The Housing Finance Corporation Limited

2024

Interim Report & Accounts

Est. 1987

Contents

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Interim Management Report

Financial Highlights

	Note	As at 30 September 2024 (unaudited)	As at 30 September 2023 (unaudited)	As at 31 March 2024 (audited)
	Note	**£000**	£000	£000
New business Income	11	**220**	190	727
Operating income net of interest	11	**7,124**	6,700	14,479
Total Income net of Interest		**7,344**	6,890	15,206
Administration expenditure & finance costs		**(4,731)**	(3,433)	(7,214)
Surplus before tax		**2,613**	3,457	7,992
Loan Book	7	**7,995,303**	8,131,795	7,952,440
Retained earnings		**64,555**	59,514	62,681

Review

The Board is pleased to present its interim report and accounts for the six-month period ended 30 September 2024.

During this period, the Housing Finance Corporation Limited ("THFC") and its subsidiaries (together, "the Group") made a pre-tax surplus of £2,613k compared to £3,457k for the same period last year. Pre-tax surplus was below the comparative period last year principally due to higher administration expenditure, mainly in staff costs and professional fees, driven by planned investment as THFC starts implementing its enhanced strategy. This is partly offset by increased investment income, arrangement and annual fees. The timing of receipts of arrangement fees is driven by market conditions and demand from borrowers.

Revenue represents arrangement fees for new lending, administration fees receivable on the loan book, investment income and sundry income.

Administration expenditure and finance costs comprise primarily staff costs, property costs, IT costs and professional fees.

Arrangement fees receivable in the period amounted to £210k out of the £220k in overall new business income made up of £160k on £20m of new loan facilities made available to borrowers this year and a £50k instalment fee on a £50m uncommited loan facility from last year. These loans originated through Blend Funding Plc ("bLEND"), a subsidiary of the Group.

Operating income (excluding new business income) net of interest grew by 6.3% in the period ended 30 September 2024 to £7,124k (2023: £6,700k) and consisted of administration fees (and a modest amount of sundry income) of £4,990k (2023: £4,678k) and investment income of £2,132k

(2023: £2,019k). This was driven by a combination of higher indexation on administration fees and the impact of higher accumulated reserves and interest rates on investment income.

The increase in administration expenditure and finance costs of £1,298k in the period to £4,731k was principally due to increased staff costs as a result of increased investment in our people, and professional fees as we invest in our strategic development and are considered to be partially non-recurring.

The ratio of administration expenditure to loan book at 30 September 2024 has increased to 0.06% (2023: 0.04%) due to the increase in expenses and a £175m maturity in October 2023 reducing the loan book.

During the period ended 30 September 2024, a total of £70.0m of loans were advanced to housing associations by members of the THFC Group (2023: £27.5m). The £70.0m issued so far this year relates to a £30m new borrower loan and £40m of transactions where borrower drawdown of proceeds was deferred from the related bond issue in May 2022. All deferred loans are now fully drawn (2023: £55.0m undrawn).

This results in a group loan book of £7.99bn at 30 September 2024, compared to £8.13bn at 30 September 2023. The loan book has reduced principally due to the stock maturity of £175m mentioned above.

Total group reserves stood at £64.6m (2023: £59.5m) All reserves are non-distributable. There are restrictions over the use of Affordable Housing Finance PLC's reserves as set out in the Licence with the Department for Levelling-Up, Housing and Communities.

Sector Risks

The challenges facing the social housing sector that we have alluded to in recent years continue as, whilst some have abated, others have emerged. Over recent months, inflation has subsided markedly with pay settlements trending in a similar direction. In addition, interest rates, particularly short term, have moderated to some degree and the new UK government has announced measures to support the sector with a proposed 5 year Consumer Price Index +1% rent settlement and some additional grant funding for housing associations. However, at the same time the increases in employment costs introduced in the Autumn Statement add material costs to the sector.

These more recent developments occur whilst some of the longer term demands on housing associations' financial capacity remain, particularly investment in stock, whether for reasons of health and safety, fire risk remediation or decarbonisation. Additional investment and focus will continue in order to support improvement in the service provided to tenants.

We have mentioned before that housing associations have proven resilient across economic cycles, typically have a large element of discretionary spend in their development programmes and are typically well funded with long term fixed rate debt. Currently there is no evidence to suggest that the Group or any of its borrowers will be unable to meet debt service obligations in the foreseeable future.

Statement of Directors' Responsibilities

We confirm that to the best of our knowledge:

a) The condensed set of interim financial statements give a true and fair view of the assets, liabilities, financial position and surplus of the Group and the undertakings included in the consolidation taken as a whole as at 30 September 2024; and

b) The interim management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the sector risks that the Group's borrowers face.

Forward-looking statements

These interim financial statements may contain forward-looking statements with respect to the financial condition, results, operations and businesses of the Group. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Such statements and forecasts involve risk and uncertainty because they relate to uncertain events and depend upon circumstances that will occur in the future.

There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by forward-looking statements and forecasts. Forward-looking statements and forecasts are based on the Directors' current view and information known to them at the date of this statement. The Directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Nothing contained in these condensed interim financial statements, the latest Annual Report, or THFC's website, should be construed as a profit-forecast or an invitation to deal in the securities of the Group.

Priya Nair

Director

By order of the Board

26 November 2024

Condensed Group Statement of Comprehensive Income

Six month period ended 30 September 2024

	Note	**Six months ended 30 September 2024 (unaudited)**	Six months ended 30 September 2023 (unaudited)	Year ended 31 March 2024 (audited)
OPERATING INCOME	**Note**	**£000**	£000	£000
On loans to housing associations				
Interest receivable	5	**140,988**	147,780	288,598
Discount amortised		**1,301**	1,316	2,612
Premium amortised		**(8,272)**	(8,390)	(16,616)
Income from securitised assets		**172**	346	648
Indexation on investments		**131**	717	1,056
Premium receivable on prepayment		**-**	155	155
Other interest		**2,132**	2,019	4,868
Fees receivable and other income		**5,207**	4,899	10,388
		141,659	148,842	291,709
OPERATING EXPENDITURE				
On debenture stocks, secured bonds, bank loans and other loans				
Interest payable	6	**141,158**	148,123	289,244
Discount amortised		**1,293**	1,342	2,653
Premium amortised		**(8,267)**	(8,384)	(16,605)
Indexation on loans payable		**131**	717	1,056
Premium payable on prepayment		**-**	155	155
Administration expenses		**4,689**	3,399	7,141
Finance costs		**42**	33	73
		139,046	145,385	283,717
SURPLUS BEFORE TAXATION		**2,613**	3,457	7,992
Taxation		**(739)**	(864)	(2,060)
Surplus after taxation		**1,874**	2,593	5,932
Other comprehensive loss		**-**	-	(172)
TOTAL COMPREHENSIVE INCOME		**1,874**	2,593	5,760

Condensed Group Statement of Financial Position

As at 30 September 2024

		As at 30 September 2024 (unaudited)	As at 30 September 2023 (unaudited)	As at 31 March 2024 (audited)
ASSETS	**Note**	**£000**	£000	£000
Non-current assets				
Loans	7	**7,895,230**	7,915,881	7,901,845
Intangible assets		**246**	122	123
Goodwill		**125**	-	-
Property, plant and equipment		**1,794**	884	802
Deferred tax asset		**216**	307	294
Current assets				
Loans	7	**100,073**	215,914	50,595
Other receivables		**40,067**	44,455	39,704
Short-term deposits		**54,386**	109,160	88,491
Cash and cash equivalents		**52,812**	62,144	65,512
TOTAL ASSETS		**8,144,949**	8,348,867	8,147,366
EQUITY AND LIABILITIES				
Non-Current liabilities				
Financial liabilities – borrowings	8	**7,895,687**	7,968,549	7,940,300
Leases		**1,458**	742	698
Deferred tax liabilities		**-**	16	-
Defined benefit pension liability		**1,069**	1,077	1,206
Current liabilities				
Financial liabilities – borrowings	8	**100,795**	224,194	53,477
Trade and other payables		**80,623**	93,934	87,824
Leases		**109**	109	98
Current tax liabilities		**653**	732	1,082
TOTAL LIABILITIES		**8,080,394**	8,289,353	8,084,685
EQUITY				
Called up share capital		**-**	-	-
Retained earnings		**64,555**	59,514	62,681
TOTAL EQUITY				
TOTAL EQUITY AND LIABILITIES		**8,144,949**	8,348,867	8,147,366

The accompanying notes on pages 8-16 are an integral part of these condensed consolidated financial statements. These condensed consolidated financial statements on pages 4-16 were approved by the board on 26 November 2024.

The Housing Finance Corporation Limited Registration Number: IP25862R

Condensed Group Statement of Changes in Equity

Six month period ended 30 September 2024

	Share capital	Retained earnings	Total equity
	£	£000	£000
Balance as at 1 April 2024 (audited)	8	62,681	62,681
Surplus for period	-	1,874	1,874
Balance as at 30 September 2024 (unaudited)	**8**	**64,555**	**64,555**
Balance as at 1 April 2023 (audited)	10	56,921	56,921
Surplus for period	-	2,593	2,593
Balance as at 30 September 2023 (unaudited)	**10**	**59,514**	**59,514**
Balance as at 1 April 2023 (audited)	10	56,921	56,921
Shares cancelled in period	(2)	-	-
Surplus for year	-	5,932	5,932
Other comprehensive (loss)	-	(172)	(172)
Balance as at 31 March 2024 (audited)	**8**	**62,681**	**62,681**

Condensed Group Statement of Cash Flows

Six-month period ended 30 September 2024

		Six months ended 30 September 2024 (unaudited)	Six months ended 30 September 2023 (unaudited)	Year ended 31 March 2024 (audited)
NET CASH FLOW FROM OPERATING ACTIVITIES	**Note**	**£000**	£000	£000
Cash generated from operations as per reconciliation of surplus to net cash flow from operations	9	**2,826**	4,315	9,260
Interest received on loans to housing associations		**140,040**	146,613	292,850
Interest paid on debenture stocks, secured bonds, secured notes, bank loans and other loans		**(147,694)**	(141,008)	(288,916)
Premium received on prepayment		**-**	155	155
Premium paid on prepayment		**-**	(155)	(155)
Loans to housing associations		**(67,220)**	(29,069)	(43,291)
Repayment of loans by housing associations		**17,518**	20,721	207,707
New borrowings		**30,000**	-	-
Premium (paid) / received on deferred loans		**(106)**	47	(1)
Repayment of amounts borrowed		**(20,452)**	(14,379)	(206,774)
Tax paid		**(1,103)**	(718)	(1,508)
NET CASH USED IN OPERATING ACTIVITIES		**(46,191)**	(13,478)	(30,673)
CASH FLOW FROM INVESTING ACTIVITIES				
Movement on short-term deposits		**34,106**	22,042	42,709
Purchase of subsidiary net of cash acquired		**(125)**	-	-
Purchase of property, plant and equipment		**(269)**	(9)	(20)
Purchase of intangible assets		**(146)**	(39)	(66)
NET CASH GENERATED FROM INVESTING ACTIVITIES		**33,566**	21,994	42,623
CASHFLOW FROM FINANCING ACTIVITIES				
Principal element of lease payments		**(75)**	(96)	(162)
NET CASH USED IN FINANCING ACTIVITIES		**(75)**	(96)	(162)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(12,700)**	8,420	11,788
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**65,512**	53,724	53,724
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**52,812**	62,144	65,512

Notes to the Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

The Housing Finance Corporation Limited ("THFC" or "the Company") provides funding for housing associations. THFC is domiciled and incorporated in England and Wales with limited liability and registered under the Co-operative and Community Benefit Societies Act 2014.

Funding to housing associations is sourced through issuing debenture stocks, secured bonds, secured notes, bank funding and long-term loans from related companies. The debenture stocks and secured bonds issued by THFC and certain subsidiaries are listed on the Professional Securities Market of the London Stock Exchange. Secured notes issued by Blend Funding Plc ("bLEND") are listed on the International Securities Market.

The interim condensed consolidated financial statements of THFC together with its subsidiaries ("the Group") for the six months ended 30 September 2024 were approved by the Board of Directors for issue on 26 November 2024.

2. BASIS OF PREPARATION & STATUTORY ACCOUNTS

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 September 2024 have been prepared using accounting policies as described in Note 1 of the Group's annual financial statements for the year ended 31 March 2024. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2024.

The financial statements have been prepared under the historical cost convention. A summary of the more important group accounting policies is set out below.

Statutory accounts

Financial information contained in this document does not constitute statutory accounts within the meaning of section 98 of the Co-operative and Community Benefit Societies Act 2014.

The financial information for the six months ended 30 September 2024 and 30 September 2023 is unaudited and has not been subject to review in accordance with International Standards on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

3. ACCOUNTING POLICIES

The same accounting policies, presentation and methods of computation are followed in the condensed consolidated financial statements as applied in the Group's latest annual consolidated financial statements with significant policies described below:

Taxation

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Changes in accounting policies and disclosures

A number of new and amended standards and interpretations are effective from 1 April 2024 but they do not have a material effect on the Group's financial statements.

Loans to housing associations, debenture stocks, secured bonds, bank borrowings and other borrowings

The terms of the loans to housing associations are substantially matched to those on which the funds have been raised through the issue of debenture stocks, secured bonds, secured notes, bank borrowings and other borrowings and hence both loans and funds borrowed are accounted for on a similar basis as set out below:

1. Loans to housing associations are expected to run to contractual maturity and are classified as loans and receivables. Debenture stocks, secured bonds, secured notes, bank borrowings and other borrowings are classified as financial liabilities.

2. Loans to housing associations are stated at amortised cost. The discounts or premiums on issue are deducted from/added to the original loan value and credited or charged to the statement of comprehensive income over the expected life of the loan so that the interest receivable or payable, as adjusted for the amortisation of discounts or premiums, gives a constant yield to maturity.

3. The related debenture stocks, secured bonds, secured notes, bank borrowings and other borrowings are also stated at amortised cost.

Impairment of Financial Assets

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with any debt instruments carried at amortised cost. The Group may recognise a loss allowance for such losses at each reporting date.

The IFRS 9 impairment model has three stages – Stage 1 (low risk), Stage 2 (significantly increased risk) and Stage 3 (default).

The Group may recognise a 12-month expected credit loss allowance on initial recognition (stage 1) and a lifetime expected loss allowance when there has been a significant increase in credit risk (stage 2) that would no longer render the instrument low risk. Stage 3 requires objective evidence that an asset is credit impaired.

Management apply their own judgement to resulting outcomes by considering such factors as the Group's own loss experience, low loan to value ratios and other relevant factors.

No financial assets have been impaired as at 30 September 2024 (2023: None).

Interest receivable and payable

Interest receivable on loans to housing associations, interest payable on debenture stocks, bonds, secured notes, bank borrowings and other borrowings is accounted for on an effective interest rate basis. Premiums/discounts on issue are added to/deducted from the original loan or bond value and charged/credited to the statement of comprehensive income over the expected life of the loan or bond using the effective interest rate method so that the interest receivable and interest payable, as adjusted for the amortisation of premiums and discounts, gives a constant yield to maturity. If, and when, prepayments take place premiums receivable and payable on prepayment of debenture stocks, bonds and notes are taken to the statement of comprehensive income in the period in which the prepayment takes place.

Securitised assets and related income

Securitised assets are recorded in the condensed consolidated financial statements at amortised cost. Income arising from the assets is accounted for on an effective interest rate basis.

Fees and premiums receivable

Fees receivable and other income comprise arrangement fees payable on completion of loan transactions, annual fees for the ongoing service provided to borrowers and premiums receivable on completion of loan prepayment transactions. All fees receivable are charged in line with contractual arrangements.

Fees are measured at the transaction price received or receivable allocated to the performance obligation satisfied and represent amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

As the expected period between transfer of a promised good or service and payment from the borrower is one year or less then no adjustment for a financing component has been made.

Arrangement fees and premiums receivable are recognised on the completion of the transaction with the borrower.

Annual fees for the ongoing service provided to borrowers are recognised over the period in which the services are provided.

Notes to the Condensed Consolidated Financial Statements
(continued)

Critical Judgements - Impairment

The directors have concluded that no impairment provision is required in relation to its loans to borrowers 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 Group's zero loss experience to date. As the Group is not subject to any net credit risk, any incurred loss would be matched by a similar adjustment to the gross liability.

4. GOING CONCERN

After making enquiries, the directors have formed a judgement at the time of approving the condensed consolidated financial statements that there is a reasonable expectation that THFC and the Group have adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the approval of these financial statements. For this reason, the directors continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

5. INTEREST RECEIVABLE

	Six months ended 30 September 2024 (unaudited)	Six months ended 30 September 2023 (unaudited)	Year ended 31 March 2024 (audited)
On loans to housing associations:	**£000**	£000	£000
Interest receivable	**140,988**	147,780	288,598
	140,988	147,780	288,598

6. INTEREST PAYABLE

	Six months ended 30 September 2024 (unaudited)	Six months ended 30 September 2023 (unaudited)	Year ended 31 March 2024 (audited)
On debenture stocks, secured bonds, bank borrowings and other borrowings:	**£000**	£000	£000
Interest payable	**141,158**	148,123	289,244
	141,158	148,123	289,244

Notes to the Condensed Consolidated Financial Statements
(continued)

7. LOANS TO BORROWERS

	Six months ended 30 September 2024 (unaudited)	Six months ended 30 September 2023 (unaudited)	Year ended 31 March 2024 (audited)
	£000	£000	£000
Loans to housing associations			
At beginning of period	7,946,324	8,120,092	8,120,092
(Discount)/premium on new issues	(2,779)	1,569	791
Loans repaid during the period	(15,580)	(18,969)	(204,111)
Loans advanced during the period	70,000	27,500	42,500
	7,997,965	8,130,192	7,959,272
Discount amortised for the period	1,301	1,316	2,612
Premium amortised for the period	(8,272)	(8,390)	(16,616)
Indexation for the period	131	717	1,056
At end of period	7,991,125	8,123,835	7,946,324
Securitised assets			
At beginning of period	6,116	9,712	9,712
Loans repaid during the period	(1,938)	(1,752)	(3,596)
At end of period	4,178	7,960	6,116
Total loans and receivables	7,995,303	8,131,795	7,952,440
Due within one year	100,073	215,914	50,595
Due after more than one year	7,895,230	7,915,881	7,901,845
Total	7,995,303	8,131,795	7,952,440

Notes to the Condensed Consolidated Financial Statements
(continued)

8. FINANCIAL LIABILITIES

	Six months ended 30 September 2024 (unaudited)	Six months ended 30 September 2023 (unaudited)	Year ended 31 March 2024 (audited)
	£000	£000	£000
Debenture stocks, secured bonds, secured notes, bank borrowings and other borrowings			
At beginning of period	7,993,054	8,212,724	8,212,724
Repaid during the period	(20,452)	(14,379)	(206,774)
Borrowings during the period	30,000	-	-
	8,002,602	8,198,345	8,005,950
Discount amortised	1,293	1,342	2,653
Premium amortised	(8,267)	(8,384)	(16,605)
Indexation	131	717	1,056
At end of period	7,995,759	8,192,020	7,993,054
Subordinated loans	723	723	723
Total borrowings	7,996,482	8,192,743	7,993,777
Amounts falling due within one year	100,795	224,194	53,477
Amounts falling due after one year	7,895,687	7,968,549	7,940,300
Total	7,996,482	8,192,743	7,993,777

Notes to the Condensed Consolidated Financial Statements
(continued)

9. RECONCILIATION OF SURPLUS TO NET CASH GENERATED FROM OPERATIONS

	Six months ended 30 September 2024 (unaudited)	Six months ended 30 September 2023 (unaudited)	Year ended 31 March 2024 (audited)
	£000	£000	£000
Surplus before taxation	**2,613**	3,457	7,992
Interest receivable	**(134,017)**	(140,862)	(274,749)
Interest payable	**134,184**	141,236	275,447
Adjustments for:			
Depreciation and amortisation	**142**	114	228
Loss on disposal of fixed assets	**-**	-	5
Finance costs	**42**	33	73
Net employer contribution to defined benefit pension scheme excluding administration costs	**(136)**	(129)	(259)
Decrease / (increase) in other receivables	**582**	505	(162)
(Decrease) / increase in other payables	**(584)**	(39)	685
Net cash inflow from operating activities	**2,826**	4,315	9,260

10. RELATED PARTY TRANSACTIONS

T.H.F.C. (Services) Limited ("THFCS"), a subsidiary undertaking, levies a service charge to THFC and its other subsidiaries reflecting their share of administrative overhead that is incurred during the year. Each subsidiary's share of the charge is based on their own level of activity during the year.

THFC and each subsidiary will settle the charge in cash as and when required by THFCS. The total service charge payable by THFC to THFCS during the period ended 30 September 2024 was £nil (30 September 2023: £nil). For the year ended 31 March 2024 it was £5,483k (2023: £3,723k). The amount due to THFCS at 30 September 2024 was £nil (30 September 2023: £nil) (31 March 2024: £689.9k).

The Group provides administrative services to the following related companies under management agreements:

- Haven Funding Plc
- Haven Funding (32) Plc
- Harbour Funding Plc
- Sunderland (SHG) Finance Plc
- T.H.F.C. (Funding No. 1) Plc
- T.H.F.C. (Funding No. 2) Plc
- T.H.F.C. (Funding No. 3) Plc

The Group earned fees of £95,556 (30 September 2023: £88,232) for providing these services and had amounts owing from these companies at 30 September 2024 of £5,357 (30 September 2023: £4,101). Directors of these companies are also directors of the Group.

Total interest charged by T.H.F.C. (Funding No.1) Plc, T.H.F.C. (Funding No.2) Plc, and T.H.F.C. (Funding No.3) Plc on their respective loans to The Housing Finance Corporation Limited was as follows:

	Six months ended 30 September 2024 (unaudited)	Six months ended 30 September 2023 (unaudited)	Year ended 31 March 2024 (audited)
	£000	£000	£000
T.H.F.C. (Funding No.1) Plc	**5,565**	5,596	11,161
T.H.F.C. (Funding No.2) Plc	**11,839**	11,968	23,678
T.H.F.C. (Funding No.3) Plc	**26,352**	26,497	52,847

Notes to the Condensed Consolidated Financial Statements

(continued)

11. NEW BUSINESS INCOME & OPERATING INCOME NET OF INTEREST

	Six months ended 30 September 2024 (unaudited)	Six months ended 30 September 2023 (unaudited)	Year ended 31 March 2024 (audited)
NEW BUSINESS INCOME	**£000**	£000	£000
Arrangement fees	**210**	130	508
Sundry income	**10**	60	219
	220	190	727
OPERATING INCOME NET OF INTEREST			
Fees receivable and other income	**5,210**	4,868	10,336
- Less new business income	**(220)**	(190)	(727)
Other interest (1)	**2,132**	2,019	4,868
Interest receivable	**140,988**	147,780	288,598
Interest payable	**(141,158)**	(148,123)	(289,244)
Income from securitised assets	**172**	346	648
Premium receivable	**-**	155	155
Premium payable	**-**	(155)	(155)
	7,124	6,700	14,479

(1) Other interest is investment income earned primarily on THFC's accumulated reserves (or retained earnings).