CLARION
HOUSING GROUP

Clarion Housing Group

Interim Report and Accounts

Half year ended 30 September 2020

CONTENTS

Half year at a glance

FINANCIAL HIGHLIGHTS	6 months to 30 September 2020 (H1 2020/21) Actual	6 months to 30 September 2019 (H1 2019/20) Actual	12 months to 31 March 2020 Actual
Turnover	£432m	£402m	£842m
Operating margin	32%	34%	35%
Net surplus	£71m	£69m	£168m
Operating cost per home	£2,190	£2,224	£4,576
Capital investment in new homes	£264m	£284m	£631m
Interest cover	2.4	2.3	2.5

OPERATIONAL HIGHLIGHTS	6 months to 30 September 2020 (H1 2020/21) Actual	6 months to 30 September 2019 (H1 2019/20) Actual	12 months to 31 March 2020 Actual
Overall resident satisfaction	80.9%	79.6%	80.9%
Resident satisfaction with repairs	89.3%	89.4%	89%
Arrears	6.1%	5.3%	5.2%
Homes managed at the end of the period	124,841	124,799	124,399
Social rent loss due to voids	£10.9m	£4.8m	£9.6m
Occupancy rates	98.2%	98.8%	98.3%
Social Value of community investment activity	£35m	£62m	£130m

DEVELOPMENT HIGHLIGHTS	6 months to 30 September 2020 (H1 2020/21) Actual	6 months to 30 September 2019 (H1 2019/20) Actual	12 months to 31 March 2020 Actual
Total new homes constructed	860	691	2,101
Of which new affordable homes	768	665	1,810
Of which new private sales homes	92	26	291
New homes started	813	1,132	2,572
Sales income	£77m	£56m	£157m
Total sales volume	432	328	727

Chief Executive's statement

The first six months of the financial year 2020/21 have presented a challenging operating environment, the like of which we have not experienced before. I am therefore very pleased to be able to report a good set of financial results and a strong performance over this period.

While it is too early to know the full impacts of the Covid-19 pandemic, the Group has demonstrated resilience and a strong foundation from which to weather the potential challenges ahead. I have no doubt what has driven this has been our strong sense of social purpose across the organisation. Doing all we can to continue to support our residents' wellbeing and keep them safe and comfortable has served as a reminder for us all of why we chose to work in social housing in the first place.

There are many achievements to be proud of since March. We have not relied on furlough to maintain our financial position. We upheld a customer satisfaction score consistently over our 80% target and kept our occupancy rates high. We worked hard to support our residents facing changes in employment and saw arrears stay within our Covid-19 adjusted tolerance level and decreasing in the second quarter. We also built 860 new homes, an increase on the prior half year. We haven't done this alone - we've worked for a common purpose with our contractors, local authorities and community partners.

We are never complacent and always striving for positive change and improvement and we know there may be even tougher times ahead. Fortunately, we have learned a lot since March about how best to support our residents during these unique times and have developed safe ways of working to ensure the continuity of our services. We are well prepared for the six months ahead and are committed to playing a key role in the country's recovery.

Supporting our communities and our people

At the start of the pandemic we prioritised repairs to keep our residents safe and gradually increased the repairs we were able to provide having adopted Covid-secure ways of working. We returned to our full repairs service in July and residents continue to be happy with the work we do, with repairs satisfaction measured at 89.3% at the end of the second quarter.

Home visits have resumed where residents need them, and flexible solutions developed so that many tasks can be completed remotely. Fire risk assessments, communal caretaking and grounds maintenance have all continued too. Across every scenario, we work with our residents to ensure everyone is safe.

We have provided equipment and training to enable thousands of our staff to work from home and have increased our internal focus on wellbeing and mental health and many of our staff have trained to be Mental Health First Aiders.

A supportive workplace means our colleagues are well placed to in turn support our residents and communities. Our teams have provided a listening ear for residents facing difficulties, sign posting to the financial support available to them as well as giving guidance on how to manage debt, reduce bills and increase income.

Our annual customer survey, the Clarion Index, this year saw telephone interviews take place with a representative sample of 2,000 residents just as the government's first lockdown restrictions were easing. We took the opportunity to find out how Covid-19 was impacting our residents' finances and wellbeing. While the number of residents placed on furlough was in line with the national average

(27%), we found that for younger residents aged 18-24 this figure rose to 38%. Our younger residents also reported more adverse indicators of wellbeing. As a result, we have committed to becoming a significant partner in the government's Kickstart scheme. The scheme is helping young people at risk of long-term unemployment get into the job market by providing government funding for employers to create six-month job placements. Not only are we placing 300 roles internally through the scheme, but we are leading a consortium of 92 housing providers and supply chain partners to provide even more opportunities - over 800 in total. Since the beginning of April, our own jobs and training service has supported 978 people into work, many into roles that formed part of the essential workforce that has kept the country running throughout the Covid-19 crisis.

One of the most positive findings from the Clarion Index was that 89% of residents said they felt they belonged in their neighbourhood, an increase from 82% when the same question was asked last year. We have witnessed first-hand our communities pull together during the pandemic to protect the most vulnerable and those who have felt the impacts the hardest. Through our charitable foundation we established an Emergency Support Fund and to date this has awarded funding to 101 local organisations and has helped over 4,000 households in the communities where we have a presence with emergency food.

We have worked with our contractors to maintain high levels of delivery in the first half of the year with 860 new homes completed, compared to 691 homes for the same period last year; 89% of these completions have been for affordable tenures. The pause in construction activity towards the end of March has meant we have seen a slight decrease in the number of homes started - 813 compared to 1,132 last year - but this still represents a strong performance and the Group's current pipeline currently stands at around 18,000 homes.

We have continued to seek significant development opportunities. In September we signed an agreement with Vistry Partnerships to increase the number of affordable homes in the new town of Sherford in Plymouth. 1,500 of the 3,500 homes planned are being delivered by Latimer and the new agreement will see a further 211 new homes made available for social and affordable rent as well as shared ownership though Clarion Housing.

Expanding our activity in the north, we have purchased a major new residential site to the west of Leeds city centre, with existing planning permission for more than 1,000 new homes, where the ambition is to create a thriving community alongside retail units, space for creative industries and leisure facilities and to provide employment opportunities for local people. In Manchester we have secured planning permission to bring forward the city centre's first ever shared ownership scheme, with work due to begin in the New Year.

Financial review

In the six months to 30 September 2020, Clarion Housing Group reports a good set of results and an ongoing strong financial position. Our operating surplus increased to £139 million (H1 2019/20: £138 million) and net surplus increased to £71 million (H1 2019/20: £69 million).

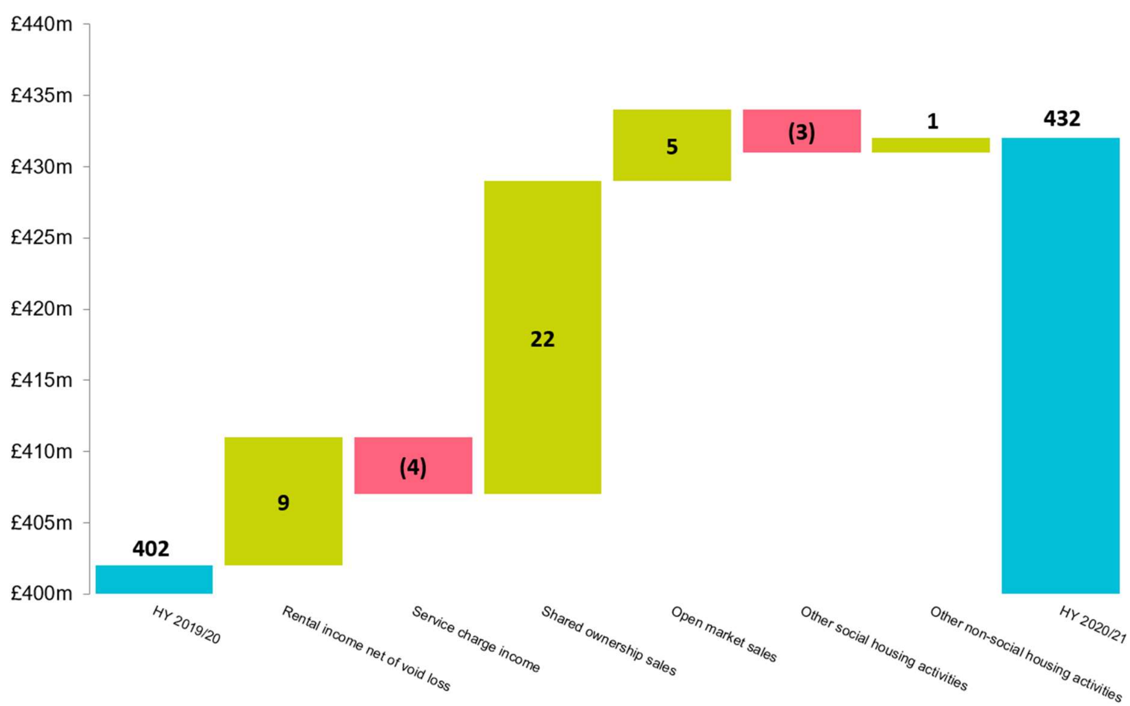
As expected, lockdown restrictions have had an impact on activity, but we have remained committed to maintaining good quality homes and services for our residents. Since 1 April 2020 we have invested £29 million (H1 2019/20: £31 million) on improving our existing homes and a further £86 million (H1 2019/20: £92 million) maintaining these homes.

This is a resilient performance in the context of the significant disruption caused by the Covid-19 pandemic allowing us to continue delivering upon our mission to provide good quality, affordable home and neighbourhoods to people failed by the housing market.

Statement of Comprehensive Income

Turnover at £432 million (H1 2019/20: £402 million) was £30 million (7%) higher than the prior year. Figure 1 below provides an analysis of the movement in turnover compared to the first half of 2019/20.

Figure 1: Movement in turnover (£m)

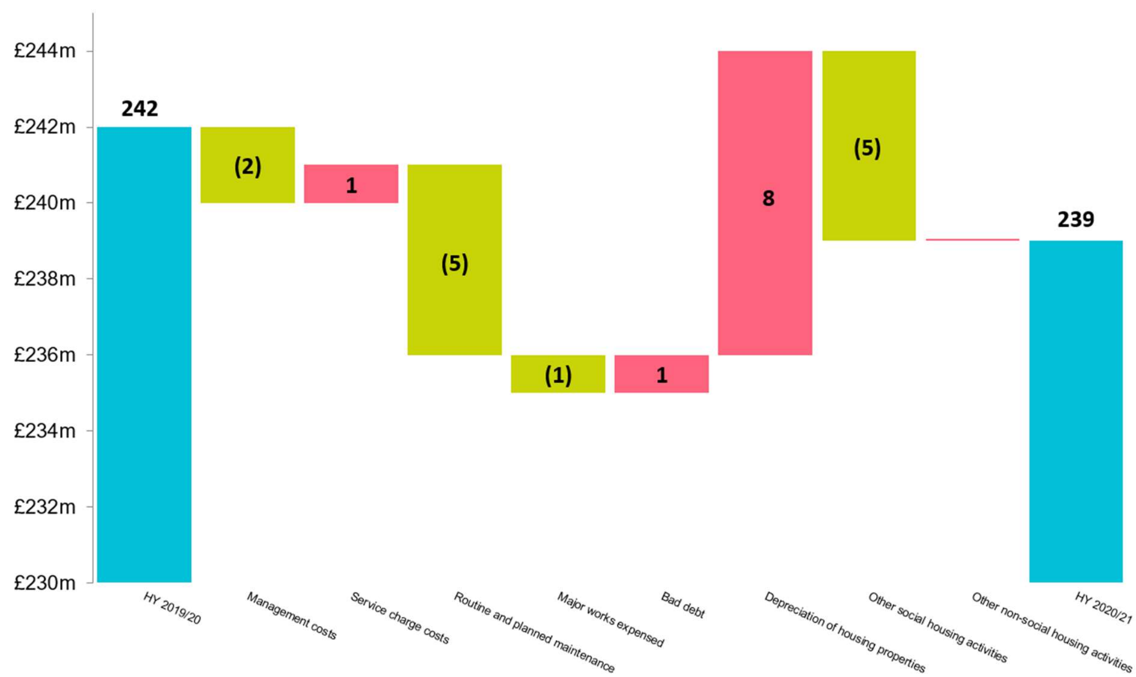


Core rental income has increased by £9 million primarily reflecting inflationary rent increases which has been partially offset by a decrease in service charge income. Whilst Covid-19 has meant a slow-down in demand and delays in the exchange process, completions of first tranche shared ownership and open market sales are higher than the prior year, generating a total income of £70 million (H1 2019/20: £43 million). The increase is volume-driven and partly reflects the annual growth in programme size compared to last year and is boosted by the Chancellor's stamp duty land tax holiday. There were 382 first tranche units sold during the period (H1 2019/20: 280 units) and 35 open market units (H1 2019/20: 29 units). At 9% (H1 2019/20: 17%), gross margins are lower than the prior year, but this does include forward funded marketing costs for future launches so improvement is expected as the year progresses.

The £3 million reduction in other social housing activities is partly offset by a £1 million increase in other non-social housing activities.

Figure 2 provides an analysis of the movement in our underlying operating costs compared to the first half of 2019/20.

Figure 2: Movement in operating costs (£m)



At £239 million, operating costs are £3 million lower than the same period last year, resulting in an operating cost per unit of £2,190 (H1 2019/20: £2,224).

The majority of this reduction is the result of lower staffing and overhead costs due to lower levels of recruitment and increased home-working arrangements driving down travel and back office costs. Lockdown restrictions also led to fewer repairs with a focus on emergency and urgent work only. Full services have now resumed with significant catch-up seen over the summer months.

The bad debt charge in the period at £4 million is an increase of £1 million over the same period last year. This prudently reflects the impact of lower-than-average rent collections caused by the Covid-19 crisis. This area remains a key focus for the Group as we move into the second half of the year and the ongoing Covid-19 impacts.

Depreciation at £63 million has increased by £8 million aligned to the continued investment in our housing assets across both new build and existing properties.

Other notable movements impacting surplus for the year include a £4 million reduction in the surpluses generated from disposal of properties with the prior year including surpluses generated from the sale of 154 homes to Stafford and Rural Homes.

Overall the Group has ended the half year with an operating margin of 32% (H1 2019/20: 34%).

Net interest increased by £2m reflecting a higher level of notional drawn debt (£4,156 million at 30 September 2020; £3,994 million at 30 September 2019) and a £1 million reduction in capitalised interest mainly due to lower development activity arising from Covid-19 restrictions.

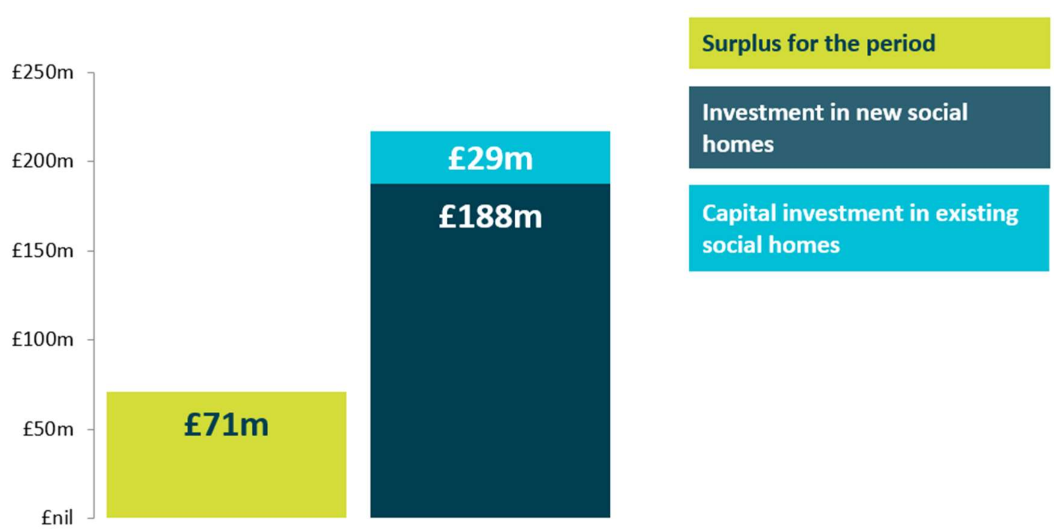
Net surplus at £71 million is £2 million higher than the previous year confirming the strong set of results being delivered, even more so when the impact of Covid-19 is factored in.

Below surplus but impacting the Total Comprehensive Income for the period are £59 million of actuarial losses on the Group's pension schemes (H1 2019/20: £4 million loss). This reverses the £33 million gain seen in the March 2020 year-end accounts and reflects market volatility in yields and discount rates largely based on the pandemic response.

Statement of Financial Position

In the first six months of 2020/21 we have invested 3.1 times our surplus (H1 2019/20: 3.9 times) in new and existing social housing assets (Figure 3) and 1.1 times our surplus (H1 2019/20: 0.7 times) in new non-social assets. In addition to this investment, £82 million has also been spent on maintaining those social housing assets. The above investment has been achieved whilst maintaining gearing at 48%, comfortably lower than our strictest financial covenant.

Figure 3: Surplus vs investment in social housing



Since 31 March 2020, total assets have increased by £147 million. This has predominately been driven by the Group's investment in the construction and redevelopment of housing properties. In

the first six months of this year, £264 million (H1 2019/20: £284 million) has been invested (including £188 million on social homes) with 813 new build starts and 860 properties completed (H1 2019/20: 1,132 new build starts and 691 completions). At the end of September, the Group has approved a further £4,451 million (FY 2019/20: £4,179 million) of development projects although only £1,189 million of this is contracted for.

Drawn debt at £4,156 million is £116 million (3%) higher than 31 March 2020; this additional drawing being used been used to fund our investment in new and existing housing properties. In July 2020, the Group issued a £100 million tap of its existing 2048 fixed rate bond, utilising again its Euro Medium Term Note (EMTN) programme documentation. The proceeds from this issue were used to repay a portion of revolving debt, therefore further hedging our interest-rate exposure.

At the half year, the Group had £1,159 million (H1 2019/20: £667 million) of committed liquidity (cash and facilities) available. Where required, security is in place for this with funds available on 2-3 days' notice.

In the six months to 30 September 2020, our net derivative financial instrument liability has seen a net £3 million (1%) increase in value as a result of rate changes. Our hedge accounting policies mean the majority of this movement is reflected in Other Comprehensive Income rather than surplus for the year.

Overall, the Group's net assets have slightly increased to £1,819 million (FY 2019/20: £1,805 million).

Statement of Cash Flows

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

Cash generation from operations remains high. At £131 million (H1 2019/20: £89 million) it far exceeds our capital investment in existing social homes (£29 million) and provides a significant contribution to our investment in new social homes (£188 million).

Net cash outflow on investing activities of £202 million slightly exceeds the prior year (H1 2019/20: £201 million) and is driven by our significant investment in developing social housing properties, along with investment in our jointly controlled entities and associates (JCEAs) through which we also deliver new homes.

At £51 million, our cash inflow from financing activities has increased compared to the prior year (H1 2019/20: £32 million). This is driven by lower interest payments and an increase in the amount of debt drawn.

Overall the Group has cash and cash equivalents of £100 million (H1 2019/20: £101 million). This remains a key element of our overall liquidity and matches our target cash holding of £100 million.

Principal risks and uncertainties

We continue to monitor all risks the Group faces; successful risk management is a core component of our wider governance and internal control framework. The principal risks and uncertainties that the Group faces are largely as reported in the last Annual Report and Accounts.

Other key risks include failure to deliver new homes in line with our agreed development strategy, with challenging market conditions affecting sales volumes and prices, and financial shock as a result of a departure from the European Union without a trade deal.

Potential risks from Brexit including supply chain concerns and managing risks around our funding requirements. The relevant boards have frequently been updated on the potential impact on Clarion's businesses and have considered mitigation plans and stress testing of our long-term financial plan. The Group remains well positioned to deal with any Brexit scenario.

Outlook

It is too early to project the full financial impact of the Covid-19 crisis, but our fundamentals are sound, we have a strong liquidity position and are well-placed to manage this unprecedented event. In July, Standard & Poor's commented that our liquidity position creates a strong buffer to fund investments and debt service obligations over the next 12 months, noting the Group's likely resilience to the impacts of the pandemic.

We remain focussed on protecting our rental income and arrears have been carefully managed by engaging and supporting our residents. For residents who have seen their income reduce, we have been signposting to Universal Credit for help with housing costs.

We expect to maintain a strong position at the end of the financial 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 2020 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 2020 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 (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square, London, E14 5GL

16 December 2020

Group Statement of Comprehensive Income for the half year ended 30 September 2020

	Notes	**Half year ended 30 September 2020 Reviewed £m**	Half year ended 30 September 2019 Reviewed £m	Year ended 31 March 2020 Audited £m
Turnover	4a	**431.7**	402.1	841.5
Cost of sales	4a	**(64.1)**	(36.7)	(110.6)
Operating costs	4a	**(238.6)**	(242.0)	(496.7)
Surplus on disposal of properties	4a	**10.4**	14.5	58.8
Operating surplus	4a	**139.4**	137.9	293.0
Surplus on disposal of other fixed assets	4a	**-**	-	0.1
Deficit on disposal of operations		**-**	(3.1)	(3.4)
Share of deficit of JCEAs		**(0.7)**	0.6	(0.6)
Loss on revaluation of investment properties		**(2.1)**	(1.0)	(5.0)
Interest receivable	5	**3.2**	2.8	21.2
Interest payable and financing costs	6	**(71.4)**	(69.2)	(135.4)
Movement in fair value of financial instruments	7	**2.3**	2.5	(0.1)
Surplus on ordinary activities before taxation		**70.7**	70.5	169.8
Tax charge on surplus on ordinary activities	8	**-**	(1.4)	(1.4)
Surplus for the period		**70.7**	69.1	168.4
Actuarial (losses)/gains on pension schemes	14	**(58.8)**	(3.5)	32.5
Movement in fair value of financial instruments	7	**1.6**	(65.3)	(60.1)
Total comprehensive income for the period		**13.5**	0.3	140.8

All operations are continuing.

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

David Avery
Group Chairman

Mark Hattersley
Group Chief Financial Officer

Louise Hyde
Company Secretary

16 December 2020

Group Statement of Financial Position as at 30 September 2020

	Notes	30 September 2020 Reviewed £m	31 March 2020 Audited £m
Fixed assets			
Negative goodwill		**-**	(0.5)
Other intangible assets		**70.3**	73.1
Social housing properties	9	**7,597.3**	7,463.2
Investment properties		**224.7**	227.2
Non-housing fixed assets		**40.5**	43.2
Interests in JCEAs		**156.5**	152.5
Other fixed asset investments		**12.3**	12.5
		8,101.6	7,971.2
Current assets			
Stock	10	**553.8**	514.0
Debtors: amounts falling due within one year		**74.8**	87.7
Debtors: amounts falling due after more than one year		**128.4**	120.3
Current asset investments		**122.9**	120.7
Cash and cash equivalents		**100.1**	120.5
		980.0	963.2
Current liabilities			
Creditors: amounts falling due within one year		**(384.4)**	(422.3)
Net current assets		**595.6**	540.9
Total assets less current liabilities		**8,697.2**	8,512.1
Creditors: amounts falling due after more than one year		**(6,780.7)**	(6,664.5)
Provisions for liabilities and charges	14	**(98.0)**	(42.6)
Total net assets		**1,818.5**	1,805.0
Capital and reserves			
Non-equity share capital		**-**	-
Cash flow hedge reserve		**(401.8)**	(403.4)
Income and expenditure reserve		**2,220.3**	2,208.4
Total capital and reserves		**1,818.5**	1,805.0

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

16 December 2020

Group Statement of Changes in Capital and Reserves
for the half year ended 30 September 2020

	Non-equity share capital £m	Cash flow hedge reserve £m	Income and expenditure reserve £m	Total capital and reserves £m
At 31 March 2019	-	(343.3)	2,007.5	**1,664.2**
Surplus for the year ending 31 March 2020	-	-	168.4	**168.4**
Other comprehensive income for the year	-	(60.1)	32.5	**(27.6)**
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**
At 31 March 2019	-	(343.3)	2,007.5	1,664.2
Surplus for the half year ending 30 September 2019	-	-	69.1	69.1
Other comprehensive income for the period	-	(65.3)	(3.5)	(68.8)
At 30 September 2019	**-**	**(408.6)**	**2,073.1**	**1,664.5**

Group Statement of Cash Flows for the half year ended 30 September 2020

	Half year ended 30 September 2020		Half year ended 30 September 2019		Year ended 31 March 2020	
	Reviewed		Reviewed		Audited	
	£m	**£m**	£m	£m	£m	£m
Surplus for the period		**70.7**		69.1		168.4
Adjustment for working capital movements						
Increase in stock	**(20.6)**		(60.4)		(113.2)	
Decrease/(increase) in operating debtors	**7.3**		(6.0)		(3.0)	
(Decrease)/increase in operating creditors	**(35.9)**		(10.2)		43.7	
Pension contributions in excess of expense	**(3.1)**		(2.0)		(4.5)	
	(52.3)		(78.6)		(77.0)	
Adjustment for non-cash items						
Amortisation of government grants	**(11.7)**		(11.8)		(23.6)	
Deferred tax charge	**-**		-		0.1	
Amortisation of intangible assets	**5.6**		4.3		9.5	
Depreciation charge	**62.9**		54.6		113.4	
Impairment reversal	**(1.5)**		-		(1.3)	
Loss on revaluation of investment properties	**2.1**		1.0		5.0	
Other non-cash decrease in provisions	**(0.6)**		(1.6)		(1.5)	
	56.8		46.5		101.6	
Adjustment for financing or investment activities						
Surplus on disposal of properties	**(10.4)**		(14.5)		(58.8)	
Surplus on disposal of other fixed assets	**-**		-		(0.1)	
Deficit on disposal of operations	**-**		3.1		3.4	
Share of deficit/(surplus) of JCEAs	**0.7**		(0.6)		0.6	
Net financing costs	**65.9**		63.9		114.3	
	56.2		51.9		59.4	
Net cash from operating activities		**131.4**		88.9		252.4
Cash flows from investing activities						
Proceeds from disposal of properties	**19.3**		**26.7**		123.2	
Proceeds from disposal of other fixed assets	**-**		**-**		1.0	
Interest received	**3.2**		**2.8**		21.2	
Purchase of subsidiary (net of cash acquired)	**(9.0)**		**-**		-	
Acquisition of intangible assets	**(2.9)**		**(9.8)**		(13.8)	
Acquisition of social housing properties	**(206.4)**		**(216.0)**		(480.6)	
Acquisition of non-housing fixed assets	**(1.6)**		**(1.7)**		(4.4)	
Investment in JCEAs	**(4.7)**		**(4.7)**		(48.4)	
Distributions from JCEAs	**-**		**1.2**		1.9	
Proceeds from disposal of other fixed asset investments	**0.2**		**0.3**		0.5	
Increase in current asset investments	**(2.2)**		**(4.0)**		(4.4)	
Social housing property grants received	**1.7**		**3.9**		95.9	
Proceeds from disposal of operations (net of cash disposed)	**-**		**0.3**		-	
Net cash from investing activities		**(202.4)**		(201.0)		(307.9)
Cash flows from financing activities						
Interest paid	**(65.0)**		**(75.4)**		(155.4)	
Net borrowing of loans and bonds	**115.8**		**107.8**		154.1	
Capital transaction costs paid	**(0.2)**		**(0.4)**		(3.8)	
Net cash from financing activities		**50.6**		32.0		(5.1)
Net decrease in cash and cash equivalents		**(20.4)**		(80.1)		(60.6)
Cash and cash equivalents at 1 April		**120.5**		181.1		181.1
Cash and cash equivalents at the end of the period		**100.1**		101.0		120.5

See note 11 for the reconciliation of net debt.

Notes to the Financial Statements for the half year ended 30 September 2020

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 2020.

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 2020 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 2020. 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 2020 (continued)

3. Units under management

	At 1 April 2020	Adjustment	Handed over	Net conversion from Affordable	Other movements	**At 30 September 2020**
Units under management						
Social housing						
Social rent	76,365	(30)	30	15	(193)	**76,187**
Affordable rent	12,945	17	258	(15)	(47)	**13,158**
General needs	89,310	(13)	288	-	(240)	**89,345**
Supported	1,208	199	-	-	(12)	**1,395**
Housing for Older People	7,146	(213)	-	-	(15)	**6,918**
Shared ownership	8,540	(2)	496	-	(61)	**8,973**
Intermediate rent	475	(23)	-	-	(5)	**447**
Keyworker	964	3	-	-	(2)	**965**
Social leaseholders	9,984	1	-	-	35	**10,020**
Staff accommodation	102	3	-	-	(1)	**104**
Social homes under management	**117,729**	**(45)**	**784**	**-**	**(301)**	**118,167**
Non-social housing						
Market rent	811	(26)	-	-	-	**785**
Non-social leaseholders	5,859	27			3	**5,889**
Homes under management	**124,399**	**(44)**	**784**	**-**	**(298)**	**124,841**
Non-housing						
Garages and car parking spaces	10,390	5	-	-	(1)	**10,394**
Commercial leaseholders	323	-	-	-	(1)	**322**
Community centres	61	-	-	-	-	**61**
Units under management	**135,173**	**(39)**	**784**	**-**	**(300)**	**135,618**
Social housing	1,136	1	-	-	(55)	**1,082**
Non-social housing	1,150	14	-	-	10	**1,174**
Non-housing	5	(5)	-	-	-	**-**
Units owned but not managed	**2,291**	**10**	**-**	**-**	**(45)**	**2,256**

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

Notes to the Financial Statements for the half year ended 30 September 2020 (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 2020					Half year ended 30 September 2019	
	Turnover £m	Cost of sales £m	Operating costs £m	Surplus/ (deficit) on disposal £m	Operating surplus/ (deficit) £m	Turnover £m	Operating surplus/ (deficit) £m
Social housing activities							
Social housing lettings (note 4b)	341.6	-	(220.1)	-	121.5	336.7	118.2
Shared ownership first tranche sales	53.1	(46.5)	-	-	6.6	31.7	5.5
Other social housing activities							
Care and support services	5.6	-	(4.2)	-	1.4	6.5	(0.1)
Development for others	0.5	(0.5)	-	-	-	1.0	-
Development costs not capitalised	-	-	(0.8)	-	(0.8)	-	(2.1)
Community investment	0.7	-	(5.2)	-	(4.5)	0.8	(5.9)
Other	1.5	-	(1.9)	-	(0.4)	2.4	0.4
Total	8.3	(0.5)	(12.1)	-	(4.3)	10.7	(7.7)
Surplus on disposal of social housing properties	-	-	-	10.4	10.4	-	14.5
Total social housing activities	403.0	(47.0)	(232.2)	10.4	134.2	379.1	130.5
Non-social housing activities							
Open market sales	16.8	(17.1)	(0.5)	-	(0.8)	11.6	0.1
Other non-social housing activities							
Market rent lettings	4.3	-	(1.4)	-	2.9	4.5	2.9
Garage lettings	1.8	-	(0.3)	-	1.5	1.6	1.3
Commercial lettings	2.5	-	(1.1)	-	1.4	2.3	1.1
Other	3.3	-	(3.1)	-	0.2	3.0	2.0
Total	11.9	-	(5.9)	-	6.0	11.4	7.3
Surplus on disposal of investment properties	-	-	-	-	-	-	-
Total non-social housing activities	28.7	(17.1)	(6.4)	-	5.2	23.0	7.4
Total social and non-social housing activities	431.7	(64.1)	(238.6)	10.4	139.4	402.1	137.9
Analysis of disposals							
Social housing properties	*21.8*	*(8.7)*	*(2.7)*	10.4	10.4	28.7	14.5
Investment properties	*0.4*	*(0.4)*	-	-	-	-	-
Other fixed assets	-	-	-	-	-	*0.1*	-

Notes to the Financial Statements for the half year ended 30 September 2020 (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 accomo-dation £m	Other £m	Half year ended 30 September 2020 Total £m	Half year ended 30 September 2019 Total £m
Income						
Rent receivable net of identifiable service charges	264.8	18.3	17.9	7.3	**308.3**	298.9
Service charge income	8.5	4.0	3.4	5.7	**21.6**	25.1
Amortisation of government grants	9.9	0.9	0.6	0.3	**11.7**	11.8
Other revenue grants/income	-	-	-	-	**-**	0.9
Turnover from social housing lettings	**283.2**	**23.2**	**21.9**	**13.3**	**341.6**	336.7
Expenditure						
Management	(34.2)	(4.1)	(0.9)	(1.6)	**(40.8)**	(43.0)
Service charge costs	(11.7)	(5.5)	(4.7)	(8.0)	**(29.9)**	(29.4)
Routine maintenance	(50.3)	(4.2)	(0.1)	(1.5)	**(56.1)**	(61.1)
Planned maintenance	(24.0)	(1.0)	(0.1)	(0.3)	**(25.4)**	(25.3)
Major works expensed	(4.4)	(0.1)	-	-	**(4.5)**	(5.1)
Bad debts	(4.3)	(0.3)	(0.2)	0.4	**(4.4)**	(3.3)
Depreciation of housing properties	(54.1)	(3.8)	-	(0.7)	**(58.6)**	(50.8)
Other costs	(0.1)	-	-	(0.3)	**(0.4)**	(0.5)
Operating costs on social housing lettings	**(183.1)**	**(19.0)**	**(6.0)**	**(12.0)**	**(220.1)**	(218.5)
Operating surplus on social housing lettings	**100.1**	**4.2**	**15.9**	**1.3**	**121.5**	118.2
Void losses	**7.9**	**1.5**	**0.7**	**0.8**	**10.9**	4.8

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 have increased since the previous period as measures put in place to reduce the risk of spreading Covid-19 have led to a longer turnaround time (the time required to prepare a vacant property for the next tenant).

Notes to the Financial Statements for the half year ended 30 September 2020 (continued)

5. Interest receivable

	Half year ended 30 September 2020 £m	Half year ended 30 September 2019 £m
Interest receivable on bank deposits	**0.3**	1.0
Interest receivable from JCEAs	**2.8**	1.8
Other interest receivable	**0.1**	-
	3.2	2.8

6. Interest payable and financing costs

	Half year ended 30 September 2020 £m	Half year ended 30 September 2019 £m
Interest payable on loans	**12.9**	18.1
Interest payable on bonds and similar instruments	**49.1**	44.5
Interest payable on derivatives	**20.4**	18.6
Interest payable on finance leases	**0.3**	0.3
Interest payable relating to pensions	**0.3**	0.7
Other charges	**2.6**	2.4
	85.6	84.6
Interest payable capitalised	**(14.2)**	(15.4)
	71.4	69.2

The Group's weighted average interest rate for general borrowings was 3.99% (30 September 2019: 4.13%).

Notes to the Financial Statements for the half year ended 30 September 2020 (continued)

7. Movement in fair value of financial instruments

Included in income and expenditure	Half year ended 30 September 2020 £m	Half year ended 30 September 2019 £m
Fair value gains on		
Borrowings treated as fair value hedging item	**1.4**	-
Derivatives treated as fair value hedging instruments	**2.1**	6.1
Derivatives treated as cash flow hedging instruments - ineffective	**-**	1.1
Derivatives not in hedging relationships	**0.4**	-
	3.9	7.2
Fair value losses on		
Borrowings treated as fair value hedging item	**-**	(4.4)
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)
	(1.6)	(4.7)
	2.3	2.5

Included in other comprehensive income	Half year ended 30 September 2020 £m	Half year ended 30 September 2019 £m
Fair value gains on		
Derivatives treated as cash flow hedging instruments - effective	**1.3**	-
Amortisation of cash flow hedge reserve relating to a prematured derivative	**0.3**	0.3
	1.6	0.3
Fair value losses on		
Derivatives treated as cash flow hedging instruments - effective	**-**	(65.6)
	1.6	(65.3)

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

Notes to the Financial Statements for the half year ended 30 September 2020 (continued)

8. Taxation

	Half year ended 30 September 2020 £m	Half year ended 30 September 2019 £m
Recognised in income and expenditure	**-**	1.4

The tax charge for the Group for the period is less than 19% (30 September 2019: 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 2020 £m**	Half year ended 30 September 2019 £m
Surplus on ordinary activities before taxation	**70.7**	70.5
Tax charge at 19% (30 September 2019: 19%)	**13.4**	13.4
Effects of:		
Charitable surpluses not taxed	**(14.1)**	(13.3)
Adjustment in respect of prior periods	**-**	1.4
Other non-material differences	**0.7**	(0.1)
	-	1.4

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

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 2020	7,149.9	844.3	219.2	313.6	**8,527.0**
Construction/redevelopment of properties	-	-	63.5	100.5	**164.0**
Major repairs to completed properties	29.2	-	-	-	**29.2**
Other additions	3.2	-	-	-	**3.2**
Completed construction	52.6	87.6	(52.6)	(87.6)	**-**
Transfer from stock	-	4.1	-	-	**4.1**
Components replaced	(5.3)	-	-	-	**(5.3)**
Other disposals / write-offs	(13.2)	(5.8)	(0.4)	-	**(19.4)**
At 30 September 2020	**7,216.4**	**930.2**	**229.7**	**326.5**	**8,702.8**
Depreciation and impairment					
At 1 April 2020	(1,050.8)	(13.0)	-	-	**(1,063.8)**
Depreciation charge for the period	(58.6)	-	-	-	**(58.6)**
Eliminated on components replaced	5.3	-	-	-	**5.3**
Eliminated on other disposals / write-offs	11.5	0.1	-	-	**11.6**
At 30 September 2020	**(1,092.6)**	**(12.9)**	**-**	**-**	**(1,105.5)**
Net book value					
At 30 September 2020	**6,123.8**	**917.3**	**229.7**	**326.5**	**7,597.3**
Net book value					
At 31 March 2020	6,099.1	831.3	219.2	313.6	7,463.2

10. Stock

	Under construction		Completed properties		
	Social £m	Non-social £m	Social £m	Non-social £m	Total £m
At 1 April 2020	146.7	219.2	64.4	83.7	**514.0**
Additions	23.5	76.2	-	-	**99.7**
Impairment reversal	-	-	-	1.5	**1.5**
Properties completed	(46.9)	(28.7)	46.9	28.7	**-**
Reclassification between tenures	-	-	6.0	(6.0)	**-**
Transfer to social housing properties	-	-	(4.1)	-	**(4.1)**
Properties sold	-	-	(43.4)	(13.9)	**(57.3)**
At 30 September 2020	**123.3**	**266.7**	**69.8**	**94.0**	**553.8**

Non-social additons include £17.0m relating to the acquisition of Clyde Limited.

Notes to the Financial Statements for the half year ended 30 September 2020 (continued)

11. Debt analysis

Debt is repayable as follows:	30 September 2020 £m	31 March 2020 £m
Due within one year	**146.2**	130.9
Due between one and two years	**98.4**	111.0
Due between two and five years	**155.3**	149.6
Due after more than five years	**3,835.6**	3,709.3
	4,235.5	4,100.8

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 2020 £m	31 March 2020 £m
Notional amounts drawn		
Clarion Treasury Limited		
- Loans	**1,702.0**	1,685.0
Clarion Funding PLC		
- Note issuance	**1,100.0**	1,000.0
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	**49.2**	50.5
- Finance leases	**5.7**	5.7
Latimer Weyburn Works Ltd		
- Loans	**14.5**	14.4
	4,156.4	4,040.6
Accounting adjustments		
Fair value adjustment due to		
- Acquisitions of legacy Registered Providers	**13.8**	14.3
- Hedging of private placement	**20.3**	21.7
Effective interest rate adjustment	**45.0**	24.2
	79.1	60.2
	4,235.5	4,100.8

The notional value of the Group's committed debt facilities at 30 September 2020 is £5,215.4 million (31 March 2020: £4,831.7 million).

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

The fair value adjustment relating to acquisitions is amortised over the life of the related loans and £0.5 million has been released in this period (30 September 2019: £0.6 million). The private placement is held at fair value as a result of hedge accounting and has reduced in value by £1.4 million during the period (30 September 2019: increased by £4.4 million).

Notes to the Financial Statements for the half year ended 30 September 2020 (continued)

11. Debt analysis (continued)

Analysis of changes in net debt	At 1 April 2020 £m	Cash flows £m	Changes in fair value £m	Other non-cash changes £m	At 30 September 2020 £m
Cash and cash equivalents	120.5	(20.4)	-	-	**100.1**
Debt	(4,100.8)	(115.6)	1.4	(20.5)	**(4,235.5)**
Derivatives	(381.6)	-	2.5	-	**(379.1)**
Net debt	**(4,361.9)**	**(136.0)**	**3.9**	**(20.5)**	**(4,514.5)**

12. Capital grants

	HomeBuy grants £m	Social housing property grants £m
At 1 April 2020	10.7	2,180.0
New grant recognised	-	1.7
Amortisation	-	(11.7)
Recycled on disposals (net of amortisation)	(0.2)	(1.8)
Disposals not required to be recycled (adjustment to prior year disposals)	-	0.6
Grant repaid due to change of tenure	-	(0.3)
At 30 September 2020	**10.5**	**2,168.5**

Amounts falling due within one year	-	23.5
Amounts falling due after more than one year	10.5	2,145.0
	10.5	**2,168.5**

Recycled Capital Grant Fund	HE £m	GLA £m	Total £m
At 1 April 2020	11.2	11.7	**22.9**
Additions to fund due to disposals	1.4	1.0	**2.4**
At 30 September 2020	**12.6**	**12.7**	**25.3**

Amounts falling due within one year	12.6
Amounts falling due after more than one year	12.7
	25.3

Amounts three years old or older which may need to be repaid	0.3	2.4	**2.7**

Notes to the Financial Statements for the half year ended 30 September 2020 (continued)

13. Financial instruments

The following financial derivative contracts are in place:

	30 September 2020			31 March 2020		
	Active £m	**Forward starting £m**	**Total £m**	Active £m	Forward starting £m	Total £m
Notional						
Interest-rate swaps - option	50.0	-	**50.0**	-	-	-
Interest-rate swaps - pay fixed	1,151.7	100.0	**1,251.7**	1,267.8	100.0	1,367.8
Interest-rate swaps - receive fixed	100.0	-	**100.0**	100.0	-	100.0
	1,301.7	**100.0**	**1,401.7**	1,367.8	100.0	1,467.8
Fair value						
Interest-rate swaps - option	(0.7)	-	**(0.7)**	-	-	-
Interest-rate swaps - pay fixed	(380.7)	(14.8)	**(395.5)**	(380.0)	(16.6)	(396.6)
Interest-rate swaps - receive fixed	17.1	-	**17.1**	15.0	-	15.0
	(364.3)	**(14.8)**	**(379.1)**	(365.0)	(16.6)	(381.6)

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 2020 £m	31 March 2020 £m
Due within one year	**38.3**	38.6
Due between one and two years	**33.0**	34.1
Due between two and five years	**86.3**	81.5
Due after more than five years	**270.6**	281.0
	428.2	435.2

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 2020: all are Level 2).

The Group's hedged items and hedging instruments continue to be indexed to Sterling LIBOR. The Group applies the amendments to IFRS 9 issued in September 2019 to those hedging relationships directly affected by IBOR reform and the amendments to FRS 102 issued in December 2019 for the disclosure of such relationships. For the purpose of evaluating whether there is an economic relationship between the hedged items and the hedging instruments, the Group assumes that the benchmark interest rate is not altered as a result of IBOR reform.

Notes to the Financial Statements for the half year ended 30 September 2020 (continued)

14. Provisions for liabilities and charges

	30 September 2020 £m	31 March 2020 £m
Net pension liabilities	**88.3**	32.3
Deferred tax liabilities	**1.3**	1.3
Other	**8.4**	9.0
	98.0	42.6

The revaluation of the Group's significant defined benefit pension assets and liabilities as at 30 September 2020 resulted in an increase of the net liability of £56.0 million. This movement includes £58.8 million of net actuarial losses, reflecting market volatility in yields and discount rates largely based on the pandemic response, and a net £2.8 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.

The schemes included in the 30 September 2020 revaluation are the Cambridgeshire County Council Pension Fund, the Clarion Housing Group Pension Scheme, the Downland Housing Group Pension & Assurance Scheme, the Kent County Council Pension Fund, the London Borough of Bromley Pension Fund, the London Borough of Merton Pension Fund, the London Pension Fund Authority Pension Fund and the Norfolk County Council Pension Fund.

15. Contingent assets/liabilities

As per note 1 of the financial statements for the year ended 31 March 2020, the original amount of social housing property grants may become repayable. In addition to the amounts included in creditors, £367.0 million of grant has been credited to reserves to date through amortisation (31 March 2020: £356.8 million). The timing of any future repayment, if any, is uncertain.

The Group has a contingent liability in relation to defects found at 935 properties (31 March 2020: 781 properties). For 74 of these properties, a formal liability assessment has been made, totalling £0.5 million (31 March 2020: 74 properties, £0.5 million).

16. Capital commitments

	30 September 2020 £m	31 March 2020 £m
Contracted for but not provided for in the financial statements	**1,189.1**	1,423.5
Authorised by the Board but not contracted for	**3,261.7**	2,755.5
	4,450.8	4,179.0

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

The figures above include £665.5 million (31 March 2020: £587.3 million) for the Group's share of the capital commitments of its JCEAs.

At the reporting date the Group had £100.1 million of cash and cash equivalents and £1,059.0 million of undrawn funding. The remaining £3,291.7 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 £100 million of the Group's £3 billion European Medium Term Note programme was issued during the period.

17. Events after the end of the reporting period

On 13 November 2020, Clarion Funding plc issued a further £300m of bonds, maturing in 2032, at an all-in effective rate of 1.34%. Following settlement, proceeds will be on-lent to Clarion Housing Association Limited via Clarion Treasury Limited.

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