

**H. A. FUNDING LIMITED
AND SUBSIDIARY COMPANY
REPORT OF THE DIRECTORS**

The Directors present their Report and the audited Group financial statements for the year ended 31 May 2007

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is a holding company whose only asset is the entire issued share capital of Housing Association Funding plc. 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.

Results and dividends

The Group made a profit of £9,125 (2006 profit of £10,913) during the period and the Directors do not recommend the payment of a dividend.

Business environment

The social housing sector provides affordable housing for those without means or access to suitable housing. Registered Social Landlords, principally Housing Associations, provide rented accommodation on a not-for-profit basis. RSLs are regulated by the Housing Corporation. Social housing rents are usually well below market rates. The sector is slowly consolidating, a process driven in part by the Housing Corporation's increased emphasis on improved operational efficiency. As well as the strong framework of regulation and government support, the sector continues to maintain stable revenue streams which reflect strong demand, sound management, flexible maintenance spending, and manageable debt levels.

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. This requires the subsidiary to maintain the existing AAA/Aaa rating of the issued Notes.

Principal risks and uncertainties

The Group's financial instruments comprise lendings to Housing Associations and borrowings that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

It is and has been throughout the period under review the Group's policy that no trading in financial instruments shall be undertaken. The Board reviews and agrees the policy for managing the financial risk profile of the Group. An analysis of the key business risks and the management's approach to those risks is set out in note 3.

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H. A. FUNDING LIMITED AND SUBSIDIARY COMPANY

Key Performance Indicators ("KPIs")

The loans made to Housing Associations by the Company are serviced out of the rental income generated by a portfolio of social housing properties owned and managed by the Housing Associations. The rent collection performance of the property portfolio over the 52 weeks to 31 May 2007 was 97 per cent of the £32.8 million collectible if the properties had been fully occupied and all rents paid on their due date.

As at 31 May 2006/2007 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 HAF was 120.29% of the amount required by the Company to service its debt obligations on the long-term notes.

SUPPLIERS' PAYMENT POLICY

The Company complies with the CBI Code of Conduct for the prompt payment of suppliers in accordance with the normal terms of trade. A copy of the Code of Conduct can be obtained from the Company Secretary at the registered office of the Company.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who held office during the period were as follows:

Capita Trust Company Limited

Capita Trust Corporate Services Limited

None of the Directors who held office during the financial period had any disclosable interest in the shares of the Company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing those financial statements the Directors are required to:

- (1) select suitable accounting policies and then apply them consistently,
- (2) make judgements and estimates that are reasonable and prudent,
- (3) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- (4) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for maintaining proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**H. A. FUNDING LIMITED
AND SUBSIDIARY COMPANY**

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

The directors confirm that

- (a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) the directors have taken all the steps they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting

BY ORDER OF THE BOARD



Capita Trust Company Limited

Company Director

DATE 26/11/ 2007

**H. A. FUNDING LIMITED
AND SUBSIDIARY COMPANY**
INDEPENDENT REPORT OF THE AUDITORS TO THE MEMBERS OF
H. A. FUNDING LIMITED

We have audited the group and parent company financial statements (the "financial statements") of H A Funding Limited for the year ended 31 May 2007 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**H. A. FUNDING LIMITED
AND SUBSIDIARY COMPANY**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 May 2007 and of the group's profit and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

DATE *27 November* 2007

**H. A. FUNDING LIMITED
AND SUBSIDIARY COMPANY**

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st MAY 2007

	Notes	2007 £	2006 £
Interest receivable on Housing Association loans and bank balances		13,203,362	13,329,399
Interest payable on debt in issue		<u>(13,187,858)</u>	<u>(13,310,430)</u>
Net Interest Income		15,504	18,969
Fees Receivable		102,272	86,602
Administrative Expenses		<u>(106,487)</u>	<u>(93,974)</u>
Net Operating Expenses		<u>(4,215)</u>	<u>(7,372)</u>
Profit on ordinary activities before taxation		11,289	11,597
Tax on profit on ordinary activities	5	<u>2,164</u>	<u>684</u>
Retained profit for the financial year		9,125	10,913

These accounts have been prepared assuming all operations are continuing

There were no recognised gains or losses in the period other than those shown in the profit and loss account

These financial statements have been prepared on the historical cost basis. Accordingly, no statement of historical cost profits and losses has been presented

The notes on pages 9 to 18 form part of these financial statements

**H. A. FUNDING LIMITED
AND SUBSIDIARY COMPANY**

**BALANCE SHEET
AS AT 31st MAY 2007**

	Notes	GROUP		COMPANY	
		2007	2006	2007	2006
		£	£	£	£
Fixed Assets					
Housing Association Loans	6	183,135,598	187,494,388	-	-
Investments	7	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
		<u>183,135,598</u>	<u>187,494,388</u>	<u>50,000</u>	<u>50,000</u>
Current Assets					
Debtors	8,9	13,788,858	13,775,793	1,763	1,763
Cash at Bank and in hand		<u>11,704,249</u>	<u>11,982,902</u>	<u>-</u>	<u>-</u>
		<u>25,493,107</u>	<u>25,758,695</u>	<u>1,763</u>	<u>1,763</u>
TOTAL ASSETS		208,628,705	213,253,083	51,763	51,763
Creditors Amounts falling due within one year	10	<u>22,439,311</u>	<u>22,540,690</u>	<u>39,261</u>	<u>39,261</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		186,189,394	190,712,393	12,502	12,502
Creditors Amounts falling due outside of one year	11	<u>186,095,342</u>	<u>190,627,466</u>	<u>-</u>	<u>-</u>
NET ASSETS		<u>94,052</u>	<u>84,927</u>	<u>12,502</u>	<u>12,502</u>
Capital and Reserves					
Called up Share Capital	12	2	2	2	2
Profit and Loss account	13	<u>94,050</u>	<u>84,925</u>	<u>12,500</u>	<u>12,500</u>
Equity Shareholders' Funds	14	<u>94,052</u>	<u>84,927</u>	<u>12,502</u>	<u>12,502</u>

These financial statements were approved by the Board of Directors on
signed on its behalf by

2007 and were


Capita Trust Company Limited

Date 26/11/ 2007

The notes on pages 9 to 18 form part of these financial statements

**H. A. FUNDING LIMITED
AND SUBSIDIARY COMPANY**

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31st MAY 2007

	Notes	2007	2006
		£	£
Net cash inflow/(outflow) from operating activities	15	(123,157)	3,116,995
Net cash inflow from returns on investment and servicing of finance	16	15,082	154
Taxation		(684)	-
Net cash inflow/(outflow) from capital expenditure	16	4,077,174	(34,436,772)
Financing	16	<u>(4,247,068)</u>	<u>34,618,047</u>
Increase in cash in the period		<u>(278,653)</u>	<u>3,298,424</u>
Reconciliation of net cash flow to movement in net debt			
Increase / (decrease) in cash in the period		(278,653)	3,298,424
Cash outflow/(inflow) from reduction/(increase) in debt financing		<u>4,247,068</u>	<u>(34,618,047)</u>
Change in net debt resulting from cash flows		3,968,415	(31,319,623)
Net debt at 1st June 2006		<u>(182,891,632)</u>	<u>(151,572,009)</u>
Net debt at 31st May 2007		<u>(178,923,217)</u>	<u>(182,891,632)</u>

The notes on pages 9 to 18 form part of these financial statements

**H. A. FUNDING LIMITED
AND SUBSIDIARY COMPANY**

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material to the financial statements of the Company and Group

(a) Accounting convention

The financial statements are prepared under the historical cost convention in accordance with the Companies Act 1985 and applicable UK accounting standards. In accordance with paragraph 3 (3) of Schedule 4 of the Companies Act 1985, the directors have adapted the arrangement of certain headings in the profit and loss account to reflect more accurately the nature of the Group's activities. A summary of important and material accounting policies are set out below

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and those of its wholly owned subsidiary made up to 31st May 2007

(c) Interest

Interest income is recognised in interest receivable in the income statement on interest-bearing financial instruments using the effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability (or group of assets and liabilities) and of allocating the interest income or interest expense over the relevant period. 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. The application of the method has the effect of recognising income (and expense receivable or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment

(d) Value added tax

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

**H. A. FUNDING LIMITED
AND SUBSIDIARY COMPANY
NOTES TO THE FINANCIAL STATEMENTS**

(continued)

(e) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date
Deferred tax is measured on a non-discounted basis

(f) Financial Assets and Liabilities

The Group classifies its financial assets and liabilities in the following categories: loans and receivables and Financial Liabilities. Management determines the classification of financial assets and liabilities at initial recognition

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available-for-sale. They arise when the Group provides money or services directly to a customer with no intention of trading the loan. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs. They are subsequently valued at amortised cost, using the effective interest method. They are derecognised when the rights to receive cash flows have expired or the Group has transferred substantially all the risks and rewards of ownership.

ii) Financial liabilities

Financial liabilities are measured at amortised cost

**H. A. FUNDING LIMITED
AND SUBSIDIARY COMPANY**

NOTES TO THE FINANCIAL STATEMENTS
(continued)

2. AUDITORS REMUNERATION

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Nature of services:				
Audit services				
Audit of annual accounts	9,988	9,988	588	588
Non audit services				
-Other services	-	8,812	-	-
	<u>9,988</u>	<u>18,800</u>	<u>588</u>	<u>588</u>

Definition of nature of services:

- i 'Audit of annual accounts' relates to the audit of the annual financial statements of the Bank
- ii 'Other services' relates mainly to securitisation and debt offerings

Further explanatory information.

'Other services' relates to a fee for services rendered to the Company by the United Kingdom audit firm of PricewaterhouseCoopers LLP

3. FINANCIAL RISK MANAGEMENT

Interest rate risk

The Company has securitised receivables which consist of a portfolio of fixed rate loans to Housing Associations. The Company finances its operations through the issue of long term notes. The notes are in sterling at fixed rates. The repayment profile of the notes matches the receivables with the directors' intention being to reduce interest rate risk to a minimum.

Foreign currency risk

All assets and liabilities of the Company are denominated in sterling.

**H. A. FUNDING LIMITED
AND SUBSIDIARY COMPANY
NOTES TO THE FINANCIAL STATEMENTS**

(continued)

Credit risk

The notes issued by the Company are rated AAA/Aaa by Standard & Poor's and Moody's Investors Service Ltd respectively. The ratings reflect the high credit quality of the underlying collateral rather than the credit standing of each of the participating Housing Associations. The Company has no significant concentrations of credit risk.

As at June 2007 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 HAF was 129% of the amount required by the Company to service its debt obligations on the long-term notes.

Liquidity risk

The Company has the benefit of a £9 435 million 364-day additional facility, equivalent to more than six months' debt service for the Company (and equivalent to more than two years' debt service for any one of the Housing Associations).

4. DIRECTORS AND EMPLOYEES

Directors

The directors of the Company received no remuneration for the period ended 31 May 2007.

Employees

No employees were employed by the Company or its subsidiary during the period ended 31 May 2007.

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007	2006
	£	£
(a) Analysis of charge in period		
UK Corporation tax on profits of the period	2,164	684
Adjustment in respect of previous periods	—	—
	<u>2,164</u>	<u>684</u>
(b) Factors affecting tax charge for period		
Profit on ordinary activities before tax	<u>11,289</u>	<u>11,597</u>
Profit on ordinary activities multiplied by		
small companies rate of corporation tax of 19.17%	2,164	-
starting rate of corporation tax of 19%	-	2,203
Effects of		
Adjustment to tax charge in respect of Marginal Starting		
Rate Relief	—	(1,519)
	<u>2,164</u>	<u>684</u>

**H. A. FUNDING LIMITED
AND SUBSIDIARY COMPANY**

NOTES TO THE FINANCIAL STATEMENTS
(continued)

6. GROUP HOUSING ASSOCIATION LOANS - Amounts falling due outside one year

	2007	2006
	£	£
Balance as at 1 June 2006	187,494,388	154,278,561
Acquired during the period	-	37,293,001
Became payable in less than 1 year	<u>(4,358,790)</u>	<u>(4,077,174)</u>
Balance as at 31 May 2007	<u>183,135,598</u>	<u>187,494,388</u>
Repayable		
In more than one year but not more than five years	20,633,274	19,292,410
In more than five years	<u>162,502,324</u>	<u>168,201,978</u>
	<u>183,135,598</u>	<u>187,494,388</u>

7. COMPANY INVESTMENTS

	2007	2006
	£	£
Investments in subsidiary company comprise		
Cost	<u>50,000</u>	<u>50,000</u>

The Company 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.

8. GROUP DEBTORS – Amounts falling due within one year

	2007	2006
	£	£
Accrued Interest	6,364,501	6,498,703
Deferred loan issue expenses	3,021,329	3,189,443
Housing Association loans	4,358,790	4,077,174
Amounts recoverable from Housing Associations	44,238	10,473
	<u>13,788,858</u>	<u>13,775,793</u>

9. COMPANY DEBTORS – Amounts falling due within one year

	2007	2006
	£	£
Amounts recoverable from Housing Associations	<u>1,763</u>	<u>1,763</u>
	<u>1,763</u>	<u>1,763</u>

**H. A. FUNDING LIMITED
AND SUBSIDIARY COMPANY**

NOTES TO THE FINANCIAL STATEMENTS

(continued)

10. CREDITORS – Amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Amounts due to Housing Associations	11,629,692	11,889,513	-	-
Debt in issue	4,532,124	4,247,068	-	-
Accrued interest	6,216,165	6,350,789	-	-
Unpaid share capital	-	-	37,498	37,498
Corporation tax	2,164	684	-	-
Other creditors	<u>59,166</u>	<u>52,636</u>	<u>1,763</u>	<u>1,763</u>
	<u>22,439,311</u>	<u>22,540,690</u>	<u>39,261</u>	<u>39,261</u>

11. GROUP CREDITORS – Amounts falling due outside of one year

	2007	2006
	£	£
Debt in issue	<u>186,095,342</u>	<u>190,627,466</u>
Repayable		
In more than one year but not more than two years	4,823,013	4,532,124
In more than two years but not more than five years	16,556,819	15,495,784
In more than five years	<u>164,715,510</u>	<u>170,599,558</u>
	<u>186,095,342</u>	<u>190,627,466</u>

12. SHARE CAPITAL

	2007	2006
	£	£
Authorised Share Capital		
Ordinary shares of £1 each	100	100
Issued Share Capital		
- allotted and fully paid	<u>2</u>	<u>2</u>
At 31 May 2007	<u>2</u>	<u>2</u>

The company was incorporated on 26 July 1996, with authorised capital of 100 ordinary shares of £1 each. On 26 July 1996, 2 fully paid shares were issued to Royal Exchange Trust Company Limited to be held under declaration of trust established for charitable purposes.

**H. A. FUNDING LIMITED
AND SUBSIDIARY COMPANY**

NOTES TO THE FINANCIAL STATEMENTS

(continued)

13 PROFIT AND LOSS ACCOUNT

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
At 1 st June 2006	84,925	74,012	12,500	12,500
Profit for the period	<u>9,125</u>	<u>10,913</u>	<u>-</u>	<u>-</u>
At 31 st May 2007	<u>94,050</u>	<u>84,925</u>	<u>12,500</u>	<u>12,500</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Profit for the period	<u>9,125</u>	<u>10,913</u>	<u>-</u>	<u>-</u>
Net change in shareholders' funds	9,125	10,913	-	-
Opening shareholders' funds	<u>84,927</u>	<u>74,014</u>	<u>12,502</u>	<u>12,502</u>
Closing shareholders' funds	<u>94,052</u>	<u>84,927</u>	<u>12,502</u>	<u>12,502</u>

15. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007	2006
	£	£
Operating loss	(4,215)	(7,372)
(Increase)/decrease in debtors	134,349	(167,774)
Increase/(decrease) in creditors	<u>(253,291)</u>	<u>3,292,141</u>
Net cash inflow from operating activities	<u>(123,157)</u>	<u>3,116,995</u>

16. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2007	2006
	£	£
Returns on investments and servicing of finance		
Interest received	13,337,564	12,538,316
Interest paid	<u>(13,322,482)</u>	<u>(12,538,162)</u>
	<u>15,082</u>	<u>154</u>
Capital Expenditure and Financial Investment		
Housing Association loans made	-	(37,293,001)
Housing Association loans repaid	<u>4,077,174</u>	<u>2,856,229</u>
	<u>4,077,174</u>	<u>(34,436,772)</u>
Financing		
Proceeds of issue of debt securities	-	37,620,416
Debt redeemed	<u>(4,247,068)</u>	<u>(3,002,369)</u>
	<u>(4,247,068)</u>	<u>34,618,047</u>

**H. A. FUNDING LIMITED
AND SUBSIDIARY COMPANY**

NOTES TO THE FINANCIAL STATEMENTS

(continued)

17. FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

Loans to Housing Associations

The financial assets of the Company comprise loans to Housing Associations (including accrued interest) and cash at bank balances. All of the Company's financial assets are interest bearing and are at fixed rates (with the exception of the cash at bank balances which bear interest at variable rates). The cash at bank balances are all due on demand.

Maturity profile

The maturity profile of the Company's financial assets at 31 May 2007 is as follows:

	2007	2006
	£	£
In one year or less, or on demand	16,063,039	16,060,076
In more than one year, but not more than two years	4,624,180	4,358,790
In more than two years, but not more than five years	16,009,094	14,933,620
In more than five years	<u>162,502,324</u>	<u>168,201,978</u>

Book Value and Fair value of financial assets

	2007	2007	2006	2006
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Financial assets				
Housing Association loans	187,494,388	187,494,388	191,571,562	191,571,562
Accrued interest	6,364,501	6,364,501	6,498,703	6,498,703
Cash at bank and in hand	11,704,249	11,704,249	11,982,902	11,982,902

**H. A. FUNDING LIMITED
AND SUBSIDIARY COMPANY
NOTES TO THE FINANCIAL STATEMENTS**
(continued)

FINANCIAL INSTRUMENTS (continued)

FINANCIAL LIABILITIES

Debt in issue

The financial liabilities of the Company comprise debt in issue (including accrued interest) together with certain amounts held on behalf of the Housing Associations. All of the financial liabilities of the Company are interest bearing. The interest basis of the Company's financial liabilities exactly matches that of its financial assets.

Maturity profile

The maturity profile of the Company's financial liabilities at 31 May 2007 is as follows:

	2007	2006
	£	£
In one year or less, or on demand	16,161,816	16,136,581
In more than one year, but not more than two years	4,823,013	4,532,124
In more than two years, but not more than five years	16,556,819	15,495,784
In more than five years	<u>164,715,510</u>	<u>170,599,558</u>

Book Value and Fair value of financial liabilities

	2007	2007	2006	2006
	Book value	Fair value	Book value	Fair value
	£	£	£	£
Debt in issue	190,627,466	214,279,218	194,874,534	232,524,280
Amounts due to Housing Associations	11,629,692	11,629,692	11,889,513	11,889,513
Accrued interest	6,216,165	6,216,165	6,350,789	6,350,789

The Fair Value of debt in issue is derived from the price quoted on the Notes at the Balance Sheet date.

**H. A. FUNDING LIMITED
AND SUBSIDIARY COMPANY
NOTES TO THE FINANCIAL STATEMENTS**

(continued)

18. PROFITS OF THE PARENT COMPANY

As provided by Section 230(4) of the Companies Act 1985 the profit and loss account for the Company is not presented with the financial statements

Of the profit for the period of the Group, a profit of £0 (2006 £0) is dealt with in the financial statements of the parent Company

19. CAPITAL COMMITMENTS

There were no capital or operating lease commitments

20. RELATIONSHIP OF CORPORATE DIRECTOR TO CORPORATE TRUSTEE

Each of Royal Exchange Trust Company Limited (RETCo) and Capita Trust Company Limited are ultimately wholly-owned subsidiaries of The Capita Group Plc. Capita Trust Company Limited is a subsidiary of Capita IRG plc. Capita Trust Corporate Services Limited is a subsidiary of Capita Trust Company Limited