CLARION
HOUSING GROUP

Clarion Housing Group

Interim Report and Accounts

Half year ended 30 September 2021

CONTENTS

The half year at a glance	3
Interim management report	4
Independent Review Report to Clarion Housing Group Limited	11
Group Statement of Comprehensive Income	13
Group Statement of Financial Position	14
Group Statement of Changes in Capital and Reserves	15
Group Statement of Cash Flows	16
Notes to the Financial Statements	17

Half year at a glance

FINANCIAL HIGHLIGHTS	6 months to 30 September 2021 (H1 2021/22)	6 months to 30 September 2020 (H1 2020/21)	12 months to 31 March 2021
Turnover	£512m	£432m	£944m
Operating margin	32%	32%	27%
Net surplus	£100m	£71m	£122m
Operating cost per home	£2,456	£2,190	£4,711
Capital investment in new homes	£296m	£264m	£607m
Interest cover	2.5	2.4	2.1

OPERATIONAL HIGHLIGHTS	6 months to 30 September 2021 (H1 2021/22)	6 months to 30 September 2020 (H1 2020/21)	12 months to 31 March 2021
Overall resident satisfaction	80.8%	80.9%	80.7%
Resident satisfaction with repairs	89.0%	89.3%	88.6%
Arrears	5.9%	6.1%	5.7%
Homes managed at the end of the period	124,889	124,841	125,514
Social rent loss due to voids	£6.2m	£10.9m*	£12.6m
Occupancy rates	98.4%	98.2%	98.3%
Social value of community investment activity	£76m	£35m	£107m

**The definition of voids was reviewed in the second half of 2020/21 to exclude shared ownership units held as stock, aligning their treatment to the rest of the sector.*

DEVELOPMENT HIGHLIGHTS	6 months to 30 September 2021 (H1 2021/22)	6 months to 30 September 2020 (H1 2020/21)	12 months to 31 March 2021
Total new homes constructed	892	860	2,126
Of which new affordable homes	771	768	1,918
Of which new private sales homes	121	92	208
New homes started	487	813	2,335
Sales income (including share of JCEA sales)	£148m	£77m	£236m
Total sales volume (excluding share of JCEA sales)	706	417	1,151

Statement from the Group Chief Executive

At the mid-point of the last financial year I reported a strong set of results, but with caution over the potential longer term impacts of the pandemic on our organisation and our residents. While the impact has been significant, I am pleased to be able to report on a strong and resilient financial performance.

I want to express my gratitude to the teams at Clarion that continue to work tirelessly to improve the lives of our residents and mitigate against the effects this pandemic has had on their mental, physical and financial wellbeing. In particular our charitable foundation, Clarion Futures, has continued to successfully deliver its life changing programmes, having supported 2,031 people into work and 2,426 people into training – an achievement I am particularly proud of.

Another great achievement is that we were able to complete 892 new homes during the first half of the year, an increase on the 860 homes completed over the same period last year, and 86% of these were for affordable tenures. We want to help government accelerate the delivery of much-needed new homes and have been announced as a Strategic Delivery Partner by Homes England, which will see us bring forward 4,770 new affordable homes under the Affordable Homes Programme 2021-26. We have also been allocated grant funding from the Greater London Authority to support our plans to deliver 2,000 new affordable homes in the capital between 2021 and 2026.

The safety of our buildings remains a top priority for the organisation. In September, we had to take the decision to move all residents from Clare House, our 22-storey Large Panel System building in East London. We acted quickly in accordance with the advice we received, following a series of investigations and assessments and put the safety of our residents first – as we always do. We have now completed inspections of all our buildings over 18m and our remedial programme is progressing well, having invested £18.6 million in fire safety over the last six months.

We have acknowledged that some of the homes at our Eastfields estate in Merton which are nearing the end of their life have fallen short of the standards we expect for our residents and have put in place an action plan to rectify the problems, including having a local dedicated resource on the estate and accelerating repairs that had built up over the intense period of the pandemic. We carried out a thorough investigation, analysed what went wrong and published our learnings in September.

The same month, we were pleased to be given final approval by the Cabinet at the London Borough of Merton for our £1.3 billion regeneration project which will see the Eastfields estate transformed, with work already underway at the High Path and Ravensbury estates. We are committed to creating a sustainable and vibrant community, with good quality and affordable homes at its heart. Existing residents will be rehoused in homes of an appropriate size and the plans will deliver much-needed new, high quality and affordable homes for local people too.

Over the next six months we will look to maintain our momentum and I am confident we will be reporting another great year of performance in delivering on our mission to provide good quality, affordable homes to people who desperately need them.

Statement from the Group Chair

I am writing this piece as COP26 in Glasgow comes to an end and as we publish our six month accounts. I therefore wanted to take the opportunity to reflect on how Clarion is making an impact on the sustainability of the communities we serve.

We take our responsibility to people and the environment seriously and we have been working over the last six months to develop our sustainability strategy, with challenging long-term goals for the whole group. The new strategy will embed sustainable practices in all that we do.

Investors are now rightly expecting much more than just a financial return and this has been illustrated by the success of our three sustainable bond issues, the latest of which raised £300 million to fund the development of new affordable energy efficient homes. We are onsite in Fenland and Tonbridge as part of the Social Housing Decarbonisation Fund (SHDF) demonstrator, improving the energy efficiency of more than 100 social homes, cutting energy bills and emissions in the process. Like the agreements made at COP26, this is just the start – retrofitting and upgrading our homes is a long-term and critically important project.

Though we have achieved so much in the first six months of the year, we have not been immune to the challenges of the external world. The construction materials shortage and subsequent price increases, and skills shortages, have resulted in some delays in negotiations which temporarily impacted the number of starts we have made on new homes but we expect to be back on track and in line with our forecasts by the end of the year.

We have spoken publicly about the burden of building safety costs on the sector and at Clarion, we have estimated we will build 1,800 fewer affordable homes over the next five years as a result of these costs, unless the government broadens the existing financial support available. We are cautiously optimistic about Michael Gove's initial remarks about reviewing the costs for leaseholders and we hope to work with the government and the rest of the sector to find a solution that works for all parties.

Finally, I would like to thank the Group Executive Team at Clarion for their hard work through these challenges and their unwavering commitment to the customers we serve. I look forward to the next six months, a more 'normal' Christmas and hopefully an optimistic spring.

Financial review

In the six months to 30 September 2021, Clarion Housing Group is pleased to report continuingly strong financial performance. Our operating surplus increased to £164 million (H1 2020/21: £139 million) and net surplus increased to £100 million (H1 2020/21: £71 million). Total net assets at £2,114 million were up £144 million from 31 March 2021 and our liquidity stood at £1,205 million (31 March 2021: £1,086 million).

We remain committed to maintaining good quality homes and services for our customers and have invested a further £53 million on improving our existing homes (H1 2020/21: £29 million) and £103 million maintaining these homes (H1 2020/21: £86 million).

We have also continued to provide new homes to those in housing need. Since 1 April 2021, we have spent £296 million and completed 892 new homes, 86% of which were for affordable tenures (H1 2020/21: £264 million spent, 860 completions, 89% for affordable tenures).

The work of our charitable foundation, Clarion Futures, remains a key priority for the Group. During the first half of the year we have invested an additional £6 million in communities (H1 2020/21: £5 million).

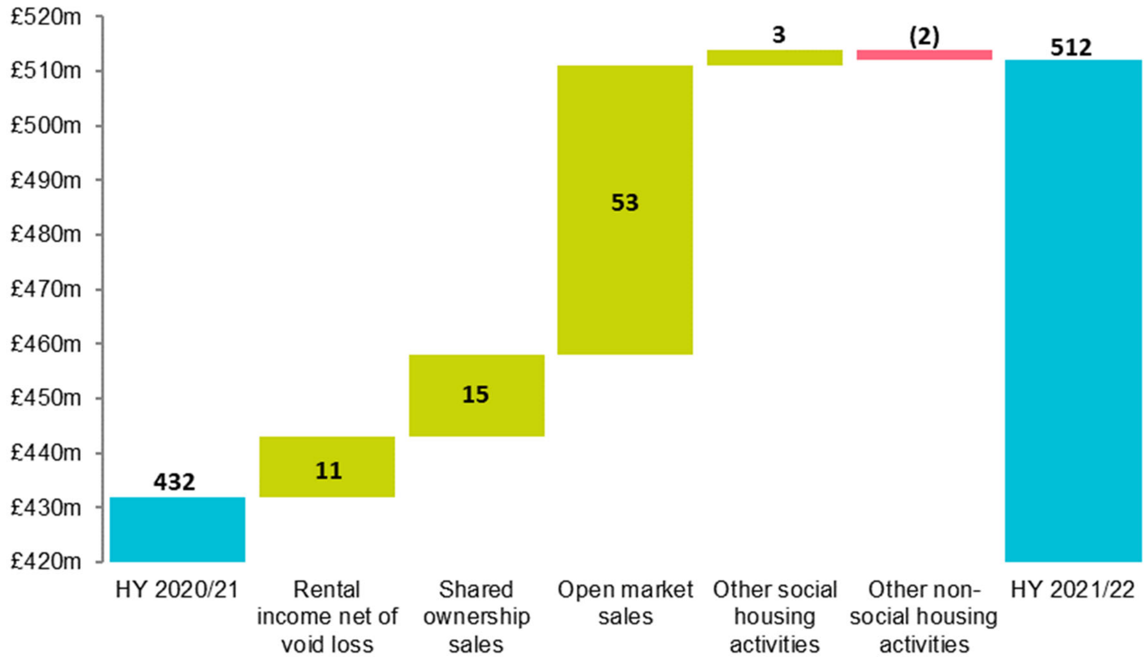
We continue to weather the economic storm and remain a resilient and robust business, well-placed to deliver on our mission - providing good-quality affordable homes and neighbourhoods to people failed by the housing market.

Statement of Comprehensive Income

At £164 million, operating surplus is £25 million higher than the first six months of the prior year, primarily driven by an £11 million increase in rental income, an £8 million higher surplus from development sales and a £33 million increase in surpluses generated from existing property disposals. This has been partially offset by a £30 million increase in operating costs, resulting in an operating margin of 32% (H1 2020/21: 32%). This trend has continued through to net surplus which has ended the half year at £100 million, a £29 million increase on the prior year generating a net margin of 20% (H1 2020/21: £71 million, 16%).

Turnover at £512 million is £80 million (19%) higher than the same period last year (H1 2020/21: £432 million). Figure 1 provides an analysis of the movement in turnover compared to the first half of 2020/21.

Figure 1: Six-month movement in turnover

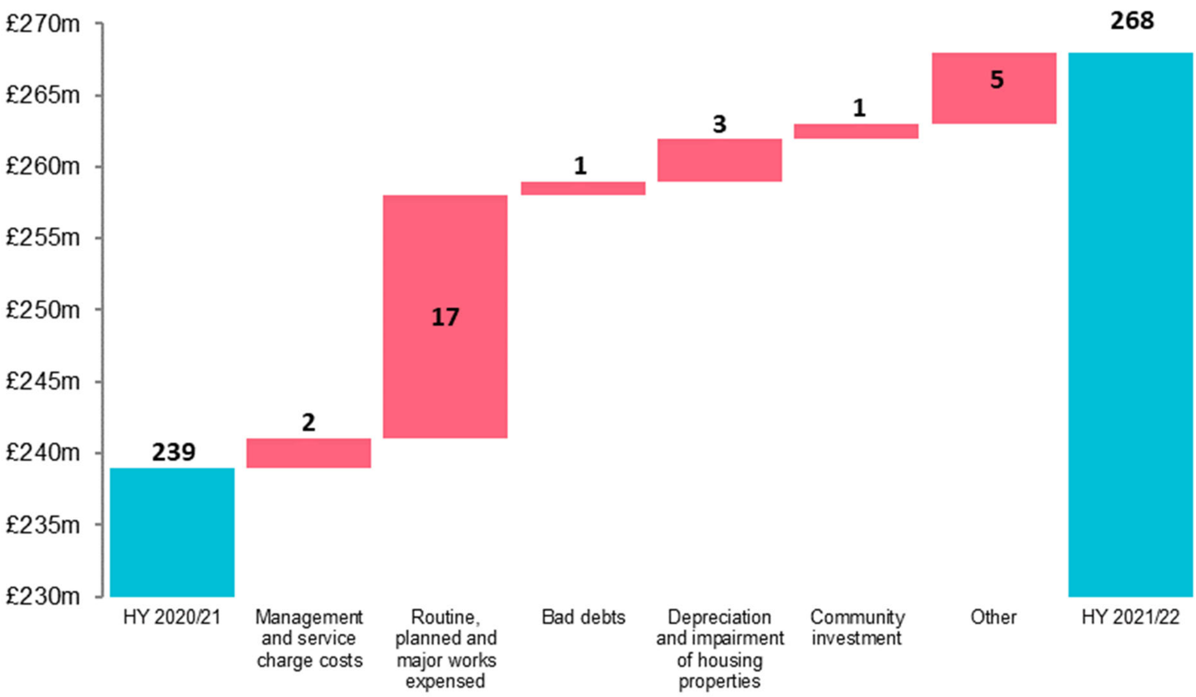


Most of this increase is driven by the £68 million rise in development sales. A total of 706 units have been sold in the year to date (560 shared ownership and 146 open market) at an overall gross margin of 11%. This compares to 417 sales in the first half of the prior financial year (382 shared ownership and 35 open market) at a margin of 9%.

Rental income has seen an increase of £11 million, primarily reflecting inflationary rent increases and underlying unit growth (excluding the 1,304 homes transferred four months into the financial year).

Figure 2 provides an analysis of the movement in our underlying operating costs compared to the first half of 2020/21.

Figure 2: Six-month movement in operating costs



At £268 million, operating costs are £29 million higher than the same period last year, resulting in an six-month operating cost per unit of £2,456 (H1 2020/21: £2,190).

The majority of this increase is the result of repairs activity, which was lower in the first half of the previous financial year due to Covid-19 lockdown measures. Higher demand in routine and void repairs, which includes a carry-over from the last financial year, due to lockdowns, is also resulting in an increased use of external sub-contractors who come at a higher cost per repair.

Following the decant of Clare House in East London, we recognised a provision for leaseholder buy-backs and booked an impairment against the housing property asset. These transactions are driving the increase in other operating costs and depreciation and impairment of housing properties, respectively.

Other notable movements impacting operating surplus for the year include a £33 million increase in surpluses generated from the disposal of properties. This increase is driven by the continuation of our stock rationalisation programme which we temporarily paused during 2020/21 as a result of Covid-19. On 27 July 2021 we completed the transfer of 1,304 units situated in Hull and Middlesbrough to Thirteen Housing Group.

Below operating surplus, we have seen a £1 million gain on the valuation of our investment properties which is offset by our share of the deficit of jointly controlled entities. Net interest payable at £66 million is £2 million lower than the prior year (H1 2020/21: £68 million), the result of a £3 million increase in interest capitalised which reflects the increase in the value of properties under construction.

Impacting Total Comprehensive Income for the period is a £37 million gain in the fair value movement of our financial instruments (H1 2020/21: £2 million) and a £7 million actuarial gain on the Group's pension schemes (H1 2020/21: £59 million loss). These movements reflect independent expectations of future interest rates and inflation as well as the maturation of our derivative portfolio.

Statement of Financial Position

Since 31 March 2021, total assets have increased by £121 million. This is predominately a result of the Group's investment in the construction, redevelopment and maintenance of its social housing assets (figure 3). During the first six months of 2021/22 we invested 3.0 times our surplus (£295 million) in new and existing social housing assets (H1 2020/21: 3.1 times our surplus, £217 million).

Figure 3: Surplus versus investment in social housing

In addition to this we invested 0.5 times our surplus (£54 million) in new non-social assets (H1 2020/21: 1.1 times our surplus, £76 million) bringing new home completions to a total of 892, 86% of which were for affordable tenures (H1 2020/21: 860 completions, 89% affordable tenures). As at 30 September 2021, £4,542 million of development projects had been approved by Board and our development pipeline stood at 22,456 homes.

Despite the above investments our increase in drawn debt was limited to £79 million (inclusive of accounting adjustments), meaning gearing was maintained at 48%, comfortably lower than our strictest financial covenant. In September 2021, the Group had another successful sustainable bond issue, raising £300 million at a nominal interest rate of just 1.875%, with orders exceeding £1 billion. The majority of the proceeds from this issue were used to repay bank debt, maintaining the average cost of funds at 3.8%.

The above increase in our drawn debt has been more than offset by reductions in our short-term creditors, grant liability and the fair value of our derivative financial instruments, resulting in a net £144 million (7%) increase in total net assets.

Statement of Cash Flows

At £202 million (H1 2020/21: £131 million), cash generated from our underlying operating activities remains high, providing a significant contribution to our investment in new and existing social homes and limiting our reliance on debt finance.

Net cash outflow from investing activities of £194 million is slightly lower than the prior year (H1 2020/21: £202 million). Whilst our investment in social housing properties has increased to £268 million (H1 2020/21: £206 million) we have also generated £85 million from property disposals, including the Hull and Middlesbrough stock transfer, which is an increase of £66 million on the prior year.

Proceeds from the net borrowing of loans and bonds of £81 million (excluding the £7 million discount on this year's issues) have been more than offset by interest payments and capital transaction costs resulting in a net cash outflow from financing activities of £5 million versus an inflow of £51 million in the first half of 2020/21.

Overall the Group had cash and cash equivalents of £133 million at 30 September 2021 (H1 2020/21: £100 million) a significant contribution to our overall Group liquidity of £1,205 million (FY 2020/21: £1,086 million).

Principal risks and uncertainties

We continue to monitor all potential risks the Clarion Group could face with successful risk management a core component of our wider governance and internal control framework.

Our principal risks remain broadly aligned to the themes we have reported in the last annual report and accounts. We continue to operate under challenging market conditions with the potential to impact sales and prices and we are seeing emerging themes not too dissimilar to those impacting the housing sector and industry more widely including cyber threats and pressures on the supply chain.

The relevant Boards across Clarion continue to remain updated on the potential impact and relevant mitigation plans.

Outlook

We are yet to see the full financial impact of the Covid-19 crisis, but we remain well placed to navigate the current economic volatility. In November, Standard & Poor's commented that our liquidity position remains very strong and that they expect this to be maintained given our current funding and strong access to the debt capital markets.

We also continue to focus on protecting our rental income by carefully managing arrears, engaging and supporting our residents and signposting to the help available.

We expect to maintain our strong financial position at the end of the year.

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 2021 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 2021 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.

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.

Fleur Nieboer

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square, London, E14 5GL

13 December 2021

Group Statement of Comprehensive Income for the half year ended 30 September 2021

	Notes	**Half year ended 30 September 2021 Reviewed £m**	Half year ended 30 September 2020 Reviewed £m	Year ended 31 March 2021 Audited £m
Turnover	4a	**511.9**	431.7	944.1
Cost of sales	4a	**(123.0)**	(64.1)	(194.3)
Operating costs	4a	**(268.1)**	(238.6)	(517.6)
Surplus on disposal of properties	4a	**43.3**	10.4	25.3
Operating surplus	4a	**164.1**	139.4	257.5
Surplus on disposal of other fixed assets	4a	**-**	-	0.1
Surplus on disposal of operations		**-**	-	2.1
Share of deficit of JCEAs		**(0.8)**	(0.7)	(13.6)
Gain/(loss) on revaluation of investment properties		**0.8**	(2.1)	(0.6)
Interest receivable	5	**3.6**	3.2	6.3
Interest payable and financing costs	6	**(69.6)**	(71.4)	(141.3)
Movement in fair value of financial instruments	7	**1.4**	2.3	4.2
Surplus on ordinary activities before taxation		**99.5**	70.7	114.7
Tax credit on surplus on ordinary activities	8	**0.5**	-	6.8
Surplus for the period		**100.0**	70.7	121.5
Actuarial gains/(losses) on pension schemes	14	**7.0**	(58.8)	(31.5)
Movement in fair value of financial instruments	7	**37.2**	1.6	74.3
Total comprehensive income for the period		**144.2**	13.5	164.3

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 2021

Group Statement of Financial Position as at 30 September 2021

	Notes	30 September 2021 Reviewed £m	31 March 2021 Audited £m
Fixed assets			
Goodwill and negative goodwill		**(0.1)**	(0.1)
Other intangible assets		**65.8**	66.8
Social housing properties	9	**7,967.1**	7,820.0
Investment properties		**221.8**	228.7
Non-housing fixed assets		**39.3**	42.9
Interests in JCEAs		**161.1**	155.0
Other fixed asset investments		**11.2**	11.6
		8,466.2	8,324.9
Current assets			
Stock	10	**525.0**	539.9
Debtors: amounts falling due within one year		**78.4**	80.9
Debtors: amounts falling due after more than one year		**116.0**	120.5
Current asset investments		**118.7**	119.7
Cash and cash equivalents		**133.3**	130.8
		971.4	991.8
Current liabilities			
Creditors: amounts falling due within one year		**(271.2)**	(397.1)
Net current assets		**700.2**	594.7
Total assets less current liabilities		**9,166.4**	8,919.6
Creditors: amounts falling due after more than one year		**(6,992.5)**	(6,884.9)
Provisions for liabilities and charges	14	**(60.4)**	(65.4)
Total net assets		**2,113.5**	1,969.3
Capital and reserves			
Non-equity share capital		**-**	-
Cash flow hedge reserve		**(291.9)**	(329.1)
Income and expenditure reserve		**2,405.4**	2,298.4
Total capital and reserves		**2,113.5**	1,969.3

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 2021

Group Statement of Changes in Capital and Reserves for the half year ended 30 September 2021

	Non-equity share capital £m	Cash flow hedge reserve £m	Income and expenditure reserve £m	Total capital and reserves £m
At 31 March 2020	-	(403.4)	2,208.4	**1,805.0**
Surplus for the year ending 31 March 2021	-	-	121.5	**121.5**
Other comprehensive income for the year	-	74.3	(31.5)	**42.8**
At 31 March 2021	-	(329.1)	2,298.4	**1,969.3**
Surplus for the half year ending 30 September 2021	-	-	100.0	**100.0**
Other comprehensive income for the period	-	37.2	7.0	**44.2**
At 30 September 2021	**-**	**(291.9)**	**2,405.4**	**2,113.5**

	Non-equity share capital £m	Cash flow hedge reserve £m	Income and expenditure reserve £m	Total capital and reserves £m
At 31 March 2020	-	(403.4)	2,208.4	1,805.0
Surplus for the half year ending 30 September 2020	-	-	70.7	70.7
Other comprehensive income for the period	-	1.6	(58.8)	(57.2)
At 30 September 2020	**-**	**(401.8)**	**2,220.3**	**1,818.5**

Group Statement of Cash Flows for the half year ended 30 September 2021

	Half year ended 30 September 2021		Half year ended 30 September 2020		Year ended 31 March 2021	
	Reviewed		Reviewed		Audited	
	£m	**£m**	£m	£m	£m	£m
Surplus for the period		**100.0**		70.7		121.5
Adjustment for working capital movements						
Decrease/(increase) in stock	**22.3**		(20.6)		(14.8)	
Decrease in operating debtors	**3.3**		7.3		6.8	
Decrease in operating creditors	**(5.1)**		(35.9)		(25.2)	
Pension contributions in excess of expense	**(2.5)**		(3.1)		(6.0)	
	18.0		(52.3)		(39.2)	
Adjustment for non-cash items						
Amortisation of government grants	**(11.8)**		(11.7)		(23.6)	
Deferred tax credit	**(0.5)**		-		(5.4)	
Amortisation of intangible assets	**5.2**		5.6		10.9	
Depreciation charge	**63.0**		62.9		129.1	
Impairment charge/(reversal)	**2.1**		(1.5)		(0.4)	
(Gain)/loss on revaluation of investment properties	**(0.8)**		2.1		0.6	
Other non-cash increase/(decrease) in provisions	**4.5**		(0.6)		(1.4)	
	61.7		56.8		109.8	
Adjustment for financing or investment activities						
Surplus on disposal of properties	**(43.3)**		(10.4)		(25.3)	
Surplus on disposal of other fixed assets	**-**		-		(0.1)	
Surplus on disposal of operations	**-**		-		(2.1)	
Share of deficit of JCEAs	**0.8**		0.7		13.6	
Net financing costs	**64.6**		65.9		130.8	
	22.1		56.2		116.9	
Net cash from operating activities		**201.8**		131.4		309.0
Cash flows from investing activities						
Proceeds from disposal of properties	**85.3**		**19.3**		54.9	
Proceeds from disposal of other fixed assets	**0.1**		**-**		0.6	
Interest received	**3.6**		**3.2**		6.3	
Purchase of subsidiary (net of cash acquired)	**(8.5)**		**(9.0)**		(8.9)	
Acquisition of intangible assets	**(4.2)**		**(2.9)**		(6.1)	
Investment in social housing properties	**(267.8)**		**(206.4)**		(482.0)	
Acquisition of non-housing fixed assets	**(0.7)**		**(1.6)**		(7.8)	
Investment in JCEAs	**(7.3)**		**(4.7)**		(18.2)	
Distributions from JCEAs	**0.4**		**-**		2.1	
Proceeds from disposal of other fixed asset investments	**0.4**		**0.2**		0.9	
Decrease/(increase) in current asset investments	**1.0**		**(2.2)**		1.0	
Social housing property grants received	**4.9**		**1.7**		15.8	
Proceeds from disposal of operations (net of cash disposed)	**(1.1)**		**-**		-	
Net cash from investing activities		**(193.9)**		(202.4)		(441.4)
Cash flows from financing activities						
Interest paid	**(82.6)**		**(87.0)**		(171.2)	
Premium/(discount) on bond issues	**(7.2)**		**22.0**		33.4	
Net borrowing of loans and bonds (notional)	**88.4**		**115.8**		283.2	
Capital transaction costs paid	**(4.0)**		**(0.2)**		(2.6)	
Payment of finance lease capital	**-**		**-**		(0.1)	
Net cash from financing activities		**(5.4)**		50.6		142.7
Net increase/(decrease) in cash and cash equivalents		**2.5**		(20.4)		10.3
Cash and cash equivalents at 1 April		**130.8**		120.5		120.5
Cash and cash equivalents at the end of the period		**133.3**		100.1		130.8

See note 11 for the reconciliation of net debt.

Notes to the Financial Statements for the half year ended 30 September 2021

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. 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 2021.

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 2021 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 its assessment of the Group's financial position and resources, the Board believes that 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 twelve months from the date of approval of these financial statements. Thus it continues to adopt the going concern basis in preparing these interim financial statements.

The worldwide pandemic due to Covid-19 has presented challenges for the Group. The Board has considered the impact of the pandemic on the Group and actions have been put in place to manage these risks and the Board consider these risks to be sufficiently mitigated.

2. Significant judgements and accounting estimates

Significant judgements

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 2021. 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 2021 (continued)

3. Units under management

	At 1 April 2021	Adjustment	Handed over	Net conversion from Affordable	Other movements	**At 30 September 2021**
Units under management						
Social housing						
Social rent	76,220	(5)	90	39	(1,220)	**75,124**
Affordable rent	13,528	-	258	(38)	(1)	**13,747**
General needs	89,748	(5)	348	1	(1,221)	**88,871**
Supported	1,369	(2)	-	(1)	(18)	**1,348**
Housing for Older People	6,857	-	-	-	(110)	**6,747**
Shared ownership	9,593	1	397	-	(99)	**9,892**
Care homes	12	-	-	-	-	**12**
Intermediate rent	450	-	26	-	7	**483**
Keyworker	958	-	-	-	(2)	**956**
Social leaseholders	10,069	(1)	-	-	45	**10,113**
Staff accommodation	100	1	-	-	(7)	**94**
Social homes under management	**119,156**	**(6)**	**771**	**-**	**(1,405)**	**118,516**
Non-social housing						
Market rent	795	(1)	-	-	(53)	**741**
Non-social leaseholders	5,563	4	65	-	-	**5,632**
Homes under management	**125,514**	**(3)**	**836**	**-**	**(1,458)**	**124,889**
Non-housing						
Garages and car parking spaces	10,396	3	12	-	(136)	**10,275**
Commercial leaseholders	319	(1)	-	-	(3)	**315**
Community centres	62	-	-	-	(6)	**56**
Units under management	**136,291**	**(1)**	**848**	**-**	**(1,603)**	**135,535**
Social housing	1,025	(2)	-	-	(30)	**993**
Non-social housing	1,427	(4)	6	-	23	**1,452**
Non-housing	4	-	-	-	-	**4**
Units owned but not managed	**2,456**	**(6)**	**6**	**-**	**(7)**	**2,449**

All Supported and Housing for Older People units are used for social rent.

Other movements primarily relate to disposals, including 1,190 General needs social rent units and 114 Housing for Older People units which were transferred to other housing associations.

Notes to the Financial Statements for the half year ended 30 September 2021 (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 2021 Turnover £m	Cost of sales £m	Operating costs £m	Surplus/ (deficit) on disposal £m	Operating surplus/ (deficit) £m	Half year ended 30 September 2020 Turnover £m	Operating surplus/ (deficit) £m
Social housing activities							
Social housing lettings (note 4b)	**355.9**	**-**	**(242.9)**	**-**	**113.0**	341.6	121.5
Shared ownership first tranche sales	**68.6**	**(60.9)**	**-**	**-**	**7.7**	53.1	6.6
Other social housing activities							
Care and support services	**5.2**	**-**	**(4.1)**	**-**	**1.1**	5.6	1.4
Development for others	**-**	**-**	**-**	**-**	**-**	0.5	-
Development costs not capitalised	**0.1**	**-**	**(1.4)**	**-**	**(1.3)**	-	(0.8)
Community investment	**1.4**	**-**	**(6.3)**	**-**	**(4.9)**	0.7	(4.5)
Other	**1.7**	**-**	**(7.9)**	**-**	**(6.2)**	1.5	(0.4)
Total	**8.4**	**-**	**(19.7)**	**-**	**(11.3)**	8.3	(4.3)
Surplus on disposal of social housing properties	**-**	**-**	**-**	**43.5**	**43.5**	-	10.4
Total social housing activities	**432.9**	**(60.9)**	**(262.6)**	**43.5**	**152.9**	403.0	134.2
Non-social housing activities							
Open market sales	**69.4**	**(62.1)**	**(1.3)**	**-**	**6.0**	16.8	(0.8)
Other non-social housing activities							
Market rent lettings	**3.5**	**-**	**(1.3)**	**-**	**2.2**	4.3	2.9
Garage lettings	**1.4**	**-**	**(0.3)**	**-**	**1.1**	1.8	1.5
Commercial lettings	**2.0**	**-**	**(0.9)**	**-**	**1.1**	2.5	1.4
Other	**2.7**	**-**	**(1.7)**	**-**	**1.0**	3.3	0.2
Total	**9.6**	**-**	**(4.2)**	**-**	**5.4**	11.9	6.0
Deficit on disposal of investment properties	**-**	**-**	**-**	**(0.2)**	**(0.2)**	-	-
Total non-social housing activities	**79.0**	**(62.1)**	**(5.5)**	**(0.2)**	**11.2**	28.7	5.2
Total social and non-social housing activities	**511.9**	**(123.0)**	**(268.1)**	**43.3**	**164.1**	431.7	139.4
Analysis of disposals							
Social housing properties	***80.5***	***(34.3)***	***(2.7)***	**43.5**	**43.5**	*21.8*	10.4
Investment properties	***7.5***	***(7.7)***	**-**	**(0.2)**	**(0.2)**	*0.4*	-
Other fixed assets	***0.1***	***(0.1)***	**-**	**-**	**-**	-	-

Notes to the Financial Statements for the half year ended 30 September 2021 (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 accom-modation £m	Other £m	Half year ended 30 September 2021 Total £m	Half year ended 30 September 2020 Total £m
Income						
Rent receivable net of identifiable service charges	273.4	17.8	21.5	6.9	**319.6**	308.3
Service charge income	8.2	3.6	4.1	6.3	**22.2**	21.6
Amortisation of government grants	10.0	0.9	0.6	0.3	**11.8**	11.7
Other revenue grants/income	-	-	-	2.3	**2.3**	-
Turnover from social housing lettings	**291.6**	**22.3**	**26.2**	**15.8**	**355.9**	341.6
Expenditure						
Management	(32.6)	(5.0)	(3.3)	(1.9)	**(42.8)**	(40.8)
Service charge costs	(11.1)	(4.9)	(5.5)	(8.6)	**(30.1)**	(29.9)
Routine maintenance	(59.1)	(4.6)	(0.1)	(1.6)	**(65.4)**	(56.1)
Planned maintenance	(25.6)	(1.0)	(0.1)	(0.3)	**(27.0)**	(25.4)
Major works expensed	(10.5)	(0.3)	(0.1)	(0.1)	**(11.0)**	(4.5)
Bad debts	(4.5)	(0.4)	-	-	**(4.9)**	(4.4)
Depreciation of housing properties	(54.3)	(3.8)	-	(0.7)	**(58.8)**	(58.6)
Impairment of housing properties	(2.5)	-	-	-	**(2.5)**	-
Other costs	(0.1)	-	-	(0.3)	**(0.4)**	(0.4)
Operating costs on social housing lettings	**(200.3)**	**(20.0)**	**(9.1)**	**(13.5)**	**(242.9)**	(220.1)
Operating surplus on social housing lettings	**91.3**	**2.3**	**17.1**	**2.3**	**113.0**	121.5
Void losses	**3.4**	**1.7**	**-**	**1.1**	**6.2**	10.9

Other includes intermediate rent, keyworker, and social leaseholders.

Void losses represent rent and service charge income lost as a result of an available-for-letting property not being let. These losses increased in the previous period as measures put in place to reduce the risk of spreading Covid-19 led to a longer turnaround time (the time required to prepare a vacant property for the next tenant). Furthermore, the definition of voids was reviewed in the second half of 2020/21 to exclude shared ownership units held as stock, aligning their treatment to the rest of the sector.

Notes to the Financial Statements for the half year ended 30 September 2021 (continued)

5. Interest receivable

	Half year ended 30 September 2021 £m	Half year ended 30 September 2020 £m
Interest receivable on bank deposits	**0.1**	0.3
Interest receivable from JCEAs	**3.5**	2.8
Other interest receivable	**-**	0.1
	3.6	3.2

6. Interest payable and financing costs

	Half year ended 30 September 2021 £m	Half year ended 30 September 2020 £m
Interest payable on loans	**10.5**	12.9
Interest payable on bonds and similar instruments	**53.4**	49.1
Interest payable on derivatives	**18.3**	20.4
Interest payable on finance leases	**0.3**	0.3
Interest payable relating to pensions	**0.6**	0.3
Loan breakage costs	**1.0**	-
Other charges	**3.0**	2.6
	87.1	85.6
Interest payable capitalised	**(17.5)**	(14.2)
	69.6	71.4

The Group's weighted average interest rate for general borrowings was 3.82% (30 September 2020: 3.99%).

Notes to the Financial Statements for the half year ended 30 September 2021 (continued)

7. Movement in fair value of financial instruments

Included in income and expenditure	**Half year ended 30 September 2021 £m**	Half year ended 30 September 2020 £m
Fair value gains on		
Borrowings treated as fair value hedging items	**0.2**	1.4
Derivatives treated as fair value hedging instruments	**-**	2.1
Derivatives treated as cash flow hedging instruments - ineffective	**2.6**	-
Derivatives not in hedging relationships	**0.1**	0.4
	2.9	3.9
Fair value losses on		
Derivatives treated as fair value hedging instruments	**(1.2)**	-
Derivatives treated as cash flow hedging instruments - ineffective	**-**	(1.3)
Amortisation of cash flow hedge reserve relating to a prematured derivative	**(0.3)**	(0.3)
	(1.5)	(1.6)
	1.4	2.3

Included in other comprehensive income	**Half year ended 30 September 2021 £m**	Half year ended 30 September 2020 £m
Fair value gains on		
Derivatives treated as cash flow hedging instruments - effective	**36.9**	1.3
Amortisation of cash flow hedge reserve relating to a prematured derivative	**0.3**	0.3
	37.2	1.6

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

Notes to the Financial Statements for the half year ended 30 September 2021 (continued)

8. Taxation

	Half year ended 30 September 2021 £m	Half year ended 30 September 2020 £m
Recognised in income and expenditure	**(0.5)**	-

The tax charge/(credit) for the Group for the period is less than 19% (30 September 2020: less than 19%), the rate of corporation tax in the UK. The differences are explained below:

Reconciliation of tax recognised in income and expenditure	**Half year ended 30 September 2021 £m**	Half year ended 30 September 2020 £m
Surplus on ordinary activities before taxation	**99.5**	70.7
Tax charge at 19% (30 September 2020: 19%)	**18.9**	13.4
Effects of:		
Charitable surpluses not taxed	**(19.1)**	(14.1)
Remeasurement of deferred tax due to change in UK tax rates	**(1.4)**	-
Other non-material differences	**1.1**	0.7
	(0.5)	-

The tax charge/(credit) 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/(credit) would not be truly representative of the amount to be paid to HMRC.

Increasing the main rate of UK corporation tax to 25% from 1 April 2023 was substantively enacted in May 2021.

Notes to the Financial Statements for the half year ended 30 September 2021 (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 2021	7,363.9	1,064.2	250.6	291.0	**8,969.7**
Construction/redevelopment of properties	-	-	85.8	110.3	**196.1**
Major repairs to completed properties	53.0	-	-	-	**53.0**
Other additions	6.3	-	-	-	**6.3**
Completed construction	90.4	70.1	(90.4)	(70.1)	**-**
Transfer to stock	-	(1.4)	-	-	**(1.4)**
Components replaced	(7.2)	-	-	-	**(7.2)**
Transfers to other private Registered Providers	(47.6)	-	-	-	**(47.6)**
Other disposals / write-offs	(1.6)	(10.8)	-	-	**(12.4)**
At 30 September 2021	**7,457.2**	**1,122.1**	**246.0**	**331.2**	**9,156.5**
Depreciation and impairment					
At 1 April 2021	(1,136.9)	(12.8)	-	-	**(1,149.7)**
Depreciation charge for the period	(58.8)	-	-	-	**(58.8)**
Impairment charge for the period	(2.5)	-	-	-	**(2.5)**
Eliminated on components replaced	7.2	-	-	-	**7.2**
Eliminated on transfers to other private RPs	14.2	-	-	-	**14.2**
Eliminated on other disposals / write-offs	0.1	0.1	-	-	**0.2**
At 30 September 2021	**(1,176.7)**	**(12.7)**	**-**	**-**	**(1,189.4)**
Net book value					
At 30 September 2021	**6,280.5**	**1,109.4**	**246.0**	**331.2**	**7,967.1**
Net book value					
At 31 March 2021	6,227.0	1,051.4	250.6	291.0	7,820.0

10. Stock

	Under construction		Completed properties		
	Social £m	Non-social £m	Social £m	Non-social £m	Total £m
At 1 April 2021	144.2	253.9	79.5	62.3	**539.9**
Additions	45.4	54.1	-	-	**99.5**
Impairment reversal	-	-	-	0.4	**0.4**
Properties completed	(36.5)	(30.8)	36.5	30.8	**-**
Reclassification between tenures	-	-	2.9	(2.9)	**-**
Transfer from social housing properties	-	-	1.4	-	**1.4**
Properties sold	-	-	(56.6)	(59.6)	**(116.2)**
At 30 September 2021	**153.1**	**277.2**	**63.7**	**31.0**	**525.0**

Notes to the Financial Statements for the half year ended 30 September 2021 (continued)

11. Debt analysis

Debt is repayable as follows:	30 September 2021 £m	31 March 2021 £m
Due within one year	**44.1**	133.3
Due between one and two years	**41.7**	50.9
Due between two and five years	**190.3**	221.3
Due after more than five years	**4,203.2**	3,995.1
	4,479.3	4,400.6

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 2021 £m	31 March 2021 £m
Notional amounts drawn		
Clarion Treasury Limited		
- Loans	**1,328.6**	1,534.2
Clarion Funding PLC		
- Note issuance	**1,750.0**	1,450.0
Circle Anglia Social Housing PLC		
- Bond issuance	**635.0**	635.0
Affinity Sutton Capital Markets PLC		
- Bond issuance	**500.0**	500.0
Circle Anglia Social Housing 2 PLC		
- Private placement	**150.0**	150.0
Clarion Housing Association Limited		
- Bonds and loans	**42.9**	47.7
- Finance leases	**5.6**	5.6
Latimer Weyburn Works Ltd		
- Loans	**-**	1.2
Your Lifespace Limited		
- Finance leases	**1.2**	1.2
	4,413.3	4,324.9
Accounting adjustments		
Fair value adjustment due to		
- Acquisitions of legacy Registered Providers	**12.8**	13.3
- Hedging of private placement	**9.8**	10.0
Effective interest rate adjustment	**43.4**	52.4
	66.0	75.7
	4,479.3	4,400.6

The notional value of the Group's committed debt facilities at 30 September 2021 is £5,485.0 million (31 March 2021: £5,279.8 million).

The Group's facilities are repayable at various dates through to 2051 and are secured by fixed charges over the completed housing properties of the participating Group members and a series of cross guarantees.

Notes to the Financial Statements for the half year ended 30 September 2021 (continued)

11. Debt analysis (continued)

The fair value adjustment relating to acquisitions is amortised over the life of the related loans and £0.5 million has been released in this period (30 September 2020: £0.5 million). The private placement is held at fair value as a result of hedge accounting and has reduced in value by £0.2 million during the period (30 September 2020: reduced by £1.4 million).

Analysis of changes in net debt	At 1 April 2021 £m	Cash flows £m	Changes in fair value £m	Other non-cash changes £m	At 30 September 2021 £m
Cash and cash equivalents	130.8	2.5	-	-	**133.3**
Debt	(4,400.6)	(84.4)	0.2	5.5	**(4,479.3)**
Derivatives	(314.8)	-	38.4	-	**(276.4)**
Net debt	**(4,584.6)**	**(81.9)**	**38.6**	**5.5**	**(4,622.4)**

12. Capital grants

	HomeBuy grants £m	Social housing property grants £m
At 1 April 2021	9.9	2,174.2
New grant recognised	-	4.9
Amortisation income	-	(11.8)
Recycled on disposals (net of amortisation)	(0.4)	(2.4)
Disposals not required to be recycled	-	(11.6)
At 30 September 2021	**9.5**	**2,153.3**

Amounts falling due within one year	-	23.6
Amounts falling due after more than one year	9.5	2,129.7
	9.5	**2,153.3**

Recycled Capital Grant Fund	HE £m	GLA £m	Total £m
At 1 April 2021	11.4	11.8	**23.2**
Additions to fund due to disposals	1.5	1.6	**3.1**
At 30 September 2021	**12.9**	**13.4**	**26.3**

Amounts falling due within one year	13.5
Amounts falling due after more than one year	12.8
	26.3

Amounts three years old or older which may need to be repaid	-	3.3	**3.3**

Notes to the Financial Statements for the half year ended 30 September 2021 (continued)

13. Financial instruments

The following financial derivative contracts are in place, all relating to interest-rate swaps:

	30 September 2021			31 March 2021		
	Active £m	**Forward starting £m**	**Total £m**	Active £m	Forward starting £m	Total £m
Notional						
Option	50.0	-	**50.0**	50.0	-	50.0
Pay fixed	920.5	25.0	**945.5**	976.1	25.0	1,001.1
Receive fixed	100.0	-	**100.0**	100.0	-	100.0
	1,070.5	**25.0**	**1,095.5**	1,126.1	25.0	1,151.1
Fair value						
Option	(4.3)	-	**(4.3)**	(3.9)	-	(3.9)
Pay fixed (liability)	(274.9)	(10.3)	**(285.2)**	(314.0)	(10.9)	(324.9)
Pay fixed (asset)	4.3	-	**4.3**	4.0	-	4.0
Receive fixed	8.8	-	**8.8**	10.0	-	10.0
	(266.1)	**(10.3)**	**(276.4)**	(303.9)	(10.9)	(314.8)

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 2021 £m	31 March 2021 £m
Due within one year	**29.8**	35.0
Due between one and two years	**24.0**	28.6
Due between two and five years	**61.3**	74.4
Due after more than five years	**189.4**	211.4
	304.5	349.4

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 2021: all are Level 2).

The majority of the Group's hedged items and hedging instruments continue to be indexed to Sterling LIBOR. Of the £1,329 million LIBOR-linked bank borrowings held at 31 March 2021, the Group transitioned £198 million to SONIA during the first half of the financial year, all of which are hedged items within hedge relationships. No other terms were amended as part of the transition. The Group accounted for the change to SONIA using the practical expedient introduced in Amendments to FRS 102 – Interest rate benchmark reform (Phase 2), which allows the Group to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate.

Notes to the Financial Statements for the half year ended 30 September 2021 (continued)

13. Financial instruments - Group (continued)

The Group has also drawn an additional £100 million of SONIA bank borrowings from new SONIA facilities during the first half of the financial year. As at 30 September 2021, £1,123 million of bank borrowings are linked to interest rate benchmarks, of which £298 million are linked to SONIA. For the remaining £825 million of loans, discussions are underway with the counterparties to include fallback clauses in the second half of the financial year.

14. Provisions for liabilities and charges

	30 September 2021 £m	31 March 2021 £m
Net pension liabilities	**49.6**	58.5
Deferred tax liabilities	**1.9**	1.4
Other	**8.9**	5.5
	60.4	65.4

The revaluation of all of the Group's defined benefit pension scheme assets and liabilities as at 30 September 2021 resulted in a decrease of the net liability of £8.9 million. This movement includes £7.0 million of net actuarial gains, reflecting a larger than expected return on investments, and a net £1.9 million reduction due to employer contributions, service and interest costs. 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 2021, the original amount of social housing property grants may become repayable. In addition to the amounts included in creditors, £386.0 million of grant has been credited to reserves to date through amortisation (31 March 2021: £377.5 million). The timing of any future repayment, if any, is uncertain.

The Group has a contingent liability in relation to defects found at 1,170 properties (31 March 2021: 1,328 properties). For 63 of these properties, a formal liability assessment has been made, totalling £0.5 million (31 March 2021: 141 properties, £1.0 million).

On 27 July 2021, Clarion Housing Association Limited received a letter of claim regarding potential defects in the design and/or construction of a site and buildings sold under a Development and Sale Agreement dated 15 January 2010. The claim is valued at up to £17.0 million and is currently still being reviewed by solicitors - as such the likelihood of any liability and its timing is very much uncertain.

16. Capital commitments

	30 September 2021 £m	31 March 2021 £m
Contracted for but not provided for in the financial statements	**808.7**	1,036.4
Authorised by the Board but not contracted for	**3,733.0**	3,419.3
	4,541.7	4,455.7

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

The figures above include £1,047.4 million (31 March 2021: £851.5 million) for the Group's share of the capital commitments of its JCEAs.

At the reporting date the Group had £133.3 million of cash and cash equivalents and £1,071.7 million of undrawn funding. Most of the remaining £3,336.7 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 £300 million of the Group's £3 billion European Medium Term Note programme was issued during the period.

Additionally, in August 2021 grant allocations for the Affordable Homes Programme 2021-26 were announced. The Group will receive £249.7 million of grant funding from Homes England and £240.0 million from the Greater London Authority, which in total will support the delivery of 6,770 homes.

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