AFFORDABLE HOUSING FINANCE PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

COMPANIES HOUSE NUMBER: 08434613

AFFORDABLE HOUSING FINANCE PLC

Annual Report and Financial Statements for the year ended 31 March 2024

Contents

Secretary

J. Coetzee
E. Hoareau (resigned 13 October 2023)
K. Shallcross (appointed 13 October 2023)

Company Number

08434613

Registered Office

3rd Floor
17 St. Swithin’s Lane
London
EC4N 8AL

Independent Auditor

CLA Evelyn Partners Limited
Chartered Accountants and Statutory Auditor
45 Gresham Street
London
EC2V 7BG

Chair's 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 CPI inflation to fall towards the Bank of England MPC's desired range. In order to tackle the continuing UK inflationary spike, Base 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%. Affordable Housing Finance PLC (the "Company" or "AHF") continued to function well through this period.

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 borrowers under the scheme and there was continual engagement with Homes England throughout the year on many aspects of the portfolio, including watch-list borrower.

Results for the Year

Having completed all origination under the guaranteed scheme, the Company continues to efficiently manage its £3.2bn loan portfolio under the terms of its licence with the Secretary of State for Levelling Up, Housing and Communities and expects to continue to do so through to maturity of the loans made. AHF's portfolio of borrower groups as at 31 March 2024 stood at 59 (2023: 59).

The Company accrues a profit based on the element of annual fee income which it retains under the terms of the Management Services Agreement ("MSA") with T.H.F.C. (Services) Limited (the "Immediate Parent Company") in addition to investment income on its own reserves. On this basis the Company achieved a profit after tax for the year of £660,000 (2023: £463,000). This income stream will continue to grow in line with inflation throughout the life of the loans.

The Company's issued debt continues to be rated AA by Standard & Poor's ("S&P") reflecting the unconditional and irrevocable guarantee from the United Kingdom ("U.K") Government.

Stakeholder engagement

We were able to maintain engagement with a wide variety of stakeholders in the year. Regular dialogue continued with all borrowers and the Board conducted a wide range of different stakeholder briefings. We also held the latest of our annual series of non-deal specific roadshows, in hybrid format. Apart from perceived major risk factors – such as housing market sales risk, fire remediation, cost of living and inflationary impact – continued themes for many investors throughout the year were the potentially major task of retrofitting existing stock to achieve decarbonisation objectives, Environmental, Social and Governance ("ESG") reporting and risks posed by damp and mould.

We continue to be an important partner to Homes England ("HE") in relation to the performance of the Company's portfolio, which is guaranteed by the Secretary of State for Levelling Up, Housing and Communities, and we meet with them regularly to share information, and to deal with borrower merger and amendment requests.

Staff and Governance

We continue to operate a hybrid office and home working arrangement. We remain conscious of the need to attract and retain a high calibre team and therefore continue to monitor our current arrangements to ensure they remain the most appropriate operational model going forward.

There have been a number of changes amongst Directors this year. Peter Impey, Gill Payne and Will Perry completed their 9 year terms of office in July 2023. Will Perry was replaced as the Regulator of Social Housing's ("RSH") Nominated Director on The Housing Finance Corporation Limited ("THFC") Board by Fiona MacGregor, the serving Chief Executive of the RSH. Fiona was consequently appointed to the Company's Board on 28 July 2023.

Fenella Edge retired as Group Treasurer and a Director on the Board in July 2023 after a career of 20 years at THFC. Arun Poobalasingam, Funding and Marketing Director, and David Stokes, Credit & Risk Director, were appointed to the Board as Executive Directors on 28 July 2023.

On 1 April 2024 the Group's long standing Chief Executive, Piers Williamson, retired from the Board after more than two decades at the helm of THFC. We owe Piers our sincere gratitude for transforming the THFC Group into the success that it is today. Piers was succeeded by Priya Nair, who was appointed to the Board on 1 April 2024. Priya joins THFC with a wealth of experience in financial services, infrastructure and housing.

George Blunden
Chair

30 July 2024

The Directors present their Strategic Report, Directors' Report and audited financial statements of Affordable Housing Finance Plc (the "Company" or "AHF") for the year ended 31 March 2024.

STRATEGIC REPORT

The Strategic Report has been prepared in compliance with the provisions of Section 414C of the Companies Act 2006 and covers matters relating to the Company's future developments and a summary of how the Directors have acted in good faith to promote the success of the Company for the benefit of its stakeholders. The Company is a wholly owned subsidiary of T.H.F.C. (Services) Limited ("THFCS"), (the "Immediate Parent Company") and the Ultimate Parent Company is The Housing Finance Corporation Limited ("THFC") and along with THFC's related subsidiaries, are known as the "Group".

PRINCIPAL ACTIVITY

The principal activity of the Company is to manage and deliver the Affordable Housing Guarantee Scheme (the "AHGS"), under its Licence granted on 19 June 2013, by the then Secretary of State for Communities and Local Government ("DCLG") and with exclusivity to the year ended 31 March 2017.

The functions of DCLG and all property, rights and obligations to which DCLG were entitled or subject were transferred to the Ministry for Housing Communities and Local Government ("MHCLG"). MHCLG subsequently changed its name to the Department for Levelling Up, Housing and Communities ("DLUHC").

The Company raised debt in the form of loans and bonds, for the purpose of on lending to housing associations in England, Wales, Scotland and Northern Ireland for the development of new affordable housing which meets the eligibility criteria set out in the rules of the AHGS. As set out in the Licence, DLUHC guarantees the payment obligations of the Company in respect of debt raised under the AHGS. It also guarantees the payment obligations of each Approved Borrower to the Company pursuant to their respective loan agreements.

The Company funds itself through arrangement fees and annual fees which are charged to each borrower. Arrangement fees reflect the resource expended in originating the loan whist the annual fee covers the costs of the ongoing administration of the loans through to maturity. The annuity income generated by the annual fees ensures that the Company has a sustainable business model over the medium-term.

In accordance with a Management Services Agreement ("MSA") entered into between the Company and its Immediate Parent Company, the latter provides staff, premises and other services to the Company to enable it to fulfil its obligations under the Licence.

To date, the Company has reached its capacity of £3.2bn of debt issued during the Guarantee availability period set out in the licence. The Company's borrowers are disclosed in the group accounts of THFC located at: www.thfcorp.com.

REVIEW OF BUSINESS

The Company has fulfilled its obligations under the terms of the Licence with DLUHC and expects to do so for the forseeable future.

The Company derives income from two principal sources: annual fees accruing on the existing loan book and investment income on any cash balances. Annual fees receivable and payable are contractual and subject to indexation using the Consumer Prices Index. Given the straightforward nature of the business, the Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance and position of the business.

The total annual fee income for the year was £4,243,000 (2023: £4,313,000) which, after costs, generated a profit before tax of £904,000 (2023: £571,000).

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of Directors are responsible for adequate risk management and establishing an integrated and Company-wide risk culture but can delegate general day to day business conduct to a number of 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 7-11).

The principal risks and uncertainties facing the Company relate to financial and operational risks and are explained in note 13: Financial instruments – Fair value & Risk management.

FUTURE TRENDS

For a detailed analysis of the future trends this information is presented at a Group level within THFC's consolidated financial statements. A copy of these financial statements can be obtained at www.thfcorp.com.

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.

The Company is required to 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 duties of a Company Director and concerns the "duty to promote the success of the Company" for the benefit of its stakeholders whose interests are in the future success of the Company. Stakeholders include shareholders, employees, suppliers, and the local communities affected by the Company'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 on the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The following paragraphs summarise how the Directors fulfil their duties:

Long-term consequences of decisions made

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

The long-term tenor and secured nature of the loans made or committed to by the Company to its borrowers requires the Board to ensure that both its borrowers and the Company are able to continue to meet their respective legal and other obligations to both the Company and note holders, as detailed in the relevant transaction documents.

The Company no longer makes new loans, but the Board continues to monitor borrowers' performance regularly to ensure obligations are met on an ongoing basis. The Board regularly monitors the material risks to the Company and how they might impact on its long-term health. Key risks and their mitigants are detailed in note 13: Financial instruments – Fair value & Risk management.

The Company has funded itself through arrangement fees and annual fees which are charged to each borrower. Arrangement fees reflect the resource expended in originating the loan whilst the annual fee covers the costs of the ongoing administration of the loans through to maturity. The annuity income generated by the annual fees ensures that the Company has a sustainable business model, and all obligations of the Company (and its borrowers) are subject to a sovereign guarantee.

Culture and conduct

The Company's long-term sustainable success relies upon a healthy business culture and high standards of business and workplace conduct. The Group has in place several mechanisms to promote this, which the Company has adopted. Further detail is in THFC's group accounts 'Culture and Conduct' section located at: www.thfcorp.com.

Governance

The Company benefits from having nine independent non-executive Directors which enables independent constructive challenge. 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 7-11).

Interests of employees

The Company has no employees, the executive directors are employed by THFCS, and the non-executive director's fees are paid by both AHF and THFCS. The Board of Directors who are party to, and therefore consulted on, all decisions made by the Company. All management services are provided to the Company by THFCS, its Immediate Parent Company, in accordance with the MSA.

Diversity, equality and inclusion

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

Further detail is in THFC's group accounts *'Diversity, Equity and Inclusion ("DEI")'* section of the groups strategic report located at: www.thfcorp.com.

Fostering business relationships

The Board is aware of the need to foster on-going business relationships to ensure the success of the business.

The Board ensures that THFCS, the Company's service provider and Immediate Parent Company, has the appropriate skill set amongst employees to allow for an operational structure that incorporates the following:

- Relationship Management (for liaison with borrowers to whom funds have been on-lent);
- Treasury (who maintain relationships with current and potential investors in the Company's bonds through regular updates and meetings);
- Finance (who manage relationships with suppliers and ensure the efficient collection and distribution of coupons between the borrower and investors (or their duly appointed agent)); and

- Governance and Compliance (who manage compliance obligations with various stakeholders).

The Board maintains close relationships with the DLUHC, provider of the sovereign guarantee, through representation on the Board and regular meetings and provision of reports on the health of the portfolio.

Long-term lending requires a constant focus on maintaining stakeholder relationships and the service provider has a wealth of experience in all relevant areas. This includes fostering close relationships with sector specialists, such as valuers, lawyers, accountancy firms, treasury advisers and maintaining close relationships with its investment banks and the investor community at large.

Impact of operations on community and environment

The Board makes every effort to minimise its carbon footprint. Staff of THFCS are encouraged to cycle for all or part of their commute to the office and effective recycling policies have been implemented to minimise office waste.

In delivering cost-effective funding to housing associations the Company aims to boost the number and quality of affordable housing for the benefit of tenants and communities throughout the UK.

The Board ensures the service provider's employees are aware of the changing landscape of regulation and best practice, whether environmental or social in nature. Every effort is made to consider the environmental impact of decisions taken, although due to the nature of its activities the Company's direct environmental impact is limited.

See the Group report at www.thfcorp.com for more detail.

Maintaining 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 expected of a lending business and in so doing maintains an exceptional reputation amongst investors and borrowers alike. High levels of integrity are key in the success of our business and delivery of our objectives. This includes:

- A code of conduct based on the seven principles of public life identified by the Nolan Committee;
- The Company complies with relevant legislation beyond its statutory obligations as best practice; and
- Regular compliance training for Directors.

Acting fairly between members of the Company

As a Board of Directors, we have a responsibility to act fairly between members of the Company. The entire issued share capital of the Company is held by THFCS, the Immediate Parent Company, which also shares a common Board, with the exception of two DLUHC nominees on the Company's Board. Each Director of the Immediate Parent Company is therefore closely involved in the key strategic decisions of the business and has the right to challenge on a regular basis.

This report was approved by the Board of Directors and signed on its behalf on 30 July 2024 by:

Julie Coetzee
Director

CORPORATE GOVERNANCE STATEMENT
Year ended 31 March 2024

Introduction

The Company complies with the UK Corporate Governance Code's best practice guidelines where these are relevant to the Company as an entity without a market in its shares. The Board has sought to comply with a number of provisions of the Code in so far as it considers them appropriate to a Company of its size and nature.

Board

The Board comprises up to a maximum of fifteen Directors. This is temporarily increased on occasion with permission from the Department for Levelling Up, Housing and Communities ("DLUHC"). Up to four of these Directors may be executive employees of the Immediate Parent Company and the remainder non-executive Directors, two of whom may be nominated by the DLUHC. All Board service contracts are available for inspection at the registered office.

Senior Non-Executive Director

The Board appoints a Senior Non-Executive Director. The Senior Non-Executive Director is Shirley Smith who was appointed on 28 July 2020.

Directors' Independence

All current Directors are non-executive with the exception of the Group Chief Executive, Group Funding and Marketing Director, Group Credit and Risk Director and the Group Finance Director. All non-executive Directors are independent Directors with the exception of those nominated by DLUHC. With the exceptions mentioned above, the Board has determined that all remaining non-executive Directors are independent and free from any material relationship that could interfere with their ability to discharge their duties apart.

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. The Chair 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 Articles of Association of the Company.

Meetings

Directors' attendance at Board and Board committee meetings is monitored. Where a Director is unable to attend a meeting he or she was scheduled to attend, the Chair receives a sound reason for the non-attendance. Special Board meetings are those called at short notice principally to approve the documentation of borrowing and lending. It is not expected that every Board member attends each special meeting, only that a quorum (two non-executive Directors) is present, though all Board members are given notice of the meeting and informed of the business to be conducted.

Role of Board

The Board sets the strategic objectives of the Company, determines investment policies, agrees performance criteria and delegates to management the detailed planning and implementation of those objectives and policies in accordance with appropriate risk parameters. The Board monitors compliance with policies and achievement against objectives by holding management accountable for its activities through quarterly performance reporting. The Board has six scheduled meetings each year which cover both standard and ad hoc business.

Standard business is tracked via a Board diary which determines the standard section of the agenda and details the key items of business that are considered by the Board. A rolling agenda is maintained to record emerging issues that require Board consideration at future scheduled meetings. Ad hoc meetings are convened where Board approval is required outside of the scheduled meetings. Certain matters are dealt with exclusively by the Board. These include approval of financial statements, strategy, major capital projects, changes to the control structure and all borrowing loan agreements and the standard form of all lending loan agreements. All key decisions are taken by the Board or its Committees. Exceptionally, a Board or Committee will delegate certain decisions to management within clearly defined parameters which are minuted. However, there is no standing delegation to management beyond that required for the day-to-day running of the business.

The roles of Chair and Group Chief Executive are not fulfilled by the same individual. The Board reviews and approves the Group Chief Executive’s operational authorities on an annual basis. This document also determines which items are reserved for Chair or non-executive approval. All other decisions require Board approval. All Directors may call upon independent professional advice at the expense of the Company.

Committees of the Board

The Board governs through clearly mandated Board committees. Each Board Committee has specific written terms of reference which are approved annually by the Board and Committee. The respective chairs of the Committees report orally on the proceedings of their Committees at the next Board meeting and the minutes of all Committee meetings are included in papers distributed to the Board members in advance of the next Board meeting. The Board and Committees meet at regular intervals to cover all on-going business and ad hoc meetings are convened as necessary.

Audit and Risk Committee

The Audit and Risk Committee is a Committee of the Board. It comprises a minimum of three non-executive Directors and a DLUHC Nominee. The Chair of the Audit and Risk Committee is Guy Thomas.

The Audit and Risk Committee reviews internal controls, financial reporting, annual financial statements, the performance and recommendations of external and internal auditors, the independence of the external auditor, the level of any non-audit services provided by them and compliance with laws and regulations. It considers financial and operational risks as a precursor to these matters being reviewed by the full Board at its scheduled meetings.

Members comprise Guy Thomas (Chair), Scott Bottles, Tony King, Stephen Wright, David Montague and Gail Teasdale (appointed 14 November 2023). The Group’s Chair attends by invitation. The Group’s Chief Executive and other senior members of staff attend when required.

Credit Committee

The Credit Committee is a committee of the Board. It comprises a minimum of four non-executive Directors appointed by the Board together with a DLUHC Nominee who acts as an alternate member, the Chief Executive, the Group Funding and Marketing Director and the Group Credit and Risk Director.

Now that the loan origination period has ended, the Credit Committee's prime responsibility is to oversee the loan portfolio, monitor the ongoing financial condition of the Approved Borrowers, and consider ad-hoc requests, such as material variations to Loan Agreements and merger requests. The Committee reports periodically to the Board to administer a risk management process and evaluate individual credits.

Members comprise Scott Bottles (Chair), George Blunden, Tony King, David Montague, Shirley Smith and Guy Thomas as non-executive Directors. The Group's Chief Executive, Funding and Marketing Director and Credit and Risk Directors are also members. Stephen Wright acts as the DLUHC nominated alternate member.

Training and Development

New non-executive Directors are provided with a tailored induction shortly after their appointment. They are asked to submit requests for additional training as part of the annual performance evaluation process. Emerging issues that require greater understanding are covered by a presentation to the Board by an appropriate expert in the area concerned. The Board conducts a critical evaluation of its activities on an annual basis. A questionnaire based peer review of the performance of the Chair, the Board and its Committees is conducted by the Company Secretary or periodically by an external facilitator. The results of the evaluation are reviewed and discussed by the Board and a list of action points drawn up where appropriate.

Internal Control

The Board is responsible for the Company's system of internal control and for the regular review of its effectiveness. It should be recognised that the internal control system has been designed to manage rather than eliminate the specific business risks faced by the Company and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board discharges its responsibilities for internal control through the following key procedures:

- the establishment of an organisational structure with clearly defined levels of authority and division of responsibility;
- a comprehensive system of reporting, budgeting and planning against performance is monitored; and
- the formulation of policies and approval procedures in key areas such as a loan administration, treasury operations, financial reporting and preparation of consolidated financial statements.

Key business risks, and their likelihood and potential impact, are formally considered by the Board half yearly and appropriate controls and mitigating action implemented. All loans to borrowers are substantially matched in terms of their maturity, interest and repayment profile to the equivalent bond issue or bank loan. Therefore, primary operating risks relate to the initial credit assessment, credit monitoring of borrowers, the completion of appropriate loan security, timely collection of all payments due and the achievement of a sufficient income to offset the operating costs. Regular reports on these risks are made to the Board.

The system of internal control is provided and managed by the Immediate Parent Company under the terms of the MSA.

Internal Audit

Crowe (UK) LLP fulfil the internal audit function and undertake periodic reviews in line with a programme determined by the Audit and Risk Committee. Reports are issued to the Chair of the Audit and Risk Committee with the most recent rating the Company's internal controls as providing 'significant assurance'.

Continuing Resources

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

Senior Management

The senior management provided to the Company comprise the Group Chief Executive, Group Funding and Marketing Director, Group Credit and Risk Director and the Group Finance Director and Company Secretary. The Group Chief Executive has defined powers of authority and responsibility which are delegated to them and reviewed annually by the Board. The Company Secretary is responsible for ensuring that Board procedures are followed. The services of executive Directors are provided by the Immediate Parent Company in accordance with the MSA.

Directors' Remuneration

The Directors' remuneration is established by the Board in the light of periodic advice from advisers. In addition to salaries and bonuses, the executive Directors receive pension benefits and certain other employee benefits in accordance with guidelines determined by the Board. Fees are paid to non-executive Directors except that the fees payable to the DLUHC Board nominees are remitted either to their employer or, at the direction of the Guarantor, directly to the DLUHC Board nominee. The fees of the non-executive Directors are reviewed annually by the Board and were increased with effect from 1 April 2024. The non-executive Directors do not receive any pension benefits, bonuses or benefits-in-kind from the Company.

Remuneration is determined by the Remuneration and Nomination Committee of The Housing Finance Corporation ("THFC") and paid by the Immediate Parent Company.

Shareholder

The sole shareholder of the Company is T.H.F.C. (Services) Limited ("THFCS"), a subsidiary of the Ultimate Parent Company, THFC.

Financial Risk Management

The Board is responsible for approving the Company's strategy and the level of acceptable risks. The Board has established an Audit and Risk Committee and a Credit Committee reporting periodically to the Board to administer a risk management process which identifies the key risks facing the business and the Board reviews reports/minutes submitted by those Committees on how those risks are being managed. The Company derives income from two principal sources; annual fees accruing on the existing loan book and investment income on any cash balances. Annual fees receivable and payable are contractual and subject to indexation using the Consumer Prices Index. Any investment income is subject to interest rate risk.

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

Risk Management Structure

The Board is ultimately responsible for reviewing and managing all risks facing the Company. The Audit and Risk Committee will initially review and report to the Board on all key significant risks including operational financial, and interest rate risk. The principal risks and uncertainties facing the Company relate to financial and operational risks and are explained in note 13: Financial instruments – Fair value & Risk management. The Credit Committee addresses specifically, and reports to the Board on, credit and liquidity risk.

Independent Auditors

The Board engages CLA Evelyn Partners Limited as auditors of the Company.

DIRECTORS' REPORT

The Directors present their report together with the audited Financial Statements of Affordable Housing Finance Plc (the "Company") for the year ended 31 March 2024.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out within the Strategic Report. The financial position of the Company and its liquidity position are reflected on the balance sheet.

The Directors have concluded that the Company 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 Company will continue to adopt the going concern basis in preparing the financial statements.

DIRECTORS

Directors of the Company who were in office during the year and up to the date of signing the financial statements are set out below.

Non-Executive and Chair
George Blunden

Other Non-Executives
Scott Bottles
Peter Impey (resigned 27 July 2023)
Anthony King
Fiona MacGregor (appointed 28 July 2023)
David Montague
Gill Payne (resigned 27 July 2023)
William Perry (resigned 27 July 2023)
Shirley Smith
Gail Teasdale
William Guy Thomas
Stephen Wright (DLUHC Nominee)

Executive Directors
John Piers Williamson, Chief Executive (resigned 1 April 2024)
Priyanka Nair, Chief Executive (appointed 1 April 2024)
Fenella Edge, Group Treasurer (resigned 27 July 2023)
Julie Coetzee, Finance Director
Arun Poobalasingam, Funding & Marketing Director (appointed 28 July 2023)
David Stokes, Credit & Risk Director (appointed 28 July 2023)

SHARE CAPITAL AND COMPANY STRUCTURE

The Company is a public limited company incorporated and domiciled in England and Wales. The entire issued share capital of the Company is owned by T.H.F.C. (Services) Limited.

DIVIDEND

The Directors did not declare a dividend for the year (2023: £nil).

INSURANCE OF DIRECTORS

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

CHARITABLE AND POLITICAL CONTRIBUTIONS

There were no charitable donations nor any contributions for political purposes made by the Company during the year (2023: £nil).

FUTURE TRENDS

The Company's outline on future developments is set out within the Strategic Report.

STATEMENT IN RELATION TO SUPPLIERS, CUSTOMERS AND OTHERS

The Company's approach to fostering business relationships is set out within the Strategic Report.

STREAMLINED ENERGY AND CARBON REPORTING ("SECR")

In line with the SECR reporting requirements, the Company has to report on its energy use. The Company shares its premises with The Housing Finance Corporation Limited ("THFC"), the Company's Ultimate Parent Company and this information is presented at a Group level within THFC's consolidated financial statements. A copy of these financial statements can be obtained at www.thfcorp.com.

STATEMENT OF DISCLOSURE OF INFORMATION TO THE AUDITOR

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

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

(b) they have taken all the steps that they ought to have taken as a Director in order to make themself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

INDEPENDENT AUDITOR

CLA Evelyn Partners Limited has been engaged by the Board as auditor of the Company and a resolution for their reappointment will be proposed at the Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Also, under the law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 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 Company will continue in business.

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

This report was approved by the Board of Directors and signed on its behalf on 30 July 2024 by:

Julie Coetzee
Director

Opinion

We have audited the financial statements of Affordable Housing Finance Plc (the 'Company') for the year ended 31 March 2024 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and the 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 Company's affairs as at 31 March 2024 and of its profit 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 Companies Act 2006.

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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report and Financial Statements. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 15, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the 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 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 Company's industry and regulation.

We understand the Company complies with requirements of the framework through:

- The Directors overseeing the operation of the Company's management services agreement with the THFC Group, which requires T.H.F.C. (Services) Limited to implement, monitor and update operating procedures, manuals and internal controls as legal and regulatory requirements change;
- The Directors' close involvement in the day-to-day running of the business, meaning that any litigation or claims would come to their attention directly; and
- Engagement with legal and professional advisers as to the Listing Rule requirements of the Professional Securities Market ("PSM") ("the PSM Rules") in relation to the listing of secured bonds.

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 Company'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 Company:

- The Companies Act 2006 and international accounting standards in respect of the preparation and presentation of the financial statements;
- The PSM 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 and the AHGL;
- Reviewing 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;
- 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
- We obtained written management 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 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. 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 Company's processes and controls surrounding manual journals; 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 Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Lindsay Manson
Senior Statutory Auditor, for and on behalf of
CLA Evelyn Partners Limited
Statutory Auditor
Chartered Accountants

45 Gresham Street
London
EC2V 7BG

30 July 2024

STATEMENT OF COMPREHENSIVE INCOME
For the Year ended 31 March 2024

	Note	2024 £000	2023 £000
OPERATING INCOME			
Interest income on loans		**89,332**	86,316
Premium amortised on loans	6	**(5,651)**	(5,509)
Other interest		**592**	253
Fees receivable		**4,243**	4,313
		88,516	85,373
OPERATING EXPENDITURE			
Interest expense		**89,332**	86,316
Premium amortised on borrowings	8	**(5,651)**	(5,509)
Administration expenses	3	**3,931**	3,995
		87,612	84,802
PROFIT BEFORE TAXATION		**904**	**571**
Taxation	5	**(244)**	(108)
PROFIT AFTER TAXATION		**660**	463
OTHER COMPREHENSIVE INCOME			
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**660**	463

STATEMENT OF FINANCIAL POSITION
At 31 March 2024

		2024	2023
ASSETS	Note	**£000**	£000
Non-current assets			
Financial assets – loans	6	**3,373,604**	3,381,048
Current assets			
Financial assets – loans	6	**7,444**	5,651
Trade and other receivables	7	**20,193**	20,118
Short term deposits		**5,311**	7,300
Cash and cash equivalents		**1,124**	463
TOTAL ASSETS		**3,407,676**	3,414,580
EQUITY AND LIABILITIES			
Non-current liabilities			
Financial liabilities – borrowings	8	**3,373,604**	3,381,048
Current liabilities			
Financial liabilities – borrowings	8	**7,444**	5,651
Trade and other payables	9	**18,136**	20,116
Current tax liabilities		**148**	81
TOTAL LIABILITIES		**3,399,332**	3,406,896
Equity			
Share capital	10	**13**	13
Retained earnings	11	**8,331**	7,671
TOTAL EQUITY		**8,344**	7,684
TOTAL EQUITY AND LIABILITIES		**3,407,676**	3,414,580

The Financial Statements on pages 19 to 40 were approved by the Board of Directors on 30 July 2024 and signed on its behalf by:

Priyanka Nair
Director

Affordable Housing Finance Plc
Registration Number 08434613

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2024

	Called up Share Capital	Retained Earnings	Total Equity
2024	**£000**	**£000**	**£000**
At beginning of year	**13**	**7,671**	**7,684**
Profit for the year	**-**	**660**	**660**
At end of year	**13**	**8,331**	**8,344**
2023			
At beginning of year	13	7,208	7,221
Profit for the year	-	463	463
At end of year	13	7,671	7,684

STATEMENT OF CASH FLOWS
For the year ended 31 March 2024

	Note	2024 £000	2023 £000
NET CASH FLOW FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations as per reconcilation of profit to net cash generated from / (used in) operations	12	**(1,151)**	857
Adjustments for:			
Interest paid on borrowings		**(88,911)**	(85,745)
Interest received on loans		**88,911**	85,745
Tax paid		**(177)**	(54)
NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES		(1,328)	803
Decrease / (increase) in short term deposits		**1,989**	(7,300)
NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES		**1,989**	**(7,300)**
MOVEMENT IN THE YEAR		**661**	(6,497)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**463**	6,960
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,124**	**463**

1. GENERAL INFORMATION

Affordable Housing Finance Plc ("the Company") raises debt in the form of loans and bonds, for the purpose of on lending to housing associations in England, Wales, Scotland and Northern Ireland for the development of new affordable housing which meets the eligibility criteria set out in the rules of the Affordable Housing Guarantee Scheme (the "AHGS"). The Company is a public limited Company registered and domiciled in England and Wales. The address of the registered office is 3rd Floor, 17 St. Swithin's Lane, London, EC4N 8AL.

2. ACCOUNTING POLICIES

a) Significant accounting policies

The accounting policies applied in the preparation of the financial statements of the Company are described in this note. These policies have been consistently applied to all years presented unless otherwise stated.

Presentational currency
The Company's financial statements are presented in pound sterling, which is also the Company'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 in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Going concern
The Company continues to adopt the going concern basis, as disclosed in the Directors' Report on page 13. As noted in the Principal Activity section within the Strategic Report, the payment obligations of both the Company and borrowers are guaranteed by the Secretary of State for the Department for Levelling Up, Housing and Communities ("DLUHC"). At the date of signing the accounts there is no evidence to suggest that the Company 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 Company 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 Company therefore continues to adopt the going concern basis in preparing the financial statements.

Critical accounting judgements, estimates and assumptions
Preparation of these financial statements requires management to apply judgement, make estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and liabilities. Such estimates and assumptions are based on the best available information and are regularly reassessed.

Critical accounting judgements
The Directors have concluded that no impairment provision is required in relation to its loans to borrowers and undrawn loan commitments in accordance with IFRS 9. This is for a number of reasons which include, but are not limited to, the credit quality of its borrowers and the Company's zero loss experience to date. As the Company is not subject to any net credit risk, any incurred loss impairment or provision for undrawn loan commitments would be matched by a similar adjustment to the gross liability. See *Expected credit loss provision* below.

ACCOUNTING POLICIES (continued)

Financial instruments
Financial assets and financial liabilities are recognised when the Company 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 "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 Company incurs and recovers substantially all transaction costs, so they do not form part of the fair value at recognition.

For further disclosure on fair values, see note 13: Financial instruments – Fair value & 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 notes 6: Loans receivable and 8: 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.

All loans made by AHF benefit from a guarantee and indemnity from the UK government (Secretary of State for Housing, Communities and Local Government) and hence the loss given default and expected credit loss is zero in all circumstances.

Collateral arrangements are described in note 13: Financial instruments – Fair value & Risk management.

Reclassification
The Company 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.

ACCOUNTING POLICIES (continued)

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

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

Loans receivable
Loans to borrowers represent monies lent to non-profit UK Registered Providers of Social Housing (housing associations, or "HAs") under loan agreements and held at amortised cost. Although all loans are expected to run to maturity a borrower may, in accordance with the terms of its loan agreement, prepay the whole or part of the outstanding amount of its original loan. Any prepayment proceeds will be applied in accordance with the Trust Deed which may include redemption of bonds or purchase and cancellation of bonds by the Company. The terms of the Trust Deed provide that a HA borrower shall be entitled to purchase an amount of notes and may surrender the same to the Company for cancellation. In those circumstances an equivalent amount of the borrower's loan shall be deemed to be repaid.

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.

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

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

Collateral for loans
Collateral, unless subject to enforcement, is not recorded on the Company's Statement of Financial Position. However, the value of collateral affects the calculation of expected credit losses. Collateral arrangements are described note 13: Financial instruments – Fair value & Risk management.

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.

Equity instruments
Equity instruments issued by the Company are recorded at proceeds received net of direct issue costs.

ACCOUNTING POLICIES (continued)

Segmental analysis
All operating income and expenditure is derived from activities undertaken in the United Kingdom. The Company's only activity is to provide finance to HAs, of which none exceed 10% of total income receivable for the year.

Interest
Interest receivable on loans to HAs and interest payable on bank and other borrowings is accounted for using the effective interest rate method. Premiums on issue are added to the original loan value using the effective interest rate method. This is charged to the statement of comprehensive income over the expected life of the loan so that the interest receivable, as adjusted for the amortisation of premiums, gives a constant yield to maturity.

Other interest
Interest income on cash and cash equivalents is recognised on an accruals basis.

Fees and premium receivable
This comprises arrangement fees receivable on completion of loan transactions, annual fees (for the ongoing service provided to borrowers) and premium 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 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 premium 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.

b) Standards and Interpretations effective for the Company in these financial statements

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

- 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

- 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.

3. ADMINISTRATION EXPENSE

The Company employed no staff during the year. All administrative services, including audit and Directors' services, are provided under a management agreement with T.H.F.C. (Services) Limited ("THFCS").

The fee for auditing the Company's financial statements included in the management fee amounted to £52,000 (2023: £50,000).

4. DIRECTORS' REMUNERATION

The fees of the Chair were £28,704 (2023: £26,828). Each other non-executive Director earned fees of £18,948 per annum (2023: £17,708). All Directors' fees were borne by the Company except for the three executive Directors who are employed and paid by T.H.F.C. (Services) Limited ("the Immediate Parent") Company. A proportion of executive Directors' fees are recharged to the Company by the Immediate Parent Company in line with the management services agreement ("MSA").

Fees of £56,844 (2023: £51,035) in respect of three (2023: three) non-executive Directors were paid to those Directors' employers.

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

	2024	2023
	£000	£000
Non-executive directors	**203**	213

5. TAXATION

	2024	2023
	£000	£000
UK Corporation tax in respect of the current year	244	108
Profit before taxation	904	570
Profit before tax multiplied by the standard rate of corporation tax in the UK of 25% (2023: 19%)	226	108
Effects of:		
Permanently disallowable items and other timing differences	18	-
Total tax expense for the year	244	108

The effective tax rate for the period of 27% (2023: 19%) is the same as the standard rate of corporation tax.

6. LOANS RECEIVABLE

2024	Nominal Value	Loan Premium	Carrying Value
	£000	**£000**	**£000**
At beginning of year	**3,244,100**	**142,599**	**3,386,699**
Amortisation in year	**-**	**(5,651)**	**(5,651)**
Total	**3,244,100**	**136,948**	**3,381,048**
Ageing of loans to borrowers			
Due within 1 year	**1,677**	**5,767**	**7,444**
Due after 1 year	**3,242,423**	**131,181**	**3,373,604**
Total	**3,244,100**	**136,948**	**3,381,048**

2023	Nominal Value	Loan Premium	Carrying Value
	£000	£000	£000
At beginning of year	3,244,100	148,108	3,392,208
Amortisation in year	-	(5,509)	(5,509)
Total	3,244,100	142,599	3,386,699
Ageing of loans to borrowers			
Due within 1 year	-	5,651	5,651
Due after 1 year	3,244,100	136,948	3,381,048
Total	3,244,100	142,599	3,386,699

Details of the security held are set out in note 13: Financial instruments – Fair value & Risk management.

7. TRADE AND OTHER RECEIVABLES

	2024	2023
	£000	£000
Interest receivable on loans	**17,769**	17,348
Other receivables	**2,424**	2,395
Intercompany debtors	**-**	375
	20,193	20,118

8. FINANCIAL LIABILITIES - BORROWINGS

Guaranteed secured bonds

2024	Nominal Value	Loan Premium	Carrying Value
	£000	**£000**	**£000**
At beginning of year	**1,744,100**	**142,599**	**1,886,699**
Amortisation in year	**-**	**(5,651)**	**(5,651)**
Total	**1,744,100**	**136,948**	**1,881,048**
Ageing of loans to borrowers			
Due within 1 year	**-**	**5,767**	**5,767**
Due after 1 year	**1,744,100**	**131,181**	**1,875,281**
Total	**1,744,100**	**136,948**	**1,881,048**

2023	Nominal Value	Loan Premium	Carrying Value
	£000	£000	£000
At beginning of year	1,744,100	148,108	1,892,208
Amortisation in year	-	(5,509)	(5,509)
Total	1,744,100	142,599	1,886,699
Ageing of loans to borrowers			
Due within 1 year	-	5,651	5,651
Due after 1 year	1,744,100	136,948	1,881,048
Total	1,744,100	142,599	1,886,699

FINANCIAL LIABILITIES – BORROWINGS (continued)

Guarnnteed secured bank borrowings

2024	Nominal Value	Carrying Value
	£000	**£000**
At beginning of year	**1,500,000**	**1,500,000**
Total	**1,500,000**	**1,500,000**
Ageing of loans to borrowers		
Due within 1 year	**1,678**	**1,678**
Due after 1 year	**1,498,322**	**1,498,322**
Total	**1,500,000**	**1,500,000**

2023	Nominal Value	Carrying Value
	£000	£000
At beginning of year	1,500,000	1,500,000
Total	1,500,000	1,500,000
Ageing of loans to borrowers		
Due within 1 year	-	-
Due after 1 year	1,500,000	1,500,000
Total	1,500,000	1,500,000

Details of the collateral and security held are set out in note 13: Financial instruments – Fair value & Risk management.

FINANCIAL LIABILITIES – BORROWINGS (continued)

2024	**Nominal Value £000**	**Carrying Value £000**
Ageing of loans to borrowers		
Due within 1 year	**1,677**	**7,444**
Due after 1 year	**3,242,423**	**3,373,604**
Total	**3,244,100**	**3,381,048**

2023	Nominal Value £000	Carrying Value £000
Ageing of loans to borrowers		
Due within 1 year	-	5,651
Due after 1 year	3,244,100	3,381,048
Total	3,244,100	3,386,699

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

	Nominal Value initially issued £	**Retained by Company £**	**Nominal Value £**	**Premium/ (Discount) £**
30 May 2014	208,400,000	-	208,400,000	1,292,080
06 November 2014	198,500,000	15,000,000	183,500,000	16,478,300
17 March 2015	194,000,000	18,500,000	175,500,000	28,890,810
22 April 2015 (sale of retained bonds)	-	(5,000,000)	5,000,000	1,161,800
6 May 2015 (sale of retained bonds)	-	(5,000,000)	5,000,000	967,750
25 August 2015 (sale of retained bonds)	-	(15,000,000)	15,000,000	2,823,000
29 February 2016 (sale of retained bonds)	-	(8,500,000)	8,500,000	1,820,190
	600,900,000	**-**	**600,900,000**	**53,433,930**

FINANCIAL LIABILITIES – BORROWINGS (continued)

The 2.893% Guaranteed Secured Bonds are listed and repayable 2043/45 issued in the following tranches:

	Nominal Value initially issued	Retained by Company	Nominal Value	Premium/ (Discount)
	£	£	£	£
11 August 2015	208,000,000	70,000,000	138,000,000	-
29 January 2016 (sale of retained bonds)	-	(5,000,000)	5,000,000	75,300
16 March 2016	194,000,000	26,000,000	168,000,000	5,817,840
19 April 2016 (sale of retained bonds)	-	(9,000,000)	9,000,000	378,810
11 May 2016 (sale of retained bonds)	-	(15,000,000)	15,000,000	829,800
2 June 2016 (sale of retained bonds)	-	(47,000,000)	47,000,000	2,530,480
02 June 2016	130,500,000	16,500,000	114,000,000	6,137,760
13 July 2016 (sale of retained bonds)	-	(10,000,000)	10,000,000	2,068,100
04 August 2016	191,400,000	18,000,000	173,400,000	32,642,550
11 August 2016 (sale of retained bonds)	-	(10,000,000)	10,000,000	2,451,100
23 August 2016 (sale of retained bonds)	-	(6,500,000)	6,500,000	1,844,750
18 October 2016	124,500,000	24,000,000	100,500,000	18,948,270
18 January 2017	114,800,000	26,500,000	88,300,000	11,420,722
13 February 2017 (sale of retained bonds)	-	(8,000,000)	8,000,000	1,087,840
04 April 2017	88,000,000	16,000,000	72,000,000	12,198,240
2 May 2017 (sale of retained bonds)	-	(24,000,000)	24,000,000	4,223,280
10 July 2017 (sale of retained bonds)	-	(8,000,000)	8,000,000	1,154,400
26 July 2017 (sale of retained bonds)	-	(7,000,000)	7,000,000	1,011,850
18 September 2017 (sale of retained bonds)	-	(5,000,000)	5,000,000	818,350
24 October 2017	92,000,000	7,000,000	85,000,000	12,563,850
8 December 2017 (sale of retained bonds)	-	(49,500,000)	49,500,000	7,316,770
	1,143,200,000	**-**	**1,143,200,000**	**125,520,062**

9. TRADE AND OTHER PAYABLES

	2024	2023
	£000	£000
Interest payable on secured bonds	**17,769**	17,348
Accruals	**110**	69
Other taxation and social securities	**13**	14
Other payables	**6**	8
Intercompany creditors	**238**	2,677
	18,136	20,116

10. SHARE CAPITAL

	2024	2023
	£000	£000
Alloted, called up and one quarter paid		
50,000 (2023: 50,000) ordinary shares of £1 each	**13**	13

Management of capital

The Company's capital comprises only its share capital and reserves which the Directors consider adequate for its ongoing working capital requirements. The Company is not subject to externally imposed capital requirements.

11. RESERVES

Retained earnings

This reserve relates to the cumulative profits of the Company less dividends paid.

12. RECONCILIATION OF PROFIT TO NET CASH GENERATED FROM OPERATIONS

	2024	2023
	£000	£000
PROFIT BEFORE TAXATON	**904**	571
Adjustments for:		
Interest income on loans	**(83,681)**	(80,807)
Interest expense on borrowings	**83,681**	80,807
Changes in working capital:	**-**	-
Decrease / (increase) in other receivables	**346**	(824)
(Decrease) / increase in other payables	**(2,401)**	1,110
NET CASH (USED IN) /GENERATED FROM OPERATING ACTIVITIES	**(1,151)**	857

13. FINANCIAL INSTRUMENTS - FAIR VALUE & RISK MANAGEMENT

FAIR VALUE

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

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 Company has no instruments classified in Level 3 (2023: None).

The Company's 3.80% & 2.893% Secured Bonds are tradable. The market for the Company's 3.80% & 2.893% Secured Bonds is 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 fair value of the associated fixed rate loans is similarly adjusted for appropriate credit spreads (Level 2 valuation).

The Directors consider that the carrying value amount of cash, interest and sundry receivables, short term deposits, interest and other payables are a reasonable approximation of their fair value.

FINANCIAL INSTRUMENTS - FAIR VALUE & RISK MANAGEMENT (continued)

RISK MANAGEMENT

The Company's operations and significant debt financing expose it to a variety of potential financial risks including interest rate, credit, liquidity, fair value, and market price risk. These risks, and the means by which they are monitored and controlled, have not changed significantly since the previous period.

As set out in the Licence, the Secretary of State for the Department for Levelling Up, Housing and Communities ("DLUHC") unconditionally and irrevocably guarantees the payment obligations of the Company in respect of debt raised under the Affordable Housing Guarantee Scheme, ("AHGS"). It also guarantees the payment obligations of each approved borrower to the Company pursuant to their respective loan agreements.

The form of the AHGS insulates the Company from any potential exposure to credit and liquidity risk arising from the debt portfolio. Under the terms of the Licence, the Company is obliged to monitor, on behalf of the Guarantor, exposures which give rise to credit risk and the related collateral arrangements, and also liquidity risk, as set out below.

	2024 Carrying Value £000	**2024 Fair Value £000**	2023 Carrying Value £000	2023 Fair Value £000
Financial assets				
Loans				
Non-current	**3,373,604**	**-**	3,381,048	-
Current	**7,444**	**-**	5,651	-
Total	**3,381,048**	**3,279,353**	3,386,699	3,398,616
Interest receivable	**17,769**	**17,769**	17,348	17,348
Sundry receivables	**2,424**	**2,424**	2,770	2,770
Short term cash deposits	**5,311**	**5,311**	7,300	7,300
Cash and cash equivalents	**1,124**	**1,124**	463	463
Total financial assets	**3,407,676**	**3,305,981**	3,414,580	3,426,497
Financial liabilities				
Borrowings				
Non-current	**3,373,604**	**-**	3,381,048	-
Current	**7,444**	-	5,651	-
Total	**3,381,048**	**3,279,353**	3,386,699	3,398,616
Interest payable	**17,769**	**17,769**	17,348	17,348
Other payables	**367**	**367**	2,768	2,768
Total financial liabilities	**3,399,184**	**3,297,489**	3,406,815	3,418,732

FINANCIAL INSTRUMENTS - FAIR VALUE & RISK MANAGEMENT (continued)

(a) Interest rate risk

The Company raises funds 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 mis-match 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 Company is subject to interest rate risk on its other interest income arising on its surplus cash balances, but this is not regarded as significant. Other interest income in the year was £592,000 (2023: £253,000).

The interest rates on the bank borrowings are both fixed and floating and the rates are between the range 3.8% and 5.254% (2023: 0.7554% and 3.8%).

The weighted average interest rate on both fixed financial liabilities and fixed financial assets is 2.6624% (2023: 2.6627%). The weighted average period for which interest rates are fixed is 16.2 (2023: 17.2) years.

(b) Credit rate risk

The Company has implemented policies that require periodic credit assessment of each of its borrowers as well as monitoring of the adequacy of underlying collateral. Credit monitoring includes an estimate of the probability of default. The Company only makes loans to housing associations registered with, and regulated by, Homes England (or other relevant authority for housing associations outside England) for the purposes of funding affordable housing within the rules of the AHGS.

All borrowers are subject to external regulation by the Regulator of Social Housing in the relevant jurisdiction.

The carrying value of the loans represents the maximum exposure to credit risk. None of the loans are past due or impaired at 31 March 2024 (2023: None).

Deposit counterparties are subject to approval by the Board and such approval is limited to financial institutions with a suitable minimum long-term rating in accordance with The Housing Finance Corporation Limited ("THFC") investment policy. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the Board. The carrying value of cash and cash equivalents represents the maximum exposure to credit risk.

(c) Collateral and security arrangements

In addition to the Guarantee, the Company has granted security to all investors in the Company in the form of a floating charge over its undertaking, property, and assets. Its assets are primarily its secured loans to housing associations and some accumulated reserves. All floating charges granted by the Company to secure borrowings are ranked pari passu. All of the Company's assets, including the loans to the borrowers and the security granted in respect of its assets, are pooled rather than being allocated to specific liabilities of the Company.

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

FINANCIAL INSTRUMENTS - FAIR VALUE & RISK MANAGEMENT (continued)

Borrowers from the Company create a first fixed charge in favour of the Company as security for their loans from the Company.

The Company is required to obtain a charge over property of the borrowers which, at all times during the life of each loan, covers at least 105% (on the basis of Existing Use Value – Social Housing) of the outstanding loan balance and generate net rental income of at least 100% of interest payable on the loan.

Formal property valuations of the specific security are undertaken at least every five years.

(d) Liquidity risk

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

The Company has cash reserves which may be used to provide additional liquidity in the event of a late payment from a borrower.

A table of the Company's contractual cashflows payable until maturity of the bank borrowings and bonds in issue is given in note 14.

(e) Fair value and market price risk

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

(f) Currency risk

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

(g) Operational risk

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

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

14. CONTRACTUAL CASH FLOWS

2024	**Due within one year £000**	**Due within one to two years £000**	**Due within two to five years £000**	**Due in over five years £000**	**Total 2024 £000**
Principal	**1,677**	**15,878**	**163,637**	**3,062,908**	**3,244,100**
Interest	**89,235**	**89,125**	**262,726**	**1,051,789**	**1,492,875**
Trade and other payables	**18,136**	**-**	**-**	**-**	**18,136**
Total	**109,048**	**105,003**	**426,363**	**4,114,697**	**4,755,111**

2023	Due within one year £000	Due within one to two years £000	Due within two to five years £000	Due in over five years £000	Total 2023 £000
Principal	-	1,677	104,515	3,137,908	3,244,100
Interest	87,976	87,986	261,800	1,126,390	1,564,152
Trade and other payables	20,116	-	-	-	20,116
Total	108,092	89,663	366,315	4,264,298	4,828,368

The table above summarises the cash flows payable by the Company until contractual maturity of all its bond and loan liabilities as at 31 March 2024. 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.

15. RELATED PARTY TRANSACTIONS

The Company incurs a management charge annually from THFCS, its immediate parent Company. The charge is for the services of staff and other office overheads not incurred directly by the Company. The charge in 2024 was £3,408,379 (2023: £3,540,869). The amount due to THFCS at 31 March 2024 was £237,544 (2023: £2,676,672). The amount (due from)/to THFC at 31 March 2024 was £Nil (2023: £375,400).

During the year the Directors of the Immediate Parent Company were also Directors of the Company. The executive Directors are employees of and paid by the Immediate Parent Company. There are no transactions between the Directors and the Company.

16. ULTIMATE PARENT UNDERTAKING AND INCORPORATION

The Company's immediate parent undertaking is THFCS which is incorporated and registered in England and Wales. The ultimate parent undertaking and controlling party is THFC, incorporated in England and Wales and registered under the Co-operative and Community Benefit Societies Act 2014. THFC is the only Company to prepare consolidated financial statements which include the Company. The consolidated financial statements of THFC may be obtained from the Company Secretary, The Housing Finance Corporation Limited, 3rd Floor, 17 St. Swithin's Lane, London, EC4N 8AL, the Company's registered office.

17. CASH SECURITY AND LIQUIDITY RESERVE FUNDS

Under certain circumstances, an element of the security for loans made to Housing Associations ("HAs") can be cash. In those circumstances, the Company 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 liquidity reserve fund 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 each case the trust and security arrangements are documented by a Cash Security Trust Deed or Liquidity Reserve Fund Trust Deed between the borrower, the Company (as lender) and the Company (as Trustee).

Cash flows relating to cash security and liquidity reserve funds are processed separately from the Company's own funds and invested only as directed by the borrower. Funds held by the Company as Trustee at 31 March 2024 amounted to £109.7m (2023: £108.3m).