03230346

H.A. Funding Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2019

H.A. FUNDING LIMITED

COMPANY INFORMATION

Directors	Apex Trust Corporate Limited Apex Corporate Services (UK) Limited Sean Martin
Company secretary	Apex Trust Corporate Limited
Registered number	03230346
Registered office	125 Wood Street London EC2V 7AN
Independent auditor	Mazars LLP Chartered Accountants and Statutory Auditor Tower Bridge House St Katharine's Way London E1W 1DD

H.A. FUNDING LIMITED

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H.A. FUNDING LIMITED

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 MAY 2019

INTRODUCTION

The Directors present their Strategic Report for the year ended 31 May 2019.

BUSINESS REVIEW

The Company is registered in England & Wales No. 03230346 and is a holding company whose only investment is the entire issued share capital of Housing Association Funding plc ("HAF"). This subsidiary is a special purpose company whose only activity is to advance loans to certain Housing Associations and to service notes and bank borrowings issued or raised to finance such advances and is likely to remain so in the foreseeable future. The Housing Association loans have been pledged to Royal Exchange Trust Company Limited as security for the notes. The Group and its subsidiary are otherwise referred to as the "Group".

The Group only operates in the UK and provides funding only to social housing providers.

The Group operated as expected during the year with demand for social housing remaining very high. The rent collection performance of the property portfolio over the year to 31 May 2019 was 99.7% (2018: 99%) of the £25 million (2018: £30 million) collectible if the properties had been fully occupied and all rents paid on their due date. Overall rent collection performance remains significantly better than the 95% level specified under the Loan Agreements. The net rental income was 142% (2018: 148%) of the amount required by the Group to service its debt obligations on the long-term notes. The notes and the loans continued to redeem during the year. The balance of the notes at year end was £75.3 million (2018: £94 million) and that of the loans was £75.3 million (2018: £94 million). The cash balance at year end was at £18 million (2018: £19 million), the Group continues to operate an additional liquidity facility originally set up by Barclays held at BNY Mellon. The Group has not been required to make any drawdowns from this facility during the year.

Two Borrowers prepaid during the accounting period ending 31 May 2019.

Details as follows:

- Liverty Limited (formerly Knightstone Housing Association Limited - repaid June 2018
- Paradigm Homes Charitable Housing Association Limited (formerly Chiltern Hundred Housing Association Limited) – repaid December 2018

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's business is predicated on demand for rented housing. Therefore the principal risk facing the Group is based on changes in demographic conditions leading to a significant reduction in the demand to rent the housing which is security for its loan. Demand could reduce if there was an oversupply of housing, if the housing was not kept in a good and tenantable condition, if the rents for the housing were uncompetitive or, if the housing were located in an undesirable or dangerous area. Management mitigate these risks by ensuring that the dwellings are let and kept in a good and tenantable condition. It does this by checking monthly reports of rental collection, which reflect occupancy, against the targets laid down in the loan agreements and by examining the triennial stock condition surveys.

The Directors do not currently consider credit risk to be a significant risk to the Group. The reason is that if there is a default by a borrower, the transaction is structured to transfer the management of the charged dwellings allowing the rents to continue to be collected and the dwellings to continue to be managed and maintained and the debt to be serviced out of the rental cash flow. There has not been a default by a borrower in the past eighteen years.

The directors consider the Company's overall exposure to interest rate risk to be immaterial for the purposes of these financial statements.

For more information on the principal risks and how they are managed, please see note 15.

INTERNAL CONTROL AND RISK MANAGEMENT

Each of the borrowers is obliged under its loan agreement to provide the Group with monthly and quarterly reports about the performance of the dwellings which are charged as security for its borrowing. The administration team monitors the receipt of these investor reports.

Borrowers are also obliged to provide the Group with a solvency certificate every 6 months and an annual certificate confirming the income and rent which has been reported over the preceding year. It is a requirement that the annual certificate be verified by an accompanying Independent auditor's certificate. The administration team also reviews these certificates and any irregularities are immediately followed up.

FINANCIAL KEY PERFORMANCE INDICATORS

The loans made to Housing Associations by the Group are serviced out of the rental income generated by a portfolio of social housing properties owned and managed by the Housing Associations. The targets in the Loan Agreements represent the measure to which the Group monitors its business.

The rent collection performance of the property portfolio over the year to 31 May 2019 was 99.7% (2018: 99%) of the £25 million (2018: £30 million) collectible if the properties had been fully occupied and all rents paid on their due date. Overall rent collection performance remains significantly better than the 95% level specified under the Loan Agreements.

As at 31 May 2019 the net rental income (being gross rent less provision for management, maintenance, services and credit losses primarily from empty dwellings) of the properties charged to the Group was 142% (2018: 148%) of the amount required by the Group to service its debt obligations on the long-term notes. Overall debt service remains significantly higher than the 105% level specified under the Loan Agreements between the Group and the relevant Housing Associations.

STRATEGY AND FUTURE DEVELOPMENT

The strategy of the Group is to ensure that it continues to service its debt obligations under the Notes in a full and timely manner up to and including the final maturity of the Notes in June 2027.

FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise the lending to Housing Associations and borrowings that arise directly from its operations. The main purpose of these borrowings is to raise finance for the Group's operations. Further information regarding the risks arising from the use of all the Group's financial instruments is included within note 15. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments is undertaken. The Board reviews and agrees the policy for managing the financial risk profile of the Group

This report was approved by the board on 30 July 2020 and signed on its behalf.

Sean Martin
for and on behalf of
Apex Trust Corporate Limited
Director

H.A. FUNDING LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MAY 2019

The Directors present their report and the financial statements for the year ended 31 May 2019.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £6,487 (2018: £4,604).
The Directors did not recommend payment of a dividend during the year (2018: £nil).

DIRECTORS

The Directors who served during the year were:

Sean Martin
Apex Trust Corporate Limited (formerly Link Trust Corporate Limited effective 1 July 2019)
Apex Corporate Services (UK) Limited (formerly Link Corporate Services Limited effective 1 July 2019)

EVENTS SINCE THE END OF THE YEAR

COVID-19 IMPACT

The existence of a new coronavirus (COVID-19) was confirmed in early January 2020. Since then the coronavirus has spread across China and to a significant number of other countries including the UK, causing severe disruption to businesses and economic activity. The Company considers this coronavirus outbreak to be a non-adjusting post balance sheet event.

CORPORATE GOVERNANCE STATEMENT

The Directors have a supervisory role in overseeing the business, strategic direction, organisational structure and risk management activities of the Group. The Director membership represents an appropriate mix of experience and knowledge relevant to the Group's business lines. Board meetings are held at least four times a year, and additional meetings can be held at any time to discuss urgent issues. The day-to-day activities of the Group are controlled by Link Trust Corporate Limited.

GOING CONCERN

Credit Rating

On 21 September 2018, Moody's downgraded its rating on 12 classes of UK commercial mortgage backed securities including Housing Association Funding Plc. The new rating A2 (previously Aa2) is a reflection of the enactment of the Housing Administration regime on 05 July 2018 under the Housing and Planning Act 2016. Moody's has not revised this rating during the period and up until the date of this report.

Under the regime, creditors have a lack of ability to enforce security during an administration of a Housing Association. This weakens the credit structure of the security provided to Housing Associations by the borrowers. There is uncertainty around timing and costs associated with an administration of an insolvent Housing Association. A longer administration process decreases the likelihood of enforcement of the security but also increases the risk of a disruption to the payments on the Notes.

GOING CONCERN (continued)

The Housing Association loans include full recourse to the borrower and are secured by social housing properties in the United Kingdom (UK), however additional factors in the Moody's review contributed towards the rerating of the Housing Association bonds. These factors included, higher leverage based on Moody's value assessment, less scheduled amortisation and the exposure to relatively weaker credit borrowers.

The downgrade reflected the external view that default rates and higher losses of credit borrowers were more probable given the current economic environment.

Brexit

On 23 June 2016 the UK voted to exit the European Union. With negotiations ongoing between the UK and EU, it is premature to determine the full impact of the Brexit vote at this stage.

The strength of the UK economy and possible Brexit implications could undermine or support the ability for the Housing Association borrowers to continue collecting rents from credit borrowers. Details of how credit risk is managed is disclosed in Note 13.

Despite there being a challenging economic environment for the housing association sector, compounded by the uncertainty of Covid-19 discussed below, the Group continues to satisfy all its key performance indicators and to make payments to Noteholders in full and on time without recourse to its additional facility. Additionally, the Housing Associations underlying the structured deal have seen increases in rental collection rates and there is no evidence that the Housing Associations are experiencing higher default rates than usual and all covenants under the original loan agreements being consistently met.

As with previous years the Group continues to hold a £9.4 million 364-day additional fund, equivalent to more than six months' debt service for the Group (and equivalent to more than two years' debt service for any one of the Housing Associations) if this is required. To date there have been no requirements to utilise the funds drawn down on this facility and the directors have no reason to believe the Company will not meet its liabilities as they fall due.

Overall, the housing market is continually supported by Government initiatives which underpin demand for new and existing properties. To this extent house prices are, generally speaking, continuing to rise across the United Kingdom and there has not been any material events to date that would reverse this trend and, as far as the directors are aware, there is no near term regulation proposed by the UK Government which would put greater pressure on the headroom of existing interest cover or the revenue generated from housing association development activities.

Covid-19 Impact

The existence of a new coronavirus (COVID-19) was confirmed in early January 2020. Since then the coronavirus has spread across the Globe, causing severe disruption to businesses and economic activity. The Company considers this coronavirus outbreak to be a non-adjusting post balance sheet event. The recoverability of loan receivables is dependent on the ability of the Housing Associations to service the loans from the rents they receive on their properties.

If there is a reduction in rental income received from the Housing Associations, then this may have an impact on the ability of the company to meet its obligations. If rental receipts were to decline, the directors have considered the point at which payment obligations cannot be met through repayments generated solely by rental receipts alone. It is estimated that rental receipts would have to fall by greater than 25% before the company would have to seek recovery through recourse to the respective Housing Associations and where necessary utilise liquidity funds to deal with any short term timing differences between rental receipts and interest payments.

The directors consider the likelihood of rentals falling by greater than 25% to be remote and that combined with the actions that can be taken in the event of that happening, the directors are satisfied that the company is able to meet its obligations as they fall due.

Consequently the going concern basis continues to be appropriate in preparing the financial statements.

H.A. FUNDING LIMITED
DIRECTORS' REPORT (continued)
FOR THE YEAR ENDED 31 MAY 2018

MATTERS COVERED IN THE STRATEGIC REPORT

As permitted in paragraph 1A of Schedule 7 to large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 1 to 2. These matters relate to the business review, financial instruments, future developments and financial risk management and policies.

CORPORATE GOVERNANCE

The Directors have a supervisory role in overseeing the business, strategic direction, organisational structure and risk management activities of the Group. The Director membership represents an appropriate mix of experience and knowledge relevant to the Group's business lines. Board meetings can be held at any time to discuss urgent issues. The day-to-day activities of the Group are controlled by Link Trust Corporate Limited.

The Group's issued debt securities have a standard listing on the FCA's Main Issuer List. Accordingly, only requirement 7.2.5 of the Disclosure and Transparency Rules is applicable to the Group. The Group is exempt from the other requirements of Disclosure and Transparency Rules 7.2 Corporate governance statements, which would otherwise require the Group to include a corporate governance statement in the Directors' report.

In accordance with 7.2.5 of the Disclosure and Transparency Rules, the Directors confirm that the Group's Financial Statements are prepared by an external accountant and reviewed separately for, and by, the Directors' to ensure the requirements of the Directors responsibilities as set out on page 7 are met.

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 that Director is aware, there is no relevant audit information of which the Group and the Group'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 Group and the Group's auditor is aware of that information.

INDEPENDENT AUDITOR

The auditors, Mazars LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

This report was approved by the board on 30 July 2020 and signed on its behalf.

Sean Martin
for and on behalf of
Apex Trust Corporate Limited
Director

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MAY 2019

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the Directors must not approve the financial statements unless satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

NDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF H.A. FUNDING LIMITED

OPINION

We have audited the financial statements of H.A. Funding Limited (the 'parent company') for the year ended 31 May 2019 which comprise the Consolidated Income Statement, the Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of financial Position, Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 May 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 group 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.

Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as disclosed on page 3, and the consideration in the going concern basis of preparation on pages 3 and 4 and non- adjusting post balance sheet events on page 29.
Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19, The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK

The full impact following the recent emergence of the COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the company's trade, customers, suppliers and the wider economy.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF H.A. FUNDING LIMITED

(continued)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the group and the parent 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 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF H.A. FUNDING LIMITED

(continued)

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at . This description forms part of our auditor's report.

USE OF THE AUDIT 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.

Greg Simpson (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD

30 July 2020

H.A. FUNDING LIMITED

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MAY 2019

	Note	2019 £	*2018* *£*
Interest receivable on Housing Association loans and bank balances	4	**5,360,855**	*6,888,363*
Interest payable		**(5,352,847)**	*(6,882,679)*
Gross profit		**8,008**	*5,684*
Administrative expenses		**(369,307)**	*(499,683)*
Fees receivable		**369,307**	*499,683*
Profit on ordinary activities before taxation	5	**8,008**	*5,684*
Tax on profit on ordinary activities	7	**(1,521)**	*(1,080)*
Profit for the year		**6,487**	*4,604*
Profit for the year attributable to:			
Owners of the parent		**6,487**	*4,604*
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,487**	*4,604*

There were no recognised gains and losses for 2019 or 2018 other than those included in the consolidated income statement.

The notes on pages 16 to 29 form part of these financial statements.

H.A. FUNDING LIMITED

REGISTERED NUMBER: 03230346

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019

	Note	£	2019 £	£	2018 £
Non-current assets					
Housing association loans	8		68,491,920		*86,552,774*
			68,491,920		*86,552,774*
Current assets					
Debtors	10	9,316,582		*10,485,432*	
Cash at bank and in hand	11	18,368,503		*19,484,905*	
		27,685,085		*29,970,337*	
Creditors: amounts falling due within one year	12	(27,549,418)		*(29,803,297)*	
Net current assets			135,667		*167,040*
Total assets less current liabilities			68,627,587		*86,719,814*
Creditors: amounts falling due after more than one year	13		(68,450,085)		*(86,548,799)*
Net assets			177,502		*171,015*
Capital and reserves					
Called up share capital	14		2		*2*
Profit and loss account			177,500		*171,013*
			177,502		*171,015*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 July 2020.

Sean Martin
for and on behalf of
Apex Trust Corporate Limited
Director

The notes on pages 16 to 29 form part of these financial statements.

H.A. FUNDING LIMITED

REGISTERED NUMBER: 03230346

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019

	Note	£	2019 £	£	2018 £
Fixed assets					
Investments	9		**50,000**		*50,000*
			50,000		*50,000*
Current assets					
Debtors	10	**19,415**		*16,763*	
		19,415		*16,763*	
Creditors: amounts falling due within one year	12	**(19,415)**		*(16,763)*	
Net current assets			**-**		*-*
Total assets less current liabilities			**50,000**		*50,000*
Creditors: amounts falling due after more than one year	13		**(37,498)**		*(37,498)*
Net assets			**12,502**		*12,502*
Capital and reserves					
Called up share capital	14		**2**		*2*
Profit and loss account			**12,500**		*12,500*
			12,502		*12,502*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 30 July 2020.

Sean Martin
for and on behalf of
Apex Trust Corporate Limited
Director

The notes on pages 16 to 29 form part of these financial statements.

H.A. FUNDING LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 MAY 2019

	Called up share capital £	Profit and loss account £	Shareholder's equity £
At 1 June 2018	2	171,013	171,015
Comprehensive income for the year			
Profit for the year	-	6,487	6,487
Total comprehensive income for the year	-	6,487	6,487
As at 31 May 2019	2	177,500	177,502

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 31 MAY 2018

	Called up share capital £	*Profit and loss account £*	*Shareholder's equity £*
At 1 June 2017	*2*	*166,409*	*166,411*
Comprehensive income for the year			
Profit for the year	-	*4,604*	*4,604*
Total comprehensive income for the year	-	*4,604*	*4,604*
As at 31 May 2018	*2*	*171,013*	*171,015*

Profit and loss account: this reserve represents cumulative profits and losses of the Group.

The notes on pages 16 to 29 form part of these financial statements.

H.A. FUNDING LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
AS AT 31 MAY 2019

	Called up share capital £	Profit and loss account £	Shareholder's equity £
At 1 June 2018	**2**	**12,500**	**12,502**
Total comprehensive income for the year	-	-	-
As at 31 May 2019	**2**	**12,500**	**12,502**

COMPANY STATEMENT OF CHANGES IN EQUITY
AS AT 31 MAY 2018

	Called up share capital £	*Profit and loss account £*	*Shareholder's equity £*
At 1 June 2017	*2*	*12,500*	*12,502*
Total comprehensive income for the year	-	-	-
As at 31 May 2018	*2*	*12,500*	*12,502*

The notes on pages 16 to 29 form part of these financial statements.

H.A. FUNDING LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2019

	2019 £	*2018* *£*
Operating activities		
Profit before tax	8,008	*5,684*
Decrease in debtors	691,913	*1,355,251*
Decrease in creditors	(1,789,273)	*(4,971,645)*
Cash outflow from operating activities before tax	(1,089,351)	*(3,610,710)*
UK Corporation tax paid	-	*-*
Net cash outflow from operating activities	(1,089,351)	*(3,610,708)*
Cash flows from investing activities		
Redemption of loans	18,537,790	*33,642,201*
Net cash inflow from investing activities	18,537,790	*8,564,892*
Cash flows from financing activities		
Increase in liquidity facility		
Redemption of loan notes	(18,564,842)	*(33,692,325)*
Net cash outflow from financing activities	(18,564,842)	*(33,692,325)*
Net decrease in cash and cash equivalents	(1,116,402)	*(3,660,834)*
Cash and cash equivalents at beginning of year	19,484,905	*23,145,739*
Cash and cash equivalents at the end of year	18,368,503	*19,484,905*

The notes on pages 16 to 29 form part of these financial statements.

1. GENERAL INFORMATION

The Group is registered in England and Wales with registration number 03230346. It is a holding company whose only investment is the entire issued share capital of Housing Association Funding plc ("HAF"). The subsidiary's debt is listed on the London Stock Exchange. The address of its registered office and principal place of business is:

125 Wood Street, London, United Kingdom, EC2V 7AN

2. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below:

2.1 Basis of preparation of financial statements

These financial statements have been prepared in accordance with FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland ("FRS 102") and applicable legislation, as set out in the Companies Act 2006. These financial statements have been prepared under the historical cost convention.

In accordance with paragraph 4(1) of Schedule 1 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Directors have adapted the arrangement of certain headings in the Consolidated Income Statement to reflect more accurately the nature of the Group's activities. A summary of important and material accounting policies is set out below.

2.2 Basis of consolidation

The consolidated financial statements present the results of Group and its own subsidiaries ("the Group") as they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Income Statement from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

Credit Rating

On 21 September 2018, Moody's downgraded its rating on 12 classes of UK commercial mortgage backed securities including Housing Association Funding Plc. The new rating A2 (previously Aa2) is a reflection of the enactment of the Housing Administration regime on 05 July 2018 under the Housing and Planning Act 2016. Moody's has not revised this rating during the period and up until the date of this report.

Under the regime, creditors have a lack of ability to enforce security during an administration of a Housing Association. This weakens the credit structure of the security provided to Housing Associations by the borrowers. There is uncertainty around timing and costs associated with an administration of an insolvent Housing Association. A longer administration process decreases the likelihood of enforcement of the security but also increases the risk of a disruption to the payments on the Notes.

2. ACCOUNTING POLICIES (continued)

2.3 Going concern (continued)

The Housing Association loans include full recourse to the borrower and are secured by social housing properties in the United Kingdom (UK), however additional factors in the Moody's review contributed towards the rerating of the Housing Association bonds. These factors included, higher leverage based on Moody's value assessment, less scheduled amortisation and the exposure to relatively weaker credit borrowers.

The downgrade reflected the external view that default rates and higher losses of credit borrowers were more probable given the current economic environment.

Brexit

On 23 June 2016 the UK voted to exit the European Union. With negotiations ongoing between the UK and EU, it is premature to determine the full impact of the Brexit vote at this stage.

The strength of the UK economy and possible Brexit implications could undermine or support the ability for the Housing Association borrowers to continue collecting rents from credit borrowers. Details of how credit risk is managed is disclosed in Note 13.

Despite there being a challenging economic environment for the housing association sector, the Group continues to satisfy all its key performance indicators and to make payments to Noteholders in full and on time without recourse to its additional facility. Additionally, the Housing Associations underlying the structured deal have seen increases in rental collection rates and there is no evidence that the Housing Associations are experiencing higher default rates than usual and all covenants under the original loan agreements being consistently met.

As with previous years the Group continues to hold a £9.4 million 364-day additional fund, equivalent to more than six months' debt service for the Group (and equivalent to more than two years' debt service for any one of the Housing Associations) if this is required. To date there have been no requirements to utilise the funds drawn down on this facility and the directors have no reason to believe the Company will not meet its liabilities as they fall due.

Overall, the housing market is continually supported by Government initiatives which underpin demand for new and existing properties. To this extent house prices are, generally speaking, continuing to rise across many areas of the United Kingdom and there has not been any material events to date that would reverse this trend and, as far as the directors are aware, there is no near term regulation proposed by the UK Government which would put greater pressure on the headroom of existing interest cover or the revenue generated from housing association development activities.

Covid-19 Impact

The existence of a new coronavirus (COVID-19) was confirmed in early January 2020. Since then the coronavirus has spread across the Globe, causing severe disruption to businesses and economic activity. The Company considers this coronavirus outbreak to be a non-adjusting post balance sheet event. The recoverability of loan receivables is dependent on the ability of the Housing Associations to service the loans from the rents they receive on their properties.

If there is a reduction in rental income received from the Housing Associations, then this may have an impact on the ability of the company to meet its obligations. If rental receipts were to decline, the directors have considered the point at which payment obligations cannot be met through repayments generated solely by rental receipts alone. It is estimated that rental receipts would have to fall by greater than 25% before the company would have to seek recovery through recourse to the respective Housing Associations and where necessary utilise liquidity funds to deal with any short term timing differences between rental receipts and interest payments.

2. ACCOUNTING POLICIES (continued)

2.3 Going concern (continued)

Covid-19 Impact (continued)

The directors consider the likelihood of rentals falling by greater than 25% to be remote and that combined with the actions that can be taken in the event of that happening, the directors are satisfied that the company is able to meet its obligations as they fall due. Consequently the going concern basis continues to be appropriate in preparing the financial statements

2.4 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

2.5 Value added tax

Value added tax is not recoverable by either the Company or the Group and is included with its related cost.

2.6 Interest

Interest receivable and interest payable are recognised in the profit and loss account using the effective interest method.

The effective interest method is a method of allocating the interest income or interest expense evenly in proportion to the amount outstanding over the period to maturity or repayment. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the instrument.

2.7 Fees receivable

Fees recognised in the financial statements relate to the recharge of administrative costs incurred by the Group. These costs are recharged to the Housing Associations. Fees receivable are recognised on an accruals basis in the year in which the costs have been incurred.

2.8 Taxation

The Group has elected to be taxed under the Taxation for Securitisation Companies 2006 (Regulations) i.e., the permanent regime. Corporation tax is therefore calculated by reference to the profit of the securitisation company required to be retained in accordance with the relevant capital market arrangements.

2.9 Segmental analysis

The Group only operates in the UK and there are no reportable segments which are managed separately based on the Group's management and internal reporting structure.

2.10 Financial instruments

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the financial instrument. The Group holds only basic financial instruments, which comprise cash and cash equivalents, trade and other debtors, and trade and other creditors. The Group has chosen to apply the measurement and recognition provisions of Section 11 Basic Financial Instruments and Section 12 Other Financial Instrument Issues in full.

2. ACCOUNTING POLICIES (continued)

2.10 Financial instruments (continued)

Financial assets — classified as basic financial instruments *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand, deposits held with banks and other short-term highly liquid investments with original maturities of three months or less.

Trade and other debtors and investments

Trade and other debtors and investment are initially recognised at the transaction price, including any transaction costs, and are subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Amounts that are receivable within one year are measured at the undiscounted amount expected to be receivable, net of any impairment.

Where a financial asset constitutes a financing transaction it is initially and subsequently measured at the present value of the future payments, discounted at a market rate of interest.

At each reporting date, the Group assesses whether there is objective evidence that any financial asset may be impaired. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the financial asset. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows. The amount of the provision is recognised immediately in profit or loss.

2.10 Financial liabilities — classified as basic financial instruments

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity. Financial liabilities are initially measured at their transaction price, including any transaction costs and are subsequently amortised cost using the effective interest rate method.

The Group's financial liabilities include notes listed on the London Stock Exchange with final maturity of June 2027. The notes are non-derivative financial liabilities with fixed or determinable payments. Liabilities are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method. They are derecognised when the Group has paid all of the cash flows due on the notes (including principal) or are legally released from primary responsibility for the liability (or part of it) either by process of law or by the noteholders.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group and Company financial statements in accordance with FRS 102 requires management to make judgements, estimates and assumptions in applying accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and based on historical experience and factors, including expectations of future events that are believed to be reasonable under the circumstances. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Group's results and financial position, are as follows:

(i) Provision for impairment of loans receivable
To the extent it is necessary to impair a financial asset as a result of having received objective evidence of impairment significant judgement may be needed to estimate the amount and timing of cash flows that would be recovered from the asset

4. INTEREST INCOME

Interest income comprises:

	2019	*2018*
	£	*£*
Interest on Housing Association Loans	**5,357,189**	*6,888,363*
Bank interest	**3,666**	-
	5,360,855	*6,888,363*

5. PROFIT ON ORDINARY ACITIVITES BEFORE TAXATION

	Group 2019	*Group 2018*	**Company 2019**	*Company 2018*
	£	*£*	**£**	*£*
Audit of the annual financial statements	27,540	*27,000*	**3,000**	*2,962*
Administrative expenses	341,767	*497,031*	-	-

The administrative expenses decreased significantly during the year due to legal work not continuing from prior year.

6. DIRECTORS' REMUNERATION

Directors

The following were Directors of the Group during the year, Link Corporate Services Limited (formerly Capita Trust Corporate Services Limited), Link Trust Corporate Limited (formerly Capita Trust Corporate Limited) and Sean Martin. Link Corporate Services Limited received £9,218 (2018: £9,218) for the provision of the services of two Directors based on a schedule set out in 1997. No other remuneration was paid to the Directors for the year ended 31 May 2019 (2018: £nil).

Employees

No employees were employed by the Group during the year ended 31 May 2019 (2018: none).

7. TAXATION

	2019	*2018*
	£	*£*
UK corporation tax charge on profit for the year	**1,521**	*1,080*

7. TAXATION (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as the standard rate of corporation tax in the UK of 19% (2017: 19.83%). In 2017 the applicable rate of corporation tax in the UK changed to 19%:

	2019	*2018*
	£	*£*
Profit on ordinary activities before tax	8,008	*5,684*
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	1,521	*1,080*
Total tax charge for the year	**1,521**	*1,,080*

The Group has elected to enter the permanent tax regime for securitisation companies. The Directors are satisfied that the Group meets the definition of a 'securitisation company' as defined by both. The Finance Act 2005 and subsequent secondary legislation confirms that no incremental unfunded tax liabilities will arise.

The Directors are satisfied that the Group currently satisfies the conditions to be taxed under the permanent regime.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019

8. GROUP HOUSING ASSOCIATION LOANS: Amounts falling due after one year

	2019 £	*2018* *£*
Balance as at 1 June 2018	**86,552,774**	*118,920,166*
HA loans receivable less than 1 year	**(6,813,147)**	*(7,290,804)*
Capital repayments from Housing Associates	**(11,247,707)**	*(25,077,308)*
Balance as at 31 May 2019	**68,491,920**	*86,552,774*
Repayable as follows:		
In more than one year but not more than five years	**32,246,050**	*34,584,290*
In more than five years	**36,245,870**	*51,968,484*
Balance as at 31 May 2019	**68,491,920**	*86,552,774*

The Directors continue to consider the maturity profile of the housing association loans to follow the current contractual repayment profile.

9. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
Net book value	
At 1 June 2018	50,000
At 31 May 2019	**50,000**
At 31 May 2018	*50,000*

The Group owns 100% of the issued share capital of Housing Association Funding plc, a company incorporated in the United Kingdom. Housing Association Funding plc is a special purpose company whose only activity is to advance loans to certain housing associations and to service notes and bank borrowings issued or raised to finance such advance.

10. DEBTORS

	Group 2019 £	*Group 2018 £*	**Company 2019 £**	*Company 2018 £*
Accrued interest on loans	**2,484,020**	*3,143,076*	-	-
HA loans receivable less than 1 year	**6,813,147**	*7,290,084*	-	-
Amounts receivable from HAs	**19,415**	*52,272*	**19,415**	*16,763*
	9,316,582	*10,485,432*	**19,415**	*16,673*

11. CASH AT BANK AND IN HAND

	2019 £	*2018 £*
Amounts held on behalf of HAs	**8,529,929**	9,806,093
Operating account	**387,246**	231,035
Liquidity facility	**9,451,328**	9,447,777
Total	**18,368,503**	19,484,905

Amounts held on behalf of Housing Associations can only be used to pay the interest due on the notes on each interest payment date. Any balance left after payment of the note interest is repaid to the Housing Associations.

12. CREDITORS: Amounts falling due within one year

	Group 2019 £	*Group 2018 £*	**Company 2019 £**	*Company 2018 £*
Amounts held on behalf of HAs	**8,530,209**	*9,806,373*		-
Additional Facility Provider	**9,447,777**	*9,447,777*		-
Corporation tax	**5,588**	*4,066*		-
Loan note payable less than 1 year	**6,867,003**	*7,333,132*		-
Accounts payable and other creditors	**279,949**	*156,710*	**19,415**	*16,763*
Accrued interest on loan notes	**2,418,892**	*3,055,239*		-
	27,549,418	*29,803,297*	**19,415**	*16,763*

13. CREDITORS: Amounts falling due after more than one year

	Group 2019 £	*Group 2018 £*	**Company 2018 £**	*Company 2018 £*
Debt in issue	**68,450,085**	*86,548,799*	**-**	*-*
Unpaid share capital	**-**	*-*	**37,498**	*37,498*
	68,450,085	*86,548,799*	**37,498**	*37,498*

Repayable

	Group 2019 £	*Group 2018 £*	**Company 2018 £**	*Company 2018 £*
In more than one year but not more than five years	**32,501,472**	*34,584,290*	**-**	*-*
In more than five years	**35,948,613**	*51,964,509*	**37,498**	*37,498*
	68,450,085	*86,548,799*	**37,498**	*37,498*

The Notes are repayable by equal semi-annual instalments of principal and interest on 7th June and 7th December in each year up to and including 7th June 2027 at the effective interest rates shown in note 15. The debt is secured against the loans to the Housing Associations.

14. SHARE CAPITAL

	2019 £	*2018 £*
Allotted, called up and fully paid		
2 Ordinary shares of £1 each	**2**	*2*

15. FINANCIAL INSTRUMENTS

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because the payment and receipt of interest on the Notes and Loans respectively is matched and the expenses are received upfront or reimbursed by the borrowers, there is limited interest rate risk. Movements in interest rates set by the BoE affecting the price of the bond will not impact on the Group's ability to continue.

The Group has securitised receivables which consist of a portfolio of fixed rate loans to Housing Associations. The Group finances its operations through the issue of long term notes. The notes are denominated in sterling at fixed rates. The directors believe that the Group's exposure to both fair value and cash flow interest rate risk has been minimised due to the loans and notes being at fixed interest rates and same repayment terms.

15. FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

Notes

Interest on the fixed rate liabilities is determined and payable on a semi-annual basis at the following rate:

	Carrying value 2019 £	*Carrying value 2018 £*	Effective interest rate
1997: 68,250,000 8.25% notes	**21,333,104**	*29,985,993*	*8.28%*
1998: 64,600,000 8.25% notes	**23,168,504**	*24,874,953*	*6.81%*
2001: 28,100,000 8.25% notes	**12,189,599**	*17,954,585*	*6.10%*
2005: 31,320,000 8.25% notes	**18,625,881**	*21,171,197*	*4.84%*

The difference between the coupon rate and effective rate on the notes is due to the notes being issued at a premium/discount.

Loans

	Carrying value 2019 £	*Carrying value 2018 £*	Effective interest rate
1997: 68,250,000 8.25% notes	**20,942,693**	*29,849,174*	8.57%
1998: 64,600,000 8,25% notes	**22,817,374**	*24,723,070*	7.03%
2001: 28,100,000 8.25% notes	**12,053,531**	*17,975,429*	6.31%
2005: 31,320,000 8.25% notes	**19,491,469**	*21,295,185*	4.94%

Interest on the fixed rate assets is determined and payable on a semi-annual basis at the following rates:

The Directors believe that the Group's overall exposure to interest rate risk is insignificant and therefore interest rate sensitivity analysis has not been performed.

Foreign currency risk

Foreign currency risk is the risk of exposure to changes in exchange rates. The Group is not exposed to any foreign exchange risk as all assets and liabilities of the Group are denominated in sterling and the Group does not carry out any transactions in foreign denominated currencies.

15. FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Under its Loan Agreement, each Housing Association has granted security in respect of its own obligations to Housing Association Funding Plc. The underlying security of each Housing Association includes a legal charge over its property portfolio. This constitutes a first priority legal mortgage, an assignment by way of security of the benefit of all insurance monies arising in respect of the relevant borrower's title to the portfolio and a charge on the relevant buildings insurance monies. The net rental income of the properties charged to Housing Association Funding Plc is monitored on a monthly and quarterly basis to ensure that the Housing Associations are able to service their debt on the loans. If there is a default by a borrower, the transaction is structured to transfer the management of the charged dwellings allowing the rents to continue to be collected and the dwellings to continue to be managed and maintained and the debt to be serviced out of the rental cash flow. Consequently, management assess the quality of the underlying security of each Housing Association rather than performing credit checks on the Housing Associations when arranging the Loan Agreements.

The maximum exposure to credit risk arising on the Group's financial assets at 31 May 2019 is disclosed in the table below:

Assets

The maximum exposure to credit risk arising on the Group's financial assets at 31 May 2019 is disclosed in the table below:

	Carrying value 2019 £	**Maximum exposure 2019 £**
Loans	**75,305,067**	**75,305,067**
Other receivables	**2,503,435**	**2,503,435**
Cash at bank and in hand	**18,368,503**	**18,368,503**

Assets

The maximum exposure to credit risk arising on the Group's financial assets at 31 May 2017 is disclosed in the table below:

	Carrying value 2018 £	*Maximum exposure 2018 £*
Loans	*93,842,858*	*93,842,858*
Other receivables	*3,195,348*	*3,195,348*
Cash at bank and in hand	*19,484,905*	*19,484,905*

15. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

The table below reflects the undiscounted contractual cash flows of financial liabilities at the reporting date.

	2019 £	*2018* *£*
In one year or less, or on demand	**39,257,577**	*43,468,677*
In more than one year, but no more than two years	**11,875,984**	*13,682,143*
In more than two years but no more than five years	**35,627,952**	*41,046,430*
In more than five years	**41,565,945**	*61,569,645*
	128,327,458	*159,766,895*

The financial assets of the Group comprise loans to Housing Associations (including accrued interest), cash at bank balances, amounts recoverable from Housing Associations and share capital due. Loans to Housing Associations and cash at bank balances are interest bearing and are at fixed and variable rates respectively. The cash at bank balances are available on demand.

Book value and fair value of financial assets

	Book value 2019 £	Fair value 2019 £	*Book value* *2018* *£*	*Fair value* *2018* *£*
Loans and receivables				
Housing Association loans	**75,307,067**	**88,247,628**	*93,842,858*	*106,728,929*
Accrued interest on loans	**2,484,020**	**2,484,020**	*3,143,076*	*3,143,076*
Cash at bank and in hand	**18,368,503**	**18,368,503**	*19,484,905*	*19,484,905*
Amount recoverable from HAs	**19,415**	**19,415**	*16,763*	*16,763*
Amount due from HAs	-	-	*35,509*	*35,509*
Total	**96,179,005**	**109,119,566**	*116,523,111*	*129,409,182*

The fair value of the Loans is derived by cash flow analysis discounted by yield to maturity on the notes as at 31 May 2019.

15. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Financial liabilities (continued)

The financial liabilities of the Group comprise debt in issue (including accrued interest) together with certain amounts held on behalf of the Housing Associations. The assets and liabilities of the Group are based on fixed interest rates and the same repayment terms.

Financial liabilities at amortised cost

	Book value 2019 £	**Fair value 2019 £**	*Book value 2018 £*	*Fair value 2018 £*
Debt in issue	**75,317,088**	**88,651,018**	*93,881,931*	*106,990,110*
Amounts due to Housing	**8,530,209**	**8,530,209**	*9,806,373*	*9,806,373*
Accrued interest	**2,418,892**	**2,418,892**	*3,055,239*	*3,055,239*
Other creditors	**285,537**	**285,537**	*160,776*	*160,776*
Additional Facility Provider	**9,447,777**	**9,447,777**	*9,447,777*	*9,447,777*
Total	**95,999,503**	**109,333,433**	*116,352,096*	*129,460.275*

The fair value of the notes is derived from quoted yield to maturity as at 31 May 2019. The fair value of the loans is derived from cash flow analysis discounted at the same yield as the notes, since the quoted price of the notes depends on the performance of the loans.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (derived from prices) (Level 2); and

c) inputs for the asset or liability that are not based on observable market date (unobservable inputs) (Level 3).

The notes are classified as level 1 since they are valued using quoted prices.
The loans are classified as level 2 since they are valued using observable market data.

16. PROFITS OF THE COMPANY

As provided by Section 408(2) of the Companies Act 2006 the Income Statement for the Company is not presented with the financial statements.

Of the profit for the period of the Group, a profit of £nil (2018: £nil) is dealt with in the financial statements of the Company.

17. CAPITAL COMMITMENTS

There was no capital or operating lease commitments.

18. CAPITAL MANAGEMENT

The Group considers its capital to comprise its ordinary share capital and its accumulated retained earnings. The primary objective of HAF is to ensure the obligations to the Note holders are met and to monitor the cash flows from the borrowing Housing Associations. In order to achieve its objectives in this area, the Group seeks to maintain a capital structure appropriate to its size and the underlying risk of the entity.

19. RELATIONSHIP OF DIRECTOR'S AND SECRETARY

The Directors of the Group and the corporate secretary are either employed by, or are provided by, companies whose ultimate parent is Link Administration Holdings Limited, a company listed on the Australian Stock Exchange. The fees for these services are borne by the Housing Associations.

20. RELATED PARTY TRANSACTIONS

The Directors of the Group are shown in the Directors' Report of this Annual Report. As well as the fees received for Director services £9,218 (2018: £9,218), Link Trust Corporate Limited provided the following services during the year to the Group: administration manager services for £20,938 (2018: £20,111), services relating to the provision of Note Trustee £14,979 (2018: £42,131), and additional services of £93,600 (2018: £101,095). The total amount paid to Link Trust Company Limited during the year was £138,737 (2018: £172,555). At year-end, £37,616 was pre-paid (2018: £34,910) and £nil was accrued (2018: £11,237). The Directors of the Group and Company received no remuneration for the year ended 31 May 2019 (2018: nil).

20. GENERAL INFORMATION

The issued share capital of the Group is held by Royal Exchange Trust Company Limited subject to a declaration of trust ultimately for charitable purposes.

21. POST BALANCE SHEET EVENTS

COVID-19

The existence of a new coronavirus (COVID-19) was confirmed in early January 2020. Since then the coronavirus has spread across China and to a significant number of other countries including the UK, causing severe disruption to businesses and economic activity.

The Company considers this coronavirus outbreak to be a non-adjusting post balance sheet event. The recoverability of loan receivables is dependent on the ability of the Housing Associations to service the loans from the rents they receive on their properties. On 18 March 2020 the UK Government announced a series of measures to protect renters affected by the financial impact of COVID-19 which may lead to a reduction in rental income over the next 3 months and beyond.

If there is a reduction in rental income then this may have an impact on the ability of the company to meet its obligations, however due to the evolving nature of the coronavirus outbreak a reliable estimate of its financial effect, cannot be made at the date of issue of the financial statements although we continue to monitor the impact of Covid-19 on the Company closely.