CLARION
HOUSING GROUP

Clarion Housing Group

Interim Report and Accounts

Half year ended 30 September 2019

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THE HALF YEAR AT A GLANCE

FINANCIAL HIGHLIGHTS	6 months to 30 September 2019 (H1 2019/20) Actual	6 months to 30 September 2018 (H1 2018/19) Actual	12 months to 31 March 2019 (FY 2018/19) Actual
Turnover	£402m	£410m	£816m
Operating margin	34%	38%	35%
Surplus for the year	£69m	£87m	£154m
Operating cost per home	£2,224	£2,119	£4,441
Capital investment in new homes	£284m	£240m	£541m
Interest cover (12 month rolling)	1.9	1.7	1.8

OPERATIONAL HIGHLIGHTS	6 months to 30 September 2019 (H1 2019/20) Actual	6 months to 30 September 2018 (H1 2018/19) Actual	12 months to 31 March 2019 (FY 2018/19) Actual
Overall resident satisfaction	79.6%	78.8%	80.5%
Resident satisfaction with repairs	89.4%	88.4%	89.4%
Arrears	5.3%	4.1%	4.8%
Homes managed at the end of the period	124,799	124,251	124,333
Social rent loss due to voids	£4.8m	£4.6m	£10.1m
Occupancy rates	98.8%	98.6%	98.6%
Social value of community investment activity[1]	£62m	£57m	£125m

DEVELOPMENT HIGHLIGHTS	6 months to 30 September 2019 (H1 2019/20) Actual	6 months to 30 September 2018 (H1 2018/19) Actual	12 months to 31 March 2019 (FY 2018/19) Actual
Total new homes constructed	691	420	1,243
Of which new affordable homes	665	382	1,163
Of which new private sales homes	26	38	80
New homes started	1,132	880	2,663
Sales income	£56m	£63m	£119m
Total sales volume	328	284	617

[1] A measure developed by the Housing Associations' Charitable Trust ("HACT"), working with social value experts and leading housing providers including Affinity Sutton, one of our legacy organisations.

INTERIM MANAGEMENT REPORT

Chief Executive's statement

I am pleased to report a strong financial and operational performance for the first half of the financial year. These results demonstrate how our responsible approach has allowed us to invest significantly in existing homes and services, as well as deliver new homes, despite challenging market conditions.

While undoubtedly UK preparations to leave the European Union and the impending General Election has had an impact on the housing market, Clarion remains well-placed to continue to deliver on our 100-year-old charitable mission.

We are proud of our organisation, committed to our social purpose to help families in housing need. We recognise the importance of making long term strategic decisions which will benefit the communities and neighbourhoods where our residents live.

Being efficient is essential - it means we can do more for our residents and continue with our ambitious plans. Over the last six months, we maintained our focus on operating costs and value for money while making additional investment in service improvements as part of our new Enterprise Resource Planning (ERP) system. This will be the last step in the complete integration of our two legacy organisations, which merged to form what is now the largest provider of affordable housing in the country.

This year we expect to build around 2,200 new homes – an increase from the circa 1,200 we built last year. The vast majority of these will be for affordable tenures for households in need of good quality secure homes. We aim to build sustainable homes and developments which promote biodiversity, green living and working; designed to enable the health and wellbeing of neighbourhoods, as part of our wider vision for placemaking.

Our residents are firmly at the core of our business and providing them with good quality, safe homes is our top priority. Repairs performance over the first half of the year has showed continued strength, once again exceeding our target.

We have been working closely with the Ministry of Housing, Communities and Local Government to share best practice in fire safety. By the end of the financial year, we expect to have spent £24 million on fire safety work across our buildings but this hasn't been at the expense of other improvements. Spending on our planned maintenance programme so far this year has seen our residents benefit from improvements such as kitchen and bathroom refurbishments, new lifts, roof renewals and heating system upgrades. Investment in our existing homes remains a priority for the group.

I am confident we are on track to announce another year of solid performance at the end of the year.

Clare Miller, Group Chief Executive

Our social impact

We have continued to make an impact on the lives and wellbeing of our residents and while full details will be included in the Annual Report and Accounts 2019/20, at the mid-point in the year we can update that Clarion Futures, the Group's charitable trust, has delivered £62 million in social value from its activities. This has included helping 2,019 people get a job and crucially, providing onward support which helped over 80% sustain their employment beyond six months. Clarion Futures has continued to lead the largest employment programme in London, Love London Working - a partnership of 16 social housing providers, which have collectively helped 4,325 Londoners find work since April 2019.

Clarion Futures' money and digital service meanwhile has supported around 3,700 debt advice cases and has delivered 1,800 money and energy guidance sessions as well as over 3,800 hours of vital digital skills training for the digitally excluded.

Financial review

Against a backdrop of an uncertain operating environment, in the six months to 30 September 2019, Clarion Housing Group can report a good set of results and a solid financial position.

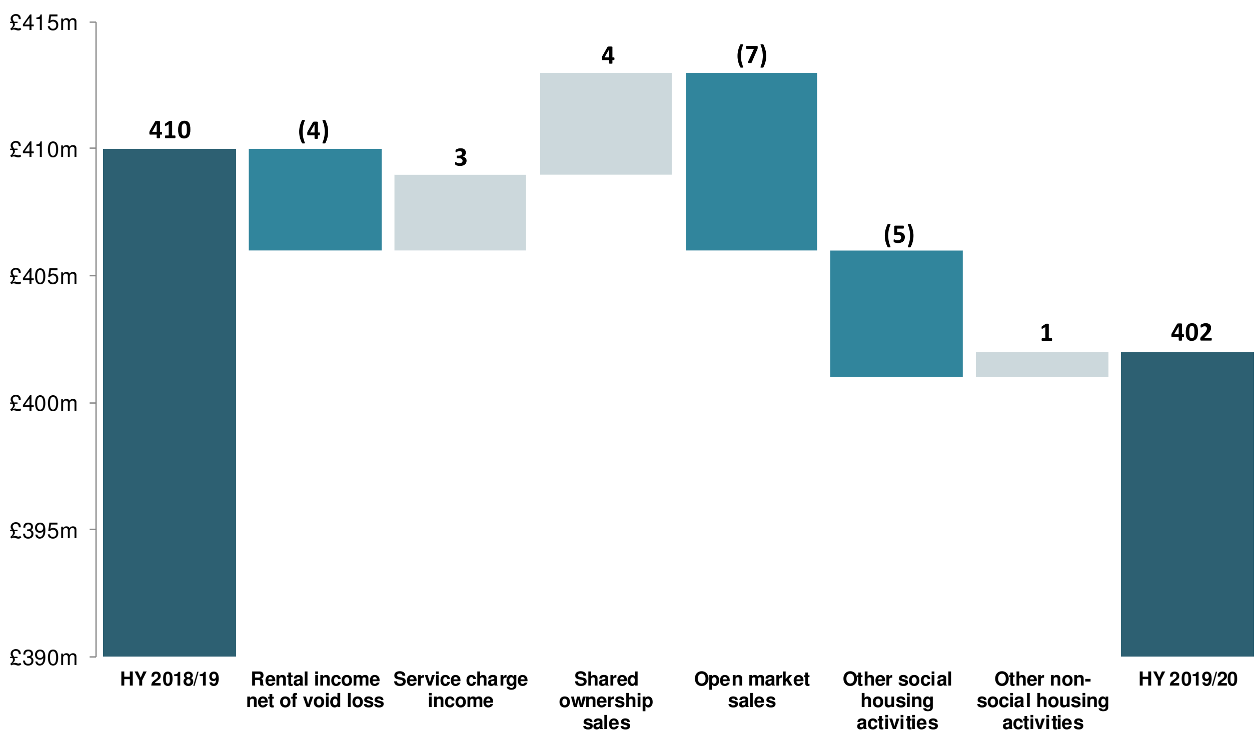
Despite the challenging market, our financial strength has allowed us to continue providing new homes to those in housing need. Since 1 April 2019, 691 new homes have been completed (an increase of 271 new homes, or 65%, compared to H1 2018/19), 96% of which were for affordable tenures. We remain committed to maintaining good quality homes and services and have invested £31 million (H1 2018/19: £54 million) in our existing social homes and spent a further £92 million (H1 2018/19: £86 million) maintaining these homes.

Continued investment in our services at a time of economic uncertainty does come at a cost, and as result our surplus for the year has seen a reduction but remains healthy at £69 million (H1 2018/19: £87 million), providing a solid foundation from which we can continue to deliver on our mission.

Statement of Comprehensive Income

At £402 million, turnover is £8 million (2%) lower than the prior year (H1 2018/19: £410 million). Figure 1 below provides an analysis of the movement in turnover compared to the first half of 2018/19.

Figure 1: Movement in turnover (£m)



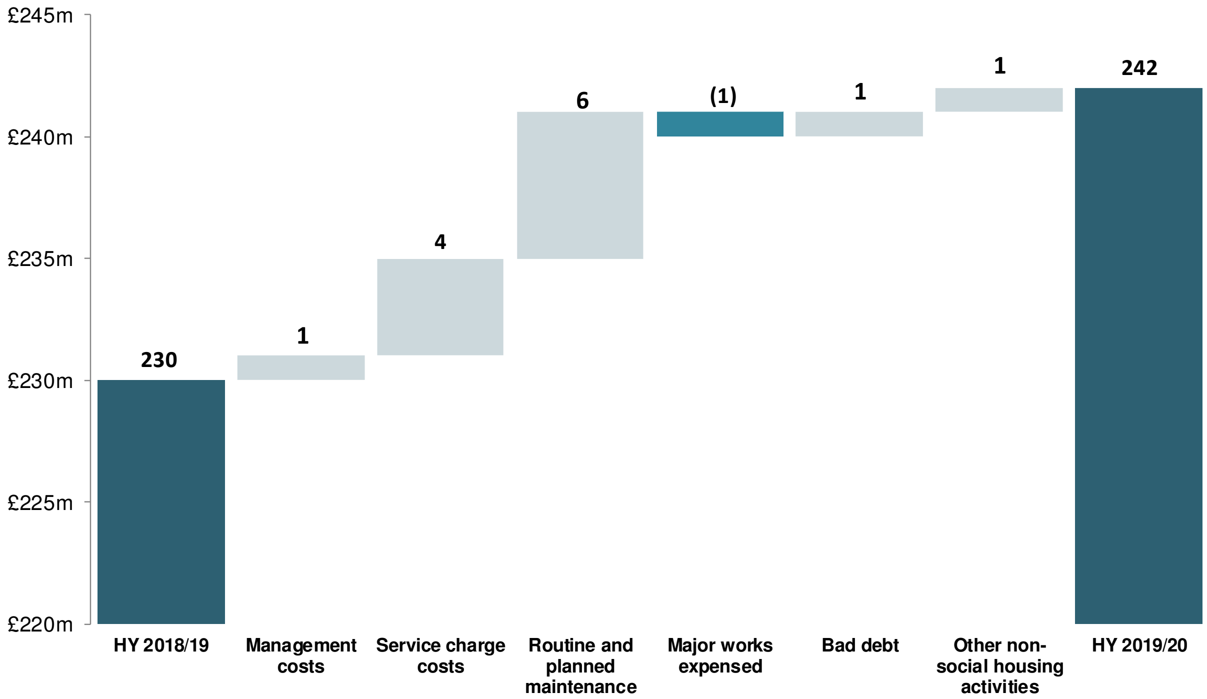
Core rental income has reduced by £4 million primarily reflecting the final year of the Government's 1% rent reduction policy. Our strategic asset sales programme has also had some effect, with 460 units having transferred to other social landlords with a larger local operational presence during March and April 2019.

Completions of shared ownership and open market sales have generated income of £43 million (H1 2018/19: £47 million). Within this, shared ownership sales income has seen a £4 million increase to £32 million, but this has been more than offset by a £7 million reduction in open market sales income due to a reduction in sales volumes to 29 units (H1 2018/19: 53 units) and gross margins to 18% (H1 2018/19: 22%). The trend is in line with our expectation given current market conditions.

The £5 million reduction in other social housing activities (including a £3m reduction in turnover generated from development for other landlords) has been largely offset by a £3 million increase in service charge income and a £1 million increase in other non-social housing activities.

Figure 2 provides an analysis of the movement in our underlying operating costs compared to the first half of 2018/19.

Figure 2: Movement in operating costs (£m)



At £242 million, operating costs are £12 million (5%) higher than the same period last year, resulting in an operating cost per unit of £2,224 (H1 2018/19: £2,119).

The majority of this increase is the result of investment in our services reflecting our commitment to maintain good quality homes and customer satisfaction. Routine and planned maintenance has seen increased spend of £6 million, service charges £4 million and housing management £1 million.

Our bad debt charge is a prudent £3 million, an increase of £1 million over the same period last year. This is largely driven by an underlying increase in our rent and service charge arrears as we continue to adjust to new ways of working following implementation of our ERP system.

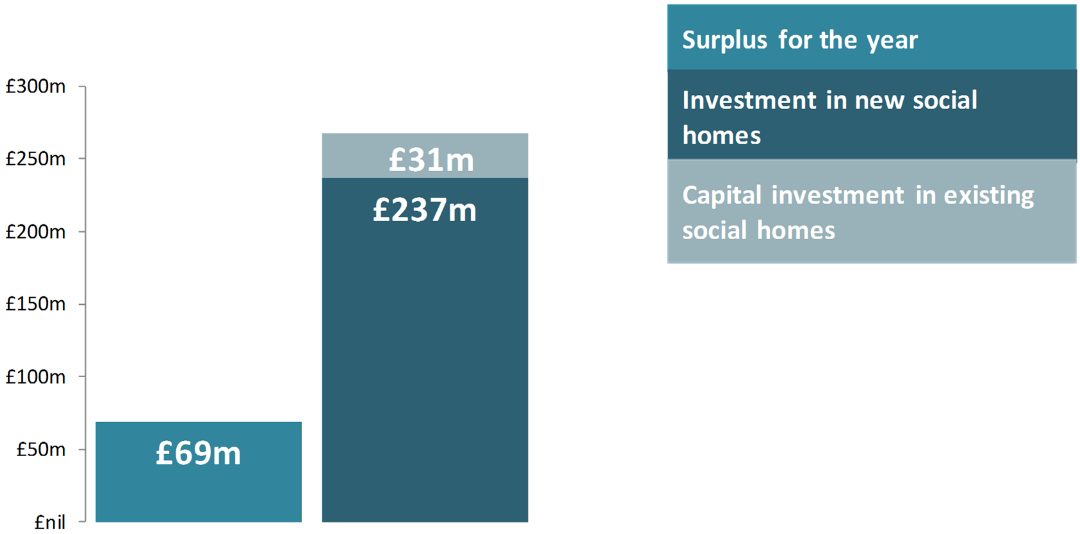
Overall the Group has ended the half year with an operating margin of 34% (H1 2018/19: 38%).

Other notable movements impacting our surplus for the year include a £2 million increase in the surplus on disposal of properties and a £3 million deficit on disposal of operations. Surpluses generated from the disposal of properties include the Group's April transfer of 154 Stafford homes to Stafford and Rural Homes, which has a larger operational presence in the area. The deficit on disposal of operations is driven by the sale of Invicta Telecare Limited, a strategic decision made in order to allow the Group to focus on its core operations.

Statement of Financial Position

In the first six months of 2019/20 we have invested 3.9 times our surplus (H1 2018/19: 2.8 times) in new and existing social housing assets (Figure 3) and 0.7 times our surplus (H1 2018/19: 0.7 times) in new non-social assets. The above investment has been achieved whilst maintaining gearing at 48%, comfortably lower than our strictest financial covenant.

Figure 3: Surplus vs investment in social housing



Since 31 March 2019, total assets have increased by £158 million. This has predominately been driven by the Group's investment in the construction and redevelopment of housing stock. In the first six months of this year, £284 million (H1 2018/19: £240 million) has been invested (including £237 million on social homes) with 1,132 new build starts and 691 properties completed (H1 2018/19: 880 new build starts and 420 completions). At the end of September, the Group is committed to a further £3,908 million of development spend (FY 2018/19: £3,990 million).

Drawn debt at £3,994 million is up £108 million (3%) from 31 March 2019, and this has been used to fund our investment in new and existing housing stock. In July 2019, the Group issued a £100 million tap of its existing 2048 fixed rate bond, utilising again its Euro Medium Term Note (EMTN) programme documentation. The proceeds from this issue were used to repay a portion of revolving debt, therefore further hedging our interest-rate exposure.

During the year the Group reviewed its minimum cash policy, retaining a prudent position whilst achieving savings on the cost of carry of cash. As a result, cash and cash equivalents have seen a reduction to £101 million at the half year point.

In the six months to 30 September 2019, our net derivative financial instrument liability has seen a net £58 million (18%) increase in value as a result of forecast regional and global trading environments. Our hedge accounting policies mean the majority of this movement is reflected in Other Comprehensive Income rather than surplus for the year.

Overall, the Group's net assets have been maintained at £1,665 million (FY 2018/19: £1,664 million).

Statement of Cash Flows

Cash generation from operations is a critically important measure since it provides an indication of the Group's ability to meet underlying obligations of its properties without recourse to debt finance and without reliance on existing property sales.

Cash generation from operations remains high. At £89 million (H1 2018/19: £92 million) it far exceeds our capital investment in existing social homes (£31 million) and provides a significant contribution to our investment in new social homes (£237 million).

Net cash flow on investing activities of £201 million exceeds the prior year (H1 2018/19: £182 million) and is driven by our significant investment in developing social housing properties, along with investment in our jointly controlled entities and associates (JCEAs) through which we also deliver new homes.

At £32 million, our cash from financing activities has reduced compared to the prior year (H1 2018/19: £84 million). This is primarily driven by a review of our minimum cash policy and activity on our EMTN programme. In the first six months of 2018/19 we issued £250m, compared to £100m this year with development funded through other sources.

Overall the Group has cash and cash equivalents of £101 million (H1 2018/19: £176 million), a significant contribution to our overall liquidity.

Principal risks and uncertainties

We continue to monitor all risks the Group faces and successful risk management continues to be a core component of our wider governance and internal control framework. The principal risks and uncertainties that the Group faces are largely as reported in the last Annual Report and Accounts but with additions to reflect the increasingly uncertain political environment, challenges with regards to recruiting skilled employees and the increased focus on the build quality of our properties.

Other key risks include failure to deliver new homes in line with our agreed development strategy, with challenging market conditions affecting sales volumes and prices, and a massive financial shock as a result of a departure from the European Union without a trade deal. We continue to monitor potential risks from Brexit including supply chain concerns and managing risks around our funding requirements.

The relevant boards have frequently been updated on the potential impact on Clarion's businesses and have considered mitigation plans and stress testing of our long-term financial plan. The Group remains well positioned to deal with any Brexit scenario.

Outlook

Following the publication of the Grenfell Inquiry, housing associations will be working through the practical recommendations. Clarion has invested in a large programme of fire safety work and remains committed to continued investment in our existing homes as well as continuing to develop much-needed high quality homes.

With a General Election campaign underway there remains the possibility that there may be a change of government. Clarion remains ready to work with the new administration, continuing to demonstrate the value of housing associations and the vital role they play in tackling the country's housing crisis.

INDEPENDENT REVIEW REPORT TO CLARION HOUSING GROUP LIMITED ("the Association")

Conclusion

We have been engaged by the Association to review the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2019 which comprises a Group Statement of Comprehensive Income, Group Statement of Financial Position, Group Statement of Changes in Capital and Reserves, Group Statement of Cash Flows, and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2019 is not prepared, in all material respects, in accordance with FRS 104 *Interim Financial Reporting*.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The impact of uncertainties due to the UK exiting the European Union on our review

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot be expected to predict the unknowable factors or all possible future implications for an Association and this is particularly the case in relation to Brexit.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors.

The annual financial statements of the Association are prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of*

Ireland. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with FRS 104 *Interim Financial Reporting***.**

Our responsibility

Our responsibility is to express to the Association a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Association in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Association those matters we are required to state to it in this 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 Association for our review work, for this report, or for the conclusions we have reached.

Sean McCallion
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square, London, E14 5GL
10 December 2019

Group Statement of Comprehensive Income for the half year ended 30 September 2019

	Notes	**Half year ended 30 September 2019 Reviewed £m**	Half year ended 30 September 2018 Reviewed £m	Year ended 31 March 2019 Audited £m
Turnover	4a	**402.1**	410.1	815.9
Cost of sales	4a	**(36.7)**	(37.9)	(85.3)
Operating costs	4a	**(242.0)**	(229.5)	(481.6)
Surplus on disposal of properties	4a	**14.5**	12.3	33.3
Operating surplus	4a	**137.9**	155.0	282.3
Deficit on disposal of other fixed assets	4a	**-**	-	(3.2)
Deficit on disposal of operations		**(3.1)**	-	-
Share of surplus of JCEAs		**0.6**	0.2	12.9
(Loss)/gain on revaluation of investment properties		**(1.0)**	0.4	3.4
Interest receivable	5	**2.8**	2.2	4.2
Interest payable and financing costs	6	**(69.2)**	(70.8)	(141.0)
Movement in fair value of financial instruments	7	**2.5**	(0.2)	(5.1)
Surplus on ordinary activities before taxation		**70.5**	86.8	153.5
Tax charge on surplus on ordinary activities	8	**(1.4)**	(0.3)	-
Surplus for the year		**69.1**	86.5	153.5
Actuarial (losses)/gains on pension schemes	14	**(3.5)**	11.4	(4.5)
Movement in fair value of financial instruments	7	**(65.3)**	32.5	(6.8)
Gain on transfer of SHPS		**-**	-	3.0
Tax charge on other comprehensive income	8	**-**	-	(0.1)
Total comprehensive income for the year		**0.3**	130.4	145.1

All operations are continuing.

The financial statements were approved by the Board and were signed on their behalf by:

David Avery
Group Chairman

Mark Hattersley
Group Chief Financial Officer

Louise Hyde
Company Secretary

10 December 2019

Group Statement of Financial Position as at 30 September 2019

	Notes	**30 September 2019 Reviewed £m**	31 March 2019 Audited £m
Fixed assets			
Goodwill		**(0.5)**	(0.5)
Other intangible assets		**75.0**	70.5
Social housing properties	9	**7,279.5**	7,126.6
Investment properties		**232.7**	233.9
Non-housing fixed assets		**45.7**	48.1
Interests in JCEAs		**110.7**	106.6
Other fixed asset investments		**12.7**	13.0
		7,755.8	7,598.2
Current assets			
Stock	10	**455.8**	386.3
Debtors: amounts falling due within one year		**94.4**	89.0
Debtors: amounts falling due after more than one year		**120.0**	118.3
Current asset investments		**120.3**	116.3
Cash and cash equivalents		**101.0**	181.1
		891.5	891.0
Current liabilities			
Creditors: amounts falling due within one year		**(410.2)**	(424.1)
Net current assets		**481.3**	466.9
Total assets less current liabilities		**8,237.1**	8,065.1
Creditors: amounts falling due after more than one year		**(6,492.6)**	(6,323.2)
Provisions for liabilities and charges	14	**(80.0)**	(77.7)
Total net assets		**1,664.5**	1,664.2
Capital and reserves			
Non-equity share capital		**-**	-
Cash flow hedge reserve		**(408.6)**	(343.3)
Income and expenditure reserve		**2,073.1**	2,007.5
Total capital and reserves		**1,664.5**	1,664.2

The financial statements were approved by the Board and were signed on their behalf by:

David Avery
Group Chairman

Mark Hattersley
Group Chief Financial Officer

Louise Hyde
Company Secretary

10 December 2019

Group Statement of Changes in Capital and Reserves
for the half year ended 30 September 2019

	Non-equity share capital £m	Cash flow hedge reserve £m	Income and expenditure reserve £m	Total capital and reserves £m
At 31 March 2018	-	(336.5)	1,855.6	1,519.1
Surplus for the year ending 31 March 2019	-	-	153.5	153.5
Other comprehensive income for the year	-	(6.8)	(1.6)	(8.4)
At 31 March 2019	-	(343.3)	2,007.5	1,664.2
Surplus for the half year ending 30 September 2019	-	-	69.1	**69.1**
Other comprehensive income for the period	-	(65.3)	(3.5)	**(68.8)**
At 30 September 2019	**-**	**(408.6)**	**2,073.1**	**1,664.5**
At 31 March 2018	-	(336.5)	1,855.6	1,519.1
Surplus for the half year ending 30 September 2018	-	-	86.5	86.5
Other comprehensive income for the period	-	32.5	11.4	43.9
At 30 September 2018	-	(304.0)	1,953.5	1,649.5

Group Statement of Cash Flows for the half year ended 30 September 2019

	Half year ended 30 September 2019		Half year ended 30 September 2018		Year ended 31 March 2019	
	Reviewed		Reviewed		Audited	
	£m	£m	£m	£m	£m	£m
Surplus for the period		**69.1**		86.5		153.5
Adjustment for working capital movements						
Increase in stock	**(60.4)**		(60.6)		(131.5)	
Increase in operating debtors	**(6.0)**		(8.9)		(7.5)	
(Decrease)/increase in operating creditors	**(10.2)**		(18.4)		6.2	
Pension contributions in excess of expense	**(2.0)**		(2.8)		(4.8)	
	(78.6)		(90.7)		(137.6)	
Adjustment for non-cash items						
Amortisation of government grants	**(11.8)**		(11.8)		(23.5)	
Deferred tax charge	**-**		-		0.1	
Amortisation of intangible assets	**4.3**		4.7		9.4	
Depreciation charge	**54.6**		49.6		103.1	
Impairment (reversal)/charge	**-**		(0.4)		11.6	
Loss/(gain) on revaluation of investment properties	**1.0**		(0.4)		(3.4)	
Other non-cash decrease in provisions	**(1.6)**		(2.2)		(2.7)	
	46.5		39.5		94.6	
Adjustment for financing or investment activities						
Surplus on disposal of properties	**(14.5)**		(12.3)		(33.3)	
Surplus on disposal of other fixed assets	**-**		-		(0.4)	
Deficit on disposal of operations	**3.1**		-		-	
Share of surplus of JCEAs	**(0.6)**		(0.2)		(12.9)	
Net financing costs	**63.9**		68.8		141.9	
	51.9		56.3		95.3	
Net cash from operating activities		**88.9**		91.6		205.8
Cash flows from investing activities						
Proceeds from disposal of properties	**26.7**		27.3		81.5	
Proceeds from disposal of other fixed assets	**-**		0.1		0.4	
Interest received	**2.8**		2.2		4.2	
Acquisition/development of intangible assets	**(9.8)**		(14.0)		(24.1)	
Acquisition/development of social housing properties	**(216.0)**		(202.6)		(451.7)	
Acquisition of non-housing fixed assets	**(1.7)**		(5.0)		(8.9)	
(Investment in)/repayment of investment by JCEAs	**(4.7)**		2.5		(10.0)	
Distributions from JCEAs	**1.2**		0.3		1.7	
Proceeds from disposal of other fixed asset investments	**0.3**		0.3		0.8	
Increase in current asset investments	**(4.0)**		(0.1)		(3.8)	
Social housing property grants received	**3.9**		7.2		28.5	
Proceeds from disposal of operations (net of cash disposed)	**0.3**		-		-	
Net cash from investing activities		**(201.0)**		(181.8)		(381.4)
Cash flows from financing activities						
Interest paid	**(75.4)**		(73.9)		(159.9)	
Net borrowing of loans and bonds	**107.8**		159.1		338.5	
Capital transaction costs paid	**(0.4)**		(1.1)		(4.5)	
Payment of finance lease capital	**-**		(0.4)		(0.3)	
Net cash from financing activities		**32.0**		83.7		173.8
Net decrease in cash and cash equivalents		**(80.1)**		(6.5)		(1.8)
Cash and cash equivalents at 1 April		**181.1**		182.9		182.9
Cash and cash equivalents at the end of the period		**101.0**		176.4		181.1

See note 11 for the reconciliation of net debt.

Notes to the Financial Statements for the half year ended 30 September 2019

1. Accounting policies

This half year report has been prepared using accounting policies consistent with FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (March 2018) ("FRS 102") and the Housing SORP 2018: Statement of Recommended Practice for Social Housing Providers ("the SORP") and in accordance with FRS 104 Interim Financial Reporting (March 2018) ("FRS 104"). The accounting policies and presentation followed in the half year report is the same as that applied in the Group's latest audited financial statements, with the exception that the Group now reports under 'The Accounting Direction for private registered providers of social housing (2019)', having previously applied the requirements of the 2015 version. Significant judgements, estimates and methods of computation are also materially consistent. These condensed interim financial statements should therefore be read in conjunction with the annual financial statements for the year ended 31 March 2019.

These are the Group's first financial statements to be prepared using the 2018 version of the SORP, having previously applied the 2014 SORP. As a result, the Group is now required to apply IFRS 8 Operating Segments, as at least one subsidiary holds listed debt. However, as per FRS 104 Interim Financial Reporting, as the statutory accounts for the year ending 31 March 2019 did not include segment information in accordance with IFRS 8, these interim financial statements are not required to - and so have not - disclosed segment information.

The financial information contained in this Interim Report does not constitute statutory financial statements as defined by the Co-operative and Community Benefit Societies Act 2014. A copy of the statutory accounts for the year ended 31 March 2019 has been delivered to the Registrar of Mutual Societies. The auditor reported on those accounts: their report was unqualified and had no matters on which to report by exception.

Going concern

On the basis of their assessment of the Group's financial position and resources, the Board believes the Group is well placed to manage its business risks. Therefore the Group's Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements. Thus they continue to adopt the going concern basis in preparing these interim financial statements.

Notes to the Financial Statements for the half year ended 30 September 2019 (continued)

2. Significant judgements and accounting estimates

The preparation of a condensed set of financial statements requires management to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities at each period end. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and are reviewed on an on-going basis. The nature of estimation means that actual outcomes could differ.

The significant judgements and estimates made by management in preparing these condensed financial statements are principally the same as those applied to the Group's consolidated financial statements for the year ended 31 March 2019. Refer to those financial statements for a full listing, including sensitivity analysis. However, in the case of investment property and defined benefit pension valuations, a higher level of estimation has been employed in preparing these condensed financial statements. The use of a higher level of estimation is in accordance with FRS 104 and is not expected to result in a material difference.

Notes to the Financial Statements for the half year ended 30 September 2019 (continued)

3. Units under management

	At 1 April 2019	Adjustment	Handed over	Net conversion from Affordable	Other movements	**At 30 September 2019**
Units under management						
Social housing						
Social rent	77,202	122	77	37	(90)	**77,348**
Affordable rent	12,185	36	249	(36)	1	**12,435**
General needs	89,387	158	326	1	(89)	**89,783**
Supported (all social rent)	1,275	241	-	-	(1)	**1,515**
Social rent	7,346	(177)	-	(1)	(8)	**7,160**
Affordable rent	-	-	-	1	-	**1**
Housing for Older People	7,346	(177)	-	-	(8)	**7,161**
Shared ownership	7,875	(2)	202	-	(66)	**8,009**
Intermediate rent	737	(2)	-	(1)	(37)	**697**
Keyworker	749	(8)	-	-	13	**754**
Social leaseholders	9,869	5	-	-	76	**9,950**
Staff accommodation	140	(27)	-	-	(7)	**106**
Social homes under management	**117,378**	**188**	**528**	**-**	**(119)**	**117,975**
Non-social housing						
Market rent	943	(153)	-	-	-	**790**
Non-social leaseholders	6,012	(11)	-	-	33	**6,034**
Homes under management	**124,333**	**24**	**528**	**-**	**(86)**	**124,799**
Non-housing						
Garages and car parking spaces	10,717	(23)	9	-	(29)	**10,674**
Commercial leaseholders	342	(17)	1	-	(2)	**324**
Community centres	65	(4)	-	-	(3)	**58**
Units under management	**135,457**	**(20)**	**538**	**-**	**(120)**	**135,855**
Social housing	1,296	7	138	-	(83)	**1,358**
Non-social housing	252	(170)	-	-	-	**82**
Non-housing	-	5	-	-	-	**5**
Units owned but not managed	**1,548**	**(158)**	**138**	**-**	**(83)**	**1,445**

Notes to the Financial Statements for the half year ended 30 September 2019 (continued)

4. Turnover, cost of sales, operating costs, surplus/deficit on disposal of properties and operating surplus/deficit

4a. Particulars of turnover, cost of sales, operating costs, surplus/deficit on disposal of properties and operating surplus/deficit

	Half year ended 30 September 2019					Half year ended 30 September 2018	
	Turnover £m	**Cost of sales £m**	**Operating costs £m**	**Surplus/ (deficit) on disposal £m**	**Operating surplus/ (deficit) £m**	Turnover £m	Operating surplus/ (deficit) £m
Social housing activities							
Social housing lettings (note 4b)	**336.7**	**-**	**(218.5)**	**-**	**118.2**	337.4	134.1
Shared ownership first tranche sales	**31.7**	**(26.2)**	**-**	**-**	**5.5**	28.0	8.4
Other social housing activities							
Care and support services	6.5	-	(6.6)	-	**(0.1)**	8.1	(1.0)
Development for other landlords	1.0	(1.0)	-	-	**-**	3.8	-
Development costs not capitalised	-	-	(2.1)	-	**(2.1)**	-	(2.8)
Community investment	0.8	-	(6.7)	-	**(5.9)**	0.7	(6.4)
Other	2.4	-	(2.0)	-	**0.4**	3.0	0.9
Total	**10.7**	**(1.0)**	**(17.4)**	**-**	**(7.7)**	15.6	(9.3)
Surplus on disposal of social housing properties	**-**	**-**	**-**	**14.5**	**14.5**	-	12.3
Total social housing activities	**379.1**	**(27.2)**	**(235.9)**	**14.5**	**130.5**	381.0	145.5
Non-social housing activities							
Open market sales	**11.6**	**(9.5)**	**(2.0)**	**-**	**0.1**	18.6	2.2
Other non-social housing activities							
Market rent lettings	4.5	-	(1.6)	-	**2.9**	4.9	3.1
Garage lettings	1.6	-	(0.3)	-	**1.3**	1.5	1.3
Commercial lettings	2.3	-	(1.2)	-	**1.1**	1.9	1.0
Other	3.0	-	(1.0)	-	**2.0**	2.2	1.9
Total	**11.4**	**-**	**(4.1)**	**-**	**7.3**	10.5	7.3
Total non-social housing activities	**23.0**	**(9.5)**	**(6.1)**	**-**	**7.4**	29.1	9.5
Total social and non-social housing activities	**402.1**	**(36.7)**	**(242.0)**	**14.5**	**137.9**	410.1	155.0
Analysis of disposals							
Social housing properties	*28.7*	*(11.6)*	*(2.6)*	**14.5**	**14.5**	*31.3*	12.3
Other fixed assets	*0.1*	*(0.1)*	-	**-**	**-**	-	-

Notes to the Financial Statements for the half year ended 30 September 2019 (continued)

4. Turnover, cost of sales, operating costs, surplus/deficit on disposal of properties and operating surplus/deficit (continued)

4b. Particulars of income and expenditure from social housing lettings

	General needs housing £m	Supported housing/ housing for older people £m	Shared ownership accommo-dation £m	Other £m	Total Half year ended 30 September 2019 £m	Total Half year ended 30 September 2018 £m
Income						
Rent receivable net of identifiable service charges	256.3	21.8	14.7	6.1	**298.9**	303.1
Service charge income	9.2	7.1	3.7	5.1	**25.1**	22.5
Amortisation of government grants	9.9	0.9	0.7	0.3	**11.8**	11.8
Other revenue grants/income	0.7	0.1	0.1	-	**0.9**	-
Turnover from social housing lettings	**276.1**	**29.9**	**19.2**	**11.5**	**336.7**	337.4
Expenditure						
Management	(34.7)	(4.1)	(2.7)	(1.5)	**(43.0)**	(41.9)
Service charge costs	(13.9)	(6.7)	(4.1)	(4.7)	**(29.4)**	(25.9)
Routine maintenance	(54.8)	(4.5)	(0.1)	(1.7)	**(61.1)**	(57.6)
Planned maintenance	(24.7)	(0.3)	(0.2)	(0.1)	**(25.3)**	(23.1)
Major works expensed	(4.0)	(0.8)	-	(0.3)	**(5.1)**	(5.7)
Bad debts	(3.3)	(0.2)	(0.2)	0.4	**(3.3)**	(2.6)
Depreciation of housing properties	(46.9)	(3.3)	-	(0.6)	**(50.8)**	(45.8)
Other costs	(0.1)	-	-	(0.4)	**(0.5)**	(0.7)
Operating costs on social housing lettings	**(182.4)**	**(19.9)**	**(7.3)**	**(8.9)**	**(218.5)**	(203.3)
Operating surplus on social housing lettings	**93.7**	**10.0**	**11.9**	**2.6**	**118.2**	134.1
Void losses	**2.7**	**1.3**	**0.1**	**0.7**	**4.8**	4.6

Other includes intermediate rent, keyworker, and social leaseholders.

Void losses represent rental income lost as a result of an available-for-letting property not being let.

Notes to the Financial Statements for the half year ended 30 September 2019 (continued)

5. Interest receivable

	Half year ended 30 September 2019 £m	Half year ended 30 September 2018 £m
Interest receivable on bank deposits	**1.0**	1.0
Interest receivable from JCEAs	**1.8**	1.2
	2.8	2.2

6. Interest payable and financing costs

	Half year ended 30 September 2019 £m	Half year ended 30 September 2018 £m
Interest payable on loans	**18.1**	16.8
Interest payable on bonds and similar instruments	**44.5**	40.0
Interest payable on derivatives	**18.6**	20.0
Interest payable on finance leases	**0.3**	-
Interest payable relating to pensions	**0.7**	0.9
Other interest payable	**-**	0.3
Other charges	**2.4**	1.9
	84.6	79.9
Interest payable capitalised	**(15.4)**	(9.1)
	69.2	70.8

The Group's weighted average interest rate for general borrowings was 4.13% (30 September 2018: 4.30%).

Notes to the Financial Statements for the half year ended 30 September 2019 (continued)

7. Movement in fair value of financial instruments

Included in income and expenditure	**Half year ended 30 September 2019 £m**	Half year ended 30 September 2018 £m
Fair value gains on		
Borrowings treated as fair value hedging item	**-**	1.6
Derivatives treated as fair value hedging instruments	**6.1**	-
Derivatives treated as cash flow hedging instruments - due to changes in credit risk	**1.1**	0.7
	7.2	2.3
Fair value losses on		
Borrowings treated as fair value hedging item	**(4.4)**	-
Derivatives treated as fair value hedging instruments	**-**	(2.1)
Derivatives not in hedging relationships	**-**	(0.1)
Amortisation of cash flow hedge reserve relating to a prematured derivative	**(0.3)**	(0.3)
	(4.7)	(2.5)
	2.5	(0.2)

Included in other comprehensive income	**Half year ended 30 September 2019 £m**	Half year ended 30 September 2018 £m
Fair value gains on		
Derivatives treated as cash flow hedging instruments - effective	**-**	32.2
Amortisation of cash flow hedge reserve relating to a prematured derivative	**0.3**	0.3
	0.3	32.5
Fair value losses on		
Derivatives treated as cash flow hedging instruments - effective	**(65.6)**	-
	(65.3)	32.5

See note 13 for an explanation of the Group's hedging activities.

Notes to the Financial Statements for the half year ended 30 September 2019 (continued)

8. Taxation

	Half year ended 30 September 2019 £m	Half year ended 30 September 2018 £m
Recognised in income and expenditure	**1.4**	0.3

The tax charge for the Group for the period is less than 19% (30 September 2018: less than 19%), the rate of corporation tax in the UK.

Reconciliation of tax recognised in income and expenditure	**Half year ended 30 September 2019 £m**	Half year ended 30 September 2018 £m
Surplus on ordinary activities before taxation	**70.5**	86.8
Tax charge at 19%	**13.4**	16.5
Effects of:		
Charitable surpluses not taxed	**(13.3)**	(16.5)
Adjustment in respect of prior periods	**1.4**	-
Other non-material differences	**(0.1)**	0.3
	1.4	0.3

The tax charge for the half year takes into account Gift Aid relief which is normally only determined at the end of the year. Without this, the tax charge would not be truly representative of the amount to be paid to HMRC.

Notes to the Financial Statements for the half year ended 30 September 2019 (continued)

9. Social housing properties

	Completed		Under construction		
	Rental-only £m	Shared ownership £m	Rental-only £m	Shared ownership £m	Total £m
Cost					
At 1 April 2019	6,947.4	714.3	198.3	240.4	**8,100.4**
Construction/redevelopment of properties	-	-	61.7	123.9	**185.6**
Major repairs to completed properties	30.7	-	-	-	**30.7**
Other additions	4.5	-	-	-	**4.5**
Completed construction	55.1	59.2	(55.1)	(59.2)	**-**
Reclassification between tenures	(10.1)	10.1	(0.4)	0.4	**-**
Transfer from investment properties	0.2	-	-	-	**0.2**
Transfer to stock	-	(4.4)	-	-	**(4.4)**
Components replaced	(4.3)	-	-	-	**(4.3)**
Other disposals / write-offs	(7.0)	(7.2)	(0.3)	-	**(14.5)**
At 30 September 2019	**7,016.5**	**772.0**	**204.2**	**305.5**	**8,298.2**
Depreciation and impairment					
At 1 April 2019	(960.6)	(13.2)	-	-	**(973.8)**
Depreciation charge for the year	(50.8)	-	-	-	**(50.8)**
Eliminated on components replaced	4.3	-	-	-	**4.3**
Eliminated on other disposals / write-offs	1.4	0.2	-	-	**1.6**
At 30 September 2019	**(1,005.7)**	**(13.0)**	**-**	**-**	**(1,018.7)**
Net book value					
At 30 September 2019	**6,010.8**	**759.0**	**204.2**	**305.5**	**7,279.5**
Net book value					
At 31 March 2019	5,986.8	701.1	198.3	240.4	7,126.6

10. Stock

	Under construction		Completed properties		
	Social £m	Non-social £m	Social £m	Non-social £m	Total £m
At 1 April 2019	117.9	233.2	23.6	11.6	**386.3**
Additions	51.2	46.8	-	-	**98.0**
Properties completed	(33.2)	(8.6)	33.2	8.6	**-**
Transfer from social housing properties	-	-	4.4	-	**4.4**
Properties sold / costs written off	(1.0)	(0.3)	(23.5)	(8.1)	**(32.9)**
At 30 September 2019	**134.9**	**271.1**	**37.7**	**12.1**	**455.8**

Notes to the Financial Statements for the half year ended 30 September 2019 (continued)

11. Debt analysis

Debt is repayable as follows:	30 September 2019 £m	31 March 2019 £m
Due within one year	**186.4**	184.3
Due between one and two years	**220.3**	200.1
Due between two and five years	**202.3**	224.5
Due after more than five years	**3,447.3**	3,327.1
	4,056.3	3,936.0

The Group's funding is provided by the following entities, through a mixture of facilities which are drawn as follows. Additionally, there are a number of accounting adjustments to these notional amounts.

	30 September 2019 £m	31 March 2019 £m
Notional amounts drawn		
Clarion Treasury Limited		
- Loans	**2,041.6**	2,042.6
Circle Anglia Social Housing PLC		
- Bond issuance	**635.0**	635.0
Affinity Sutton Capital Markets PLC		
- Bond issuance	**500.0**	500.0
Clarion Funding PLC		
- Note issuance	**600.0**	500.0
Circle Anglia Social Housing 2 PLC		
- Private placement	**150.0**	150.0
Clarion Housing Association Limited		
- Bonds and loans	**51.7**	53.0
- Finance leases	**5.9**	5.9
Latimer Weyburn Works Limited		
- Loans	**10.1**	-
	3,994.3	3,886.5
Accounting adjustments		
Fair value adjustment due to		
- Acquisitions of Mercian Housing Association Limited and Russet Homes Limited	**14.7**	15.3
- Hedging of private placement	**19.2**	14.8
Effective interest rate adjustment	**28.1**	19.4
	62.0	49.5
	4,056.3	3,936.0

The notional value of the Group's committed debt facilities at 30 September 2019 is £4,560.8 million (31 March 2019: £4,461.3 million).

Notes to the Financial Statements for the half year ended 30 September 2019 (continued)

11. Debt analysis (continued)

The Group's facilities are repayable at various dates through to 2048 and are secured by fixed charges over the completed housing properties of the participating Group members and a series of cross guarantees.

The fair value adjustment relating to acquisitions is amortised over the life of the related loans and £0.6 million has been released in this period (30 September 2018: £0.5 million). The private placement is held at fair value as a result of hedge accounting and has increased in value by £4.4 million during the period (30 September 2018: reduced by £1.6 million).

Analysis of changes in net debt	At 1 April 2019 £m	Cash flows £m	Changes in fair value £m	Other non-cash changes £m	At 30 September 2019 £m
Cash and cash equivalents	181.1	(80.1)	-	-	**101.0**
Debt	(3,936.0)	(107.4)	(4.4)	(8.5)	**(4,056.3)**
Derivatives	(328.3)	-	(58.4)	-	**(386.7)**
Net debt	**(4,083.2)**	**(187.5)**	**(62.8)**	**(8.5)**	**(4,342.0)**

Notes to the Financial Statements for the half year ended 30 September 2019 (continued)

12. Capital grants

	HomeBuy grants £m	Social housing property grants £m
At 1 April 2019	11.2	2,112.5
New grant recognised	-	3.9
RCGF/DPF utilised	-	0.9
Amortisation	-	(11.8)
Recycled on disposals	(0.3)	(1.7)
Disposals not required to be recycled	-	(0.7)
At 30 September 2019	**10.9**	**2,103.1**
Amounts falling due within one year	-	23.6
Amounts falling due after more than one year	10.9	2,079.5
	10.9	**2,103.1**

Recycled Capital Grant Fund	HE £m	GLA £m	Total £m
At 1 April 2019	13.7	10.4	**24.1**
Additions to fund due to disposals	1.1	0.9	**2.0**
Utilised against new properties	-	(0.6)	**(0.6)**
At 30 September 2019	**14.8**	**10.7**	**25.5**
Amounts falling due within one year			9.2
Amounts falling due after more than one year			16.3
			25.5
Amounts three years old or older which may need to be repaid	3.0	-	**3.0**

Disposal Proceeds Fund	HE £m	GLA £m	Total £m
At 1 April 2019	2.2	1.6	**3.8**
Utilised against new properties	-	(0.3)	**(0.3)**
At 30 September 2019	**2.2**	**1.3**	**3.5**
Amounts falling due within one year			3.5
Amounts three years old or older which may need to be repaid	0.8	-	**0.8**

Notes to the Financial Statements for the half year ended 30 September 2019 (continued)

13. Financial instruments

The following financial derivative contracts are in place:

			30 September 2019			31 March 2019
	Active £m	**Forward starting £m**	**Total £m**	Active £m	Forward starting £m	Total £m
Notional						
Interest-rate swaps - pay fixed	1,333.4	100.0	**1,433.4**	1,354.0	100.0	1,454.0
Interest-rate swaps - receive fixed	100.0	-	**100.0**	100.0	-	100.0
	1,433.4	**100.0**	**1,533.4**	1,454.0	100.0	1,554.0
Fair value						
Interest-rate swaps - pay fixed	(386.0)	(15.9)	**(401.9)**	(326.3)	(11.1)	(337.4)
Interest-rate swaps - receive fixed	15.2	-	**15.2**	9.1	-	9.1
	(370.8)	**(15.9)**	**(386.7)**	(317.2)	(11.1)	(328.3)

Forward starting swaps represent hedging activity entered into in line with the Group's Treasury Risk Management Policy based on the forecast debt profile to protect against future interest rate increases.

For those interest-rate swaps where cash flow hedge accounting is used, the net undiscounted cash flows are expected to occur as follows:

	30 September 2019 £m	31 March 2019 £m
Due within one year	**37.8**	36.6
Due between one and two years	**35.1**	29.2
Due between two and five years	**83.9**	65.6
Due after more than five years	**289.6**	225.3
	446.4	356.7

Derivative financial instruments are calculated measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. As required by IFRS 13, there is also a bilateral credit valuation adjustment made in order to adjust for the credit worthiness of the counterparties involved in the trade.

In order to better understand the assumptions behind the nature of measuring the fair values of the Group's swap portfolio, the values have been placed into a hierarchy similar to that under IFRS 13. All of the Group's derivatives at the reporting date are Level 2 (31 March 2019: all are Level 2).

Notes to the Financial Statements for the half year ended 30 September 2019 (continued)

14. Provisions for liabilities and charges

	30 September 2019 £m	31 March 2019 £m
Net pension liabilities	**70.0**	69.3
Deferred tax liabilities	**1.1**	1.1
Other	**8.9**	7.3
	80.0	77.7

The revaluation of the Group's significant defined benefit pension assets and liabilities (with the Clarion Housing Group Pension Scheme, the Kent County Council Pension Fund, the London Borough of Bromley Pension Fund, the London Borough of Merton Pension Fund, the London Pension Fund Authority Pension Fund and the Norfolk County Council Pension Fund) as at 30 September 2019 resulted in an increase of the net liability of £0.7 million. This movements includes £3.5 million of net actuarial losses, offset by a net £2.8 million reduction due to employer contributions, service and interest costs, and the sale of Invicta Telecare Limited. The revaluations used approximate actuarial techniques, including updated assumptions on discount and inflation rates as detailed in note 2.

15. Contingent assets/liabilities

As per note 1 of the financial statements for the year ended 31 March 2019, the original amount of social housing property grants may become repayable. In addition to the amounts disclosed in creditors, £348.0 million of grant has been credited to reserves to date through amortisation (31 March 2019: £338.3 million). The timing of any future repayment, if any, is uncertain.

The Group has a contingent liability in relation to defects found at 591 other properties (31 March 2019: 530 properties). For 76 of these properties, a formal liability assessment has been made, totalling £0.5 million (31 March 2019: 47 properties, £0.4 million).

16. Capital commitments

	30 September 2019 £m	31 March 2019 £m
Contracted for but not provided for in the financial statements	**1,497.2**	1,013.1
Authorised by the Board but not contracted for	**2,411.1**	2,976.8
	3,908.3	3,989.9

These commitments to future capital expenditure predominantly relate to the construction of housing properties.

The figures above include £562.6 million (31 March 2019: £700.0 million) for the Group's share of the capital commitments of its JCEs and associates.

At the reporting date the Group had £101.0 million of cash and cash equivalents and £566.5 million of undrawn funding. The remaining £3,240.8 million is expected to be funded by future surpluses and debt funding, sourced from banks and the debt capital markets. The Group considers this to be a reasonable expectation given its previous success in these markets and its strong investment grade credit rating. A further £100 million of the Group's £3 billion European Medium Term Note programme was issued during the half year ended 30 September 2019.

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