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**AFFORDABLE HOUSING FINANCE PLC**

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**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 MARCH 2025**

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## AFFORDABLE HOUSING FINANCE PLC

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### COMPANY INFORMATION

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#### DIRECTORS

G. Blunden  
S. Bottles  
J. Coetzee (resigned 9 August 2024)  
M. Fent (appointed 31 January 2025)  
A. King  
F. Macgregor  
D. Montague  
P. Nair (appointed 1 April 2024)  
A. Poobalasingam (resigned 21 February 2025)  
B. Rick (appointed 4 November 2024)  
D. Stokes (resigned 6 August 2024)  
S. Smith  
G. Teasdale  
W. Thomas  
P. Williamson (resigned 1 April 2024)  
S. Wright (resigned 14 October 2024)

#### COMPANY SECRETARY

M. Fent

#### REGISTERED NUMBER

08434613

#### REGISTERED OFFICE

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

#### INDEPENDENT AUDITOR

S&W Partners Audit Limited  
Chartered Accountants and Statutory Auditor  
45 Gresham Street  
London  
EC2V 7BG

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**AFFORDABLE HOUSING FINANCE PLC**

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## AFFORDABLE HOUSING FINANCE PLC

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### CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 MARCH 2025

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#### Chair's Statement

Financial period from 1 April 2024 to 31 March 2025 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. 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. The Board has maintained strong oversight of our financial performance, risk management, and governance. We are pleased to report:

#### 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 2025 stood at 59 (2024: 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 £602,000 (2024: £660,000). 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.

*George Blunden*

George Blunden  
Chair

28 July 2025

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## AFFORDABLE HOUSING FINANCE PLC

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2025

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#### STRATEGIC REPORT

The Directors present their Strategic Report, Directors' Report, Governance Report and audited financial statements of Affordable Housing Finance Plc (the "Company" or "AHF") for the year ended 31 March 2025.

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 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 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](http://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 foreseeable 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 £4,350,000 (2024: £4,243,000) which, after costs, generated a profit before tax of £815,000 (2024: £904,000).

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2025**

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**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 6-9).

The principal risks and uncertainties facing the Company relate to financial and operational risks and are explained in note 14: 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](http://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 14: Financial instruments – Fair value & Risk management.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2025**

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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](http://www.thfcorp.com).

*Governance*

The Company benefits from having eight 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 6-9).

**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 THFCS and another related party. 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, equity and inclusion**

The Company's Diversity, Equity 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 in the 'Diversity, Equity and Inclusion ("DEI")' section of the group strategic report located at: [www.thfcorp.com](http://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 as well as potential new borrowers);
- 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.

**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2025**

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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](http://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
- 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 has a common Board. Each Director of the Immediate Parent Company is therefore closely involved in the key strategic decisions and has the right to challenge on a regular basis.

This report was approved by the board on 28 July 2025 and signed on its behalf:

*Martin Fent*

M. Fent  
Director

**GOVERNANCE REPORT  
FOR THE YEAR ENDED 31 MARCH 2025**

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**Introduction**

The Company complies with the UK Corporate Governance Code's best practice guidelines where these are relevant to an entity without a market in its shares. This statement explains the key features of the Company's governance structure, how it applies the principles set out in the Code, and the extent to which the Company has complied with the provisions of the Code that are appropriate for 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 Ministry of Housing, Communities and Local Government ("MHCLG"). 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 MHCLG. 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 Chief Commercial Officer and Deputy Chief Executive, and the Group Chief Risk and Operations Officer. All non-executive Directors are independent Directors with the exception of those nominated by MHCLG. 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.

The Board has approved an extension of George Blunden's term as Chair by one year, to July 2026, to ensure continuity and stable leadership during a period of significant strategic transformation and senior management transition.

**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.

**GOVERNANCE REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2025**

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**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 and budget updates.

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 MHCLG 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, David Montague and Gail Teasdale. The Group's Chair attends by invitation. The Group's Chief Executive and other senior members of staff attend when required.

**New Business Committee**

The New Business Committee was established during the year, with its primary function being to assess the suitability and strategic alignment of new business opportunities for the Group.

The Committee also considers credit propositions escalated by the Executive Credit and Issuance Committee, ensuring that all significant proposals receive appropriate scrutiny and risk assessment before being recommended to the Board.

**GOVERNANCE REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2025**

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Scheduled to meet monthly, the Committee provides a forum for discussion, constructive challenge, and support in the development of proposals aimed at strengthening and expanding the Group's core business. Through rigorous debate and careful evaluation, the Committee ensures that new business opportunities are consistent with the Group's long-term objectives and risk appetite.

Members comprise David Montague (Chair), Scott Bottles, Tony King and Priya Nair.

**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 reviews of its effectiveness 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 which 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.

**GOVERNANCE REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2025**

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**Senior Management**

The senior management provided to the Company comprise the Group Chief Executive, Group Commercial Officer and Deputy Chief Executive, Group Risk and Operations Officer and Company Secretary and the Senior Director of Strategy.

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 MHCLH 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 2025. The non-executive Directors do not receive any pension benefits, bonuses or benefits-in-kind from the 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, 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 the Committee 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 14: Financial instruments – Fair value & Risk management.

**Independent Auditors**

The Board engages S&W Partners Audit Limited as auditors of the Company.

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2025**

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The Directors present their report and the financial statements for the year ended 31 March 2025.

**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 is 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**

The Directors who served during the year were:

G. Blunden  
S. Bottles  
J. Coetzee (resigned 9 August 2024)  
M. Fent (appointed 31 January 2025)  
A. King  
F. Macgregor  
D. Montague  
P. Nair (appointed 1 April 2024)  
A. Poobalasingam (resigned 21 February 2025)  
B. Rick (appointed 4 November 2024)  
D. Stokes (resigned 6 August 2024)  
S. Smith  
G. Teasdale  
W. Thomas  
P. Williamson (resigned 1 April 2024)  
S. Wright (resigned 14 October 2024)

**DIVIDENDS**

The Directors did not declare a dividend for the year (2024: £nil).

**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.

**INSURANCE OF DIRECTORS**

The Company maintains third-party liability insurance to cover 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 (2024: £nil).

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2025**

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**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](http://www.thfcorp.com).

**FUTURE DEVELOPMENTS**

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

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements, in accordance with applicable law.

Under company 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the UK, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**DISCLOSURE OF INFORMATION TO AUDITOR**

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 MARCH 2025**

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**INDEPENDENT AUDITOR**

The auditor, S&W Partners Audit Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 28 July 2025 and signed on its behalf:

*Martin Fent*

M. Fent  
Director

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AFFORDABLE HOUSING FINANCE PLC**

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**Opinion**

We have audited the financial statements of Affordable Housing Finance Plc (the 'company') for the year ended 31 March 2025 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 2025 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, 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AFFORDABLE HOUSING FINANCE PLC  
(CONTINUED)**

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**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 directors' responsibilities statement set out on page 11, 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AFFORDABLE HOUSING FINANCE PLC  
(CONTINUED)**

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We understand that 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 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.
- 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AFFORDABLE HOUSING FINANCE PLC  
(CONTINUED)**

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**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

**S&W Partners Audit Limited**

Chartered Accountants and Statutory Auditor

45 Gresham Street

London

EC2V 7BG

08/08/2025

AFFORDABLE HOUSING FINANCE PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2025

|                                    | Note | 2025<br>£000 | Restated<br>2024<br>£000 |
|------------------------------------|------|--------------|--------------------------|
| Loan interest receivable           |      | 82,889       | 83,681                   |
| Interest payable                   |      | (82,889)     | (83,681)                 |
| Net loan and secured bond interest | 5    | -            | -                        |
| Other interest                     |      | 494          | 592                      |
| Fees receivable                    |      | 4,350        | 4,243                    |
| <b>OPERATING PROFIT</b>            |      | <b>4,844</b> | <b>4,835</b>             |
| Administration expenses            | 3    | (4,029)      | (3,931)                  |
| <b>PROFIT BEFORE TAX</b>           |      | <b>815</b>   | <b>904</b>               |
| Tax expense                        | 6    | (213)        | (244)                    |
| <b>PROFIT FOR THE YEAR</b>         |      | <b>602</b>   | <b>660</b>               |

There is no other comprehensive income (2024: £Nil).

Operating income and expenses have been represented to show net income by category. Prior year comparatives have been restated for comparability.

AFFORDABLE HOUSING FINANCE PLC

STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2025

|                                | Note | 2025<br>£000     | 2024<br>£000     |
|--------------------------------|------|------------------|------------------|
| <b>Assets</b>                  |      |                  |                  |
| <b>NON-CURRENT ASSETS</b>      |      |                  |                  |
| Financial assets - loans       | 7    | 3,351,810        | 3,373,604        |
|                                |      | <u>3,351,810</u> | <u>3,373,604</u> |
| <b>CURRENT ASSETS</b>          |      |                  |                  |
| Financial assets - loans       | 7    | 21,793           | 7,444            |
| Trade and other receivables    | 8    | 19,905           | 20,193           |
| Short term deposits            |      | 5,609            | 5,311            |
| Cash and cash equivalents      |      | 1,547            | 1,124            |
|                                |      | <u>48,854</u>    | <u>34,072</u>    |
| <b>TOTAL ASSETS</b>            |      | <u>3,400,664</u> | <u>3,407,676</u> |
| <b>Liabilities</b>             |      |                  |                  |
| <b>NON-CURRENT LIABILITIES</b> |      |                  |                  |
| Financial assets - borrowings  | 9    | 3,351,810        | 3,373,604        |
|                                |      | <u>3,351,810</u> | <u>3,373,604</u> |
| <b>CURRENT LIABILITIES</b>     |      |                  |                  |
| Financial assets - borrowings  | 9    | 21,793           | 7,444            |
| Trade and other payables       | 10   | 18,015           | 18,136           |
| Tax liabilities                |      | 100              | 148              |
|                                |      | <u>39,908</u>    | <u>25,728</u>    |
| <b>TOTAL LIABILITIES</b>       |      | <u>3,391,718</u> | <u>3,399,332</u> |
| <b>Net assets</b>              |      | <u>8,946</u>     | <u>8,344</u>     |

AFFORDABLE HOUSING FINANCE PLC

STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT 31 MARCH 2025

|                                    | Note | 2025<br>£000 | 2024<br>£000 |
|------------------------------------|------|--------------|--------------|
| <b>ISSUED CAPITAL AND RESERVES</b> |      |              |              |
| Share capital                      | 11   | 13           | 13           |
| Retained earnings                  |      | 8,933        | 8,331        |
| <b>TOTAL EQUITY</b>                |      | <b>8,946</b> | <b>8,344</b> |

The financial statements on pages 17 to 38 were approved and authorised for issue by the Board of Directors on 28 July 2025 and were signed on its behalf by:

*Priya Nair*

P. Nair  
Director

The notes on pages 22 to 38 form part of these financial statements.

# AFFORDABLE HOUSING FINANCE PLC

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2025

|                                                | Called up<br>Share capital<br>£000 | Retained<br>earnings<br>£000 | Total equity<br>£000 |
|------------------------------------------------|------------------------------------|------------------------------|----------------------|
| <b>At 1 April 2024</b>                         | 13                                 | 8,331                        | 8,344                |
| Profit for the year                            | -                                  | 602                          | 602                  |
| <b>Total comprehensive income for the year</b> | -                                  | 602                          | 602                  |
| <b>At 31 March 2025</b>                        | <b>13</b>                          | <b>8,933</b>                 | <b>8,946</b>         |

|                                                | Called up<br>Share capital<br>£000 | Retained<br>earnings<br>£000 | Total equity<br>£000 |
|------------------------------------------------|------------------------------------|------------------------------|----------------------|
| <b>At 1 April 2023</b>                         | 13                                 | 7,671                        | 7,684                |
| Profit for the year                            | -                                  | 660                          | 660                  |
| <b>Total comprehensive income for the year</b> | -                                  | 660                          | 660                  |
| <b>At 31 March 2024</b>                        | <b>13</b>                          | <b>8,331</b>                 | <b>8,344</b>         |

**AFFORDABLE HOUSING FINANCE PLC**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2025**

|                                                                                                                              | Note | 2025<br>£000        | 2024<br>£000        |
|------------------------------------------------------------------------------------------------------------------------------|------|---------------------|---------------------|
| <b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                                              |      |                     |                     |
| Cash generated from / (used in) operations as per reconciliation of profit to net cash generated from / (used in) operations | 13   | 982                 | (1,151)             |
| <b>Adjustments for:</b>                                                                                                      |      |                     |                     |
| Interest paid on borrowings                                                                                                  |      | (89,002)            | (88,911)            |
| Interest received on loans                                                                                                   |      | 89,002              | 88,911              |
| Principal received from borrowers                                                                                            |      | 1,678               | -                   |
| Principal repaid on secured bonds                                                                                            |      | (1,678)             | -                   |
| Tax paid                                                                                                                     |      | (261)               | (177)               |
| <b>NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES</b>                                                              |      | <u>721</u>          | <u>(1,328)</u>      |
| <br>(Decrease) / increase in short term deposits                                                                             |      | <br>(298)           | <br>1,989           |
| <b>NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES</b>                                                              |      | <u>(298)</u>        | <u>1,989</u>        |
| <b>MOVEMENT IN THE YEAR</b>                                                                                                  |      | <u>423</u>          | <u>661</u>          |
| Cash and cash equivalents at the beginning of year                                                                           |      | 1,124               | 463                 |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                                                                      |      | <u><u>1,547</u></u> | <u><u>1,124</u></u> |

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2025

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**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 10. 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2025

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2. ACCOUNTING POLICIES (CONTINUED)

*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.

*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 14: 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 7: Loans to borrowers and 9: 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 14: Financial instruments – Fair value & Risk management.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2025

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2. ACCOUNTING POLICIES (CONTINUED)

*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.

*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 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. 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2025

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**2. ACCOUNTING POLICIES (CONTINUED)**

*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 in note 14: 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.

*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 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.

*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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2025

2. ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosures

*b) New standards, interpretations and amendments effective from 1 April 2024*

The following new and amended Standards and Interpretations effective for the financial year beginning 1 April 2024 have been adopted:

- IFRS 16 Leases: Lease Liability in a Sale and Leaseback - IAS 1 Presentation of Financial Statements: Classification of Liabilities; and
- IAS 1 Presentation of Financial Statements: Non current liabilities with Covenants.

The adoption of these standards has not had any material impact on the disclosures or on the amounts reported in these financial statements.

*c) Standards and interpretations effective for periods beginning on or after 1 April 2025*

As at the date of authorisation of these accounts, there were a number of Standards and Interpretations that were in issue but not yet effective:

- Amendments to IAS 21 The Effects of changes in Foreign Exchange Rates: Lack of Exchangeability;
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7);
- Annual Improvements to IFRS Accounting Standards – Volume 11; and
- IFRS 18 – Presentation and Disclosure in Financial Statements.

The effect of all new and amended Standards and Interpretations which are in issue but not yet mandatorily effective is not expected to materially impact the company.

3. ADMINISTRATION EXPENSES

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 £46,682 (2024: £52,000).

4. DIRECTORS' REMUNERATION

The fees of the Chair were £29,852 (2024: £28,704). Each other non-executive Director earned fees of £19,706 per annum (2024: £18,948). 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 £39,412 (2024: £56,844) in respect of two (2024: three) non-executive Directors were paid to those Directors' employers. Stephen Wright (DLUHC Nominee) resigned 14 October 2024.

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

|                         | 2025<br>£000 | 2024<br>£000 |
|-------------------------|--------------|--------------|
| Non-executive directors | 190          | 203          |

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2025

5. NET LOAN AND SECURED BOND INTEREST

|                                             | 2025<br>£000  | Restated<br>2024<br>£000 |
|---------------------------------------------|---------------|--------------------------|
| Interest on loans receivable                | 88,656        | 89,332                   |
| Amortisation of premium on loans receivable | (5,767)       | (5,651)                  |
| <b>Total loan interest receivable</b>       | <b>82,889</b> | <b>83,681</b>            |
| Interest payable on secured bonds           | 88,656        | 89,332                   |
| Amortisation of premium on secured bonds    | (5,767)       | (5,651)                  |
| <b>Total secured bonds interest payable</b> | <b>82,889</b> | <b>83,681</b>            |
| <b>Net loan and secured bond interest</b>   | <b>-</b>      | <b>-</b>                 |

6. TAXATION

Factors affecting tax charge for the year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 25% (2024 - 25%). The differences are explained below:

|                                                                                                   | 2025<br>£000 | 2024<br>£000 |
|---------------------------------------------------------------------------------------------------|--------------|--------------|
| UK Corporation tax at 25% (2024: 25%)                                                             | 213          | 244          |
| Profit before taxation                                                                            | 815          | 904          |
| Profit before tax multiplied by the standard rate of corporation tax in the UK of 25% (2024: 25%) | 204          | 226          |
| Effects of:                                                                                       |              |              |
| Permanently disallowable items and other timing differences                                       | 9            | 18           |
| Total tax expense for the year                                                                    | 213          | 244          |

Factors that may affect future tax charges:

There are no factors that may affect future tax changes.

**AFFORDABLE HOUSING FINANCE PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2025**

**7. LOANS TO BORROWERS**

| <b>2025</b>                 | <b>Nominal Value<br/>£000</b> | <b>Loan Premium<br/>£000</b> | <b>Carrying Value<br/>£000</b> |
|-----------------------------|-------------------------------|------------------------------|--------------------------------|
| At beginning of year        | 3,244,100                     | 136,948                      | 3,381,048                      |
| Repayments                  | (1,677)                       | -                            | (1,677)                        |
| Amortisation in year        | -                             | (5,767)                      | (5,767)                        |
| <b>Total</b>                | <b>3,242,423</b>              | <b>131,181</b>               | <b>3,373,604</b>               |
| Ageing of loans to borrower |                               |                              |                                |
| Due Within 1 year           | 15,878                        | 5,915                        | 21,793                         |
| Due after 1 year            | 3,226,545                     | 125,266                      | 3,351,811                      |
| <b>Total</b>                | <b>3,242,423</b>              | <b>131,181</b>               | <b>3,373,604</b>               |
| <b>2024</b>                 | <b>Nominal Value<br/>£000</b> | <b>Loan Premium<br/>£000</b> | <b>Carrying Value<br/>£000</b> |
| At beginning of year        | 3,244,100                     | 142,599                      | 3,386,699                      |
| Repayments                  | -                             | -                            | -                              |
| Amortisation in year        | -                             | (5,651)                      | (5,651)                        |
| <b>Total</b>                | <b>3,244,100</b>              | <b>136,948</b>               | <b>3,381,048</b>               |
| Ageing of loans to borrower |                               |                              |                                |
| Due Within 1 year           | 1,677                         | 5,767                        | 7,444                          |
| Due after 1 year            | 3,242,423                     | 131,181                      | 3,373,604                      |
| <b>Total</b>                | <b>3,244,100</b>              | <b>136,948</b>               | <b>3,381,048</b>               |

Details of the security held are set out in note 14: Financial instruments – Fair value & Risk management.

**AFFORDABLE HOUSING FINANCE PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2025**

**8. TRADE AND OTHER RECEIVABLES**

|                              | <b>2025<br/>£000</b> | 2024<br>£000 |
|------------------------------|----------------------|--------------|
| Interest receivable on loans | <b>17,424</b>        | 17,769       |
| Other receivables            | <b>2,412</b>         | 2,424        |
| Intercompany debtors         | <b>69</b>            | -            |
|                              | <b>19,905</b>        | 20,193       |

**9. FINANCIAL LIABILITIES - BORROWINGS**

**Guaranteed secured bonds**

| <b>2025</b>                  | <b>Nominal Value<br/>£000</b> | <b>Loan Premium<br/>£000</b> | <b>Carrying Value<br/>£000</b> |
|------------------------------|-------------------------------|------------------------------|--------------------------------|
| At beginning of year         | 1,744,100                     | 136,948                      | 1,881,048                      |
| Amortisation in year         | -                             | (5,767)                      | (5,767)                        |
| <b>Total</b>                 | <b>1,744,100</b>              | <b>131,181</b>               | <b>1,875,281</b>               |
| Ageing of loans to borrowers |                               |                              |                                |
| Due within 1 year            | -                             | 5,915                        | 5,915                          |
| Due after 1 year             | 1,744,100                     | 125,266                      | 1,869,366                      |
| <b>Total</b>                 | <b>1,744,100</b>              | <b>131,181</b>               | <b>1,875,281</b>               |
| <b>2024</b>                  | <b>Nominal Value<br/>£000</b> | <b>Loan Premium<br/>£000</b> | <b>Carrying Value<br/>£000</b> |
| At beginning of year         | 1,744,100                     | 142,599                      | 1,886,699                      |
| Amortisation in year         | -                             | (5,651)                      | (5,651)                        |
| <b>Total</b>                 | <b>1,744,100</b>              | <b>136,948</b>               | <b>1,881,048</b>               |
| 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                      |
| <b>Total</b>                 | <b>1,744,100</b>              | <b>136,948</b>               | <b>1,881,048</b>               |

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2025

9. FINANCIAL LIABILITIES - BORROWINGS (CONTINUED)

Guaranteed secured bank borrowings

| 2025                         | Nominal Value<br>£000 | Carrying Value<br>£000 |
|------------------------------|-----------------------|------------------------|
| At beginning of year         | 1,500,000             | 1,500,000              |
| Repayments                   | (1,678)               | (1,678)                |
| <b>Total</b>                 | <b>1,498,322</b>      | <b>1,498,322</b>       |
| Ageing of loans to borrowers |                       |                        |
| Due within 1 year            | 15,878                | 15,878                 |
| Due after 1 year             | 1,482,444             | 1,482,444              |
| <b>Total</b>                 | <b>1,498,322</b>      | <b>1,498,322</b>       |
| 2024                         | Nominal Value<br>£000 | Carrying Value<br>£000 |
| At beginning of year         | 1,500,000             | 1,500,000              |
| Repayments                   | -                     | -                      |
| <b>Total</b>                 | <b>1,500,000</b>      | <b>1,500,000</b>       |
| Ageing of loans to borrowers |                       |                        |
| Due Within 1 year            | 1,678                 | 1,678                  |
| Due after 1 year             | 1,498,322             | 1,498,322              |
| <b>Total</b>                 | <b>1,500,000</b>      | <b>1,500,000</b>       |

Details of the collateral and security held are set out in note 14: Financial instruments – Fair value & Risk management.

**AFFORDABLE HOUSING FINANCE PLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2025**

**9. FINANCIAL LIABILITIES - BORROWINGS (CONTINUED)**

| <b>2025</b>                  | <b>Nominal Value<br/>£000</b> | <b>Carrying Value<br/>£000</b> |
|------------------------------|-------------------------------|--------------------------------|
| Ageing of loans to borrowers |                               |                                |
| Due within 1 year            | 15,878                        | 21,793                         |
| Due after 1 year             | 3,226,545                     | 3,351,811                      |
| <b>Total</b>                 | <b>3,242,423</b>              | <b>3,373,604</b>               |
| <b>2024</b>                  |                               |                                |
| Ageing of loans to borrowers |                               |                                |
| Due within 1 year            | 1,677                         | 7,444                          |
| Due after 1 year             | 3,242,423                     | 3,373,604                      |
| <b>Total</b>                 | <b>3,244,100</b>              | <b>3,381,048</b>               |

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

|                                           | <b>Nominal<br/>Value<br/>£000</b> | <b>Retained by<br/>Company<br/>£000</b> | <b>Nominal<br/>Value<br/>£000</b> | <b>Premium/<br/>(Discount)<br/>£000</b> |
|-------------------------------------------|-----------------------------------|-----------------------------------------|-----------------------------------|-----------------------------------------|
| 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                               |
|                                           | <b>600,900,000</b>                | <b>-</b>                                | <b>600,900,000</b>                | <b>53,433,930</b>                       |

## AFFORDABLE HOUSING FINANCE PLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

#### 9. FINANCIAL LIABILITIES - BORROWINGS (CONTINUED)

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

|                                           | Nominal<br>Value<br>£000 | Retained by<br>Company<br>£000 | Nominal Value<br>£000 | Premium/<br>(Discount)<br>£000 |
|-------------------------------------------|--------------------------|--------------------------------|-----------------------|--------------------------------|
| 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 Sept 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 Dec 2017 (sale of retained bonds)       | -                        | (49,500,000)                   | 49,500,000            | 7,316,770                      |
|                                           | <u>1,143,200,000</u>     | <u>-</u>                       | <u>1,143,200,000</u>  | <u>125,520,062</u>             |

#### 10. TRADE AND OTHER PAYABLES

|                                      | 2025<br>£000  | 2024<br>£000  |
|--------------------------------------|---------------|---------------|
| Interest payable on secured notes    | 17,424        | 17,769        |
| Accruals                             | 111           | 110           |
| Other payables                       | 9             | 6             |
| Other taxation and social securities | 16            | 13            |
| Intercompany creditors               | 455           | 238           |
|                                      | <u>18,015</u> | <u>18,136</u> |

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2025

11. SHARE CAPITAL

|                                                           | 2025<br>Number | 2025<br>£000 | 2024<br>Number | 2024<br>£000 |
|-----------------------------------------------------------|----------------|--------------|----------------|--------------|
| Allotted and part paid                                    |                |              |                |              |
| Ordinary shares of £1 each of which 25p per share is paid | 50,000         | 13           | 50,000         | 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.

12. RESERVES

**Retained earnings**

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

13. RECONCILIATION OF PROFIT TO NET CASH GENERATED FROM OPERATIONS

|                                                                 | 2025<br>£000 | 2024<br>£000   |
|-----------------------------------------------------------------|--------------|----------------|
| <b>PROFIT BEFORE TAXATION</b>                                   | <b>814</b>   | <b>904</b>     |
| Adjustments for:                                                |              |                |
| Interest income on loans                                        | (82,889)     | (83,681)       |
| Interest expense on borrowings                                  | 82,889       | 83,681         |
| (Increase) / decrease in other receivables                      | (57)         | 346            |
| Increase / (decrease) in other payables                         | 225          | (2,401)        |
| <b>NET CASH GENERATED FROM / (USED IN) OPERATING ACTIVITIES</b> | <b>982</b>   | <b>(1,151)</b> |

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2025

14. 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 (2024: 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.

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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2025

|                                    | 2025<br>£000<br>Carrying Value | 2025<br>£000<br>Fair Value | 2024<br>£000<br>Carrying Value | 2024<br>£000<br>Fair Value |
|------------------------------------|--------------------------------|----------------------------|--------------------------------|----------------------------|
| <b>Financial assets</b>            |                                |                            |                                |                            |
| Loans:                             |                                |                            |                                |                            |
| Non-current                        | 3,351,810                      |                            | 3,373,604                      |                            |
| Current                            | 21,794                         |                            | 7,444                          |                            |
| Total                              | 3,373,604                      | 3,138,089                  | 3,381,048                      | 3,279,353                  |
| Interest receivable                | 17,424                         | 17,424                     | 17,769                         | 17,769                     |
| Sundry receivables                 | 2,481                          | 2,481                      | 2,424                          | 2,424                      |
| Short term cash deposits           | 5,609                          | 5,609                      | 5,311                          | 5,311                      |
| Cash and cash equivalents          | 1,547                          | 1,547                      | 1,124                          | 1,124                      |
| <b>Total financial assets</b>      | <b>3,400,665</b>               | <b>3,165,150</b>           | <b>3,407,676</b>               | <b>3,305,981</b>           |
| <b>Financial liabilities</b>       |                                |                            |                                |                            |
| Borrowings:                        |                                |                            |                                |                            |
| Non-current                        | 3,351,810                      |                            | 3,373,604                      |                            |
| Current                            | 21,794                         |                            | 7,444                          |                            |
| Total                              | 3,373,604                      | 3,138,089                  | 3,381,048                      | 3,279,353                  |
| Interest payable                   | 17,424                         | 17,424                     | 17,769                         | 17,769                     |
| Other payables                     | 592                            | 592                        | 367                            | 367                        |
| <b>Total financial liabilities</b> | <b>3,391,620</b>               | <b>3,156,105</b>           | <b>3,399,184</b>               | <b>3,297,489</b>           |

**RISK MANAGEMENT**

**(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 £494,000 (2024: £592,000).

The interest rates on the bank borrowings are both fixed and floating and the rates are between the range 1.046% and 5.719% (2024: 3.8% and 5.254%).

The weighted average interest rate on both fixed financial liabilities and fixed financial assets is 2.6759% (2024: 2.6624%). The weighted average period for which interest rates are fixed is 15.2 (2024: 16.2) years.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2025**

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**(b) Credit 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 2025 (2024: 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 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.

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 15.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2025**

**(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.

**15. CONTRACTUAL CASH FLOWS**

| <b>2025</b>              | <b>Due within<br/>one year<br/>£000</b> | <b>Due within<br/>one to two<br/>years<br/>£000</b> | <b>Due within<br/>two to five<br/>years<br/>£000</b> | <b>Due in over<br/>five years<br/>£000</b> | <b>Total<br/>£000</b> |
|--------------------------|-----------------------------------------|-----------------------------------------------------|------------------------------------------------------|--------------------------------------------|-----------------------|
| Principal                | 15,878                                  | 31,225                                              | 207,413                                              | 2,987,907                                  | 3,242,423             |
| Interest                 | 88,346                                  | 87,820                                              | 256,602                                              | 961,152                                    | 1,393,920             |
| Trade and other payables | <u>18,015</u>                           | -                                                   | -                                                    | -                                          | <u>18,015</u>         |
| <b>Total</b>             | <b>122,239</b>                          | <b>119,045</b>                                      | <b>464,015</b>                                       | <b>3,949,059</b>                           | <b>4,654,358</b>      |
| <b>2024</b>              | <b>Due within<br/>one year<br/>£000</b> | <b>Due within<br/>one to two<br/>years<br/>£000</b> | <b>Due within<br/>two to five<br/>years<br/>£000</b> | <b>Due in over<br/>five years<br/>£000</b> | <b>Total<br/>£000</b> |
| 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 | <u>18,136</u>                           | -                                                   | -                                                    | -                                          | <u>18,136</u>         |
| <b>Total</b>             | <b>109,048</b>                          | <b>105,003</b>                                      | <b>426,363</b>                                       | <b>4,114,697</b>                           | <b>4,755,111</b>      |

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 2025. On variable rate facilities it has been assumed that the interest rate and drawn amount as at 31 March 2025 remain unchanged until the contract maturity.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2025**

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**16. RELATED PARTY TRANSACTIONS**

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 2025 was £3,542,850 (2024: £3,408,379). The amount due to THFCS at 31 March 2025 was £361,519 (2024: £237,544). The amount (due from)/to THFC at 31 March 2025 was £24,600 (2024:Nil).

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.

**17. 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.

**18. 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 2025 amounted to £106.2m (2024: £109.7m).