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
Trade and other payables	86,812	–	–	–	86,812
Lease liability principal cash flows	129	96	579	129	933
Total contractual cash flows	587,699	313,408	1,213,022	10,759,897	12,874,026

THFC

As at 31 March 2024	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	131,131	128,056	357,683	1,261,460	1,878,330
Contractual principal cash flows	19,062	73,389	246,102	2,296,837	2,635,390
Trade and other payables	42,981	-	-	-	42,981
Total contractual cash flows	193,174	201,445	603,785	3,558,297	4,556,701

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
Trade and other payables	48,283	-	-	-	48,283
Total contractual cash flows	383,839	147,182	647,525	3,691,554	4,870,100

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 2024, the Group has undrawn loan commitments of £260m (2023: £187.5m) which are not recognised in the statement of financial position and can be contractually drawn down within 1 year.

(d) Pension risk

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

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 £179,141 (2023: £125,665) 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 31 March 2028. In line with the recovery plan, the Company expects to make a contribution of £274,420 (2024: £260,114) 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 2024. 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 mid-2025 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.

	2024 £000	2023 £000
Pension obligations recognised as Defined Benefit schemes	1,206	1,183

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

Reconciliation of opening and closing balances of the defined benefit obligation

	2024 £000	2023 £000
Fair value of plan assets	5,074	5,124
Present value of defined benefit obligation	(6,280)	(6,307)
Deficit in plan	(1,206)	(1,183)

Year ended 31 March 2024

22. Pensions continued

Reconciliation of opening and closing balances of the defined benefit obligation

	2024 £000	2023 £000
Defined benefit obligation at start of period	6,307	8,440
Expenses	4	4
Interest expense	304	235
Actuarial (gains)/losses due to scheme experience	(98)	284
Actuarial (gains) due to changes in demographic assumptions	(62)	(13)
Actuarial (gains) due to changes in finance assumptions	(8)	(2,600)
Benefits paid and expenses	(167)	(43)
Defined benefit obligation at end of period	6,280	6,307

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

	2024 £000	2023 £000
Fair value of plan assets at start of period	5,124	7,308
Interest income	252	207
Experience on plan assets (excluding amounts included in interest income) – (loss)	(398)	(2,596)
Contributions by the employer	263	248
Benefits paid and expenses	(167)	(43)
Fair value of plan assets at end of period	5,074	5,124

The actual return on the plan assets (including any changes in share of assets) in the year ended 31 March 2024 was a loss of £146,000 (2023: £2,389,000 loss).

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

	2024 £000	2023 £000
Expenses	4	4
Net interest expense	52	28
Defined benefit costs recognised in statement of comprehensive income (SoCI)	56	32

Defined benefit costs recognised in other comprehensive income

	2024 £000	2023 £000
Experience on plan assets (excluding amounts included in net interest cost) – (loss)	(398)	(2,596)
Experience gains/(losses) arising on the plan liabilities – gain/(loss)	98	(284)
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation – gain	62	13
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain	8	2,600
Total actuarial loss recognised in other comprehensive income	(230)	(267)

Assets

	2024 £000	2023 £000
Global equity	506	96
Absolute return	198	55
Distressed opportunities	179	155
Credit relative value	166	193
Alternative risk premia	161	10
Cash	100	37
Currency hedging	(2)	10
Emerging markets debt	66	28
Risk sharing	297	377
Insurance-linked securities	26	129
Property	204	221
Infrastructure	512	585
Private equity	4	-
Private debt	200	228
Opportunistic illiquid credit	198	219
High yield	1	18
Long lease property	33	155
Secured income	151	235
Liability driven investment	2,065	2,360
Net Current Assets	9	13
	5,074	5,124

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

	2024 % per annum	2023 % per annum
Discount rate	4.89	4.87
Inflation (RPI)	3.17	3.19
Inflation (CPI)	2.77	2.75
Salary growth	3.77	3.75
Allowance for commutation of pension for cash at retirement (% of maximum allowance)	75%	75%

The mortality assumptions adopted at 31 March 2024 imply the following life expectancies:

	Life expectancy at age 65 Years
Male retiring in 2024	20.5
Female retiring in 2024	23.0
Male retiring in 2043	21.8
Female retiring in 2043	24.4

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%	(76)	0.1%	78
RPI	0.1%	12	0.1%	(12)
CPI	0.1%	51	0.1%	(46)
Salary	0.1%	3	0.1%	(2)
Age of member	1 year	124	1 year	(121)

Year ended 31 March 2024

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 2024 was £5,482,546 (2023: £3,722,524).

The amount due to THFCS at 31 March 2024 was £671,634 (2023: £452,446).

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 £181,632 (2023: £164,580) for providing these services and had amounts owing from these companies at 31 March 2024 of £8,669 (2023: £7,963). 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:

	2024 £	2023 £
T.H.F.C. (Funding No.1) Plc	£11,161,299	£11,130,731
T.H.F.C. (Funding No.2) Plc	£23,678,010	£23,484,457
T.H.F.C. (Funding No.3) Plc	£52,846,996	£52,661,151

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 2024 amounted to £67.1m (2023: £134.2m) for sinking fund balances and £239.6m (2023: £228.7m) for reserve funds balances.

25. Events after the reporting date

On 26 April 2024 £40m deferred loan nominals were drawn down by borrowers and a £30m new loan was drawn down by Abri Group.

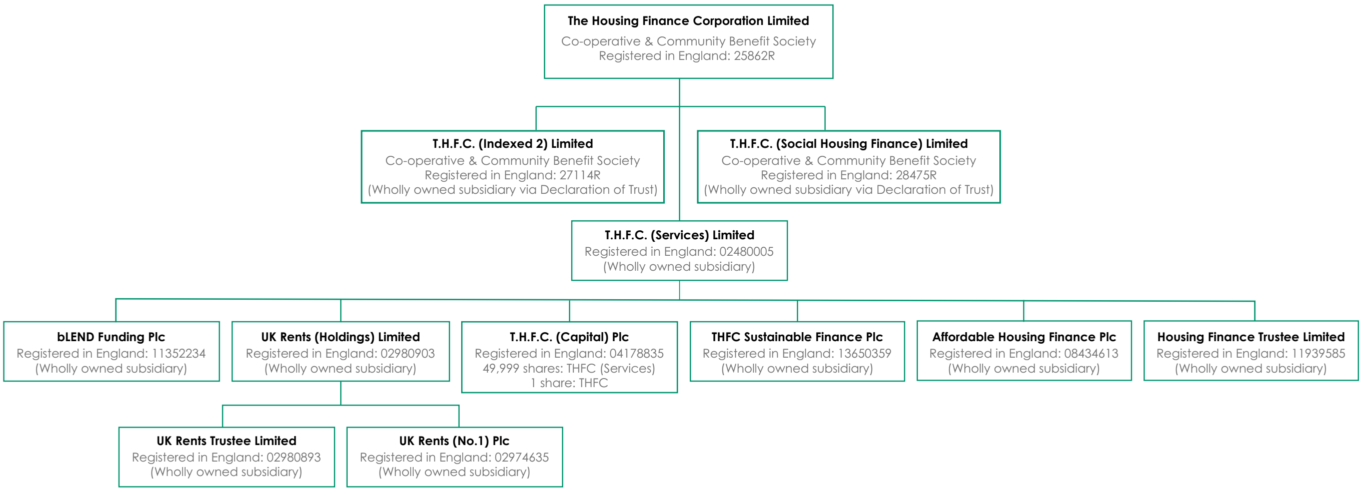
Five Year Financial Record

Excluding loan interest and similar items

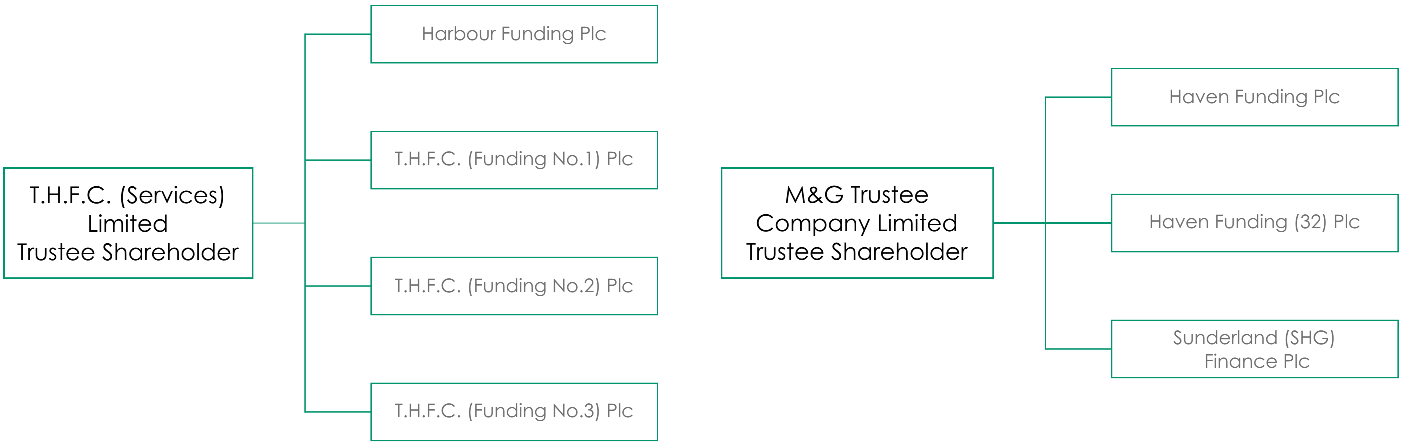
Year to 31 March	2020 £000	2021 £000	2022 £000	2023 £000	2024 £000
Fees	7,894	12,027	11,897	10,127	10,042
Investment income	456	153	81	1,858	4,868
Other income	205	224	501	236	346
Interest margin	10	23	7	45	(50)
Total revenues (after interest expense off-set)	8,565	12,427	12,486	12,266	15,206
Staff costs	2,874	2,993	3,303	3,666	3,934
Non-executive directors costs	300	341	295	386	366
Legal/trustees and registrars	322	345	391	222	725
Premises	434	333	338	312	366
Other	1,248	1,217	1,649	1,910	1,823
Total operating expenses	5,178	5,229	5,976	6,496	7,214
Surplus before tax	3,387	7,198	6,510	5,770	7,992
Other comprehensive income	909	(216)	385	(216)	(172)
Tax	(692)	(1,096)	(1,170)	(940)	(2,060)
Total comprehensive income after tax	3,604	5,886	5,725	4,614	5,760
Accumulated reserves	41,703	46,582	52,307	56,921	62,581
	£m	**£m**	**£m**	**£m**	**£m**
Loans outstanding	**7,456**	**7,874**	**8,220**	**8,130**	**7,952**
	%	%	%	%	%
Ratio of operating expenses to loan book	0.07	0.07	0.07	0.08	0.09

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

THFC Group Structure



THFC Related Companies managed by T.H.F.C. (Services) Limited



	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

The information on this page does not form part of the Company's or Group's financial statements. T.H.F.C. (Services) Limited provides management services to all the above companies.

Est. 1987

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