



**CLARION**  
HOUSING GROUP

Clarion Housing Group

# Interim Report and Accounts

Half year ended 30 September 2022

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## Half year at a glance

FINANCIAL HIGHLIGHTS	6 months to 30 September 2022 (H1 2022/23) Actual	6 months to 30 September 2021 (H1 2021/22) Actual	12 months to 31 March 2022 Actual
Turnover	£481m	£512m	£1,059m
Operating margin	31%	32%	29%
Net surplus	£101m	£100m	£186m
Operating cost per home	£2,683	£2,456	£5,190
Capital investment in new homes	£264m	£296m	£583m
Interest cover	2.5	2.5	2.1

OPERATIONAL HIGHLIGHTS	6 months to 30 September 2022 (H1 2022/23) Actual	6 months to 30 September 2021 (H1 2021/22) Actual	12 months to 31 March 2022 Actual
Overall resident satisfaction	Not available. Customer satisfaction surveys were paused as a result of the cyber incident.	80.8%	83.4%
Resident satisfaction with repairs	89.9%*	89.0%	90.5 %
Arrears	8.5%	5.9%	5.7%
Homes managed at the end of the period	124,646	124,889	124,860
Social rent loss due to voids	£6.5m	£6.2m	£12.6m
Occupancy rates	Not available due to the cyber incident.	98.4%	98.4%
Social Value of community investment activity	£55m	£76m	£131m

\*This score is calculated using Clarion Response and contractor surveys in April and May, and just contractor surveys from June to September.

DEVELOPMENT HIGHLIGHTS	6 months to 30 September 2022 (H1 2022/23) Actual	6 months to 30 September 2021 (H1 2021/22) Actual	12 months to 31 March 2022 Actual
Total new homes constructed	785	892	2,276
Of which new affordable homes	658	771	1,946
Of which new private sales homes	127	121	330
Sales income (excluding share of JCEA sales)	£95m	£138m	£307m
Total sales volume (excluding share of JCEA sales)	488	706	1,502

## Statement from the Group Chief Executive

This set of interim results at the mid-point in the year show a resilient performance in the context of a very challenging operating environment. Combined with the high levels of inflation and increased costs, we have also been impacted by a cyber-attack which caused significant disruption to our services. Once again, I find myself thanking our 4,000 strong team for their professionalism and dedication to delivering for our residents.

Following the cyber incident, the vast majority of our services are now back to normal, including a return to a full repairs service. With this backdrop it is especially pleasing that at the end of September we recorded a repairs satisfaction score of 89.9% - exceeding our internal target of 85%.

Our planned investment work was unaffected by the cyber-attack and we have invested significantly in our homes during the first six months of the year. £53 million was spent on improving our existing properties, including £9 million spent on fire safety. In May, we were granted final approval for the first 200 new homes at our Eastfields estate in Merton - part of what is one of the largest regeneration projects in the country. Securing detailed planning consent for the first phase at Eastfields marks a major milestone in the project, with work now quickly progressing across the three estates we are regenerating in Merton and 155 existing households having moved into their brand new homes.

To complement investment in our existing homes, we are always looking for opportunities to innovate. This year, we have invested in new equipment to support the early detection of damp and mould, and have taken advantage of new technology in order to track property interventions - measuring and reporting results. Our new, proactive and data-led approach will allow us to catch problems early, before they become more disruptive for our residents.

In November, the Regulator of Social Housing regraded Clarion's viability rating from V1 to V2. The V2 rating means that Clarion meets the regulatory expectations but that there are financial challenges which we will have to manage. We are one of 18 peers who have been regraded from V1 to V2 and the judgement reflects the testing national economic situation and the pressures on all housing associations. There is no doubt that these pressures will mean we may have some difficult decisions to make in the months ahead but this report confirms we have strong foundations to build on. As ever we will be guided by our core mission – to provide homes for those who need them most.

Clare Miller, Group Chief Executive

## Statement from the Group Chair

I am extremely proud of what this organisation has achieved during the first half of the financial year. Thanks to a dedicated senior leadership team and thousands of colleagues united by a shared ambition to serve our residents, we have navigated some significant challenges. We remain well-placed to respond and adapt to the external environment, while acknowledging that no organisation is immune to both rising inflation and interest rates.

In the six months from April we completed 785 new homes, 84% of which were for affordable tenures, and while this remains a strong level of housing delivery it does reflect the more cautious approach we have adopted, in recognition of the economic and market conditions. We remain committed to doing our best to tackle the housing crisis and since April this year have been given the green light to bring forward major upcoming schemes in Leeds, Richmond and Merton.

Sustainability is a priority for the Group and our work on the Social Housing Decarbonisation Fund pilot and initial phase, Wave 1, is enabling us to accelerate our existing programme of work to cut emissions and improve energy efficiency in hundreds of our homes. Combined with our existing planned investment programme, this will see the energy efficiency upgraded in 11,500 homes across both Fenland and Tonbridge & Malling - some of which are more than 100 years old.

Making our homes more energy efficient is just one of the ways we can help mitigate the impacts of the cost of living crisis on our residents. The services delivered by our charitable foundation, Clarion Futures, are now as vital as ever. During the first six months of the year, Clarion Futures has helped 944 people into work and 29 people to set up their own business. It has also helped 1,903 people into training. A total of 5,506 actions were undertaken by the Money Guidance Team and its external partners to help residents manage their money more effectively in these difficult times.

It will take a collective effort to help protect those most vulnerable to the cost of living crisis and we welcomed the government's package of targeted support, which will make a significant difference to the lowest-paid households. We will continue to listen to our residents and be a voice for them. Underpinning everything we are able to do for our residents is our financial strength and our interim results show we remain a financially strong, resilient organisation.

David Avery, Group Chair

## **Financial review**

Against a backdrop of a very challenging operating environment we are pleased to report a strong financial performance. In the six months to 30 September 2022 we have delivered a net surplus of £101 million (H1 2021/22: £100 million), all of which has been reinvested back into our homes and communities. Total net assets at £2,591 million were up £288 million from 31 March 2022 and total liquidity stood at £1,069 million (31 March 2022: £1,136 million).

As a financially robust organisation we are well placed to absorb and adapt to many of the shocks of the external market whilst continuing to fulfil our mission – providing homes to those that need them most.

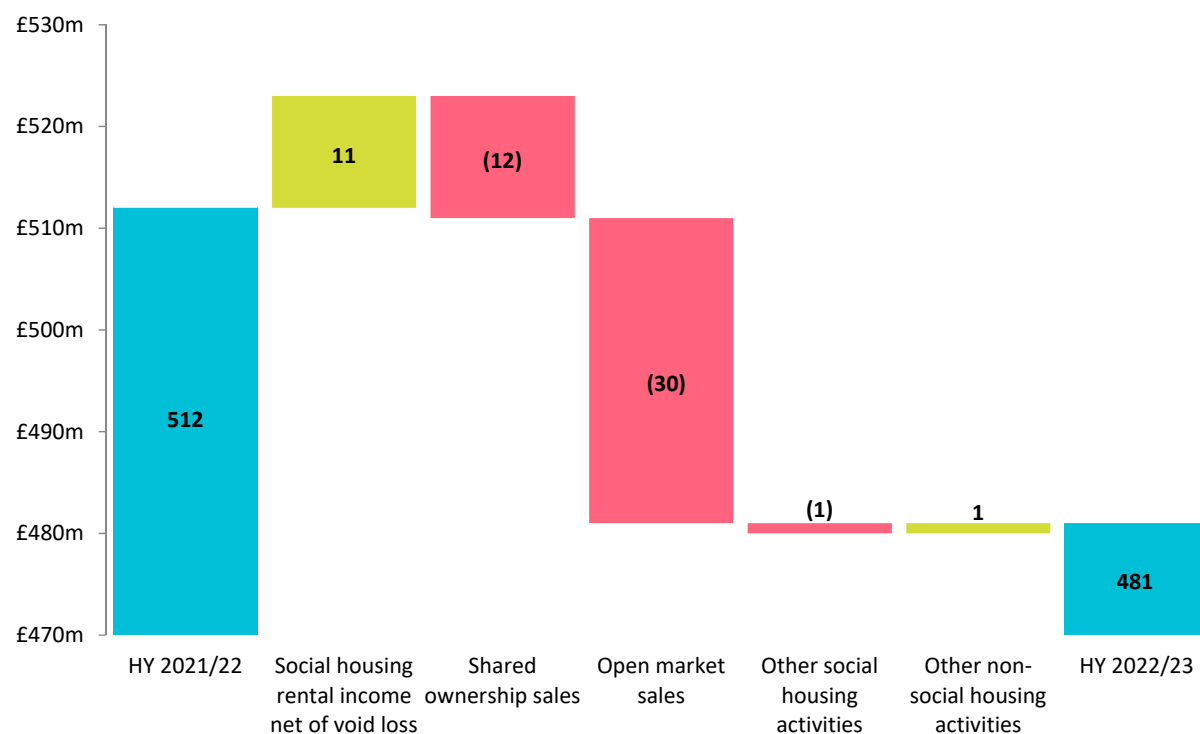
### **Statement of Comprehensive Income**

Despite the external economic pressures, our operating margin at 31% has seen only a slight reduction on the prior year (H1 2021/22: 32%). This reduction has been driven by a £26 million increase in operating costs, partially offset by a £12 million increase in rental income and a £4 million rise in surpluses generated from property disposals. Additionally, compared to H1 2021/22, there were 218 fewer outright market and shared ownership first tranche sales, which reduced turnover by £43 million and operating surplus by £5 million. Overall, operating surplus ended the half year at £150 million (H1 2021/22: £164 million).

Below operating surplus, a small increase in our taxation provision is more than offset by surpluses generated from our joint ventures (including an £8 million surplus on the disposal of our share of Hadley Goodmayes LLP), gains on investment property revaluations and a net £2 million reduction in interest. The Group's cash exposure to rising interest rates is limited due to it fixing circa 90% of its borrowings. Overall the half year ended with a net surplus of £101 million (H1: 2021/22 £100 million).

Turnover at £481 million is £31 million (6%) lower than the same period last year (H1 2021/22: £512 million). Figure 1 provides an analysis of the movement compared to the first half of 2021/22.

Figure 1: Six-month movement in turnover



Development sales are the primary driver. There have been 145 fewer shared ownership and 73 fewer open market sales this half year. Positively, the gross sales margin has increased with an overall blended margin of 12% (H1 2021/22: 11%). Unreserved stock levels have reduced with 260 units across outright sales and shared ownership compared to 429 at the start of the year.

Rental income has seen an increase of £12 million, £11 million of which relates to social housing products. The rise primarily reflects inflationary rent increases and underlying unit growth (excluding 461 homes transferred to other Registered Providers 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 2021/22.

*Figure 2: Six-month movement in operating costs*



At £294 million operating costs are £26 million higher than the same period last year, resulting in a six-month operating cost per unit of £2,683 (H1 2021/22: £2,456).

Nearly half of the increase in overall operating costs relates to our routine, planned and expensed major works, reflecting higher demand and costs per repair, particularly from subcontractors. Whilst this year's cyber incident did impact delivery of routine repairs, our emergency works, planned investment and fire safety were all unaffected. For the first six months of 2022/23 we spent £115 million maintaining our homes (H1 2021/22: £103 million).

Our bad debt provision has seen a £14 million increase since 31 March 2022 which is £9 million higher than the first half of 2021/22. As a result of the cyber incident we were unable to take phone or portal payments and also temporarily suspended Clarion initiated Direct Debits. Whilst recovery plans are in place to shortly resume services, we have prudently increased our provision, particularly given the backdrop of a cost of living crisis.

The remaining large variance stems from management, service charge costs and depreciation which has been partially offset by a reduction in exceptional items (the first six months of 2021/22 saw additional costs relating to Clare House).

At £47 million our surplus generated from existing property disposals is £4 million higher than the prior year. Similar to 2021/22, the biggest contributor to our disposal surplus was our property rationalisation programme, however the primary driver for the increase was the higher volumes of staircasing, right-to-buy and right-to-acquire sales.



Below operating surplus we have seen a £5 million net gain on our investment property valuations, primarily driven by our market rent portfolio, and a £9 million net surplus due to our joint venture activity which includes £8 million from the disposal of our interest in Hadley Goodmayes LLP in June 2022.

Rising interest rates are having a significant impact on the valuation of our interest rate swaps (derivatives) driving fair value gains of £194 million (H1 2021/22: £39 million). Due to hedge accounting £192 million of this movement is taken through Other Comprehensive Income (H1 2021/22: £37 million). Due to the Group paying a fixed rate on 88.7% of our net debt portfolio, our net interest exposure to rising rates is limited. In fact the Group has seen a £2 million reduction in net interest due to increased interest receipts from bank deposits, higher rates of capitalisation and a reduction in breakage costs.

Also impacting Other Comprehensive Income is a £5 million loss on remeasuring our defined benefit pension schemes. Our largest pension scheme recognised a £19 million actuarial loss, largely as a result of being particularly impacted by the sudden fall in UK gilts in late September 2022. The remaining pension schemes all saw actuarial gains totalling £44 million, but as disclosed in note 15 of these accounts we have capped the gain recognised, reducing it by £30 million, to better reflect recoverability.

### **Statement of Financial Position**

Since 31 March 2022 total net assets have increased by £288 million (12%) to £2,591 million. The primary drivers are continued investment in our existing stock and new homes as well as a reduction in the fair value of derivative financial instruments due to macroeconomic factors.

*Figure 3: Surplus versus investment in social housing*



Figure 3 illustrates how our surplus compares to the investment we make in social housing. The Group continues to invest significantly in its existing homes with expenditure of £53 million during the first half of the year (H1 2021/22: £53 million) on top of our £115 million (H1 2021/22: £103 million) of revenue maintenance spend.

With the challenging new build market conditions, including materials shortage and pricing challenges, we have had to take a more cautious approach to investment in new homes. £202 million has been invested in new affordable housing (H1 2021/22: £242 million) with a further £62 million invested in new non-social homes (H1 2021/22: £54 million) – both figures include the Group's acquisition of Bonner Road LLP: £8 million of which relates to affordable housing and £8 million non-social. During the period there were 785 new build completions, 84% of which were for affordable tenures (H1 2021/22: 892 completions, 86% affordable tenures).

Despite the above investments the book value of our debt has actually reduced by £34 million with limited reliance being placed on external finance to fund our development programme. As noted previously, rising interest rates are also reducing the fair value of our derivative liabilities, which is the main reason for the £230 million overall reduction in total creditors since 31 March 2022.

Other notable movements impacting the Statement of Financial Position are a £41 million net reduction in our interest in Jointly Controlled Entities ("JCEs") and a £14 million increase in goodwill. Both movements are largely the result of restructuring. In May 2022 the Group acquired the other 50% of Bonner Road LLP, generating £14 million of goodwill and reducing our interest in JCEs by £30 million. In June 2022 the Group disposed of its share in Hadley Goodmayes LLP, resulting in a further £11 million reduction in its JCE interests.

Our Financial Position metrics remain strong with a gearing ratio (as per our covenant definition) of 46% (31 March 2022: 47%).

### **Statement of Cash Flows**

At £111 million (H1 2021/22: £202 million) the cash generation from operations remains high and significantly in excess of the £53 million investment in existing homes.

Net cash outflow from investment activities of £78 million is £116 million less than the first six months of 2021/22. This reflects our more cautious approach to development where our investment in social housing properties has reduced by £58 million. Other significant contributors to this movement are a £32 million increase in grant receipts, as more of the Group's share of the Affordable Homes Programme 2021-26 flows in, and £19 million higher proceeds from the disposal of operations.

At £100 million, net cash outflow from financing activities is £94 million greater than the outflow seen to 30 September 2021. Whilst interest payments are largely in line with the prior year, our notional debt position has seen a £15 million reduction since 31 March 2022. Through a combination of the Group's investment and operational activity, limited reliance has needed to be placed on debt in order to finance our development programme. Significantly, the Group changed its Cash and Investment policies in March 2022 and as a result the operational cash position for the Group has been managed downwards over the last six months.

Overall the Group had cash and cash equivalents of £71 million at 30 September 2022 versus £138 million at 31 March 2022, a significant contribution to our overall Group liquidity of £1,069 million (31 March 2022: £1,136 million).

## Principal risks and uncertainties

We continue to monitor all potential risks the 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 in an increasingly volatile macroeconomic environment bringing with it not only the ongoing challenges of housing market conditions and rising costs, but also the growing pressures on our residents, intensifying demand on our services. Throughout this period of uncertainty, we remain acutely aware of the wider risk landscape we are exposed to, including the increase of cyber threats and pressures on the supply chain. We continue to strengthen our controls and mitigations in response to these evolving threats.

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

## Outlook

The housing association sector faces significant headwinds, with an upcoming rent cap beneath inflation, higher costs and a weakening housing market all creating risks to be carefully navigated. Clarion's conservative approach to financial management, coupled with an ability to flex its business and development plans means that the Group is well-placed to meet these challenges. In November, Moody's highlighted our robust debt metrics, diverse funding strategy and strong debt management, complemented by ample unencumbered assets and a bespoke treasury policy.

The cyber security incident had a negative impact on rent arrears, as a result of us temporarily suspending one of our direct debit systems. However, we will continue to focus on protecting our rental income by carefully managing arrears, engaging and supporting our residents and signposting to help available.

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

To allow efforts to focus on recovery following June's cyber incident, for this half year we have not commissioned a review by KPMG. A full audit will be conducted as part of the March 2023 annual accounts process and half year reviews will resume from 2023/24.

## Group Statement of Comprehensive Income for the half year ended 30 September 2022

		Half year ended 30 September 2022  Unaudited  £m	Half year ended 30 September 2021  Reviewed  £m	Year ended 31 March 2022  Audited  £m
	Notes			
Turnover	4a	480.5	511.9	1,059.0
Cost of sales	4a	(83.6)	(123.0)	(273.4)
Operating costs	4a	(294.0)	(268.1)	(569.3)
Surplus on disposal of properties	4a	47.4	43.3	86.4
<b>Operating surplus</b>	4a	<b>150.3</b>	164.1	302.7
Surplus on disposal of operations		7.5	-	-
Share of surplus/(deficit) of JCEAs		1.8	(0.8)	0.1
Gain on revaluation of investment properties		5.2	0.8	14.0
Interest receivable	5	4.8	3.6	8.9
Interest payable and financing costs	6	(68.9)	(69.6)	(142.1)
Movement in fair value of financial instruments	7	1.6	1.4	2.8
<b>Surplus on ordinary activities before taxation</b>		<b>102.3</b>	99.5	186.4
Tax (charge)/credit on surplus on ordinary activities	8	(1.7)	0.5	(0.6)
<b>Surplus for the period</b>		<b>100.6</b>	100.0	185.8
Remeasurement of defined benefit pensions	15	(5.0)	7.0	38.5
Movement in fair value of financial instruments	7	192.1	37.2	110.0
<b>Total comprehensive income for the period</b>		<b>287.7</b>	144.2	334.3

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

David Avery  
Group Chair

Mark Hattersley  
Group Chief Financial Officer

Louise Hyde  
Company Secretary

12 December 2022

## Group Statement of Financial Position as at 30 September 2022

	Notes	30 September 2022 Unaudited £m	31 March 2022 Audited £m
<b>Fixed assets</b>			
Goodwill and negative goodwill	9	13.8	(0.1)
Other intangible assets		68.9	69.3
Social housing properties	10	8,315.3	8,190.9
Investment properties		227.6	222.4
Non-housing fixed assets		30.0	33.9
Interests in JCEAs		140.5	181.7
Other fixed asset investments		11.4	11.4
		<b>8,807.5</b>	<b>8,709.5</b>
<b>Current assets</b>			
Stock	11	495.0	455.8
Debtors: amounts falling due within one year		111.2	113.7
Debtors: amounts falling due after more than one year		105.3	108.8
Current asset investments		106.8	115.8
Cash and cash equivalents		71.1	137.9
		<b>889.4</b>	<b>932.0</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year		(282.0)	(300.5)
		<b>607.4</b>	<b>631.5</b>
<b>Total assets less current liabilities</b>		<b>9,414.9</b>	<b>9,341.0</b>
Creditors: amounts falling due after more than one year		(6,801.7)	(7,013.1)
Provisions for liabilities and charges	15	(21.9)	(24.3)
<b>Total net assets</b>		<b>2,591.3</b>	<b>2,303.6</b>
<b>Capital and reserves</b>			
Non-equity share capital		-	-
Cash flow hedge reserve		(27.0)	(219.1)
Income and expenditure reserve		2,618.3	2,522.7
<b>Total capital and reserves</b>		<b>2,591.3</b>	<b>2,303.6</b>

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

David Avery  
Group Chair

Mark Hattersley  
Group Chief Financial Officer

Louise Hyde  
Company Secretary

12 December 2022

**Group Statement of Changes in Capital and Reserves  
for the half year ended 30 September 2022**

	Non-equity share capital £m	Cash flow hedge reserve £m	Income and expenditure reserve £m	Total capital and reserves £m
At 31 March 2021	-	(329.1)	2,298.4	<b>1,969.3</b>
Surplus for the year ending 31 March 2022	-	-	185.8	<b>185.8</b>
Other comprehensive income for the year	-	110.0	38.5	<b>148.5</b>
At 31 March 2022	-	(219.1)	2,522.7	<b>2,303.6</b>
Surplus for the half year ending 30 September 2022	-	-	100.6	<b>100.6</b>
Other comprehensive income for the period	-	192.1	(5.0)	<b>187.1</b>
<b>At 30 September 2022</b>	<b>-</b>	<b>(27.0)</b>	<b>2,618.3</b>	<b>2,591.3</b>
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
<b>At 30 September 2021</b>	<b>-</b>	<b>(291.9)</b>	<b>2,405.4</b>	<b>2,113.5</b>

## Group Statement of Cash Flows for the half year ended 30 September 2022

	Half year ended 30 September 2022 Unaudited £m      £m		Half year ended 30 September 2021 Reviewed £m      £m		Year ended 31 March 2022 Audited £m      £m	
<b>Surplus for the period</b>	<b>100.6</b>		100.0		185.8	
<i>Adjustment for working capital movements</i>						
(Increase)/decrease in stock	<b>(10.0)</b>		22.3		92.9	
(Increase)/decrease in operating debtors	<b>(15.8)</b>		3.3		(3.9)	
(Decrease)/increase in operating creditors	<b>(18.4)</b>		(5.1)		3.4	
Pension contributions in excess of expense	<b>(3.2)</b>		(2.5)		(6.5)	
Cash paid to settle other provisions	<b>(4.1)</b>		-		-	
	<b>(51.5)</b>		18.0		85.9	
<i>Adjustment for non-cash items</i>						
Amortisation of government grants	<b>(12.3)</b>		(11.8)		(23.8)	
Deferred tax charge/(credit)	<b>1.5</b>		(0.5)		0.6	
Amortisation of intangible assets	<b>5.2</b>		5.2		10.2	
Depreciation charge	<b>67.5</b>		63.0		128.7	
Impairment (reversal)/charge	<b>(0.5)</b>		2.1		4.6	
Gain on revaluation of investment properties	<b>(5.2)</b>		(0.8)		(14.0)	
Non-cash (decrease)/increase in other provisions	<b>(0.3)</b>		4.5		3.0	
	<b>55.9</b>		61.7		109.3	
<i>Adjustment for financing or investment activities</i>						
Surplus on disposal of properties	<b>(47.4)</b>		(43.3)		(86.4)	
Surplus on disposal of operations	<b>(7.5)</b>		-		-	
Share of (surplus)/deficit of JCEAs	<b>(1.8)</b>		0.8		(0.1)	
Net financing costs	<b>62.5</b>		64.6		130.4	
	<b>5.8</b>		22.1		43.9	
<b>Net cash from operating activities</b>	<b>110.8</b>		201.8		424.9	
<b>Cash flows from investing activities</b>						
Net proceeds from disposal of properties	<b>74.0</b>		<b>85.3</b>		156.9	
Proceeds from disposal of other fixed assets	<b>-</b>		<b>0.1</b>		0.2	
Interest received	<b>4.8</b>		<b>3.6</b>		8.9	
Purchase of subsidiary (net of cash acquired)	<b>(8.1)</b>		<b>(8.5)</b>		(8.5)	
Acquisition of intangible assets	<b>(5.6)</b>		<b>(4.2)</b>		(11.9)	
Investment in social housing properties	<b>(209.4)</b>		<b>(267.8)</b>		(530.8)	
Acquisition of non-housing fixed assets	<b>(0.1)</b>		<b>(0.7)</b>		(4.1)	
Repayment of investment by/(investment in) JCEAs	<b>2.4</b>		<b>(7.3)</b>		(27.1)	
Distributions from JCEAs	<b>-</b>		<b>0.4</b>		0.5	
Proceeds from disposal of other fixed asset investments	<b>-</b>		<b>0.4</b>		0.2	
Decrease in current asset investments	<b>9.0</b>		<b>1.0</b>		3.9	
Social housing property grants received	<b>36.6</b>		<b>4.9</b>		52.7	
Proceeds from disposal of operations (net of cash disposed)	<b>18.3</b>		<b>(1.1)</b>		(1.1)	
<b>Net cash from investing activities</b>	<b>(78.1)</b>		(193.9)		(360.2)	
<b>Cash flows from financing activities</b>						
Interest paid	<b>(84.2)</b>		<b>(82.6)</b>		(175.9)	
Discount on bond issues	<b>-</b>		<b>(7.2)</b>		(7.2)	
Net (repayment of)/borrowing of loans and bonds (notional)	<b>(15.1)</b>		<b>88.4</b>		127.3	
Capital transaction costs paid	<b>(0.2)</b>		<b>(4.0)</b>		(1.7)	
Payment of finance lease capital	<b>-</b>		<b>-</b>		(0.1)	
<b>Net cash from financing activities</b>	<b>(99.5)</b>		(5.4)		(57.6)	
Net (decrease)/increase in cash and cash equivalents	<b>(66.8)</b>		2.5		7.1	
Cash and cash equivalents at 1 April	<b>137.9</b>		130.8		130.8	
<b>Cash and cash equivalents at the end of the period</b>	<b>71.1</b>		133.3		137.9	

See note 12 for the reconciliation of net debt.

## Notes to the Financial Statements for the half year ended 30 September 2022

### 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 (January 2022) ("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 (January 2022) ("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 2022.

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 2022 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, as well as current high inflation and the cost of living crisis, have presented challenges for the Group and Parent. The Board has considered their impact on the Group and the Parent and actions have been put in place to manage these risks and the Board consider these risks to be sufficiently mitigated.



## Notes to the Financial Statements for the half year ended 30 September 2022 (continued)

### 2. Significant judgements and accounting estimates

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

The significant judgements and estimates made by management in preparing these condensed financial statements are principally the same as those applied to the Group's consolidated financial statements for the year ended 31 March 2022. 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. Additionally, the Group's operations and processes continue to recover following the cyber security incident in June 2022, as a result of which some estimates have had to be made without all of the detailed and up-to-date information usually available. The use of a higher level of estimation is in accordance with FRS 104 and is not expected to result in a material difference.

#### Specific accounting estimates

The nature of estimation means that actual outcomes could differ from the estimates made. The following accounting estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities - and therefore the income and expenses recognised - within the next financial year:

- 1 The useful economic lives ("UEs") of rental-only social housing properties.

The Group believes that the UEs used are reasonable based on its experience. The most material assumption is the UEs of rental-only social housing property components: these were reviewed during the prior year by comparing against service life data held by the Group's repairs and maintenance team, and through benchmarking against the UEs disclosed by other English Registered Providers. The revised lives have been applied from 1 April 2022 and are as follows:

Structure	100 years
Bathrooms	30-35 years
Boilers	15 years
Doors	30 years
Electrics	30-35 years
Energy efficiency	30 years
External works	30 years
Fire	5-15 years
Kitchens	20-25 years
Lifts	15-25 years
Mechanical	20 years
Other heating	25-30 years
Roofs – flat	15-25 years
Roofs – pitched	50-60 years
Windows	30-35 years
Other	5-25 years

Using these UEs, the accumulated depreciation at the reporting date was £1,274.2 million. Were each of the UEs shorter by one year, this figure would be approximately £1,324.8 million, reducing the NBV of social housing properties by £50.6 million.

Conversely, included in liabilities is £2,209.8 million of social housing property grants. As their amortisation rate is matched to the UEL of the structure component, a reduction of one year would have reduced the liability by £4.1 million, leading to a net reduction in assets of £46.5 million (1.8% of net assets).

## Notes to the Financial Statements for the half year ended 30 September 2022 (continued)

### 2. Significant judgements and accounting estimates (continued)

#### Accounting estimates (continued)

#### 2 The valuation of residential investment properties.

At the reporting date, the Group holds £175.4 million of residential investment properties, of which £167.2 million relates to market rent properties valued by Savills plc.

The most significant assumptions made for the properties valued by Savills are:

- Vacant possession values: a 10% fall in these would reduce the value of these properties by £14.2 million;
- Market rents: a 10% fall in these would reduce the value of these properties by £3.9 million; and
- Discount rates: increasing these by 0.5% would reduce the value of these properties by £3.5 million.

#### 3 The fair value of derivative financial instruments.

At the reporting date, the Group has a £36.8 million net liability in respect of interest rate swaps. These have been valued using discounted cash flow models, for which the main assumption is the interest rate yield curve used.

The curve used has been based on the government yield curve at the reporting date, plus an appropriate credit spread, giving a range of 4.21% to 5.48%. Decreasing this curve by 100 basis points would increase the net liability by £58.9 million (2.3% of net assets).

Note: as most of the Group's derivatives are accounted for as cash flow hedges, almost all of the in-year impact of any change would be included in other comprehensive income, depending on the effectiveness of the hedging relationship.

## Notes to the Financial Statements for the half year ended 30 September 2022 (continued)

### 2. Significant judgements and accounting estimates (continued)

#### Accounting estimates (continued)

##### 4 The valuation of defined benefit pension scheme obligations.

A number of critical underlying assumptions are made when measuring a defined benefit obligation, including standard rates of inflation, mortality, discount rates and the anticipation of future salary levels.

For the Clarion Housing Group Pension Scheme, asset values at 30 September 2022 were provided by the scheme's administrators, while the liability at 30 September 2022 has been estimated by using the projected unit method to roll forward the results of the 30 September 2021 triennial valuation. For all other schemes, the assets and liabilities at 30 September 2022 have been estimated by using approximate actuarial techniques to roll forward the estimated figures provided to the Group for the year ending 31 March 2022.

Combining sensitivity analysis which most of the schemes' actuaries have provided, the estimated impact of changing the material assumptions would be as follows:

- Decreasing the discount rate by 0.1% would increase the obligation by £5.2 million;
- Increasing the pension increase assumption by 0.1% would increase the obligation by £5.0 million;
- Increasing the assumed life expectancy by 1 year would increase the obligation by £10.4 million.

Note: as these are changes in actuarial assumptions, almost all of the in-year impact of any change would be included in other comprehensive income. Additionally, it should be noted that as at 30 September 2022, 7 of the Group's 8 defined benefit schemes are in surplus, but this £29.6 million total asset has not been recognised (see note 15). Thus the increases in obligations above would initially have little impact on the pension liability recognised by the Group as they would mostly be offset by reducing the amount of the unrecognised surplus.

##### 5 The valuation of stock.

At the reporting date, the Group holds £297.9 million of non-social stock. Based on the sales margins in the period, this would generate £315.8 million of sales. Therefore, it is estimated that for this stock to be materially impaired, sales values would need to drop by around 10% in the following year. A number of banks and property surveyors are currently forecasting that house prices could fall by between 5% and 15% in 2023.

Note: there is not a similar risk to the Group's social stock as that has achieved an 18% sales margin in the period.

## Notes to the Financial Statements for the half year ended 30 September 2022 (continued)

### 3. Units managed and/or owned

	At 1 April 2022	Adjustment	Handed over	Net conversion from Affordable	Other movements	At 30 September 2022
<b>Units managed</b>						
<u>Social housing</u>						
Social rent	74,892	(1)	20	10	(429)	<b>74,492</b>
Affordable rent	14,047	-	396	(11)	(28)	<b>14,404</b>
General needs	88,939	(1)	416	(1)	(457)	<b>88,896</b>
Supported	1,372	-	-	-	(111)	<b>1,261</b>
Housing for older people	6,629	-	-	-	(65)	<b>6,564</b>
Shared ownership	10,463	-	242	-	(110)	<b>10,595</b>
Care homes	12	-	-	-	-	<b>12</b>
Intermediate rent	476	-	-	-	(1)	<b>475</b>
Keyworker	952	-	-	-	-	<b>952</b>
Social leaseholders	10,162	(2)	-	-	39	<b>10,199</b>
Staff accommodation	96	(11)	-	-	-	<b>85</b>
<b>Social homes managed</b>	<b>119,101</b>	<b>(14)</b>	<b>658</b>	<b>(1)</b>	<b>(705)</b>	<b>119,039</b>
<u>Non-social housing</u>						
Market rent	749	13	-	-	(19)	<b>743</b>
Non-social leaseholders	5,010	(89)	10	-	(67)	<b>4,864</b>
<b>Homes managed</b>	<b>124,860</b>	<b>(90)</b>	<b>668</b>	<b>(1)</b>	<b>(791)</b>	<b>124,646</b>
<u>Non-housing</u>						
Garages and car parking spaces	10,324	59	5	-	(40)	<b>10,348</b>
Commercial leaseholders	327	6	-	-	-	<b>333</b>
Community centres	55	-	-	-	-	<b>55</b>
<b>Units managed</b>	<b>135,566</b>	<b>(25)</b>	<b>673</b>	<b>(1)</b>	<b>(831)</b>	<b>135,382</b>
The figures above include						
Social housing	240	(63)	-	-	-	<b>177</b>
Non-social housing	4,392	(3,162)	10	-	(67)	<b>1,173</b>
Non-housing	1	-	-	-	-	<b>1</b>
<b>Units managed but not owned</b>	<b>4,633</b>	<b>(3,225)</b>	<b>10</b>	<b>-</b>	<b>(67)</b>	<b>1,351</b>
<b>Units owned but not managed</b>						
Social housing	960	-	-	-	73	<b>1,033</b>
Non-social housing	1,425	150	24	1	15	<b>1,615</b>
Non-housing	4	-	-	-	-	<b>4</b>
<b>Units owned but not managed</b>	<b>2,389</b>	<b>150</b>	<b>24</b>	<b>1</b>	<b>88</b>	<b>2,652</b>

## **Notes to the Financial Statements for the half year ended 30 September 2022 (continued)**

### **3. Units managed and/or owned (continued)**

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

Other movements primarily relate to disposals, including transfers to other Registered Providers. During the period 461 homes were transferred to other Registered Providers, including 360 General needs social rent units and 59 Housing for Older People units.

A review currently underway of Land Registry Titles owned by Grange Management (Southern) Limited has identified that 3,162 non-social leaseholder units managed by the company are also owned by it. Some additional assets and/or further asset categorisation changes are possible by 31 March 2023, by which time the review will have concluded.

## Notes to the Financial Statements for the half year ended 30 September 2022 (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 2022					Half year ended 30 September 2021	
	Turnover £m	Cost of sales £m	Operating costs £m	Surplus/ (deficit) on disposal £m	Operating surplus/ (deficit) £m	Turnover £m	Operating surplus/ (deficit) £m
<b><u>Social housing activities</u></b>							
Social housing lettings (note 4b)	366.2	-	(273.1)	-	93.1	355.9	113.0
Shared ownership first tranche sales	56.4	(48.6)	(0.9)	-	6.9	68.6	7.7
<b>Other social housing activities</b>							
Care and support services	6.5	-	(5.0)	-	1.5	5.2	1.1
Development costs not capitalised / written off	-	-	(0.6)	-	(0.6)	0.1	(1.3)
Community investment	0.9	-	(6.6)	-	(5.7)	1.4	(4.9)
Other	1.5	-	(2.1)	-	(0.6)	1.7	(6.2)
<b>Total</b>	<b>8.9</b>	<b>-</b>	<b>(14.3)</b>	<b>-</b>	<b>(5.4)</b>	<b>8.4</b>	<b>(11.3)</b>
Surplus on disposal of social housing properties	-	-	-	47.4	47.4	-	43.5
<b>Total social housing activities</b>	<b>431.5</b>	<b>(48.6)</b>	<b>(288.3)</b>	<b>47.4</b>	<b>142.0</b>	<b>432.9</b>	<b>152.9</b>
<b><u>Non-social housing activities</u></b>							
Open market sales	38.8	(35.0)	(1.6)	-	2.2	69.4	6.0
<b>Other non-social housing activities</b>							
Market rent lettings	4.4	-	(1.6)	-	2.8	3.5	2.2
Garage lettings	1.0	-	(0.2)	-	0.8	1.4	1.1
Commercial lettings	1.9	-	(0.9)	-	1.0	2.0	1.1
Other	2.9	-	(1.4)	-	1.5	2.7	1.0
<b>Total</b>	<b>10.2</b>	<b>-</b>	<b>(4.1)</b>	<b>-</b>	<b>6.1</b>	<b>9.6</b>	<b>5.4</b>
Deficit on disposal of investment properties	-	-	-	-	-	-	(0.2)
<b>Total non-social housing activities</b>	<b>49.0</b>	<b>(35.0)</b>	<b>(5.7)</b>	<b>-</b>	<b>8.3</b>	<b>79.0</b>	<b>11.2</b>
<b>Total social and non-social housing activities</b>	<b>480.5</b>	<b>(83.6)</b>	<b>(294.0)</b>	<b>47.4</b>	<b>150.3</b>	<b>511.9</b>	<b>164.1</b>
<b><u>Analysis of disposals</u></b>							
Social housing properties	79.4	(25.5)	(6.5)	47.4	47.4	80.5	43.5
Investment properties	-	-	-	-	-	7.5	(0.2)
Other fixed assets	-	-	-	-	-	0.1	-

## Notes to the Financial Statements for the half year ended 30 September 2022 (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 2022 Total £m	Half year ended 30 September 2021 Total £m
<b>Income</b>						
Rent receivable net of identifiable service charges	280.0	18.8	24.4	7.7	<b>330.9</b>	319.6
Service charge income	8.4	3.3	3.8	5.7	<b>21.2</b>	22.2
Amortisation of government grants	10.5	0.7	0.7	0.4	<b>12.3</b>	11.8
Other revenue grants/income	-	-	-	1.8	<b>1.8</b>	2.3
<b>Turnover from social housing lettings</b>	<b>298.9</b>	<b>22.8</b>	<b>28.9</b>	<b>15.6</b>	<b>366.2</b>	355.9
<b>Expenditure</b>						
Management	(34.9)	(5.6)	(3.7)	(2.1)	<b>(46.3)</b>	(42.8)
Service charge costs	(13.4)	(5.3)	(6.1)	(9.0)	<b>(33.8)</b>	(30.1)
Routine maintenance	(63.6)	(4.8)	(0.1)	(1.9)	<b>(70.4)</b>	(65.4)
Planned maintenance	(29.6)	(1.2)	(0.1)	(0.5)	<b>(31.4)</b>	(27.0)
Major works expensed	(12.8)	(0.4)	(0.1)	(0.1)	<b>(13.4)</b>	(11.0)
Bad debts	(12.4)	(1.2)	(0.1)	(0.1)	<b>(13.8)</b>	(4.9)
Depreciation of housing properties	(58.6)	(4.1)	-	(0.8)	<b>(63.5)</b>	(58.8)
Impairment of housing properties	-	-	-	-	<b>-</b>	(2.5)
Lease costs	(0.1)	-	-	-	<b>(0.1)</b>	-
Other costs	(0.1)	-	-	(0.3)	<b>(0.4)</b>	(0.4)
<b>Operating costs on social housing lettings</b>	<b>(225.5)</b>	<b>(22.6)</b>	<b>(10.2)</b>	<b>(14.8)</b>	<b>(273.1)</b>	(242.9)
<b>Operating surplus on social housing lettings</b>	<b>73.4</b>	<b>0.2</b>	<b>18.7</b>	<b>0.8</b>	<b>93.1</b>	113.0
<b>Void losses</b>	<b>3.2</b>	<b>1.8</b>	<b>-</b>	<b>1.5</b>	<b>6.5</b>	6.2

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 in both the current and prior year 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).

## Notes to the Financial Statements for the half year ended 30 September 2022 (continued)

### 5. Interest receivable

	Half year ended 30 September 2022 £m	Half year ended 30 September 2021 £m
Interest receivable on bank deposits	0.9	0.1
Interest receivable from JCEAs	3.9	3.5
	<b>4.8</b>	<b>3.6</b>

### 6. Interest payable and financing costs

	Half year ended 30 September 2022 £m	Half year ended 30 September 2021 £m
Interest payable on loans	17.6	10.5
Interest payable on bonds and similar instruments	55.8	53.4
Interest payable on derivatives	11.3	18.3
Interest payable on finance leases	0.3	0.3
Interest payable relating to pensions	0.2	0.6
Loan breakage costs	-	1.0
Other charges	2.2	3.0
	<b>87.4</b>	<b>87.1</b>
Interest payable capitalised	<b>(18.5)</b>	<b>(17.5)</b>
	<b>68.9</b>	<b>69.6</b>

The Group's weighted average interest rate for general borrowings was 3.90% (30 September 2021: 3.82%).



## 7. Movement in fair value of financial instruments

See note 14 for an explanation of the Group's hedging activities.

## Notes to the Financial Statements for the half year ended 30 September 2022 (continued)

### 8. Taxation

	Half year ended 30 September 2022 £m	Half year ended 30 September 2021 £m
Recognised in income and expenditure	1.7	(0.5)

The tax charge/(credit) for the Group for the period is less than 19% (30 September 2021: less than 19%), the rate of corporation tax in the UK. The differences are explained below:

	Half year ended 30 September 2022 £m	Half year ended 30 September 2021 £m
<b>Reconciliation of tax recognised in income and expenditure</b>		
Surplus on ordinary activities before taxation	102.3	99.5
<b>Tax charge at 19% (30 September 2021: 19%)</b>	<b>19.4</b>	18.9
<u>Effects of:</u>		
Charitable surpluses not taxed	(18.7)	(19.1)
Adjustment in respect of prior periods	0.3	-
Remeasurement of deferred tax due to change in UK tax rates	-	(1.4)
Other non-material differences	0.7	1.1
	<b>1.7</b>	(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 expected to be paid to HMRC.

## Notes to the Financial Statements for the half year ended 30 September 2022 (continued)

### 9. Goodwill and negative goodwill

	30 September 2022 £m	31 March 2022 £m
Goodwill	14.3	0.4
Negative goodwill	(0.5)	(0.5)
	13.8	(0.1)

Bonner Road LLP ("Bonner Road") was previously a jointly-controlled entity between the Group and Crest Nicholson ("Crest"), with the Group accounting for its 50% as 'Interests in JCEAs'. In May 2022, the Group acquired the other 50% of Bonner Road, generating £13.9 million of goodwill, and bringing 100% of the LLP's assets and liabilities into the consolidation on a line-by-line basis.

	Book value £m	Adjustments £m	Fair value £m
Social housing properties	-	13.0	13.0
Stock	59.9	(40.9)	19.0
<b>Total identifiable net assets</b>	<b>59.9</b>	<b>(27.9)</b>	<b>32.0</b>

Bonner Road accounted for the land and related works it owned as stock, and the Group has determined the fair value to be £32.0 million on the basis that it acquired the other 50% from Crest for £16.0m. The Group intends to use this land for developing social and non-social housing and so has split its value between social housing properties and stock on the basis of this intended use.

	£m
Existing loan from the Group to Bonner Road	37.4
Share of Bonner Road's net liabilities already equity accounted for by the Group	(7.6)
Consideration for Crest's loan to Bonner Road LLP	16.0
Directly attributable costs	0.1
<b>Total consideration</b>	<b>45.9</b>

£8.0 million of this consideration has been deferred beyond 30 September 2022. Following acquisition, Bonner Road has not contributed any material amounts to the Group Statement of Comprehensive Income.

## Notes to the Financial Statements for the half year ended 30 September 2022 (continued)

### 10. Social housing properties

	Completed		Under construction		
	Rental-only	Shared	Rental-only	Shared	Total
	£m	ownership	£m	ownership	£m
<b>Cost</b>					
At 1 April 2022	7,636.2	1,229.9	257.8	297.4	9,421.3
Construction/redevelopment of properties	-	-	60.9	93.2	154.1
Acquisition of Bonner Road (see note 9)	-	-	4.5	2.0	6.5
Works to completed properties	53.4	-	-	-	53.4
Other additions	0.4	-	-	-	0.4
Completed construction	90.6	54.2	(90.6)	(54.2)	-
Transfer from interests in JCEAs (see note 9)	-	-	4.5	2.0	6.5
Transfer to stock	-	(2.8)	-	-	(2.8)
Components replaced	(1.9)	-	-	-	(1.9)
Transfers to other private Registered Providers	(18.9)	(1.5)	-	-	(20.4)
Other disposals / write-offs	(4.0)	(11.1)	-	-	(15.1)
<b>At 30 September 2022</b>	<b>7,755.8</b>	<b>1,268.7</b>	<b>237.1</b>	<b>340.4</b>	<b>9,602.0</b>
<b>Depreciation and impairment</b>					
At 1 April 2022	(1,217.8)	(12.6)	-	-	(1,230.4)
Depreciation charge for the period	(63.5)	-	-	-	(63.5)
Eliminated on components replaced	1.9	-	-	-	1.9
Eliminated on transfers to other private RPs	4.5	-	-	-	4.5
Eliminated on other disposals / write-offs	0.7	0.1	-	-	0.8
<b>At 30 September 2022</b>	<b>(1,274.2)</b>	<b>(12.5)</b>	<b>-</b>	<b>-</b>	<b>(1,286.7)</b>
<b>Net book value</b>					
<b>At 30 September 2022</b>	<b>6,481.6</b>	<b>1,256.2</b>	<b>237.1</b>	<b>340.4</b>	<b>8,315.3</b>
Net book value					
At 31 March 2022	6,418.4	1,217.3	257.8	297.4	8,190.9

### 11. Stock

	Under construction		Completed properties		
	Social	Non-social	Social	Non-social	Total
	£m	£m	£m	£m	£m
At 1 April 2022	128.6	226.6	67.5	33.1	455.8
Additions	40.0	53.5	-	-	93.5
Acquisition of Bonner Road (see note 9)	1.0	8.5	-	-	9.5
Impairment reversal	-	-	-	0.5	0.5
Properties completed	(24.7)	(16.8)	24.7	16.8	-
Transfer from social housing properties	-	-	2.8	-	2.8
Transfer from interests in JCEAs (see note 9)	1.0	8.5	-	-	9.5
Properties sold	-	-	(43.8)	(32.8)	(76.6)
<b>At 30 September 2022</b>	<b>145.9</b>	<b>280.3</b>	<b>51.2</b>	<b>17.6</b>	<b>495.0</b>

## Notes to the Financial Statements for the half year ended 30 September 2022 (continued)

### 12. Debt analysis

	30 September 2022 £m	31 March 2022 £m
<b>Debt is repayable as follows:</b>		
Due within one year	46.0	44.1
Due between one and two years	42.9	42.6
Due between two and five years	222.5	217.3
Due after more than five years	4,164.9	4,206.2
	<b>4,476.3</b>	<b>4,510.2</b>

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 2022 £m	31 March 2022 £m
<u>Notional amounts drawn</u>		
Clarion Funding PLC		
- Note issuance	1,750.0	1,750.0
Clarion Treasury Limited		
- Loans	1,354.6	1,368.7
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	40.7	41.7
- Finance leases	5.5	5.5
Your Lifespace Limited		
- Finance leases	1.2	1.2
	<b>4,437.0</b>	<b>4,452.1</b>
<u>Accounting adjustments</u>		
Fair value adjustment due to		
- Acquisitions of legacy Registered Providers	11.7	12.3
- Hedging of private placement	(18.5)	0.9
Effective interest rate adjustment	46.1	44.9
	<b>39.3</b>	<b>58.1</b>
	<b>4,476.3</b>	<b>4,510.2</b>

The notional value of the Group's committed debt facilities at 30 September 2022 is £5,434.5 million (31 March 2022: £5,450.0 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.

The fair value adjustment relating to acquisitions is amortised over the life of the related loans and £0.6 million has been released in this period (30 September 2021: £0.5 million). The private placement is held at fair value as a result of hedge accounting and has reduced in value by £19.4 million during the period (30 September 2021: reduced by £0.2 million).

## Notes to the Financial Statements for the half year ended 30 September 2022 (continued)

### 12. Debt analysis (continued)

	At 1 April 2022 £m	Cash flows £m	Changes in fair value £m	Other non-cash changes £m	At 30 September 2022 £m
<b>Analysis of changes in net debt</b>					
Cash and cash equivalents	137.9	(66.8)	-	-	71.1
Debt	(4,510.2)	15.1	19.4	(0.6)	(4,476.3)
Derivatives	(211.1)	-	174.3	-	(36.8)
<b>Net debt</b>	<b>(4,583.4)</b>	<b>(51.7)</b>	<b>193.7</b>	<b>(0.6)</b>	<b>(4,442.0)</b>

### 13. Capital grants

	HomeBuy grants £m	Social housing property grants £m
<b>Capital grants</b>		
At 1 April 2022	9.3	2,209.5
New grant recognised	-	19.2
Amortisation income	-	(12.3)
Recycled on disposals (net of amortisation)	-	(2.7)
Disposals not required to be recycled	-	(3.9)
<b>At 30 September 2022</b>	<b>9.3</b>	<b>2,209.8</b>
Amounts falling due within one year	-	23.8
Amounts falling due after one year	9.3	2,186.0
	<b>9.3</b>	<b>2,209.8</b>

	HE £m	GLA £m	Total £m
<b>Recycled Capital Grant Fund</b>			
At 1 April 2022	11.3	16.7	28.0
Additions to fund due to disposals	1.5	1.5	3.0
<b>At 30 September 2022</b>	<b>12.8</b>	<b>18.2</b>	<b>31.0</b>

Amounts falling due within one year		16.5
Amounts falling due after one year		14.5
		<b>31.0</b>

Amounts three years old or older which may need to be repaid	2.0	8.1	<b>10.1</b>
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## Notes to the Financial Statements for the half year ended 30 September 2022 (continued)

### 14. Financial instruments

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

	30 September 2022 £m	31 March 2022 £m
<u>Notional</u>		
Option	-	50.0
Pay fixed	684.3	734.9
Receive fixed	100.0	100.0
	<b>784.3</b>	<b>884.9</b>
<u>Fair value</u>		
Option	-	(7.0)
Pay fixed (liability)	(25.4)	(212.1)
Pay fixed (asset)	5.1	7.1
Receive fixed	(16.5)	0.9
	<b>(36.8)</b>	<b>(211.1)</b>

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

	30 September 2022 £m	31 March 2022 £m
Due within one year	3.5	20.8
Due between one and two years	(3.6)	14.3
Due between two and five years	5.3	50.9
Due after more than five years	59.6	167.4
	<b>64.8</b>	<b>253.4</b>

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 2022: all are Level 2).

## Notes to the Financial Statements for the half year ended 30 September 2022 (continued)

### 14. Financial instruments (continued)

Following the cessation of LIBOR on 31 December 2021, all of the Group's financial instruments that were previously indexed to Sterling LIBOR are now indexed to SONIA. The Group applies the amendments to IFRS 9 issued in August 2020 to those hedging relationships directly affected by IBOR reform and the amendments to FRS 102 issued in December 2020 for the disclosure of such relationships. The Group has also updated its hedge documentation in order to designate the new benchmark.

In order to ensure the change is done on an economically equivalent basis, a credit adjustment spread has been added to the SONIA rate for instruments previously indexed to LIBOR. In doing so, the Group applies the following reliefs in IFRS 9:

- the carrying amounts of assets and liabilities are not affected by the change in benchmark;
- hedge relationships can be re-designated to the new benchmark without discontinuing the hedge relationship; and
- amounts accumulated in the cash flow hedge reserve are deemed to be based on the new benchmark.

Following the completion of the transition, there is no further uncertainty from the reforms and this uncertainty is no longer a possible source of ineffectiveness. The Group will continue to manage interest rate risk through interest rate swaps.



## Notes to the Financial Statements for the half year ended 30 September 2022 (continued)

### 15. Provisions for liabilities and charges

	30 September 2022 £m	31 March 2022 £m
Net pension liabilities	16.6	14.6
Deferred tax liabilities	2.3	2.3
Other	3.0	7.4
	21.9	24.3

All of the Group's defined benefit pension schemes were revalued as at 30 September 2022 using approximate actuarial techniques, including updated assumptions on discount and inflation rates, as detailed in note 2.

	Net pension liabilities £m
At 1 April 2022	14.6
Net movement due to employer contributions, service costs and interest costs	(3.0)
Actuarial gain on pension schemes	(24.6)
Pension surplus not recoverable	29.6
Remeasurement of defined benefit pensions	5.0
<b>At 30 September 2022</b>	<b>16.6</b>

Due to sharp rises in interest rates in the period, the discount rate used to calculate the liabilities of the Group's pension schemes has increased from 2.7% to 5.2%. As a result there is an actuarial gain for the period and, furthermore, as at 30 September 2022 a number of the Group's pension schemes are now in surplus. This £29.6 million total surplus has not been recognised as there is no certainty it will be recoverable through either refunds or reduced contributions. The £16.6 million liability at 30 September 2022 relates only to those schemes which are currently in deficit.

During the period the Group exited the London Borough of Bromley Pension Fund. As the scheme was in surplus at 31 March 2022, and this surplus was not recoverable, it was held at £nil; no cessation payment was due as a result of this exit.

The Trustee of The Pensions Trust has recently completed a review of the changes made to the benefit structures of the defined benefit pension schemes within the Trust, including the Clarion Housing Group Pension Scheme. The result of this review is that, in some cases, it is unclear whether changes were made to scheme benefits in accordance with the Trust's governing documentation. The Trustee has been advised to seek directions from the Court on the effect of these changes. Currently Court direction is pending and it is unlikely the impact will be understood fully until late 2024 at the earliest. As a result of this review the Group has been provided with an estimated potential liability totalling £12.3 million. This liability represents the estimated value of the potential additional liabilities due to potentially reduced members' benefits built up before the date the changes were made in the pension scheme documentation. It does not reflect amendments affecting future service as the Trustee's legal advisors currently consider there to be a less likely outcome that the Court would find such amendments to be invalid (i.e. power of amendment). The liability has been estimated on a non-accounting basis and reflects the position as at 30 September 2021. No allowance for this liability has been made in the accounts on the basis that the likelihood of any obligation is still very much uncertain.

## Notes to the Financial Statements for the half year ended 30 September 2022 (continued)

### 16. Contingent assets/liabilities

As per note 1 of the financial statements for the year ended 31 March 2022, the original amount of social housing property grants may become repayable. In addition to the amounts included in creditors, £409.6 million of grant has been credited to reserves to date through amortisation (31 March 2022: £398.6 million). The timing of any future repayment, if any, is uncertain.

The Group has a contingent liability in relation to defects found at 2,053 properties (31 March 2022: 1,447 properties). For 62 of these properties, a formal liability assessment has been made, totalling £0.4 million (31 March 2022: 76 properties, £0.5 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 initial claim is valued at up to £17.0 million. Particulars of Claim and evidence have been requested but are yet to be received. The parties have entered into a Standstill Agreement suspending time until 1 June 2023. As such the likelihood of any liability and its timing is very much uncertain. On 5 May 2022, a further letter of claim was received from insurers to recover insured and uninsured losses totalling £1.1 million plus decant and other costs. The position is currently being investigated.

### 17. Capital commitments

	30 September 2022 £m	31 March 2022 £m
Contracted for but not provided for in the financial statements	593.8	728.2
Authorised by the Board but not contracted for	3,491.4	3,394.7
	<b>4,085.2</b>	<b>4,122.9</b>

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

The figures above include £900.5 million (31 March 2022: £799.0 million) for the Group's share of the capital commitments of its JCEAs.

At the reporting date the Group had £71.1 million of cash and cash equivalents and £997.5 million of undrawn funding. Most of the remaining £3,016.6 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.

Additionally, in August 2021 grant allocations for the Affordable Homes Programme 2021-26 were announced. The Group was awarded £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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