

**We are:  
Clarion  
Housing  
Group.**



# **Presentation to fixed income investors November 2016**

**Mark Washer – Designate CFO**

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

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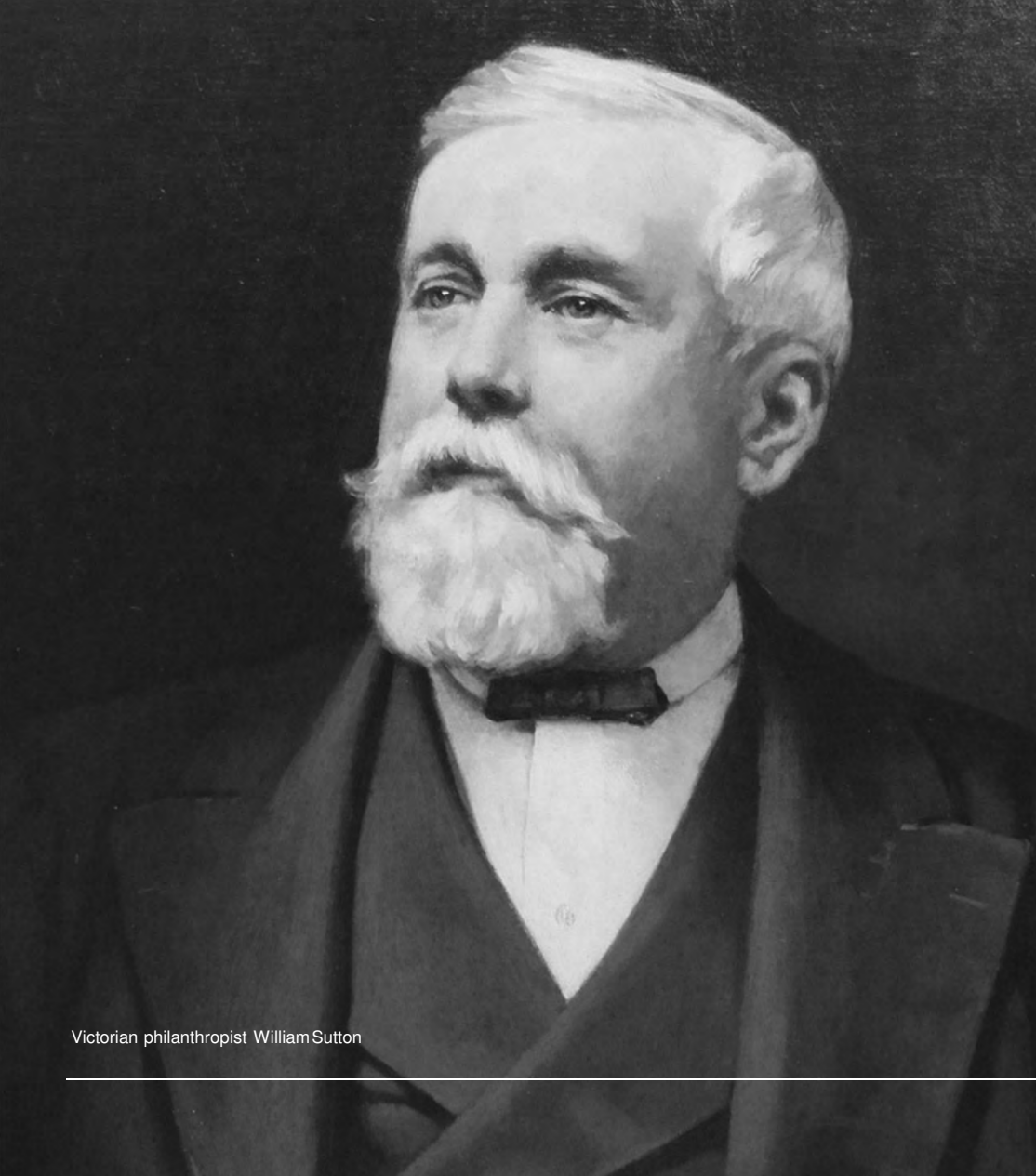
- Summary and Overview
- Merger progress
- Key metrics and performance
- Treasury
- Sector Overview



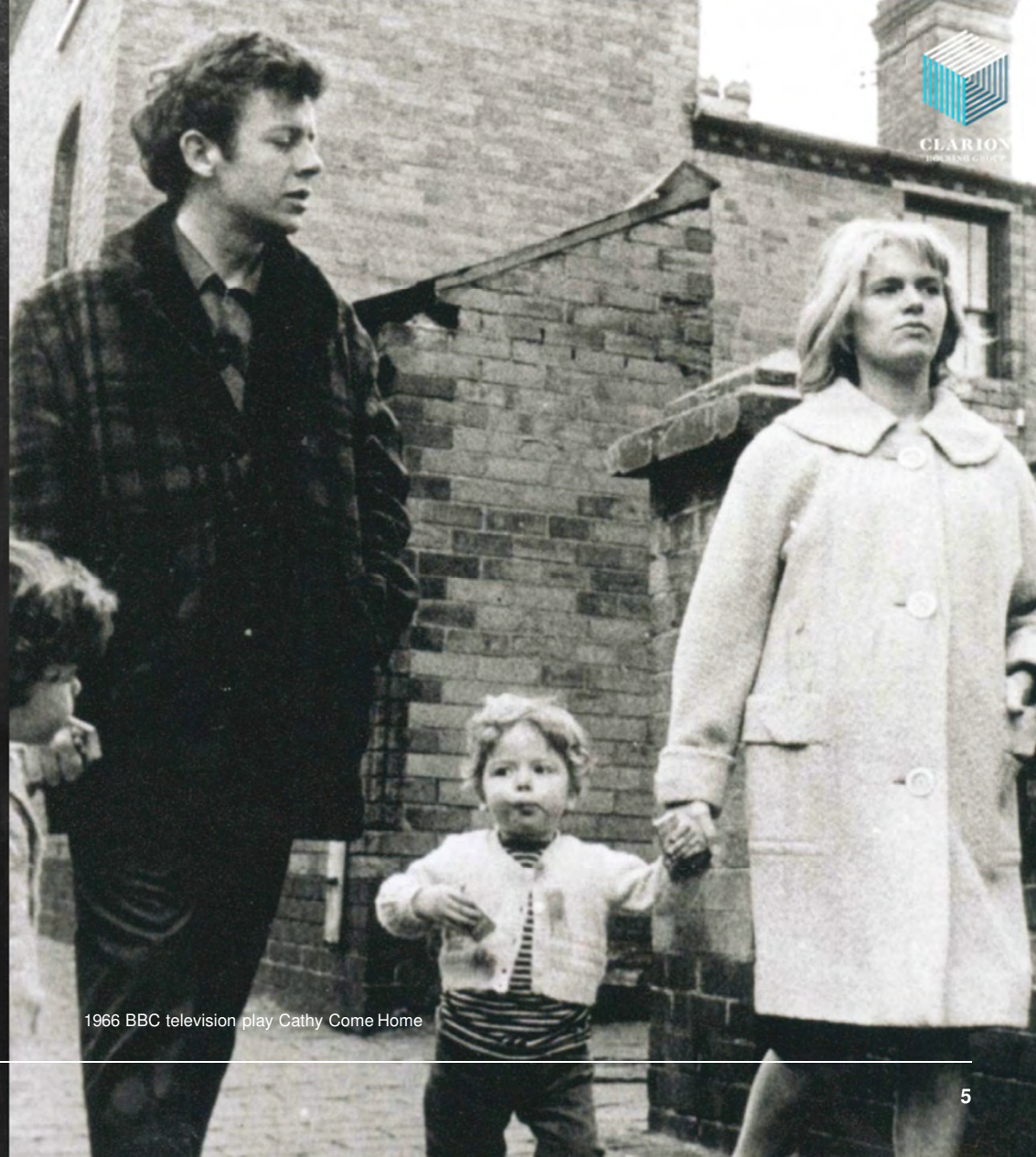
An aerial photograph of a large, green park. Numerous people are scattered across the grass, some sitting on blankets, others standing. There are several large, leafy trees, including a prominent one on the left and another on the right. A dark teal rectangular box is centered over the middle of the image, containing the text "Summary and Overview" in a light blue serif font. A thin white horizontal line is visible at the bottom of the image.

# Summary and Overview





Victorian philanthropist William Sutton



1966 BBC television play Cathy Come Home

**What we stand for.**

**Social purpose is the cornerstone of our new group.**

**We will use our financial strength to maximise capacity and...**

**We will increase our housebuilding programme to tackle the housing shortage.**

**50,000**  
high quality new homes of all  
tenures 10 years.

**£150m**  
investment in communities  
over the next ten years.

**15,000**  
children a year helped.

**4,000**  
people supported into  
work annually.



# Corporate Structure



# Board Membership

<b>Chairman</b>	<b>Sir Robin Young</b>	Formerly Permanent Secretary at the DTI and DCMS
<b>Group Vice Chairman &amp; Chair HA</b>	<b>Neil Goulden</b>	Formerly Executive Chairman, Gala Coral & Member of the Low Pay Commission. Non-Executive Director, Marston's plc.
<b>Chair, Audit Committee</b>	<b>Simon Braid</b>	Formerly Head of Charities and Social Housing, KPMG
<b>Chair, Treasury Committee</b>	<b>Colin Sturgeon</b>	Former Deputy Chairman, RBC Capital Markets, Europe
<b>Chair, Transition Committee</b>	<b>David Avery</b>	Former President of European Operations for Novellus Systems Inc.
<b>Chair, Remuneration Committee</b>	<b>Helen Bailey</b>	CEO, iMPower; formerly COO, Mayor's Office for Policing and Crime
<b>Non-Executive Director</b>	<b>Tania Brisby</b>	Formerly worked in investment banking (Samuel Montagu, NatWest Group, Deutsche Bank) and consultancy services
<b>Non-Executive Director</b>	<b>Sue Killen</b>	Chief Executive Officer, St John Ambulance
<b>Non-Executive Director</b>	<b>Brian Stewart OBE</b>	Director and consultant following a career in local and regional government
<b>Group CEO</b>	<b>Keith Exford CBE</b>	
<b>Deputy CEO; Executive Chair, Latimer</b>	<b>Mark Rogers</b>	
<b>Chief Finance Officer</b>	<b>Mark Washer</b>	



# Group Executive Team

## Group Chief Executive

*Keith Exford CBE: currently Chief Executive Officer, Affinity Sutton*

### Housing Association CEO

*Neil McCall,  
currently Group Operations Director of Affinity Sutton*

### Chief Finance Officer

*Mark Washer,  
currently Group Financial Director of Affinity Sutton*

### Group Director of Governance & Compliance

*Clare Miller,  
currently Group Director of Governance and Compliance of Affinity Sutton*

### Deputy CEO and Executive Chair, Latimer

*Mark Rogers,  
currently Chief Executive of Circle*

### Group Director of HR & Corporate Services

*Jonathan Cawthra,  
currently Group Resources Director of Affinity Sutton*

### Group Director of Integration

*Austen Reid,  
currently Chief Operating Officer, Circle*

# Housing Association – Senior Management Team





# Investment Governance

**Executive  
Chair,  
Latimer**

*Mark Rogers*

**Director of  
Development**

*Kerry Kyriacou,  
currently*

*Group  
Development  
Director,  
Affinity Sutton*

- Latimer board to include NEDs with funding and development expertise
- Group Investment Committee chaired by CFO to approve all investments
- HA exposure to Latimer limited by Golden Rules – eg cap on investment & sales WIP; value @ risk coverage
- Finance & Development skills being further strengthened



## Where we currently work

With homes and offices up and down the country from Newcastle-upon-Tyne in the north east to Plymouth in the south west, we truly are a national organisation.



- |                          |                               |                            |                          |
|--------------------------|-------------------------------|----------------------------|--------------------------|
| 1. Adur                  | 38. Derby                     | 75. Manchester             | 112. South Tyneside      |
| 2. Arun                  | 39. Dover                     | 76. Medway                 | 113. Southampton         |
| 3. Ashford               | 40. East Cambridgeshire       | 77. Mid Devon              | 114. Southend-On-Sea     |
| 4. Aylesbury Vale        | 41. East Hampshire            | 78. Mid Suffolk            | 115. St Albans           |
| 5. Babergh               | 42. East Hertfordshire        | 79. Mid Sussex             | 116. St Edmundsbury      |
| 6. Basildon              | 43. East Northamptonshire     | 80. Middlesbrough          | 117. St Helens           |
| 7. Basingstoke & Deane   | 44. Eastbourne                | 81. Milton Keynes          | 118. Stafford            |
| 8. Bedford               | 45. Eastleigh                 | 82. Mole Valley            | 119. Stevenage           |
| 9. Birmingham            | 46. Epping Forest             | 83. New Forest             | 120. Stoke-On-Trent      |
| 10. Bolton               | 47. Exeter                    | 84. Newcastle-Under-Lyme   | 121. Suffolk Coastal     |
| 11. Boston               | 48. Fareham                   | 85. Newcastle-Upon-Tyne    | 122. Tamworth            |
| 12. Bracknell Forest     | 49. Fenland                   | 86. North Hertfordshire    | 123. Tandridge           |
| 13. Bradford             | 50. Forest Heath              | 87. North Norfolk          | 124. Teignbridge         |
| 14. Braintree            | 51. Gosport                   | 88. Norwich                | 125. Tendring            |
| 15. Breckland            | 52. Gravesham                 | 89. Nottingham             | 126. Thanet              |
| 16. Brentwood            | 53. Great Yarmouth            | 90. Nuneaton & Bedworth    | 127. Three Rivers        |
| 17. Brighton & Hove      | 54. Guildford                 | 91. Peterborough           | 128. Thurrock            |
| 18. Bristol              | 55. Halton                    | 92. Plymouth               | 129. Tonbridge & Malling |
| 19. Broadland            | 56. Harlow                    | 93. Portsmouth             | 130. Tunbridge Wells     |
| 20. Bromsgrove           | 57. Hart                      | 94. Preston                | 131. Uttlesford          |
| 21. Broxbourne           | 58. Hastings                  | 95. Reading                | 132. Vale Of White Horse |
| 22. Cambridge            | 59. Havant                    | 96. Rochford               | 133. Walsall             |
| 23. Cannock Chase        | 60. Hertsmere                 | 97. Rother                 | 134. Warrington          |
| 24. Canterbury           | 61. Horsham                   | 98. Rugby                  | 135. Watford             |
| 25. Castle Point         | 62. Huntingdon                | 99. Salford                | 136. Waveney             |
| 26. Central Bedfordshire | 63. Ipswich                   | 100. Sandwell              | 137. Waverley            |
| 27. Chelmsford           | 64. Kettering                 | 101. Sevenoaks             | 138. Wealden             |
| 28. Chesterfield         | 65. Kings Lynn & West Norfolk | 102. Sheffield             | 139. Wellingborough      |
| 29. Chichester           | 66. Kingston-Upon-Hull        | 103. Shepway               | 140. Welwyn Hatfield     |
| 30. Christchurch         | 67. Leeds                     | 104. Shropshire            | 141. West Oxfordshire    |
| 31. Colchester           | 68. Leicester                 | 105. Solihull              | 142. Wiltshire           |
| 32. Corby                | 69. Lewes                     | 106. South Cambridgeshire  | 143. Winchester          |
| 33. Coventry             | 70. Lichfield                 | 107. South Gloucestershire | 144. Woking              |
| 34. Crawley              | 71. Lincoln                   | 108. South Holland         | 145. Wolverhampton       |
| 35. Dacorum              | 72. Luton                     | 109. South Kesteven        | 146. Worcester           |
| 36. Dartford             | 73. Maidstone                 | 110. South Norfolk         | 147. Worthing            |
| 37. Daventry             | 74. Maldon                    | 111. South Somerset        | 148. Wycombe             |





## London boroughs



- 1. Barking & Dagenham
- 2. Barnet
- 3. Bexley
- 4. Brent
- 5. Bromley
- 6. Camden
- 7. Croydon
- 8. Ealing
- 9. Enfield
- 10. Hackney

- 11. Hammersmith & Fulham
- 12. Haringey
- 13. Harrow
- 14. Havering
- 15. Islington
- 16. Kensington & Chelsea
- 17. Kingston-Upon-Thames
- 18. Lambeth
- 19. Lewisham
- 20. Merton

- 21. Newham
- 22. Redbridge
- 23. Southwark
- 24. Sutton
- 25. Tower Hamlets
- 26. Waltham Forest
- 27. Wandsworth
- 28. Westminster

## Financial Golden Rule Matrix

<b>Financial Golden Rules</b>	<b>Group</b>	<b>HA Group</b>	<b>Commercial Group</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 – FY 2018</b>	<b>&lt; 4.5x</b>		
<b>Net Debt / Turnover – FY 2019 onward</b>	<b>&lt; 4.0x</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 as a % Revenue Reserves</b>		<b>&lt; 20%</b>	
<b>Sales WIP</b>			<b>&lt; £600m</b>
<b>Value at Risk Coverage</b>			<b>&gt; 1.5x</b>

Prudential financial framework used for performance monitoring and business planning



A low-angle, upward-looking photograph of several modern skyscrapers. The buildings feature glass facades and metallic structural elements. The sky is a clear, pale blue. A dark teal rectangular box is centered over the image, containing the text 'Merger progress' in a light blue serif font.

# Merger progress

# Merger Progress

- Consolidation of operational RPs well underway
- Single Group Board will have complete oversight of operational activity from 'Day 1'
- Group Board sub-committees in place (all currently operating in a 'shadow' capacity):
  - Audit
  - Remuneration
  - Nominations
  - Investment
  - Treasury
  - Transition
- First 3 tiers of Management appointed; immediate staff structures announced
- Decision made on combination of existing change and ERP programmes
- Disposal of Landericus (German PRS portfolio) and Thetford in Circle

## ***“Resurgence Programme” (Consolidation of Circle RPs into Circle 33 via ToE)***

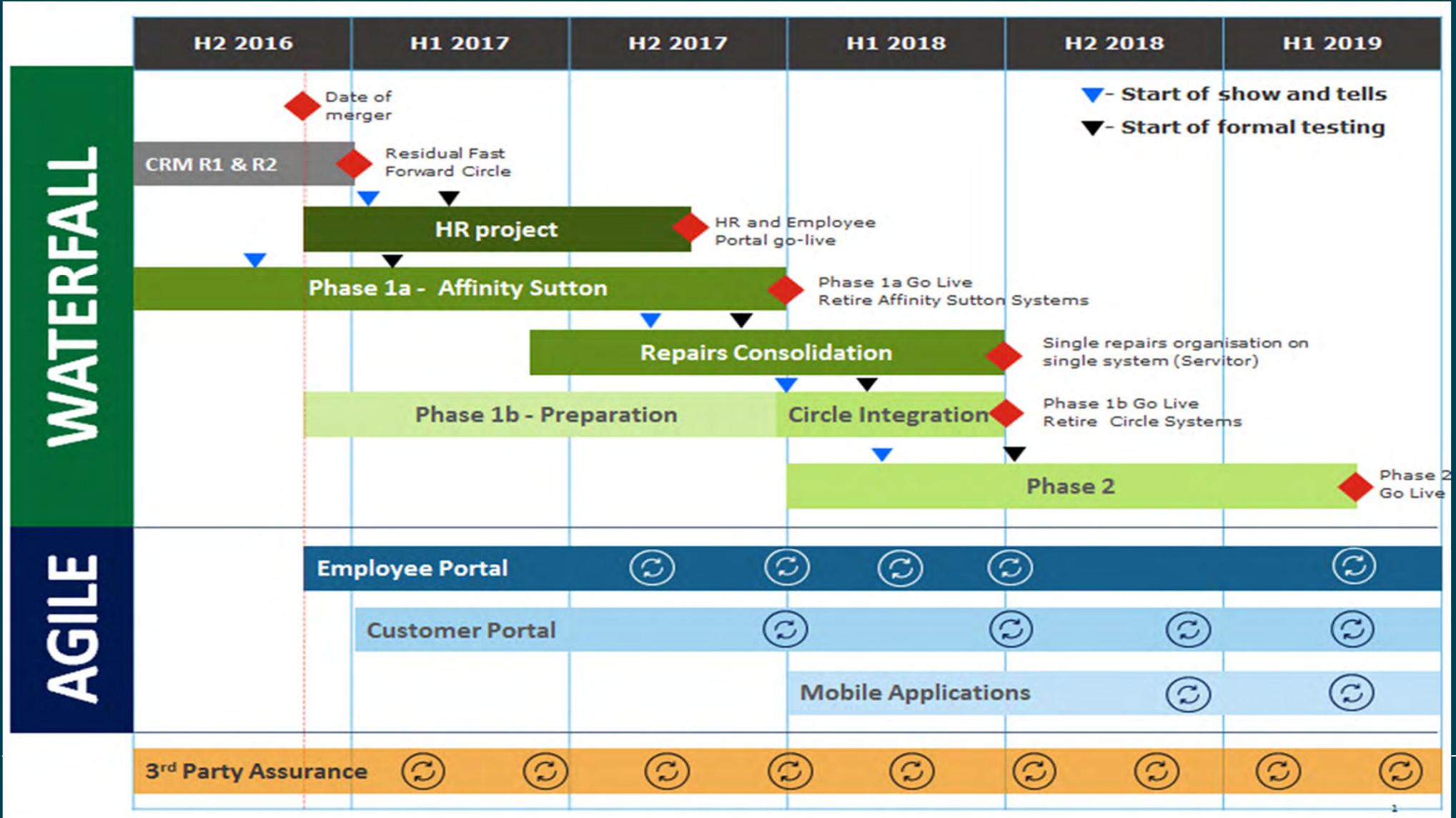
- Wherry: complete
- Mercian: complete

### Planned future completions:

- Roddons: Q3 2016/17
- South Anglia: Q3 2016/17
- Mole Valley: Q4 2016/17
- Russet: Q4 2016/17
- Old Ford: Q4 2016/17
- Merton: Q4 2016/17



# Combining FFP & FFC = FF<sup>2</sup>



A wide-angle photograph of St Paul's Cathedral in London, viewed from the Skybridge. The cathedral's large dome is the central focus, set against a warm, golden sunset sky. The bridge's glass railings and metal structure are visible in the foreground and middle ground, with some blurred figures of people walking across. The surrounding city buildings and construction cranes are visible in the background.

# Key metrics and performance

2016 Results – Summary SOCI £m	Affinity Sutton	Circle	Combined
<b>Turnover</b>	<b>386</b>	<b>439</b>	<b>825</b>
<i>Social housing letting % of turnover</i>	<i>79%</i>	<i>80%</i>	<i>80%</i>
<b>Operating surplus</b>	<b>159</b>	<b>148</b>	<b>307</b>
<i>Operating margin</i>	<i>41%</i>	<i>34%</i>	<i>37%</i>
JVs/Revaluation	38	21	59
Interest (net borrowing costs)	52	86	138
<b>Surplus for the year</b>	<b>145</b>	<b>84</b>	<b>229</b>



2016 Results – Summary Statement of Financial Position    £m	Affinity Sutton	Circle	Combined
Fixed Assets	2,940	3,959	6,899
Net Current Assets	53	189	242
Long-term loans	(1,323)	(2,081)	(3,404)
Grant & Other	(910)	(1,356)	(2,266)
Other	(47)	(279)	(326)
	<b>713</b>	<b>432</b>	<b>1,145</b>
I&E Reserve	843	695	1,538
Cashflow Hedge Reserve	(130)	(263)	(393)
	<b>713</b>	<b>432</b>	<b>1,145</b>

<b>2017 Q2 – SOCI £m</b>	<b>Affinity Sutton</b>	<b>Circle</b>	<b>Total</b>	<b>Variance</b>
<b>Turnover</b>	<b>179</b>	<b>216</b>	<b>395</b>	<b>(17)</b>
<b>Operating surplus</b>	<b>84</b>	<b>73</b>	<b>157</b>	<b>4</b>
Surplus on disposal of properties/JVs/Revaluation	4	0	4	1
Interest (net borrowing costs)	27	43	70	(1)
<b>Surplus for the period</b>	<b>61</b>	<b>30</b>	<b>91</b>	<b>4</b>

2017 Q2 – KPIs	Affinity Sutton		Circle	
	Actual	Budget	Actual	Budget
Operating Margin	47%	44%	34%	32%
Net Margin	35%	29%	14%	15%
Sales Margin	34%	17%	42%	24%
Sales Turnover % (Excl Regen)	15%	14%	8%	18%
EBITDA MRI	3.3	2.8	2.1	2.3
Debt to Revenue	3.2	3.3	4.5	4.0
Operating Cost per Unit	3,635	3,627	4,753	4,687



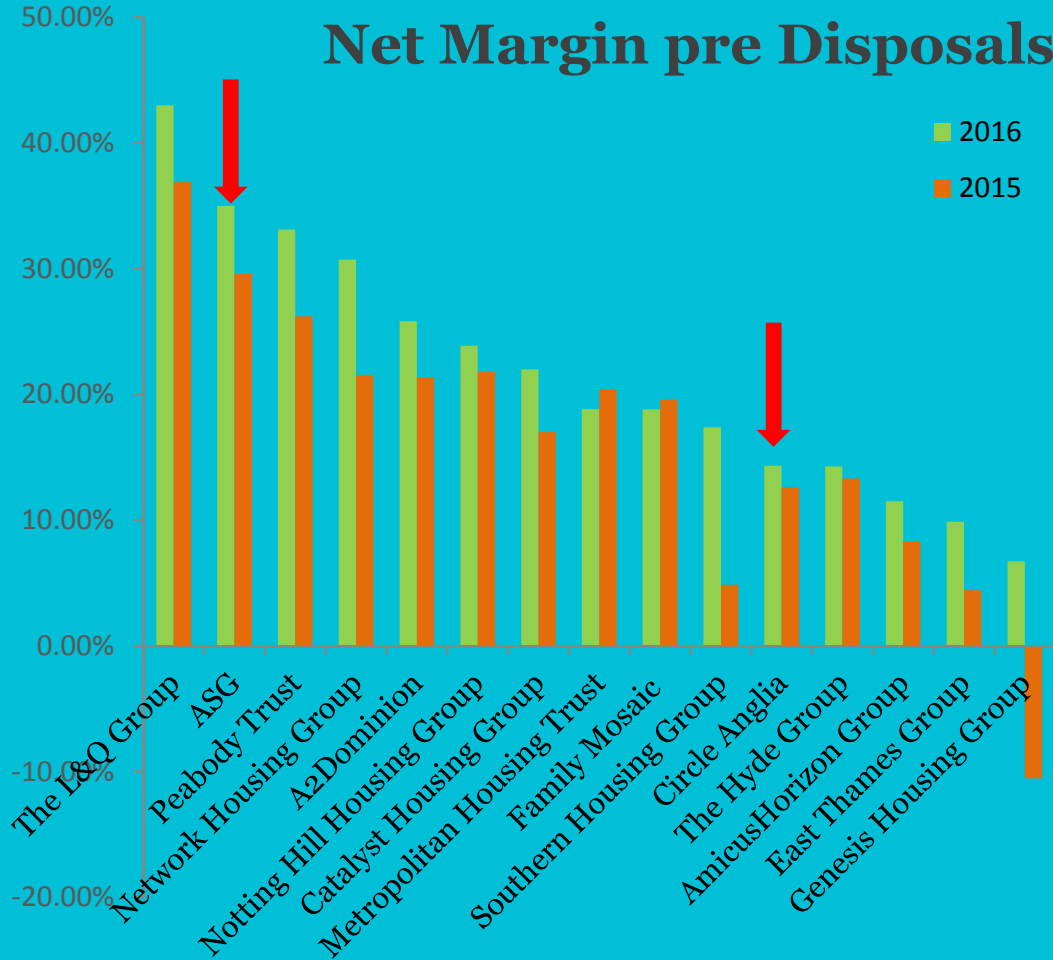
2017 Q2 – Operational KPIs	Affinity Sutton		Circle	
	Actual	Budget	Actual	Budget
Arrears	4.3%	4.5%	3.5%	3.0%
Customer Satisfaction	83%	80%	73%	77%
Occupancy	98%	98%	98%	99%
Void Rent Loss	1.8%	2.0%	1.8%	1.8%



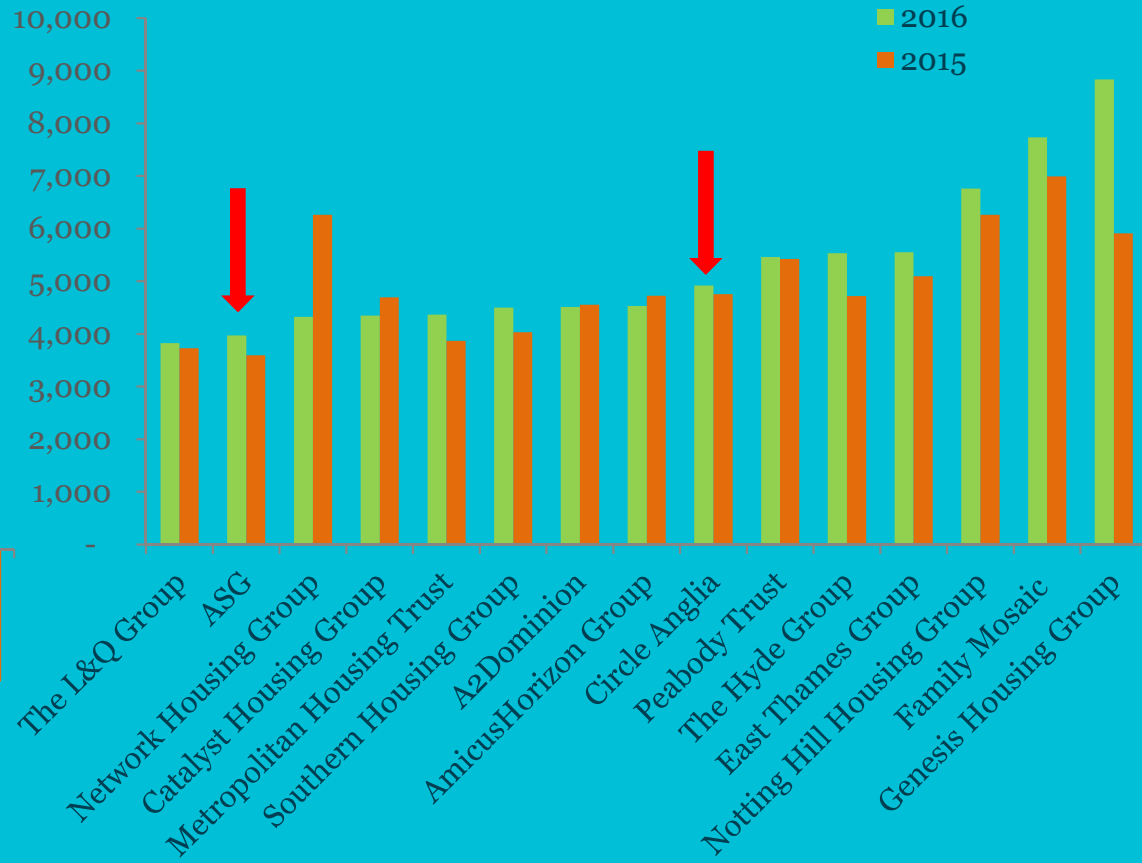
# Benchmarking

# Benchmarking

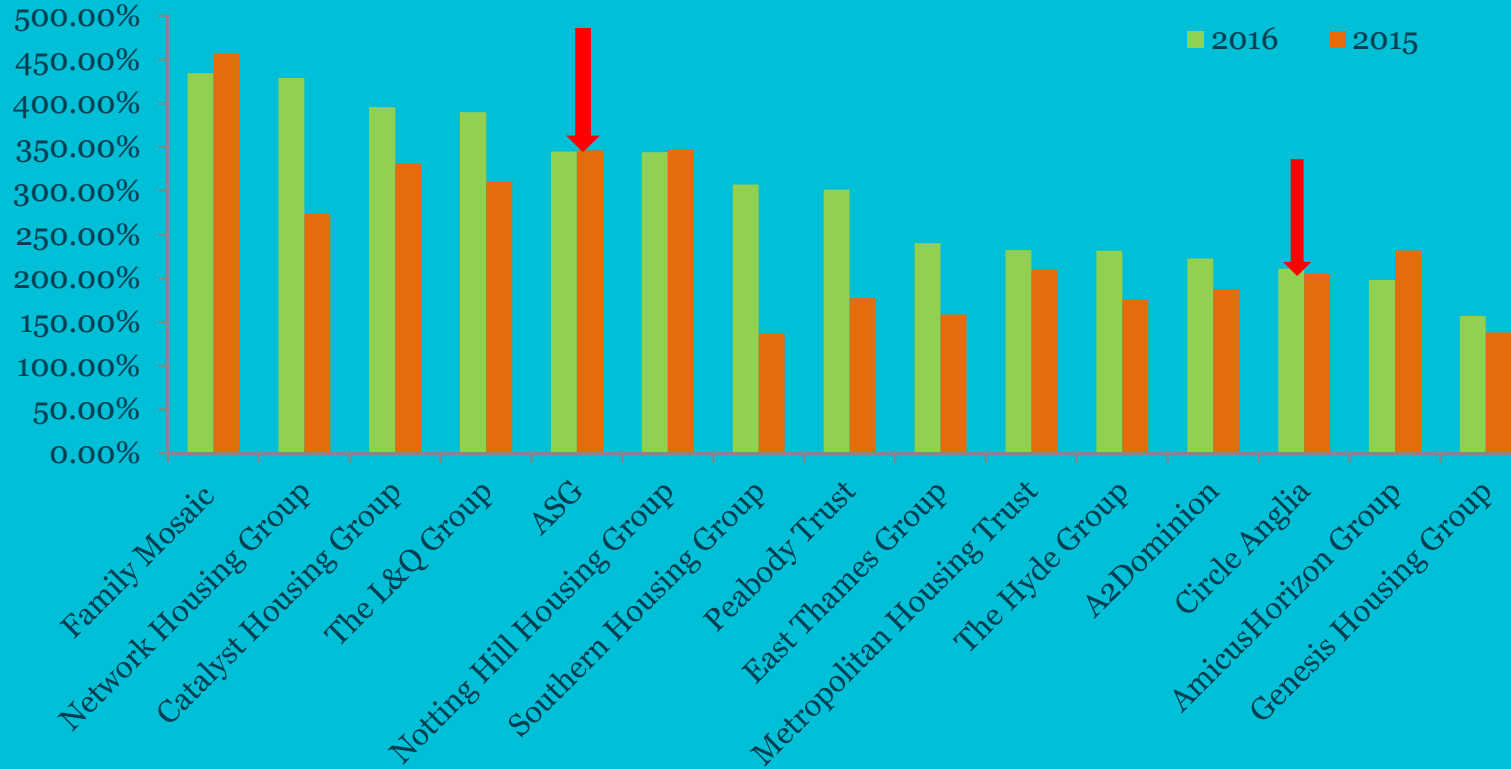
## Net Margin pre Disposals



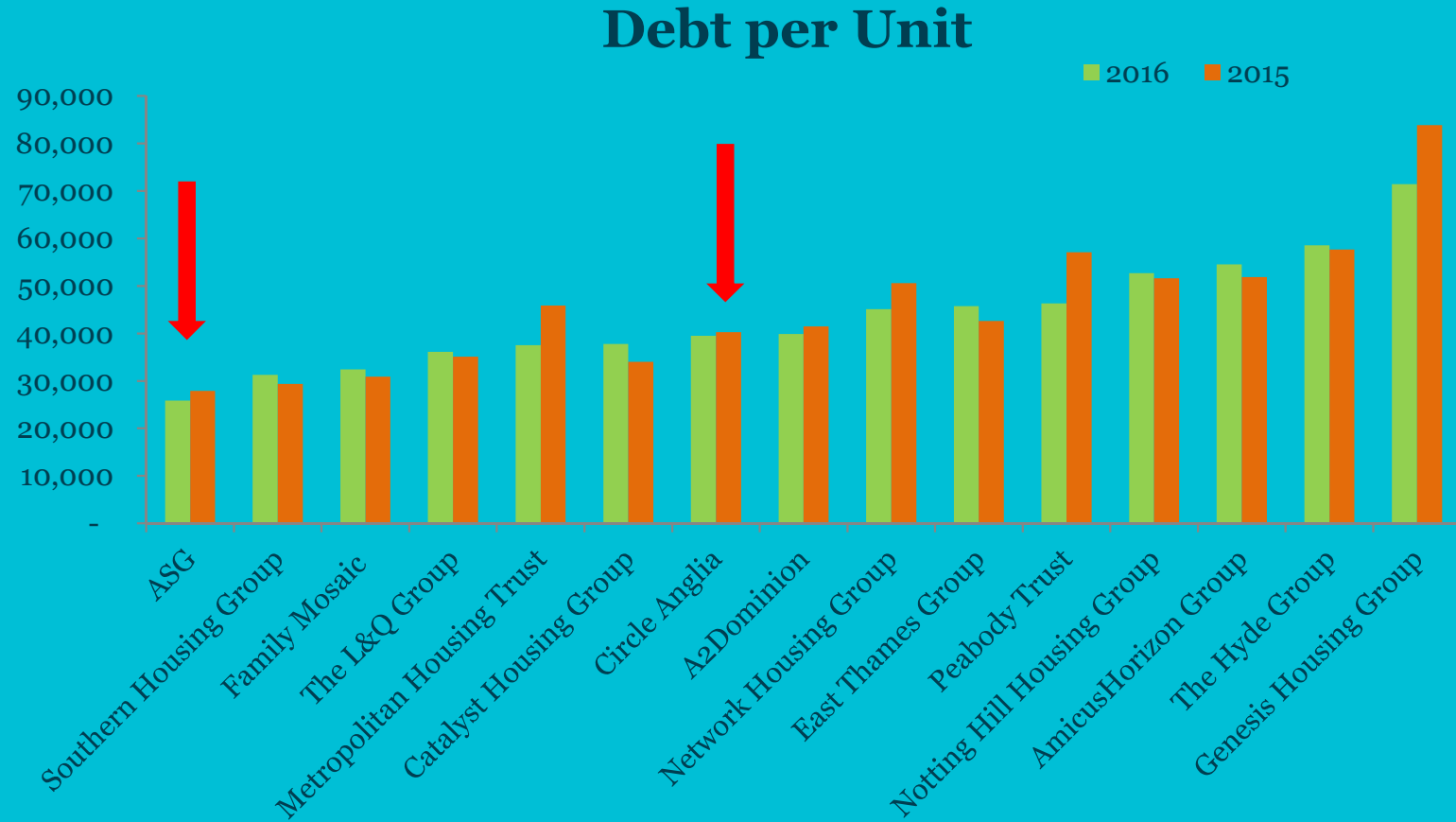
## Op Cost per Unit



## Interest Cover





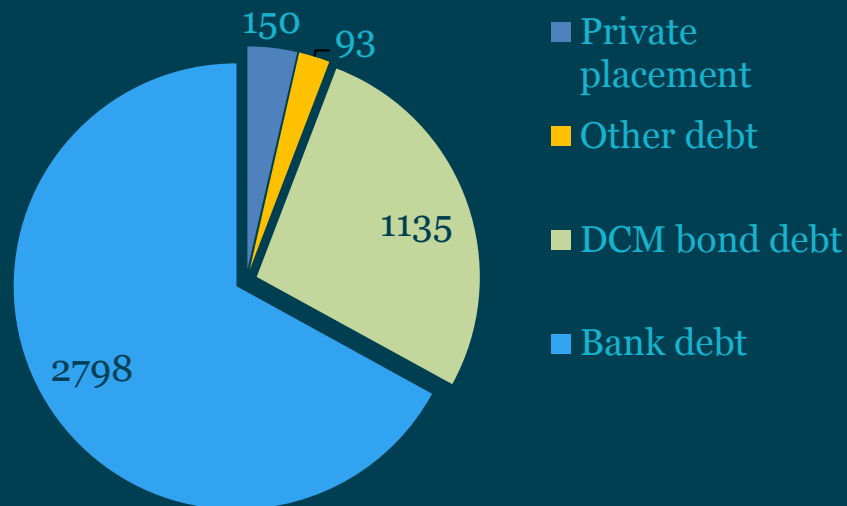




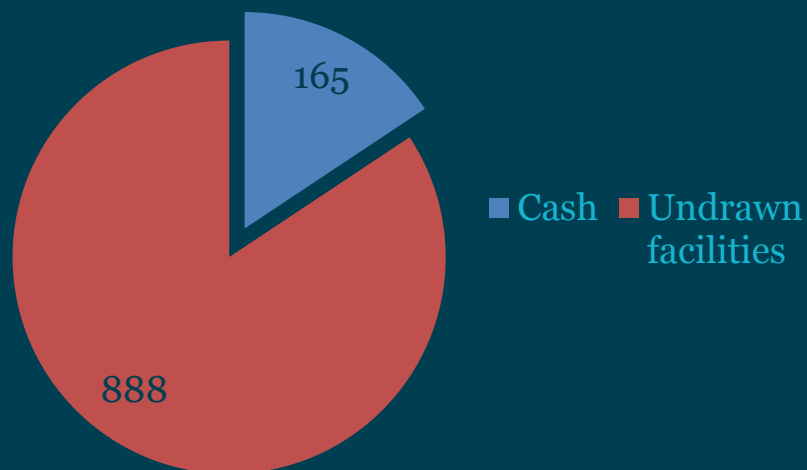
# Treasury



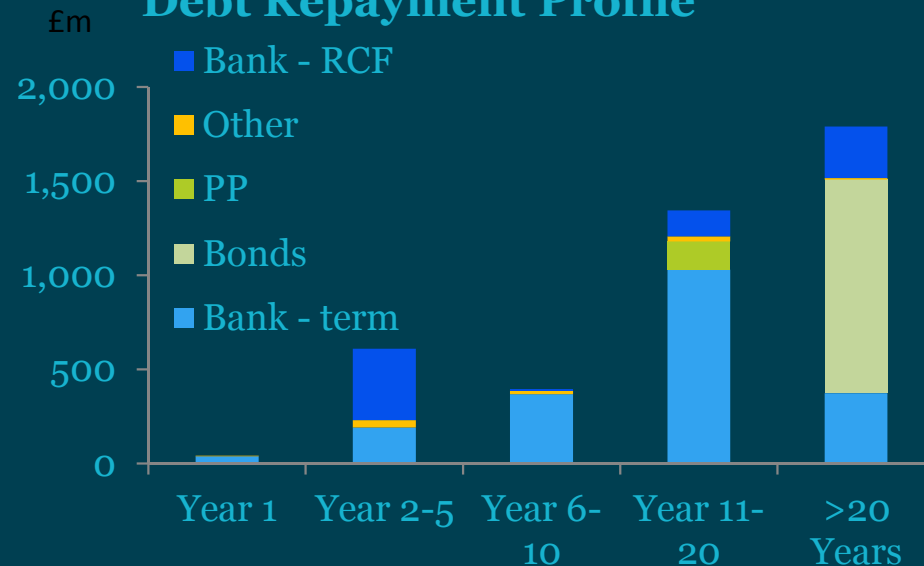
## Committed Facilities £4.2bn



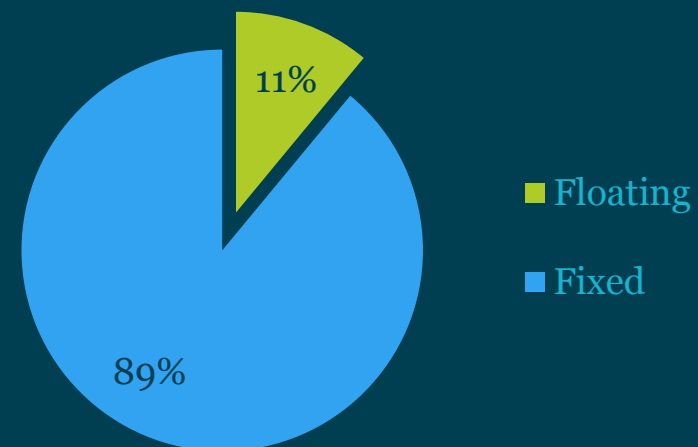
## Available Liquidity £1.1bn



## Debt Repayment Profile



## Hedging Activity





# Sector Overview



## *Sector Overview*

- Deregulation
- Government Policy & Clarion
- Autumn Statement



**A home is the platform on which lives are built. It's the beginning of everything – so providing that home is a role we take seriously.**

As a landlord, we're reliable, responsible and fair, and we ask only the same in return. Through this partnership we enable our residents to build secure, independent and productive lives.

From young families to retired people, and those who struggle in the market, everyone deserves a good quality home.

That's why we're here.



## **Clarion Housing Group**

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

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