

**We are:  
Clarion  
Housing  
Group.**



**CLARION**  
HOUSING GROUP

# **Presentation to fixed income investors**

**Mark Washer – CFO**

**Gareth Francis – Director of  
Treasury & Corporate Finance**

**December 2017**

# Disclaimer



The information contained herein (the "Presentation") has been prepared by Clarion Housing Group Limited and its subsidiaries (the "Group") and is for information purposes only.

This Presentation is made to and is directed only at recipients who, if in the United Kingdom, are (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). Any person in the United Kingdom who is not a relevant person should not act or rely on this Presentation or any of its contents.

This Presentation should not be construed as an offer or solicitation to buy or sell any securities (the "securities"), or any interest in any securities, and nothing herein should be construed as a recommendation or advice to invest in any securities.

Statements in the Presentation, including those regarding possible or assumed future or other performance of the Group, industry growth or other trend projections may constitute forward-looking statements and as such involve risks and uncertainties that may cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements. Accordingly, no assurance is given that such forward-looking statements will prove to have been correct. They speak only as at the date of the Presentation and the Group does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments, occurrence of unanticipated events or otherwise.

Neither the Group nor anyone else is under any obligation to update or keep current the information contained in the Presentation. The information in the Presentation is subject to verification, does not purport to be comprehensive, is provided as at the date of the Presentation and is subject to change without notice. No reliance should be placed on the information or any projections, targets, estimates or forecasts and nothing in the Presentation is or should be relied on as a promise or representation as to the future. No statement in the Presentation is intended to be a profit estimate or forecast. No representation or warranty, express or implied, is given by or on behalf of the Group or any of its respective directors, officers, employees, advisers, agents or any other persons as to the accuracy or validity of the information or opinions contained in the Presentation (and whether any information has been omitted from the Presentation). The Presentation does not constitute legal, tax, accounting or investment advice.

The distribution of the Presentation in certain jurisdictions may be restricted by law and persons into whose possession the Presentation or any document or other information referred to herein comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The Presentation and any materials distributed in connection with the Presentation are not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing with in such jurisdiction. The Group does not accept any liability to any person in relation to the distribution or possession of this presentation in or from any jurisdiction.



**CLARION**  
HOUSING GROUP



## Agenda

- ◆ Credit highlights
- ◆ Group overview
- ◆ Financial overview
- ◆ Development
- ◆ Treasury

# Credit Highlights



- Largest affordable housing provider in the country and one of the largest housing groups in Europe with responsibility for c.125,000 homes in over 170 local authorities
- Successful merger; well on track to consolidate all HA subsidiaries into a single association
- FY2017 HA highlights – 36.4% operating margin, 2.1x EBITDA MRI cash interest cover, 1.5x Social Housing interest cover\*
- Assets with an estimated open market value of over £22bn
- Maintenance of the Group's financial strength is embedded throughout the organisation, underpinned by a set of Financial Golden Rules and recognised by Moody's with a strong investment grade rating of A3 (stable)
- Experienced management team that steered the group through the largest merger in the sector and has made significant progress towards completing consolidation plans
- Intensified focus on Fire Safety post-Grenfell tragedy. Pre-existing dedicated Fire Safety Team within Group Health & Safety department, including accredited Fire Safety Engineers.

\* See Appendix for calculation method



## GROUP OVERVIEW



# Vision and objectives



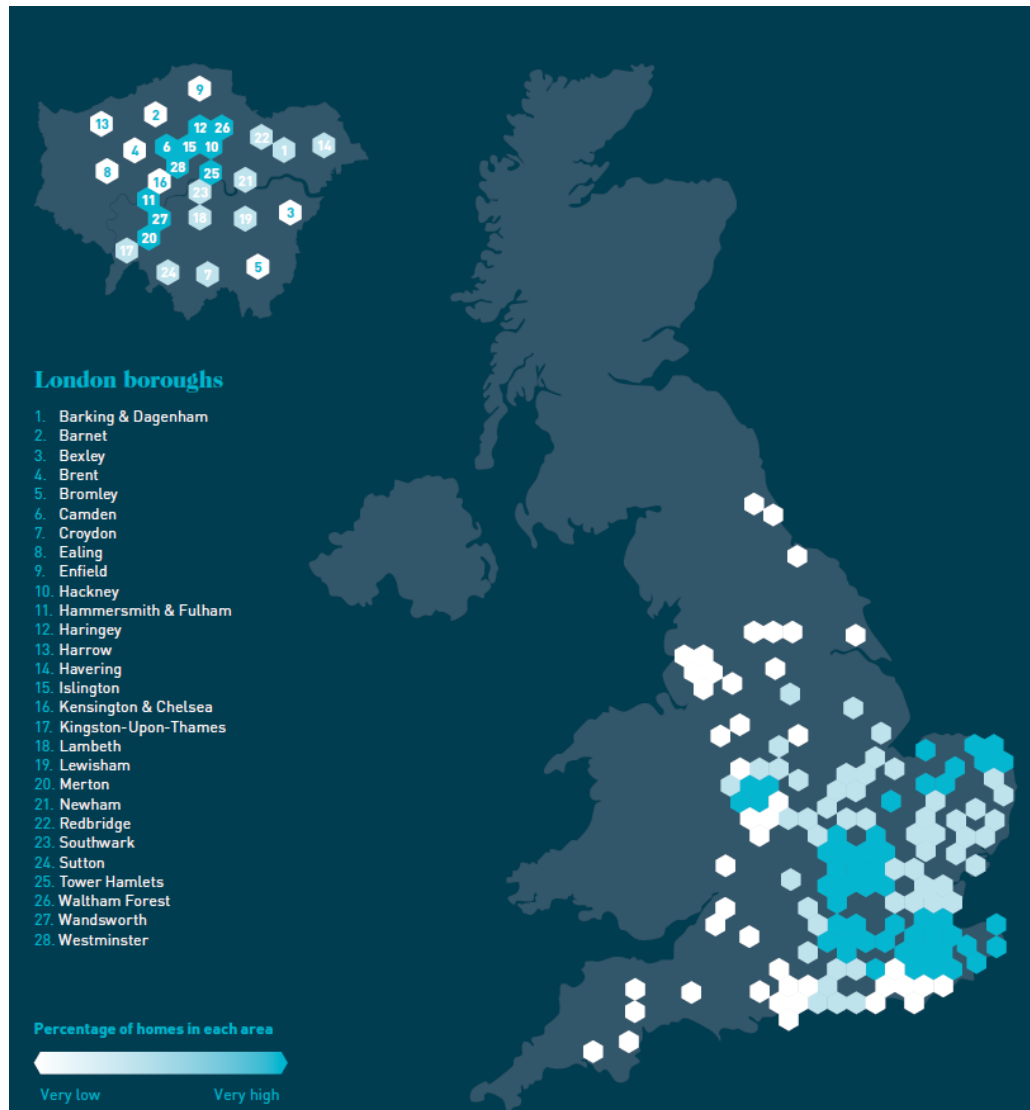
## **Building Homes. Developing Futures.**

1. The housing and service provider of choice
2. Building new homes and successful communities
3. Maintaining long term financial resilience
4. A great place to work
5. A successful, respected and influential national business

**A clear strategy for sustainable growth**



# A National Organisation

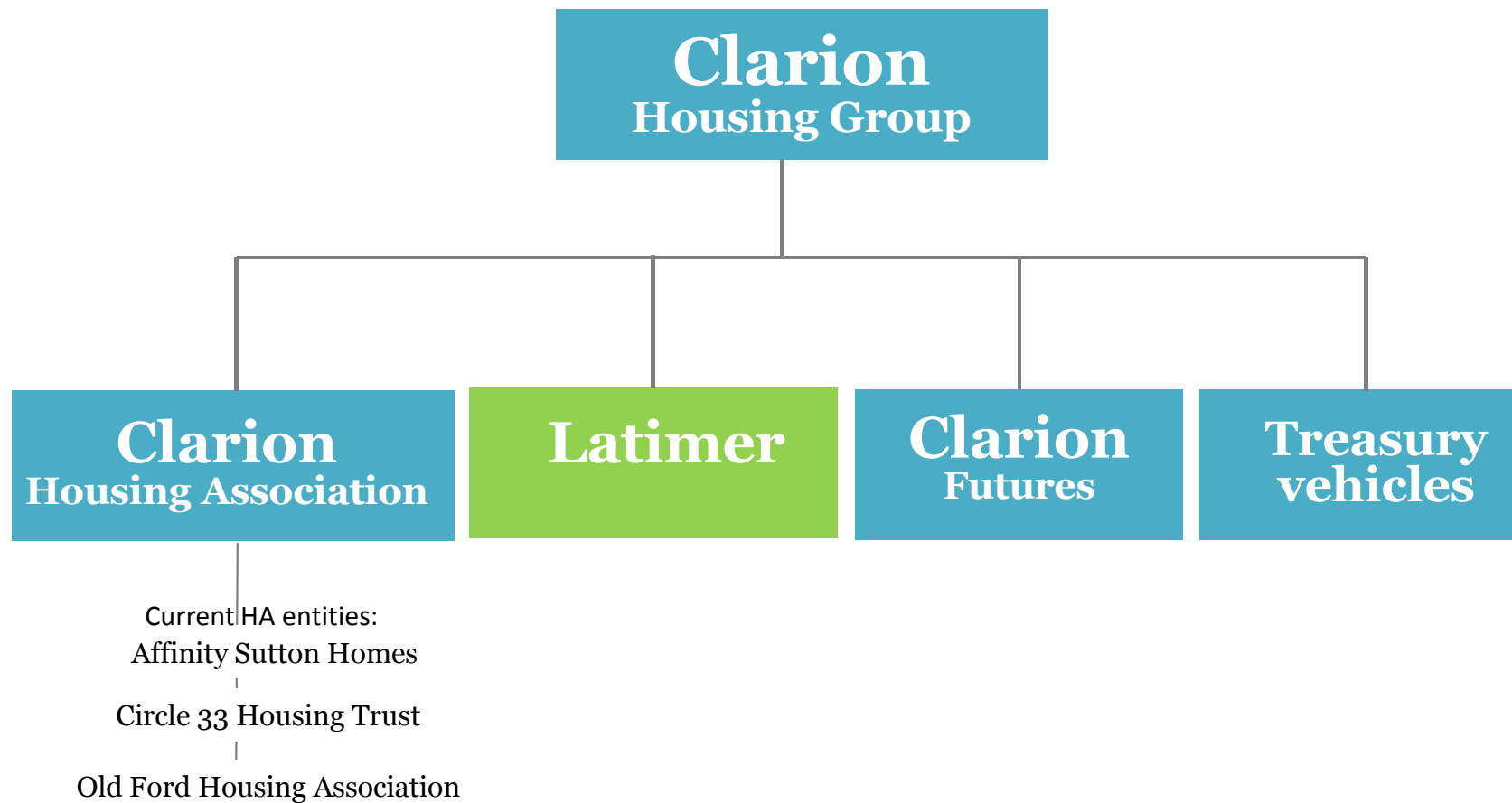


We have homes and offices up and down the country from Newcastle-upon-Tyne in the North to Plymouth in the south west.

Of our 125,000 homes, 48,000 are in London.

We are currently working in over 170 local authorities including 28 London boroughs.

# Corporate Structure





# Governance Structure



**Audit and Risk Committee** - advises the Group and subsidiary boards on the effectiveness of assurance arrangements across the group. Has oversight of the risk framework, advising the Group on the effectiveness of arrangements.

**Remuneration and Nominations Committee** - responsible for Board member and chief executive appointments. Agrees the remuneration strategy for all employees and remuneration for the Group CEO and executive directors.

**Treasury Committee** - advises on funding strategy for the Group and provides expert opinion to the borrowers within the group.

**Investment Committee** - responsible for scrutiny of all proposed projects involving major investment, by way of acquisition, development, regeneration or major repairs. Approves within delegated limits and recommends to the Group Board any projects outside agreed delegations.

**Group Executive Team** - responsible for assisting the Group CEO in the development and implementation of strategy, budget and operational performance.

# Group Board



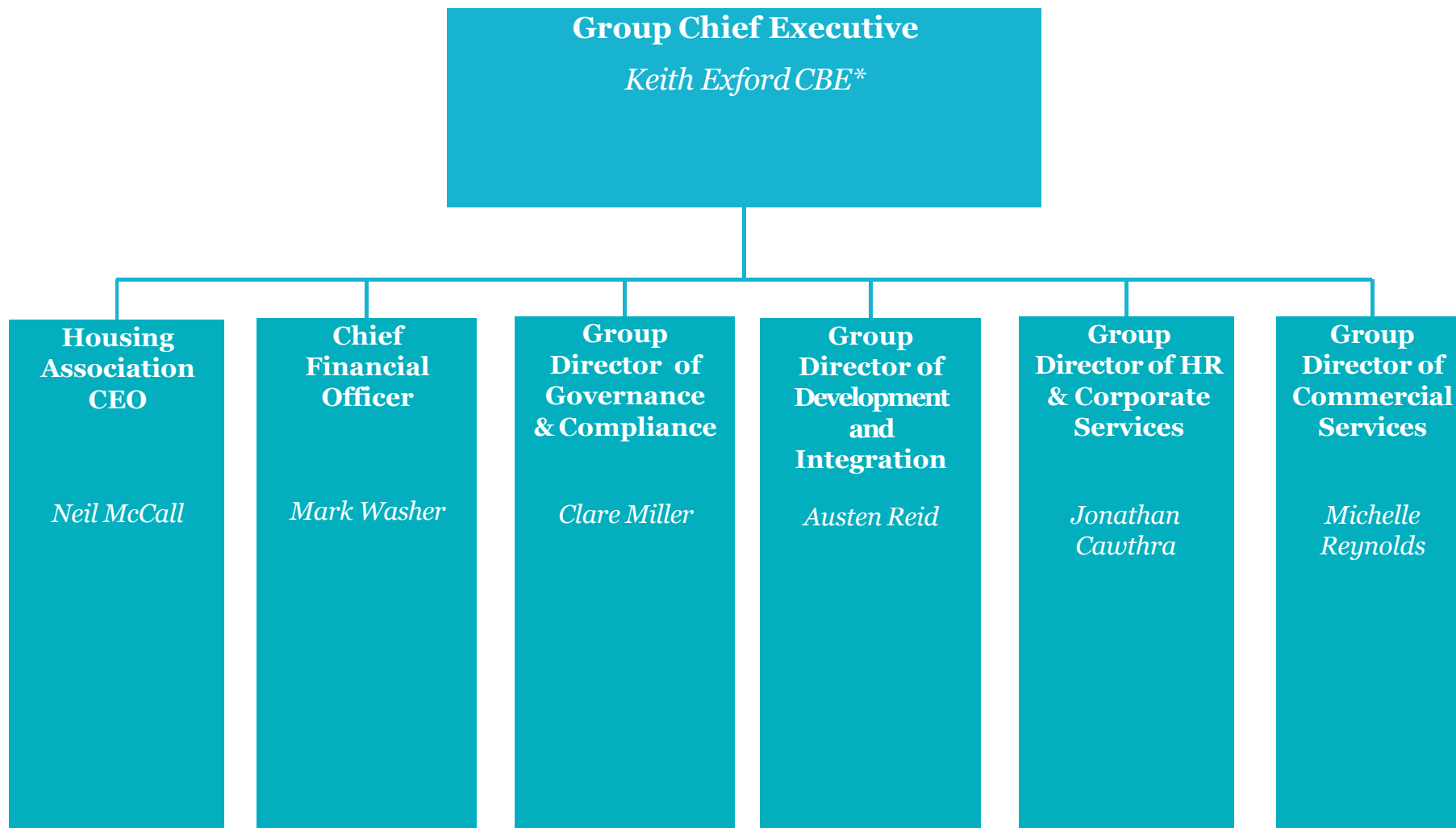
Neil Goulden <sup>a</sup> (Group Chair)(appointed Chair 1 April 2017)	Career in leisure and hospitality. Currently also Chairman of Jackpot Joy Plc, Pro Chancellor of Nottingham Trent University, Chair of Sue Ryder. Held a variety of NED roles; sat on Low Pay Commission from 2007 to 2015.
Sue Killen <sup>a</sup> (Vice Chair)(appointed Vice Chair 1 April 2017)	CEO of St John Ambulance. Previous career in government including Director General at the Department for Transport; leading work on drug abuse, preparations for single currency, various privatisations.
David Avery <sup>a</sup> (Common Housing Association Board Chair)	Career in semiconductor capital equipment. Most recently President of European Operations for Novellus Systems, a Fortune 500 company. Held a variety of NED roles including an NHS Trust; currently NED at Gen2 Property Ltd.
Tania Brisby <sup>a</sup> (Treasury Committee Chair)	Career in investment banking including Samuel Montagu, NatWest Group and Deutsche Bank. Also managed an EC Eastern Europe privatisation programme in the 1990s; advised the NHS on commercial dispute resolution; held various NHS NED and advisory roles. Current FRC Disciplinary Tribunal Panel Member.
Helen Bailey <sup>a</sup> (Remuneration and Nominations Committee Chair)	Career in local and central government. Previously CEO of a London Borough, Director of Public Services at HM Treasury; headed Mayor's Office for Policing and Crime.
Brian Stewart OBE <sup>a</sup>	Career in local and regional government. Previously CEO of two Scottish local authorities and East of England Regional Assembly; NED at NHS and various charity Trustee roles. Currently chairs Sizewell C Community Forum.
<b>Rupert Sebag-Montefiore<sup>b</sup></b> (Latimer Chair)	<b>Recently retired from Savills plc where he was on the main Board, followed by the Group Executive Board, for 21 years. Chairman of Prime Purchase Limited, various Trustee roles.</b>
<b>John Coghlan<sup>b</sup></b> (Audit Committee Chair)	<b>Chair of the Audit Committee at Severn Trent plc; a director of Associated British Ports and Chair of its Audit Committee and Chair of the Freight Transport Association Ireland.</b>
<b>Greg Reed<sup>b</sup></b>	<b>CEO at HomeServe Membership (previously Chief Marketing Officer)</b>
Keith Exford CBE <sup>a</sup>	Chief Executive Officer
Mark Washer <sup>a</sup>	Chief Financial Officer
a/ Appointed on merger (29 November 2016); b/ Appointed 6 July 2017	
<u>Resigned or retired since merger</u>	
Sir Robert Young	(resigned 1 April 2017)
Mark Rogers	(resigned 1 April 2017)
Simon Braid	(resigned 19 July 2017)
Colin Sturgeon	(retired 12 September 2017)

# Treasury Committee



Tania Brisby <sup>a</sup> (Chair, appointed 12 September 2017)	Career in investment banking including Samuel Montagu, NatWest Group and Deutsche Bank. Also managed an EC Eastern Europe privatisation programme in the 1990s; advised the NHS on commercial dispute resolution; held various NHS NED and advisory roles. Current FRC Disciplinary Tribunal Panel Member.									
Neil Goulden <sup>a</sup> (Group Chair)	Career in leisure and hospitality. Currently also Chairman of Jackpot Joy Plc, Pro Chancellor of Nottingham Trent University, Chair of Sue Ryder. Held a variety of NED roles; sat on Low Pay Commission from 2007 to 2015.									
Aruna Metha <sup>a</sup>	A NED in both the Education and Housing sectors with career experience spanning technology, operations, program and business management across Investment Bank, Asset Management and Investor Services Business Groups. Previous roles have included Director at TDA NExT.									
Maxim Sinclair <sup>b</sup>	Wells Fargo Bank. Has held a wide range of senior financial roles including Head of UK Division CRE at Wells Fargo, Head of UK Division Eurohypo in London & Luxembourg and Head of Property Finance Sanwa Bank.									
Kwok Liu <sup>b</sup>	A career in Treasury, currently the Head of Capital Markets/Deputy Treasurer at National Grid									
Keith Exford CBE <sup>a</sup>	Chief Executive Officer									
Mark Washer <sup>a</sup>	Chief Financial Officer									
a/ Appointed on merger (29 November 2016); b/ Appointed 18 July 2017										
<u>Retired since merger</u>										
Colin Sturgeon	(retired 12 September 2017)									

# Group Executive Team



\*Retires 6 April 2018. To be succeeded by Ruth Cooke, currently CEO Midland Heart



# Investment Governance



- Latimer board to include NEDs with funding and development expertise with NED Chairman (Rupert Sebag Montefiore, recently retired from Savills plc)
- Group Investment Committee chaired by CFO
- HA exposure to Latimer limited by Financial Golden Rules – in particular:
  - cap on investment
  - sales WIP
  - value at risk coverage
- Finance and Development skills being further strengthened, for example:
  - Land Director – formerly with Cala Homes, Persimmon Homes, Taylor Wimpey
  - Technical Director – formerly with Lovell and Durkan
  - Director of Financial Planning & Investment – formerly FD Network Rail Property

**Action already taken to cater for increasing commercial activity**

# Integration progress (one year on)



Significant work undertaken to improve the way that Clarion's customers can transact with the Group, and to provide a consistent, efficient and integrated service.

- Combination of Housing Associations nearing completion:
  - Amalgamation of Affinity Sutton Homes and Circle 33 Housing Trust - shareholder resolutions passed; FCA and HCA filings to be lodged by the 15<sup>th</sup> December
  - Old Ford HA transfer of engagements – resident consultation concluded, SGMs to be called in the New Year
- All interim operational performance improvement targets met or exceeded
- Overall customer satisfaction now at 81.1%
- Enterprise Resource Planning programmes consolidated – phased roll out starting from calendar Q2 2018
- Fully harmonised operational processes being deployed in support
- Head Office functions now in single location

**A solid platform for continued efficiency - and planned growth**

# Fire Safety

- Operational fire team established prior to Grenfell, in addition to fire experts within the Group's Health & Safety Team. Following Grenfell, this team was expanded.
- Comprehensive review of fire safety across our taller buildings commissioned immediately following Grenfell including cladding, the internal safety of these buildings and critical housekeeping arrangements. Works are on site already.
- Leveraged our scale and reputation to secure a range of specialist fire contractors to enable remedial programme to be progressed quickly
- Contributed to the government's review of building regulations and had positive feedback from some of the experts on the inquiry
- Fire safety being embedded further into business activity – customers, employees, suppliers, contract oversight, new build specification etc
- Feasibility study commissioned on installing sprinkler systems and other fire suppression retrofit measures.



# FINANCIAL OVERVIEW





# Financial Strategy & Principles



- **Sustainable and robust financial profile** that enables us to achieve our corporate ambitions
- **A clear corporate split** between regulated and non regulated activities with non-recourse commercial funding for Latimer
- Continued strong financial discipline including adherence to updated **Financial Golden Rules**
- Maintenance of a **strong investment grade rating**
- Asset sales remain a central plank of strategy – **we will not just “gear up”**

# Financial Golden Rules



	<i>Group</i>		<i>HA Group</i>		<i>Latimer</i>	
	<b>Rule</b>	<b>Status</b>	<b>Rule</b>	<b>Status</b>	<b>Rule</b>	<b>Status</b>
<b>EBITDA MRI Cash Interest Cover</b>	<b>&gt; 1.5x</b>	✓	<b>&gt; 1.5x</b>	✓	<b>&gt; 1.5x</b>	✓
<b>Operating Margin</b>	<b>&gt; 30%</b>	✓	<b>&gt; 35%</b>	✓		
<b>Net Debt / Turnover</b>	<b>&lt; 4.5x</b>	✓				
<b>Sales as a % of Turnover</b>	<b>&lt; 40%</b>	✓				
<b>Social Housing Interest Cover</b>			<b>&gt; 1.3x</b>	✓		
<b>HA Investment in Latimer (% Revenue Reserves)</b>			<b>&lt; 20%</b>	✓		
<b>Sales WIP (£m)</b>					<b>&lt; 600</b>	✓
<b>Value at Risk Coverage</b>					<b>&gt; 1.5x</b>	✓

Status as at September 2017 based on unaudited financial accounts  
See appendix for calculation method

# Financial Golden Rules: HA protection from commercial activity



- HA Investment into Latimer: Limited to 20% HA Revenue Reserves
  - Ensures that HA risk exposure is predominately to HA activity
- Latimer – Sales WIP: Limited to £600m
  - Provides a further level of protection , limiting market exposure and prompting a focus on efficient capital investment
- Latimer – Value at Risk Coverage: Minimum 1.5x
  - Ensures Latimer’s “Equity” & Reserves at least 1.5 times a 30% market hit to Sales WIP & Stock
  - Creates a Balance Sheet to enable Latimer to withstand material market shock without recourse to SH Assets
  - Some profits will be retained in Latimer

# 2016/17 performance



- £796m turnover, down from £825m in 2016
- Operating margin of 36% (37% in 2016)
- Net surplus of £173m (£234m in 2016)
- £75m investment in existing homes and £196m in new social homes
- Sales Turnover excluding JVs was £76m (£106m in 2016)
- Strong sales operating margin (39% excluding JVs)
- Net book value of Housing Fixed Assets £6.5bn
- Tenant arrears 3.5%
- Financial Golden Rules comfortably met
- Strong liquidity position of £977m at year end

See appendix for calculation method

**A strong start to the new Group**



<b>Statement of Comprehensive Income</b>	<b>Actual H1 2017/18* £M</b>	<b>Actual 2016/17 £M</b>	<b>Actual 2015/16 £M</b>
Rent & Other Income	366.5	719.3	718.4
Shared ownership and open market sales	40.2	76.3	106.2
<b>Turnover</b>	<b>406.7</b>	<b>795.6</b>	<b>824.6</b>
Operating Costs	(220.8)	(495.2)	(483.3)
Costs of Sale	(28.8)	(48.2)	(67.1)
Asset Disposal Surplus	11.9	37.3	32.2
<b>Operating Surplus</b>	<b>169.0</b>	<b>289.5</b>	<b>306.4</b>
Other Gains/(Losses) & Surpluses, including JCEs**	(2.8)	29.9	61.1
Net Funding Costs***	(70.6)	(143.4)	(132.4)
<b>Surplus on Ordinary Activities before Tax</b>	<b>95.6</b>	<b>176.0</b>	<b>235.1</b>
<i>Operating Margin</i>	<i>41.6%</i>	<i>36.4%</i>	<i>37.2%</i>

\* Based on unaudited H1 2017/18 accounts

\*\* Surplus on disposal of other fixed assets + Surplus on disposal of operations + Share of operating surplus of JCEs and associates + Gain on revaluation of investment properties + Movement in fair value of financial instruments

\*\*\* Interest receivable + Interest payable and financing costs

<b>Statement of Financial Position</b>	<b>Actual H1 2017/18* £M</b>	<b>Actual 2016/17 £M</b>	<b>Actual 2015/16 £M</b>
Tangible Fixed Assets	7,033	6,927	6,741
Net Current Assets	493	382	380
<b>Total Assets Less Current Liabilities</b>	<b>7,526</b>	<b>7,309</b>	<b>7,169</b>
Long Term Loans	3,453	3,252	3,264
Other Creditors due in over one year	2,644	2,657	2,749
I&E Reserves	1,777	1,705	1,542
Cashflow Hedge Reserve	(348)	(395)	(386)
<b>Capital, Reserves and Long-Term Liability</b>	<b>7,526</b>	<b>7,309</b>	<b>7,169</b>

\* Based on unaudited H1 2017/18 accounts

# Operating costs

2018 H1 Group £221m (2017 Full Year:£495m)

Operating Cost per unit	H1* 2017/18	Actual 2016/17	
OCU - reported	2,054	4,623	↓
OCU – underlying**	2,036	4,501	↓
Units***	107,490	107,117	↑

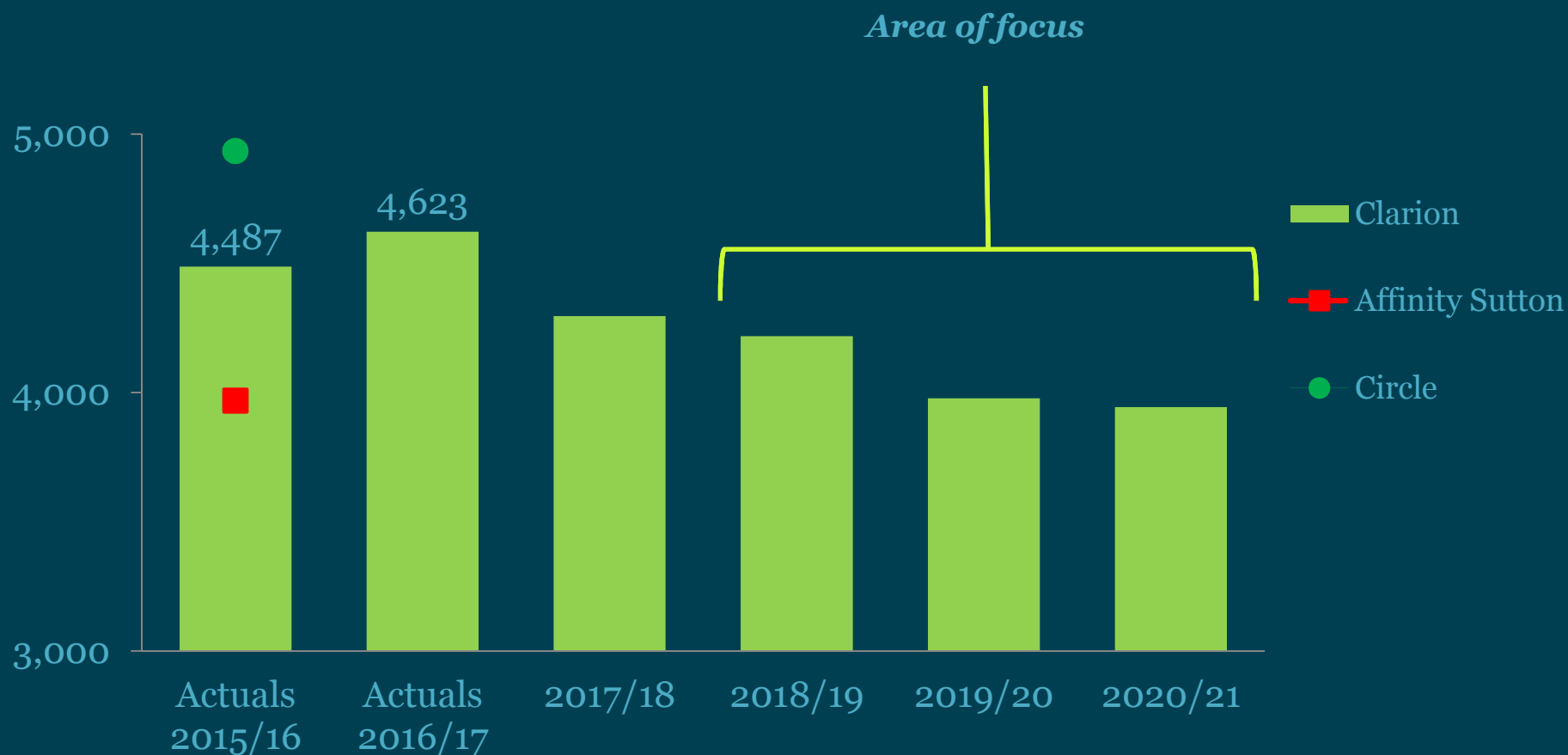
**Costs are expected to go down. However, we have a new pressure – fire and electrical safety.**

\* Based on unaudited H1 2017/18 accounts

\*\* Stated after removal of £2m one –off costs including a £1.5m settlement agreement relating to the bulk transfer of assets and liabilities from the multi-employer Social Housing Pension Scheme

\*\*\* Homes managed excluding leaseholders

# Operating Cost per Unit (£s)

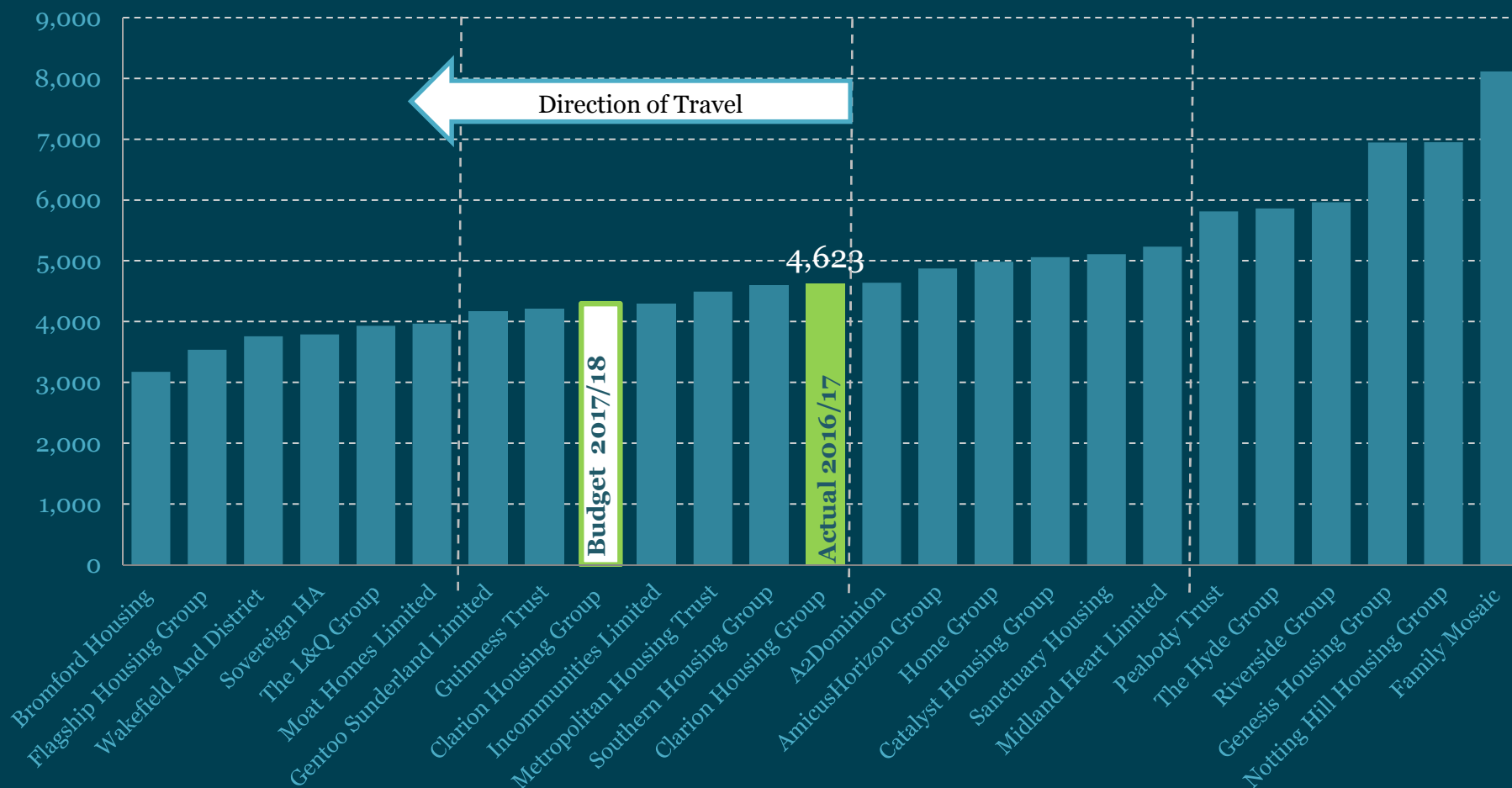


**Revenue efficiency savings to deliver former Affinity Sutton levels by FY21**



# OCU (£s) Benchmarking vs. other HAs

>20,000 units (indicative)



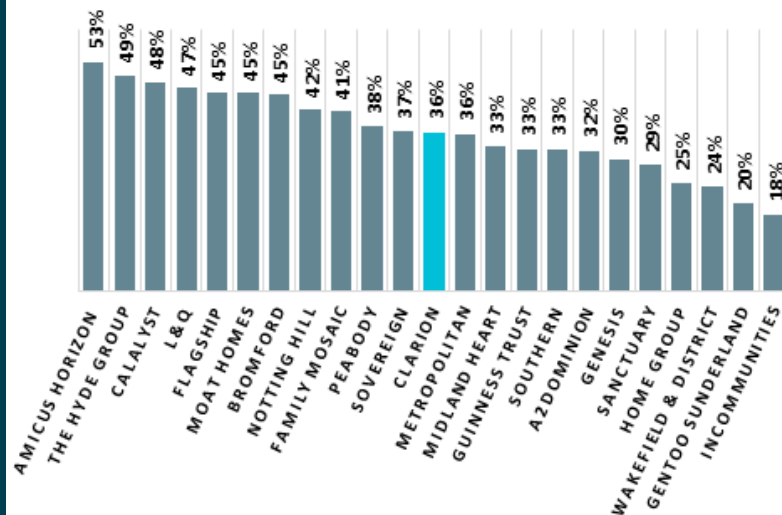
Source: 2016/17 published financial accounts  
Clarion 2017/18 Budget

# Benchmarking

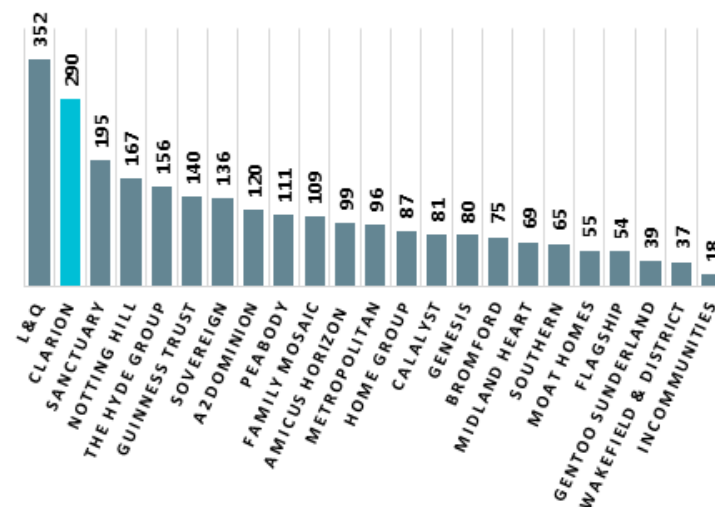


CLARION  
HOUSING GROUP

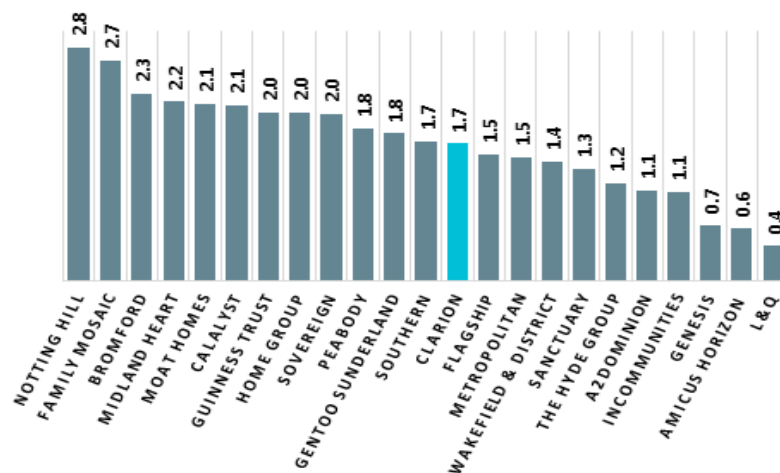
OPERATING MARGIN (%)



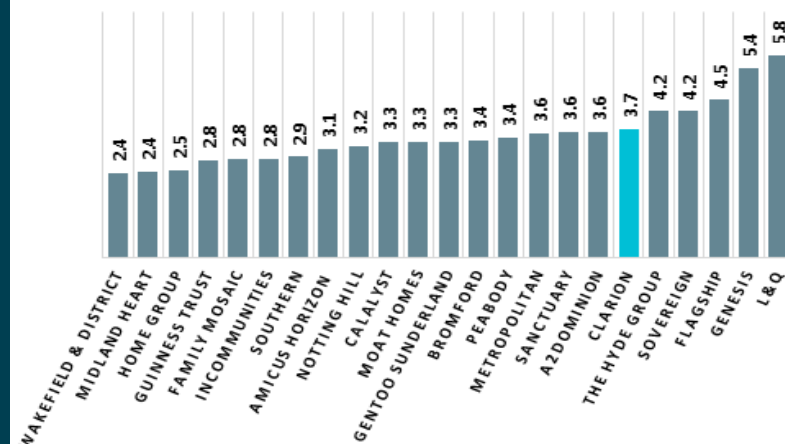
OPERATING SURPLUS (£M)



EBITDA MRI INTEREST COVER



NET DEBT TO FULL YEAR TURNOVER



Source: Published 2016/17 financial statements. Calculations for Operating Margin, EBITDA MRI Interest Cover and Net Debt to Full Year Turnover in Appendix.



CLARION  
HOUSING GROUP

# DEVELOPMENT



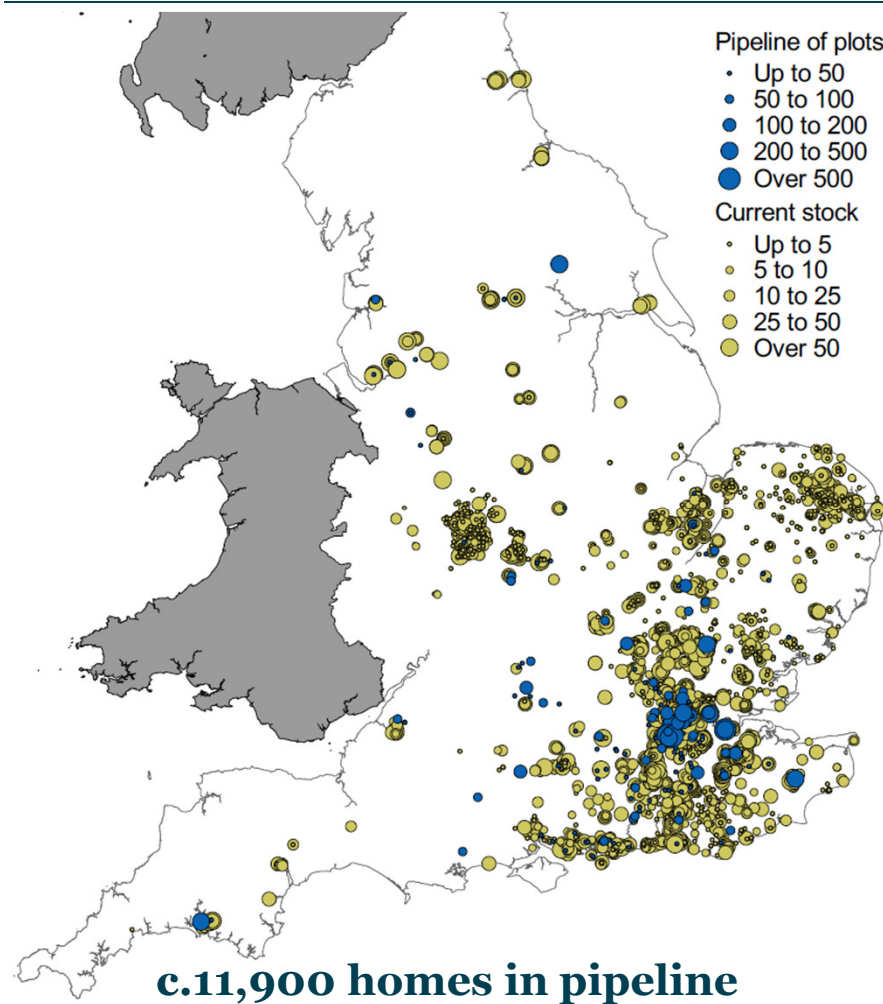
# Ambition



Bakers Court, Ashford

- 50,000 homes over 10 years
- Top 10 housebuilder
- Target tenures:
  - Sub-market rent, shared ownership
  - Market rent, market sale
- New delivery model –land led and multi channel:
  - Strategic section 106
  - Land & construction –consented and strategic
  - Joint Ventures
  - Regeneration
  - Public sector partnerships

# Building the pipeline



Team capability being enhanced:

- Commercial & Technical
- Land & Planning
- Sales & Marketing
- New Business & Partnerships
- Project Delivery
- Regeneration



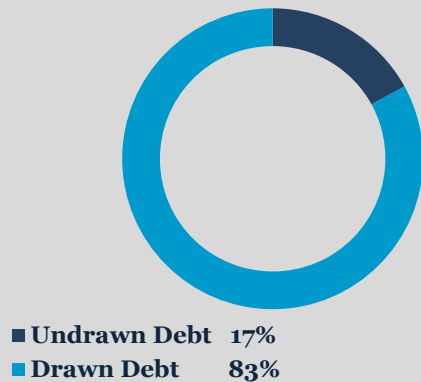
# TREASURY



# Debt & Liquidity Overview



## Total committed funding



## Key data (Sep 2017)

Total committed funding £4.1bn

Of which £671m bank undrawn

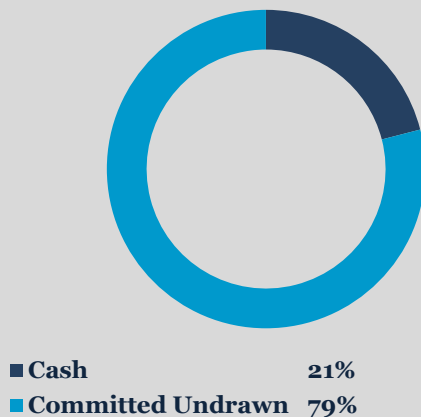
Strong Liquidity position £845m

Consisting of £174m cash and £671 undrawn facilities

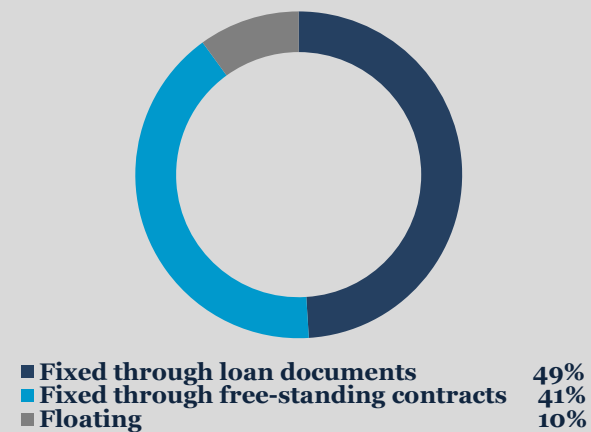
Hedging activity 90% fixed

MtM Derivatives £(369m)

## Liquidity

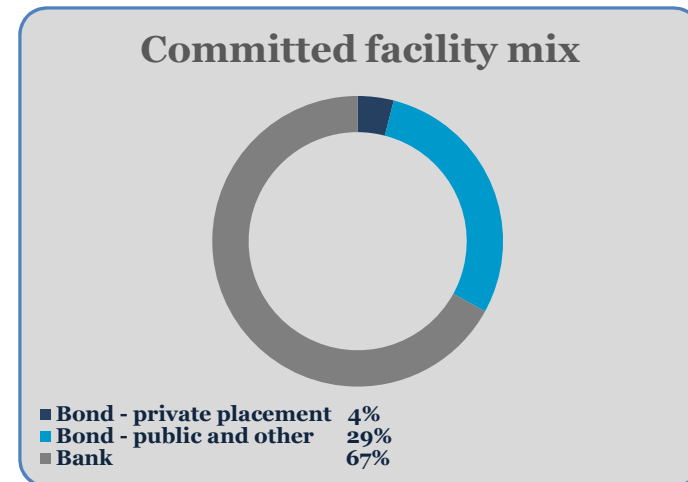
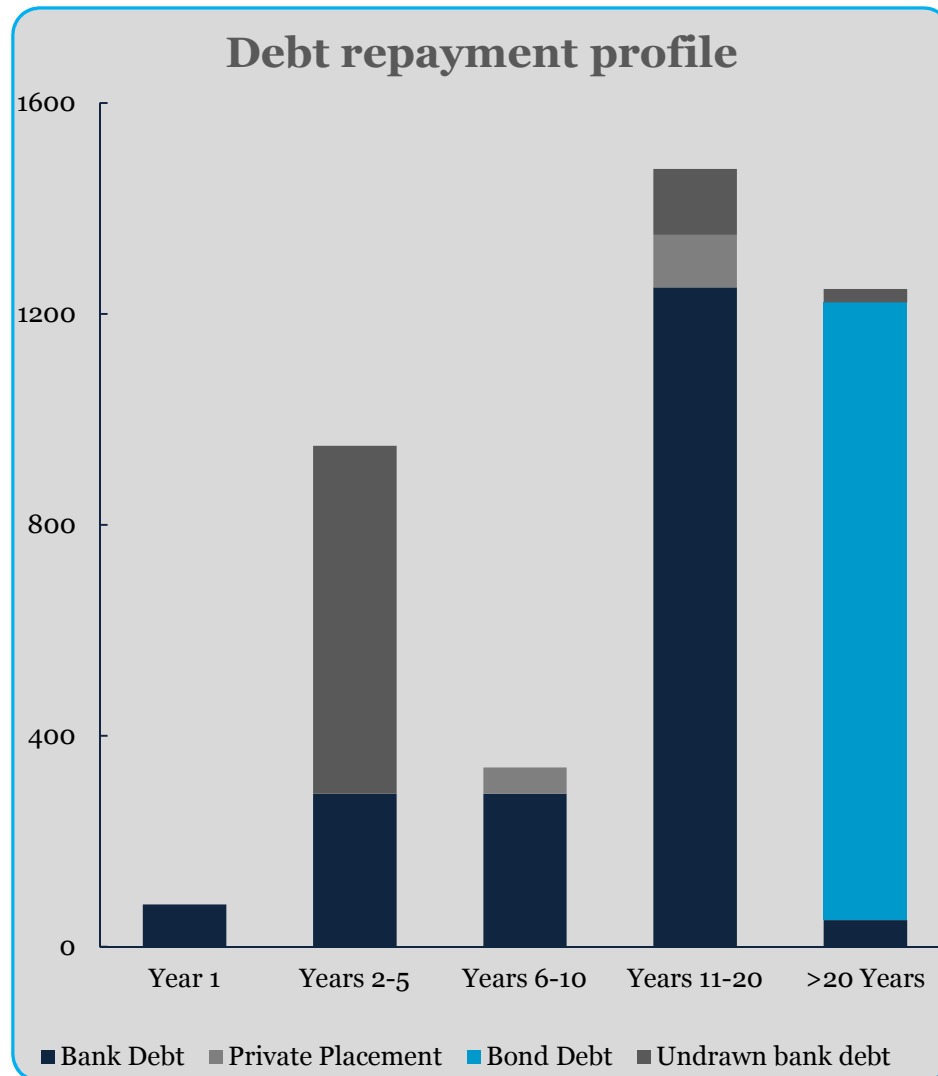


## Hedging Activity





# Debt Repayment Profile



## Key figures

Diversified funding sources: 67% bank debt, 29% bonds and 4% PP

67% of debt matures > 10 years

# Funding Strategy



## Housing Association

- Continues to be underpinned by strong and stable net rental income
- Transition from majority bank to majority capital markets
- EMTN programme established – transforms speed to market

## Latimer

- Development profits, net rental income from let up PRS/BtR
- Seeded by the HA, new capital leveraged in to be provided on a non-recourse basis
- Housebuilding: bank debt in the medium term – from project towards corporate level RCF
- PRS/BtR: partnerships with institutional investors
- Other routes to market as Latimer matures

# Public Credit Rating



On the 13<sup>th</sup> of December 2017 Moody's published a Credit Opinion covering Clarion affirming a rating of A3 (stable outlook)

## Credit Strengths:

- One of the largest housing associations in the UK
- Stable operating margin and interest cover
- Solid liquidity position supported by strong unencumbered assets and robust treasury policy

## Credit Challenges

- Increasing exposure to market sales
- Merger consolidation, **but positive progress on group structure**
- Increasing debt in the medium term, **but debt metrics stable**
- Operating environment remains challenging, **but policy is more stable**

**Maintaining a strong investment grade rating / credit fundamentals plays a key role in our funding strategy**

---

# THANK YOU

**Clarion Housing Group**

6 More London Place  
Tooley St  
London SE1 2DA

[clarionhg.com](http://clarionhg.com)

# Appendix – Alternative Performance Measures



Metric	Definition	Reconciliation	Additional Information
<i>Drawn debt</i>	The outstanding "borrowings".	"Borrowings" is taken from Note 24 to the 2017 Group Financial Statements. See the relevant figure for "Borrowings at 31 March 2017" under the column entitled "Total £m" of the table entitled "Group – Interest rate analysis".	This indicates how much the Clarion Housing Group has borrowed under the total committed funding.
<b>EBITDA MRI</b> (for Group Financial Golden Rules)	"Operating surplus", adding "depreciation of housing properties", adding "depreciation of other tangible fixed assets", adding "amortisation", deducting "amortisation of government grants", adding "impairment" and deducting "capitalised major repairs".	<p>"Operating surplus" is taken from the Statement of Comprehensive Income in the 2017 Group Financial Statements.</p> <p>"Depreciation of housing properties" is taken from Note 4b to the 2017 Group Financial Statements. See the relevant figure for "Depreciation of housing properties" under the column entitled "Total 2017 £m".</p> <p>"Depreciation of other tangible fixed assets" is taken from Note 16 to the 2017 Group Financial Statements. See the relevant figure for "Depreciation charge for the year" under the column entitled "Total £m".</p> <p>"Amortisation" is taken from Note 10 to the 2017 Group Financial Statements. See the relevant figure for "Amortisation" under the column entitled "Group 2017 £m".</p> <p>"Amortisation of government grants" is taken from Note 4b to the 2017 Group Financial Statements. See the relevant figure for "Amortisation of government grants" under the column entitled "Total 2017 £m".</p> <p>"Impairment" is taken from Note 10 to the 2017 Group Financial Statements. See the relevant figure for "Impairment: charge/(reversal)" under the column entitled "Group 2017 £m".</p> <p>"Capitalised major repairs" is taken from Note 14 to the 2017 Group Financial Statements. See the relevant figure for "Additions to existing properties" under the column entitled "Total £m".</p>	This indicates the cash operating performance of the Clarion Housing Group, representing earnings before interest, tax, depreciation and amortisation and adding back major repair capitalised costs.
<b>EBITDA MRI (HAs)</b> (for HA Financial Golden Rules)	"Operating surplus", adding "depreciation", adding "amortisation of intangible assets", deducting "amortisation of government grants", adding "impairment".	"Operating surplus" is taken from the Statement of Comprehensive Income in each of the RP, Clarion Housing Group Ltd., treasury vehicles (Clarion Treasury Ltd, Affinity Sutton Capital Markets PLC, Circle Anglia Social Housing PLC, Circle Anglia Social Housing 2 PLC, Affinity Sutton Funding Ltd) Financial	This indicates the cash operating performance of the RPs, the parent company Clarion Housing Group Ltd., and the treasury vehicles representing earnings before interest, tax, depreciation and

Metric	Definition	Reconciliation	Additional Information
	charge/(reversal)" and deducting "capitalised major repairs" and deducting "Surplus on disposal of properties"	<p>Statements.</p> <p>"Depreciation of intangible assets" is taken from the Statement of Comprehensive Income in each of the RP, Clarion Housing Group Ltd., treasury vehicles (Clarion Treasury Ltd, Affinity Sutton Capital Markets PLC, Circle Anglia Social Housing PLC, Circle Anglia Social Housing 2 PLC, Affinity Sutton Funding Ltd) Financial Statements."</p> <p>"Amortisation of intangible assets" is taken from the Statement of Comprehensive Income in each of the RP, Clarion Housing Group Ltd., treasury vehicles (Clarion Treasury Ltd, Affinity Sutton Capital Markets PLC, Circle Anglia Social Housing PLC, Circle Anglia Social Housing 2 PLC, Affinity Sutton Funding Ltd) Financial Statements."</p> <p>"Amortisation of government grant" is taken from the Statement of Comprehensive Income in each of the RP, Clarion Housing Group Ltd., treasury vehicles (Clarion Treasury Ltd, Affinity Sutton Capital Markets PLC, Circle Anglia Social Housing PLC, Circle Anglia Social Housing 2 PLC, Affinity Sutton Funding Ltd) Financial Statements."</p> <p>"Impairment: charge/(reversal)" is taken from the Statement of Comprehensive Income in each of the RP, Clarion Housing Group Ltd., treasury vehicles (Clarion Treasury Ltd, Affinity Sutton Capital Markets PLC, Circle Anglia Social Housing PLC, Circle Anglia Social Housing 2 PLC, Affinity Sutton Funding Ltd) Financial Statements."</p> <p>"Capitalised major repairs" is taken from the Statement of Comprehensive Income in each of the RP, Clarion Housing Group Ltd., treasury vehicles (Clarion Treasury Ltd, Affinity Sutton Capital Markets PLC, Circle Anglia Social Housing PLC, Circle Anglia Social Housing 2 PLC, Affinity Sutton Funding Ltd) Financial Statements."</p> <p>"Surplus on disposal of properties" is taken from the Statement of Comprehensive Income in each of the RP Financial Statements.</p>	amortisation adding back major repair capitalised costs.
<b>EBITDA MRI cash</b>	"EBITDA MRI" divided by	"EBITDA MRI" (see above).	This is a risk indicator that

# Appendix – Alternative Performance Measures (continued)



Metric	Definition	Reconciliation	Additional Information
<i>interest cover</i>  (for Group Financial Golden Rules)	"net interest payable (i.e. including interest received) and capitalised interest".	"Net interest payable (i.e. including interest received) and capitalised interest" (see below).	measures the ability of the Clarion Housing Group to cover its total net interest expenses from its cash operating performance.
<i>EBITDA MRI cash interest cover (Latimer)</i>  (for Latimer Financial Golden Rules)	"Operating profit" adding "Operating Surplus JCEs" divided by "net interest payable" (Latimer).	"Operating profit" is taken from the Statement of Comprehensive Income in the financial statements for each of Latimer, in respect of the financial year ended 31st March, 2017.  "Operating Surplus JCEs" is taken from Note 17 to the 2017 Group Financial Statements. See the relevant figure for "Operating Surplus" under the column entitled "2017 £m" of the table entitled "Group".  "Net interest payable" (Latimer) (see below).	This is a risk indicator that measures the ability of the non-social business (i.e. Latimer Group and all JCEs), to cover its total net interest expenses from its cash operating performance.
<i>EBITDA MRI cash interest cover (HAs)</i>  (for HA Financial Golden Rules)	"EBITDA MRI" divided by "net interest payable" (HAs)	"EBITDA MRI" (HAs) (see above).  "Net interest payable" (HAs) (see below).	This is a risk indicator that measures the ability of the RPs, the parent company Clarion Housing Group Ltd., and the treasury vehicles to cover their total net interest expenses from their operating performance.
<i>Full year turnover</i>  (for Group Financial Golden Rules)	"Turnover" adding "turnover from JCEs and associates"	"Turnover" is taken from the Statement of Comprehensive Income in the 2017 Group Financial Statements.  "Turnover from JCEs and associates" is taken from Note 17 to the 2017 Group Financial Statements. See the relevant figure for "Turnover" under the column entitled "2017 £m" of the table entitled "Group".	
<i>HA investment in Latimer (percentage revenue reserves)</i>  (for HA Financial Golden Rules)	"HA on-lending Latimer" adding "HA on-lending YLS", adding "total non-social on-lending ASH" divided by ("income and expenditure reserve" deducting "non-social reserves").	"HA on-lending Latimer" (see below).  "HA on-lending YLS" (see below).  "Total non-social on-lending ASH" (see below).  "Income and expenditure reserve" is taken from the Statement of Financial Position in the 2017 Group Financial Statements. See the relevant figure for "income and expenditure reserve" under the column entitled "2017 £m".  "Non-social reserves" (see below).	This is a risk indicator showing the HAs' investment in the commercial business. This is one of the indicators to manage the Clarion Housing Group's private sales exposure.
<i>HA on-lending</i>	"Creditors - Amounts due	"Creditors - Amounts due after one year" -	This indicates the total debt

Metric	Definition	Reconciliation	Additional Information
<i>Latimer</i>  (for Latimer Financial Golden Rules)	after one year" "Amounts due to Group undertakings – loans and cash pooling".	"Amounts due to Group undertakings – loans and cash pooling" is taken from Note 13 to the financial statements of Latimer in respect of the financial year ended 31st March, 2017.	granted by the Clarion Housing Group to its subsidiary Latimer (non-social business).
<i>HAs on-lending YLS</i>  (for Latimer Financial Golden Rules)	"Creditors - Amounts falling due after one year" - "Amounts owed to Group undertakings" adding "Creditors - Amounts falling due within one year" - "Amounts owed to Group undertakings" and deducting "Debtors – amounts due within one year" - "Amounts due from Group undertakings" and deducting "Debtors – amounts due within one year" - "Amounts due from Group undertakings – ZBA".	"Creditors - Amounts falling due after one year" - "Amounts owed to Group undertakings" is taken from Note 15 to the financial statements of YLS in respect of the financial year ended 31st March, 2017.  "Creditors - Amounts falling due within one year" - "Amounts owed to Group undertakings" is taken from Note 14 to the financial statements of YLS in respect of the financial year ended 31st March, 2017.  "Debtors – Amounts due within one year" - "Amounts due from Group undertakings" and "Debtors – Amounts due within one year" - "Amounts due from Group undertakings – ZBA" are taken from Note 13 to the financial statements of YLS in respect of the financial year ended 31st March, 2017.	This indicates the total debt granted by the Clarion Housing Group to its subsidiary YLS (non-social business).
<i>Liquidity</i>	"Total committed funding" deducting "drawn debt" and adding "cash and cash equivalents".	"Total committed funding" (see below).  "Drawn debt" (see above).  "Cash and cash equivalents" is taken from the Statement of Financial Position in the 2017 Group Financial Statements.	This is a risk indicator that shows how much financial means the Clarion Housing Group has available.
<i>Long term debt</i>	Debt amounts falling due after more than one year	"Total creditors: amounts falling due after more than one year" is taken from Note 23 to the 2017 Group Financial Statements. See the relevant figure for "Total creditors: amounts falling due after more than one year" under the column entitled "Group 2017 £m".	This indicates the debt which is due after more than one year.
<i>Net Book Value</i>	"Social Housing Properties" value	"Social Housing Properties" is taken from the Statement of Comprehensive Income in the 2017 Group Financial Statements.	
<i>Net debt</i>  (for Group Financial Golden Rules)	"Total creditors: amounts falling due within one year" adding "amounts falling due after more than one year" deducting "cash and cash equivalents" and deducting "current asset investments".	"Total creditors: amounts falling due within one year" is taken from Note 22 to the 2017 Group Financial Statements. See the relevant figure for "Total creditors: amounts falling due within one year" under the column entitled "Group 2017 £m".	Net Debt is an indicator that shows how much debt is outstanding if the cash and investments of the Clarion Housing Group are used to satisfy part of the debt.



# Appendix – Alternative Performance Measures (continued)

Metric	Definition	Reconciliation	Additional Information
		<p>"Total creditors: amounts falling due after more than one year" is taken from Note 23 to the 2017 Group Financial Statements. See the relevant figure for "Total creditors: amounts falling due after more than one year" under the column entitled "Group 2017 £m".</p> <p>"Cash and cash equivalents" is taken from the Statement of Financial Position in the 2017 Group Financial Statements.</p> <p>"Current asset investments" is taken from the Statement of Financial Position in the 2017 Group Financial Statements.</p>	
<i>Net debt to full year turnover</i>  <i>(for Group Financial Golden Rules)</i>	"Net debt" divided by "full year turnover".	<p>"Net debt" (see above).</p> <p>"Full year turnover" (see above).</p>	This is a risk indicator that measures the balances between debt and turnover.
<i>Intercompany interest payable Latimer</i>	"Interest payable to Group Undertakings"	"Interest payable to Group Undertakings" is taken from the Notes "Interest payable and financing costs" in the financial statements for Latimer Developments Ltd in respect of the financial year ended 31st March, 2017.	
<i>Net interest payable (HAs)</i>  <i>(for HA Financial Golden Rules)</i>	"Interest receivable" adding "interest payable and financing costs" and deducting "Intercompany interest payable Latimer"	<p>"Interest receivable" is taken from the Statement of Comprehensive Income in each of the RP, Clarion Housing Group Ltd., treasury vehicles (Clarion Treasury Ltd, Affinity Sutton Capital Markets PLC, Circle Anglia Social Housing PLC, Circle Anglia Social Housing 2 PLC, Affinity Sutton Funding Ltd) Financial Statements."</p> <p>"Interest payable and financing costs" is taken from the Statement of Comprehensive Income in each of the RP, Clarion Housing Group Ltd., treasury vehicles (Clarion Treasury Ltd, Affinity Sutton Capital Markets PLC, Circle Anglia Social Housing PLC, Circle Anglia Social Housing 2 PLC, Affinity Sutton Funding Ltd) Financial Statements."</p> <p>"Interest payable capitalised" is taken from the Notes in each of the RP, Clarion Housing Group Ltd., treasury vehicles (Clarion Treasury Ltd, Affinity Sutton Capital Markets PLC, Circle Anglia Social Housing PLC, Circle</p>	This indicates the total net interest payable by the RP, Clarion Housing Group Ltd., and the treasury vehicles.

Metric	Definition	Reconciliation	Additional Information
		<p>Anglia Social Housing 2 PLC, Affinity Sutton Funding Ltd) Financial Statements."</p> <p>"Intercompany interest payable Latimer" (see above)</p>	
<i>Net interest payable (i.e. including interest received) and capitalised interest</i>  <i>(for Group Financial Golden Rules)</i>	"Interest receivable" adding "interest payable and financing costs" and adding "capitalised interest".	<p>"Interest receivable" is taken from the Statement of Comprehensive Income in the 2017 Group Financial Statements.</p> <p>"Interest payable and financing costs" is taken from the Statement of Comprehensive Income in the 2017 Group Financial Statements.</p> <p>"Capitalised interest" is taken from Note 8 to the 2017 Group Financial Statements. See the relevant figures for "Interest payable capitalised" under the columns entitled "Group 2017 £m" and "Group Combined 2016 £m".</p>	
<i>Net interest payable (Latimer)</i>  <i>(for Latimer Financial Golden Rules)</i>	"Interest receivable" adding "interest payable".	<p>"Interest receivable" is taken from the Statement of Comprehensive Income in the financial statements for each of Latimer, YLS and Leamington Waterfront LLP in respect of the financial year ended 31st March, 2017.</p> <p>"Interest payable" is taken from the Statement of Comprehensive Income in the financial statements for each of Latimer, YLS and Leamington Waterfront LLP in respect of the financial year ended 31st March, 2017.</p>	This indicated the total net interest of the non-social business (i.e. Latimer, YLS and Leamington).
<i>Net margin</i>	"Surplus for the year" divided by "turnover" (expressed as a percentage)	<p>"Surplus for the year" is taken from the Statement of Comprehensive Income in the 2017 Group Financial Statements.</p> <p>"Turnover" is taken from the Statement of Comprehensive Income in the 2017 Group Financial Statements.</p>	Net margin is a measure of profitability. This ratio indicates the efficiency of the Clarion Housing Group's financial performance by showing how much of each £1 of revenues is left after all costs and taxes are considered.
<i>Net margin pre disposals</i>	"Surplus for the year" deducting "surplus on disposal of properties", deducting "surplus on disposal of other fixed assets" and deducting "surplus on disposal of operations" divided by "turnover" (expressed as a percentage).	<p>"Surplus for the year" is taken from the Statement of Comprehensive Income in the 2017 Group Financial Statements.</p> <p>"Surplus on disposal of properties" is taken from the Statement of Comprehensive Income in the 2017 Group Financial Statements.</p> <p>"Surplus on disposal of other fixed assets" is taken from the Statement of Comprehensive Income in the 2017 Group Financial</p>	Net margin pre disposals is a measure of profitability. This ratio indicates the efficiency of the Clarion Housing Group's financial performance by showing how much of each £1 of revenues is left after all costs and taxes are considered, except for disposals. Removing potential volatile disposals from the net margin show the stable



# Appendix – Alternative Performance Measures (continued)

Metric	Definition	Reconciliation	Additional Information
		Statements.  "Surplus on disposal of operations" is taken from the Statement of Comprehensive Income in the 2017 Group Financial Statements.  "Turnover" is taken from the Statement of Comprehensive Income in the 2017 Group Financial Statements.	net income of the Clarion Housing Group improving comparability over the years.
<i>Non-social reserves (for Latimer Financial Golden Rules)</i>	Reserves of the Clarion Housing Group's non-social entities (Latimer, YLS and Joint Ventures)	"Reserves" is taken from the Statement of Changes in Equity in the financial statements for each of Latimer and YLS in respect of the financial year ended 31st March, 2017. See the relevant figure under the column entitled "Profit and loss account £'000".	This indicates the total reserves injected by the Clarion Housing Group in its non-social business.
<i>Non-social share capital (for Latimer Financial Golden Rules)</i>	Share capital of the Clarion Housing Group's non-social entities (Latimer and YLS).	"Share capital" is taken from the Statement of Changes in Equity in the financial statements for each of Latimer and YLS in respect of the financial year ended 31st March, 2017.	This indicates the total share capital injected by the Clarion Housing Group in its non-social business.
<i>Non-social stock (for Latimer Financial Golden Rules)</i>	Non-social stock under construction adding non-social stock completed properties.	"Stock – under construction – non-social" is taken from Note 19 to the 2017 Group Statements. See the relevant figure for "At 31 March 2017" under the column entitled "Under Construction – Non-social £m".  "Stock – completed properties – non-social" is taken from Note 19 to the 2017 Group Financial Statements. See the relevant figure for "At 31 March 2017" under the column entitled "Completed properties – Non-social £m".	This indicates the total stock (completed and in progress) of the Clarion Housing Group related to market sales.
<i>Operating Cost per Unit (OCU)</i>	Operating costs divided by Homes under Management excluding Social Leaseholders and Non-Social Leaseholders	"Operating costs" is taken from the Statement of Comprehensive Income in the 2017 Group Financial Statements.  "Homes under Management" is taken from Note 3 to the 2017 Group Statements. See the relevant figure for "Homes under Management under the column entitled "At 31 March 2017".  "Social Leaseholders" is taken from Note 3 to the 2017 Group Statements. See the relevant figure for "Homes under Management under the column entitled "At 31 March 2017".  "Non-Social Leaseholders" is taken from Note 3 to the 2017 Group Statements. See the	

Metric	Definition	Reconciliation	Additional Information
		relevant figure for "Homes under Management under the column entitled "At 31 March 2017".	
<i>Operating margin (for Group Financial Golden Rules)</i>	"Operating surplus" divided by "turnover" (expressed as a percentage).	"Operating surplus" is taken from the Statement of Comprehensive Income in the 2017 Group Financial Statements.  "Turnover" is taken from the Statement of Comprehensive Income in the 2017 Group Financial Statements.	Operating margin is a measure of profitability. This ratio indicates the efficiency of the Clarion Housing Group's financial performance by showing how much of each £1 of revenues is left after both operating costs and cost of sales are considered.
<i>Operating margin (HAs) (for HA Financial Golden Rules)</i>	"Operating surplus" deducting "Surplus on disposal of properties" divided by "turnover" (expressed as a percentage).	"Operating surplus" is taken from the Statement of Comprehensive Income in each of the RP, Clarion Housing Group Ltd., treasury vehicles (Clarion Treasury Ltd. Affinity Sutton Capital Markets PLC, Circle Anglia Social Housing PLC, Circle Anglia Social Housing 2 PLC, Affinity Sutton Funding Ltd) Financial Statements.  "Surplus on disposal of properties" is taken from the Statement of Comprehensive Income in each of the RP Financial Statements.  "Turnover" is taken from the Statement of Comprehensive Income in each of the RP, Clarion Housing Group Ltd., treasury vehicles (Clarion Treasury Ltd. Affinity Sutton Capital Markets PLC, Circle Anglia Social Housing PLC, Circle Anglia Social Housing 2 PLC, Affinity Sutton Funding Ltd) Financial Statements.	Operating margin is a measure of profitability. This ratio indicates the efficiency of the HAs (including the group parent and the treasury vehicles) financial performance by showing how much of each £1 of revenues is left after both operating costs and cost of sales are considered.
<i>Operating margin on social housing (for HA Financial Golden Rules)</i>	"Operating surplus on social housing lettings" divided by "turnover" from social housing lettings (expressed as a percentage).	"Operating surplus on social housing lettings" is taken from Note 4b to the 2017 Group Financial Statements. See the relevant figures for "Operating surplus on social housing lettings" under the columns entitled "Total 2017 £m" and "Combined Total 2016 £m".  "Turnover from social housing lettings" is taken from Note 4b to the 2017 Group Financial Statements. See the relevant figures for "Turnover from social housing lettings" under the columns entitled "Total 2017 £m" and "Combined Total 2016 £m".	Operating margin is a measure of profitability. This ratio indicates the efficiency of the Clarion Housing Group's financial performance on its social housing lettings by showing how much of each £1 of revenues is left after operating costs are considered.

# Appendix – Alternative Performance Measures (continued)



Metric	Definition	Reconciliation	Additional Information
<i>Sales</i> <i>(for Group Financial Golden Rules)</i>	"Turnover from shared ownership first tranche sales" and "open market sales" and "turnover from JCEs and associates".	<p>"Turnover from shared ownership first tranche sales" is taken from Note 4a to the 2017 Group Financial Statements. See the relevant figure for "Shared ownership first tranche sales" under the column entitled "Turnover £m" of the table entitled "Group – Social housing activities".</p> <p>"Turnover from open market sales" is taken from Note 4a to the 2017 Group Financial Statements. See the relevant figure for "Open market sales" under the column entitled "Turnover £m" of the table entitled "Group – Non-social housing activities".</p> <p>"Turnover from JCEs and associates" is taken from Note 17 to the 2017 Group Financial Statements. See the relevant figure for "Turnover" under the column entitled "2017</p>	This indicates the total market sales the Clarion Housing Group has realised.
<i>Sales Turnover</i>	"Turnover from shared ownership first tranche sales" and "open market sales"	<p>"Turnover from shared ownership first tranche sales" is taken from Note 4a to the 2017 Group Financial Statements. See the relevant figure for "Shared ownership first tranche sales" under the column entitled "Turnover £m" of the table entitled "Group – Social housing activities".</p> <p>"Turnover from open market sales" is taken from Note 4a to the 2017 Group Financial Statements. See the relevant figure for "Open market sales" under the column entitled "Turnover £m" of the table entitled "Group – Non-social housing activities".</p>	This indicates the total market sales the Clarion Housing Group has realised, excluding JV's.
<i>Sales Operating Margin</i>	"Operating surplus from shared ownership first tranche sales" and "operating surplus from open market sales"	<p>"Operating surplus from shared ownership first tranche sales" is taken from Note 4a to the 2017 Group Financial Statements. See the relevant figure for "Shared ownership first tranche sales" under the column entitled "Operating surplus £m" of the table entitled "Group – Social housing activities".</p> <p>"Operating surplus from open market sales" is taken from Note 4a to the 2017 Group Financial Statements. See the relevant figure for "Open market sales" under the column entitled "Operating surplus £m" of the table entitled "Group – Non-social housing activities".</p>	This indicates the total market sales the Clarion Housing Group has realised, excluding JV's.

Metric	Definition	Reconciliation	Additional Information
<i>Sales WIP</i> <i>(for Latimer Financial Golden Rules)</i>	Non-social stock under construction.	"Stock – under construction – non-social" is taken from Note 19 to the 2017 Group Financial Statements. See the relevant figure for "At 31 March 2017" under the column entitled "Under Construction – Non-social £m".	This is a risk indicator showing the Work in Progress balance related to private sales of the Clarion Housing Group. This is one of the indicators to manage the Clarion Housing Group's private sales exposure.
<i>Sales as a percentage of turnover</i> <i>(for Group Financial Golden Rules)</i>	"Sales" divided by "full year turnover" (expressed as a percentage).	<p>"Sales" (see above).</p> <p>"Full year turnover" (see above)</p>	This is a risk indicator that measures the part of market sales in the total turnover.
<i>Social housing interest cover</i> <i>(for HA Financial Golden Rules)</i>	"Operating surplus" deducting "Surplus on disposal of properties" divided by "net interest payable (i.e. including interest received) and capitalised interest", deducting "Interest payable capitalised"	<p>"Operating surplus" is taken from the Statement of Comprehensive Income in each of the RP, Clarion Housing Group Ltd., treasury vehicles (Clarion Treasury Ltd. Affinity Sutton Capital Markets PLC, Circle Anglia Social Housing PLC, Circle Anglia Social Housing 2 PLC, Affinity Sutton Funding Ltd) Financial Statements.</p> <p>"Surplus on disposal of properties" is taken from the Statement of Comprehensive Income in each of the RP Financial Statements.</p> <p>"Net interest payable (i.e. including interest received)": see above</p> <p>"Interest payable capitalised" is taken from the Notes in each of the HA Financial Statements."</p>	This is a risk indicator that measures the ability of the HAs to cover the Clarion Housing Group's total interest expenses from their operating performance.
<i>Social housing letting as a percentage of turnover</i> <i>(for Group Financial Golden Rules)</i>	"Turnover from social housing lettings" divided by "turnover" (expressed as a percentage).	<p>"Turnover from social housing lettings" is taken from Note 4b to the 2017 Group Financial Statements. See the relevant figure for "Turnover from social housing lettings" under the columns entitled "Total 2017 £m" and "Combined Total 2016 £m" of the table entitled "Group – Income".</p> <p>"Turnover" is taken from the Statement of Comprehensive Income in the 2017 Group</p>	This figure indicates the share of social housing lettings in the Clarion Housing Group's total turnover.