CLARION
HOUSING GROUP

Clarion Housing Group

Interim Report and Accounts

Half year ended 30 September 2023

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The half year at a glance

FINANCIAL HIGHLIGHTS	6 months to 30 September 2023 (H1 2023/24) Actual	6 months to 30 September 2022 (H1 2022/23) Actual	12 months to 31 March 2023 (2022/23) Actual
Turnover	£486m	£481m	£1,008m
Operating surplus (pre-disposals)	£96m	£103m	£165m
Operating margin pre-disposals	20%	21%	16%
Operating surplus	£109m	£150m	£261m
Operating margin	22%	31%	26%
Net surplus	£35m	£101m	£97m
Operating cost per home	£3,004	£2,683	£5,828
Investment in new homes	£234m	£264m	£473m
Spend on improving and maintaining homes	£205m	£167m	£397m
Interest cover covenant*	1.7	2.5	1.8
Liquidity	£864m	£1,069m	£1,031m

*Based on the Guarantor, Clarion Housing Association Limited

OPERATIONAL HIGHLIGHTS	6 months to 30 September 2023 (H1 2023/24) Actual	6 months to 30 September 2022 (H1 2022/23) Actual	12 months to 31 March 2023 (2022/23) Actual
Overall resident satisfaction	82.5%	Not available**	81.0%
Resident satisfaction with repairs	89.4%	89.9%***	88.8%
Arrears	8.1%	8.5%	8.7%
Homes managed at the end of the period	124,479	124,646	124,777
Social rent loss due to voids	£8.3m	£6.5m	£15.2m
Occupancy rates	98.4%	Not available**	98.3%
Social Value of Community Investment activity	£62m	£55m	£139m

** Not available as a result of the cyber incident

*** This score was calculated using both Clarion Response and contractor surveys in April 2022 and May 2022, and only using contractor surveys from June 2022 to September 2022.

DEVELOPMENT HIGHLIGHTS	6 months to 30 September 2023 (H1 2023/24) Actual	6 months to 30 September 2022 (H1 2022/23) Actual	12 months to 31 March 2023 (2022/23) Actual
Total new homes constructed	606	785	2,032
Of which new affordable homes	428	658	1,587
Of which new private sales homes (including share of JCEAs)	178	127	445
Sales income (excluding share of JCEA sales and leaseholder reprovision)	£67m	£95m	£220m
Total sales volume (excluding share of JCEA sales)	413	488	1,142

Interim management report

Statement from the Group Chief Executive

As a financially robust and resilient organisation we continue to be well-placed to absorb and adapt to the challenging operating environment whilst prioritising investment in our homes and in our communities.

We are however not immune to the challenging macro-environment. It has been a challenging six months, which we have navigated with care and caution so that we strike the right balance between investment in our homes, support for our residents and building the new homes that are so desperately needed.

During the first half of the financial year, we have increased our investment in our existing homes even further compared to the significant investment we made in the first six months of last year. Our new technology is helping us to spot and treat the causes of damp and mould early and we are investing for the long term to make our homes more sustainable and energy efficient.

In July, we announced an exciting pilot project which will see four vacant bungalows in East Hertfordshire redeveloped and replaced with seven highly efficient affordable homes, which will be built in line with the upcoming 2025 Future Homes Standard ("FHS"). Not only will the new homes provide warmer and cheaper affordable homes to residents, but they will also provide valuable learning for our sector as we work towards meeting new legislation and futureproofing our homes.

The decrease in operating surplus we have seen this year can largely be attributed to a lower surplus on disposals. One of the strengths of our business is that we can flex our strategy in line with market conditions, and we have adopted a more cautious approach to disposals and development in the last six months. Despite a change to our forecast, the Group's delivery of new homes still represents a very strong performance, with 606 new homes completed, a significant proportion of which have been for affordable tenures.

We have been making a big emphasis on continuous improvement and learning at Clarion, and now have several new processes in place to facilitate this so we can continue to maintain our customer satisfaction above our target. At the mid-point in the year, our overall customer satisfaction is above our 80% target at 82.5% and customer satisfaction for repairs is above our 85% target at 89.4%, with residents feeling the benefits of the more convenient, efficient and streamlined service we are able to provide them through our new repairs IT system.

In the summer, we took the final step in the in-sourcing of our day-to-day repairs and transferred the service in Kent and Merton to Clarion Response, our in-house repairs division. This means 100% of our homes are now looked after by Clarion Response.

What has been clear to me recently from spending time with colleagues across the organisation, is the determination to deliver an excellent service to our residents, undeterred by the pressures they face from the external operating environment. It is a commitment we will carry through to the end of this financial year and beyond.

Clare Miller, Group Chief Executive

Statement from the Group Chair

We know that Clarion's financial strength underpins our ability to serve our residents, and that is why we pride ourselves on prudent decision-making and seeking value for money in all that we do.

During the first half of the year, we have delivered £62 million in social value through the work of the Group's charitable foundation, Clarion Futures. Notably, since April, Clarion Futures' jobs and training service has supported over 1,000 residents into employment and funded over 3,000 training courses.

Working day to day with our residents, our frontline colleagues are acutely aware of the issues they face. Listening to our residents is crucially important so that we target our services the most effectively and their views significantly shape what we do and how we do it. To this end, we have now put in place a customer committee, comprising six Clarion residents and chaired by a Clarion resident, as part of our formal governance structure.

Much of the country's social housing is coming to the end of its useful life. In many cases, refurbishment is simply not enough to bring it up to modern standards and regeneration is the only answer. Regeneration can be a complex and lengthy process but at Clarion, we recognise it can present the best and most sustainable solution. Its benefits are far-reaching, and it is a golden opportunity to re-imagine community spaces, improve bio-diversity and facilitate greener living.

Our £2 billion regeneration programme is progressing well, and we particularly welcomed the government's announcement in June that grant funding provided through the Affordable Homes Programme 2021-26 can now be used to fund replacement homes. In future, we will be seeking to secure affordable housing grant for any affordable homes we build on our regeneration projects. This will be particularly helpful as we see the impact of inflation on costs across our supply chain.

Finally, I want to express my gratitude to all our colleagues, customers, and partners for their efforts over the last six months. As an organisation, we are determined to work together to adapt to the changing environment, seize the opportunities available to us and continue to deliver for our residents.

David Avery, Group Chair

Financial Review

The Group's interim results demonstrate a resilient financial performance despite the ongoing pressures of high costs and inflation. Maintaining investment, re-phasing of our property rationalisation programme in response to market conditions and dealing with increased cost inflation and interest rates has resulted in our net surplus reducing to £35 million (H1 2022/23: £101 million). Of this reduction, the largest single contributor was the amendment to the stock disposal programme which accounted for £35 million of the reduction. Importantly, all of this net surplus and more has been reinvested back into our homes and communities.

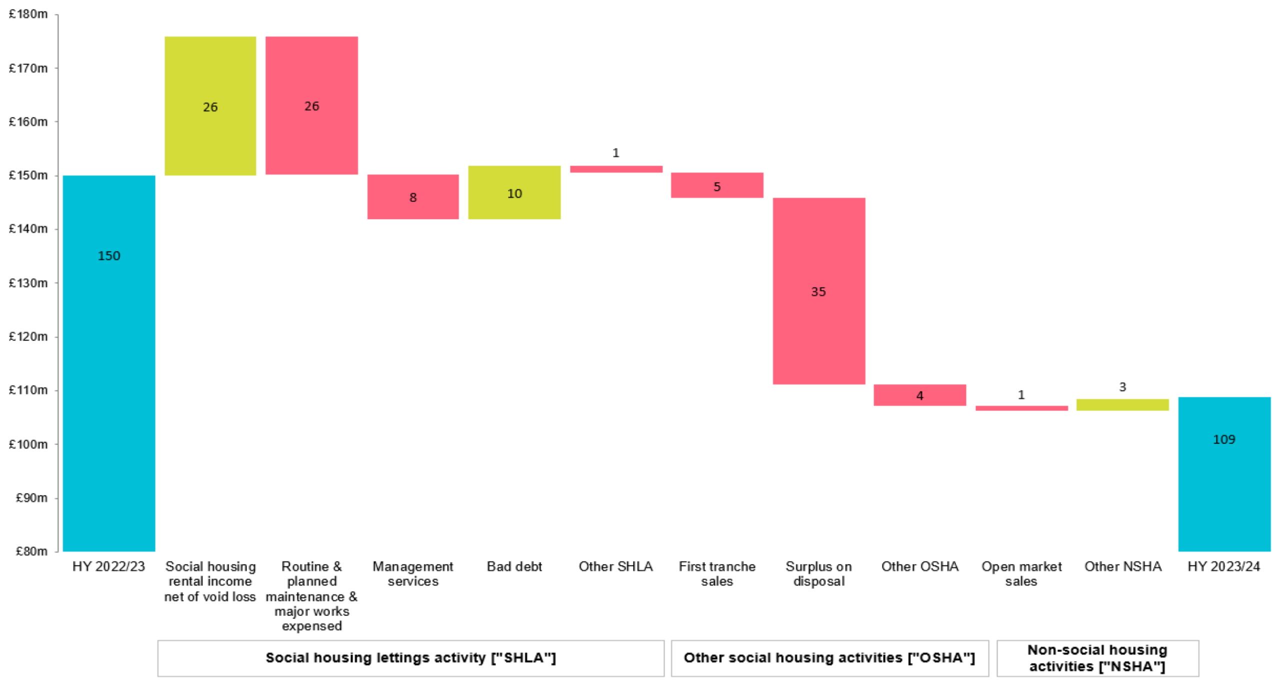
Our Statement of Financial Position remains strong with the net asset position increasing to £2,612 million (31 March 2023: £2,514 million), as a further £267 million has been invested in new and existing social homes (H1 2022/23: £255 million).

Liquidity remains high at £864 million (31 March 2023: £1,031 million) and we maintain significant headroom on our strictest covenants. The Group continues to maintain strong credit ratings of which the most recent review was Standard & Poor's in November 2023 confirming our A- stable rating.

<u>Statement of Comprehensive Income</u>

Operating surplus

Figure 1: Six month movement in operating surplus



In the six months to 30 September 2023, the Group has generated an operating surplus of £109 million and an operating margin of 22% (H1 2022/23: £150 million, 31%). As illustrated in Figure 1, the deferred disposal programme is the primary driver behind the decrease. Excluding disposals, operating surplus and margin is largely in line with that generated in the first half year of 2022/23 at £96 million and 20%, respectively (H1 2022/23: £103 million, 21%).

Importantly, operating surplus from our core social housing lettings activity has been maintained at £96 million (H1 2022/23: £95 million). A £26 million increase in social housing rental income, following the 7% agreed rent increase, has largely offset additional operating costs of which the majority is caused by higher demand for routine maintenance. To help meet this demand from our customers we have placed increased reliance on subcontractors which comes at an additional cost.

Operating costs linked to management of our social housing lettings have increased by £8 million although this is offset by a £10 million reduction in the bad debt charge. This reduction primarily reflects the prudent provision made in the first half of 2022/23 as a result of the cyber incident which impacted our ability to take phone and portal payments. We are also continuing to provide advice and support to our customers which is helping to manage the impact to arrears from the Cost of Living crisis. Since 31 March 2023, tenant arrears have continued to improve resulting in just a £4 million bad debt provision for the first half of 2023/24 (H1 2022/23: £14 million; H1 2021/22: £5 million).

A combination of our more cautious approach to development, challenges in the supply chain and a downturn in the sales market are all having an impact on first tranche and open market sales (the latter is included under non-social housing activity). The combined gross margin across all sales for the first six months was 8% compared to 12% in the first half of 2022/23. There have been 90 fewer first tranche sales (H1 2023/24: 325; H1 2022/23: 415), although positively open market sales have increased by 15 units (H1 2023/24: 88; H1 2022/23: 73). These figures exclude our share of joint venture sales.

Net surplus

Below operating surplus notable movements include those relating to our joint venture activity, investment properties and net interest costs.

During the first half of 2023/24 we have generated £2 million of surplus from our joint venture arrangements. This is a £7 million reduction compared to the first half of 2022/23 which included a one-off £8 million surplus generated from the disposal of our interest in Hadley Goodmayes LLP.

Our investment property portfolio has seen a £7 million reduction in its valuation since 31 March 2023, as interest rates and investment yields both rise.

At £75 million, net interest has increased by £11 million when compared to the first six months of 2022/23. The net interest payable on our debt and derivatives has only increased by £9 million, as the Group continues to hold a relatively high proportion of its net debt at fixed rates (85%), thus ensuring it is not unduly exposed to rising interest rates. The debt rationalisation project completed by the Group during 2022/23, has also aided its protection. A further £5 million of the increase is due to lower capitalised interest as we adapt our approach to property development in response to market conditions. These rises are partially offset by a £3 million increase on interest receivable from bank deposits, a benefit of rising interest rates.

Interest cover at 1.7 remains comfortably above our tightest covenant.

Other Comprehensive Income

Rising interest rates continue to have a significant impact on the valuation of our interest rate swaps (derivatives), driving fair value gains of £66 million (H1 2022/23: £194 million). Due to hedge accounting, almost all of this movement is taken through Other Comprehensive Income.

Also impacting Other Comprehensive Income is a £2 million loss on remeasuring our defined benefit pension schemes (H1 2022/23: £5 million). Our largest pension scheme ended the half year in a £36 million net liability position, which is almost unchanged from the position as at 31 March 2023. Our remaining defined benefit schemes are in a net asset position on a FRS 102 valuation basis. As disclosed in notes 2 and 15 of the accounts, we continue to cap the gain recognised to better reflect expected recoverability.

Statement of Financial Position

Since 31 March 2023 total net assets have increased by £98 million (4%) to £2,612 million. The primary drivers are continued investment in our existing properties and new homes, an increase in drawn debt and a reduction in the net liability recognised for our derivative financial instruments.

Figure 2: Surplus versus investment in social housing

Figure 2 illustrates how our surplus compares to the investment we make in social housing. The Group continues to invest significantly in its existing homes, increasing its capital investment to £66 million during the first half of the year (H1 2022/23: £53 million), which is on top of the £139 million (H1 2022/23: £113 million) of revenue maintenance spend included in our surplus figure.

A further £201 million has been invested in new affordable housing and our major regeneration programmes (H1 2022/23: £202 million). In addition to this, £33 million has been invested in new non-social homes, a reduction on the £62 million invested in the first half of 2022/23 due to the more cautious approach we have adopted in recognition of the challenging market conditions. During the period there were 606 new build completions, 71% of which were for affordable tenures (H1 2022/23: 785 completions, 84% affordable).

£4,106 million of capital expenditure remains approved at the period end (31 March 2023: £3,942 million) of which £557 million (31 March 2023: £574 million) is contracted. Our current pipeline of new homes remains in excess of 20,000 homes. Overall we have invested 7.6 times our surplus (H1 2022/23: 2.5) in new and existing affordable housing assets and a further 0.9 (H1 2022/23: 0.6) in new non-social assets.

Drawn debt has increased by £132 million to £4,603 million (notional amount which excludes accounting adjustments). Committed and fully secured loan facilities at 30 September 2023 totalled £5,397 million (31 March 2023: £5,413 million).

As noted previously, rising interest rates are also impacting the fair value of our derivatives. A £48 million reduction in the value of our derivative liabilities and a £14 million increase in the value of our derivative assets are further driving improvements in our total net asset position.

Our Financial Position metrics remain strong with a gearing ratio (based on our Guarantor) of 50% (31 March 2023: 49%) which remains comfortably below our tightest covenant.

Statement of Cash Flows

Figure 3: Group cash flows for the six month period

Figure 3 summarises the Group's cash flows for the period ending 30 September 2023 where we have seen a net cash outflow of £19 million (H1 2022/23: £67 million).

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 and fund its interest payments without recourse to debt finance or reliance on selling existing properties. Positive cash generation also provides vital support for the Group's investment in social housing, including the development of new homes, while keeping debt within acceptable limits.

At £118 million (H1 2022/23: £111 million), cash generation from operations remains high, and in excess of the Group's £97 million (H1 2022/23: £84 million) interest payments. It also provides a contribution to the cash amount invested in existing homes (£80 million; H1 2022/23: £63 million) and new home investment (£165 million; H1 2022/23: £146 million) [1]. Further significant contributors to this investment are net borrowings of £132 million (H1 2022/23: £15 million repayment), £35 million of grant receipts (H1 2022/23: £37 million) and cash generated from existing property sales of £45 million (H1 2022/23: £74 million).

Overall the Group ended the half year with cash and cash equivalents of £70 million versus £89 million at 31 March 2023, a significant contributor to our overall Group liquidity of £864 million (31 March 2023: £1,031 million).

[1] All numbers exclude accruals and therefore differ to those presented previously in Figure 2.

Principal risks and uncertainties

The Board continues to focus on our principal risks, with successful risk management across the group driving the on-going identification, assessment, management, monitoring and reporting of risks across Clarion. While the overall risk profile for the Group remains broadly aligned to that previously reported, our operating environment remains challenging and with the level of risk faced in certain areas remaining intense, we continue to strengthen our mitigations in response.

We maintain a close watch on the macro-economic environment which continues to have impacts across the spectrum of areas we operate in. The effects of high inflation and progressive interest rate rises are still being felt, in higher costs and impacts to the housing market and we are closely managing risks in these areas. The implementation of a wider programme of activities is underway to ensure residual risks around cyber security are reduced and our resilience and technical controls further strengthened. The relevant Boards across Clarion continue to remain updated on the potential impact and relevant mitigation plans.

Outlook

The sector continues to face headwinds, with higher costs, increased demand for services, and a weaker housing market all presenting risks to be carefully navigated. Clarion's scale and conservative approach to risk and financial management means that the Group is well placed to meet these challenges, and we continue to demonstrate our agility to respond to the risk environment by flexing our business and development plans. Moody's recognised the; 'proactive actions taken by [Clarion] to mitigate the adverse effects of the weaker operating environment' alongside an 'expected gradual reduction in inflation and associated cost pressures' when it moved Clarion's outlook from 'negative' to 'stable' in late October.

Ahead of a potential election next year, the major political parties have all voiced support for boosting housing supply and affordable housing, and we look forward to working with whichever government is in power to increase the availability of affordable homes to the many people who desperately need them.

While recognising that inflationary pressures are forecast to moderate in the coming months, we continue to maintain a prudent level of funding headroom and a conservative approach to financial management as we navigate what remains an uncertain external environment. We expect to maintain a strong financial position at the end of the year.

Independent Review Report to Clarion Housing Group Limited

Conclusion

We have been engaged by Clarion Housing Group Limited ("the Group") to review the condensed set of consolidated financial statements in the half-yearly report for the six months ended 30 September 2023, which comprises the Group Statement of Comprehensive Income, the Group Statement of Financial Position, the Group Statement of Changes in Capital and Reserves, the 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 2023 is not prepared, in all material respects, in accordance with FRS 104 Interim Financial Reporting.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410") issued 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.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the 'Basis for conclusion' section of this report, nothing has come to our attention that causes us to believe that the Board has inappropriately adopted the going concern basis of accounting, or that the Board has identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

Board's responsibilities

The half-yearly report is the responsibility of, and has been approved by, the Board.

As disclosed in note 1, the annual financial statements of the Group 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 Board is responsible for preparing the condensed set of financial statements included in the half-yearly report in accordance with FRS 104 Interim Financial Reporting.

In preparing the condensed set of financial statements, the Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the Group a conclusion on the condensed set of financial statements in the half-yearly report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the 'Basis for conclusion' section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Group in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Group 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 Group for our review work, for this report, or for the conclusions we have reached.

Fleur Nieboer
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

19 December 2023

Group Statement of Comprehensive Income for the half year ended 30 September 2023

	Notes	**Half year ended 30 September 2023**	Half year ended 30 September 2022	Year ended 31 March 2023
		Reviewed	Not reviewed	Audited
		£m	£m	£m
Turnover	4a	**485.8**	480.5	1,007.8
Cost of sales	4a	**(61.5)**	(83.6)	(204.7)
Operating costs	4a	**(328.3)**	(294.0)	(638.6)
Surplus on disposal of properties	4a	**12.8**	47.4	96.0
Operating surplus	4a	**108.8**	150.3	260.5
Surplus on disposal of other fixed assets	4a	**-**	-	0.1
Surplus on disposal of operations		**-**	7.5	7.0
Share of surplus of JCEAs		**2.3**	1.8	5.3
(Loss)/gain on revaluation of investment properties		**(6.5)**	5.2	4.7
Interest receivable	5	**12.9**	4.8	14.7
Interest payable and financing costs	6	**(88.1)**	(68.9)	(152.9)
Loan breakage costs	6	**-**	-	(44.8)
Movement in fair value of financial instruments	7	**1.0**	1.6	0.6
Surplus on ordinary activities before taxation		**30.4**	102.3	95.2
Tax credit/(charge) on surplus on ordinary activities	8	**4.7**	(1.7)	1.6
Surplus for the period		**35.1**	100.6	96.8
Remeasurement of defined benefit pensions	15	**(2.4)**	(5.0)	(28.3)
Movement in fair value of financial instruments	7	**65.2**	192.1	141.7
Total comprehensive income for the period		**97.9**	287.7	210.2

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

David Avery
Group Chair

Mark Hattersley
Group Chief Financial Officer

Louise Hyde
Company Secretary

15 December 2023

Group Statement of Financial Position as at 30 September 2023

	Notes	30 September 2023 Reviewed £m	31 March 2023 Audited £m
Fixed assets			
Goodwill		**14.3**	14.3
Other intangible assets		**63.1**	66.9
Social housing properties	9	**8,522.0**	8,395.1
Investment properties		**207.9**	219.3
Non-housing fixed assets		**26.0**	26.9
Interests in JCEAs		**199.2**	185.5
Other fixed asset investments		**10.8**	11.1
		9,043.3	8,919.1
Current assets			
Stock	10	**484.6**	476.3
Debtors: amounts falling due within one year		**133.8**	114.0
Debtors: amounts falling due after one year		**118.7**	102.8
Current asset investments		**109.4**	107.9
Cash and cash equivalents		**70.4**	89.4
		916.9	890.4
Current liabilities			
Creditors: amounts falling due within one year	11	**(312.7)**	(331.2)
Net current assets		**604.2**	559.2
Total assets less current liabilities		**9,647.5**	9,478.3
Creditors: amounts falling due after one year	11	**(6,994.4)**	(6,920.9)
Provisions for liabilities and charges	15	**(41.4)**	(43.6)
Total net assets		**2,611.7**	2,513.8
Capital and reserves			
Non-equity share capital		**-**	-
Cash flow hedge reserve		**(12.2)**	(77.4)
Income and expenditure reserve		**2,623.9**	2,591.2
Total capital and reserves		**2,611.7**	2,513.8

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

David Avery
Group Chair

Mark Hattersley
Group Chief Financial Officer

Louise Hyde
Company Secretary

15 December 2023

Group Statement of Changes in Capital and Reserves for the half year ended 30 September 2023

	Non-equity share capital £m	Cash flow hedge reserve £m	Income and expenditure reserve £m	Total capital and reserves £m
At 31 March 2022	-	(219.1)	2,522.7	**2,303.6**
Surplus for the year ending 31 March 2023	-	-	96.8	**96.8**
Other comprehensive income for the year	-	141.7	(28.3)	**113.4**
At 31 March 2023	-	(77.4)	2,591.2	**2,513.8**
Surplus for the half year ending 30 September 2023	-	-	35.1	**35.1**
Other comprehensive income for the period	-	65.2	(2.4)	**62.8**
At 30 September 2023	**-**	**(12.2)**	**2,623.9**	**2,611.7**

	Non-equity share capital £m	Cash flow hedge reserve £m	Income and expenditure reserve £m	Total capital and reserves £m
At 31 March 2022	-	(219.1)	2,522.7	2,303.6
Surplus for the half year ending 30 September 2022	-	-	100.6	100.6
Other comprehensive income for the period	-	192.1	(5.0)	187.1
At 30 September 2022	**-**	**(27.0)**	**2,618.3**	**2,591.3**

Group Statement of Cash Flows for the half year ended 30 September 2023

	Half year ended 30 September 2023		Half year ended 30 September 2022		Year ended 31 March 2023	
	Reviewed		Not reviewed		Audited	
	£m	£m	£m	£m	£m	£m
Surplus for the period		**35.1**		100.6		96.8
Adjustment for working capital movements						
(Increase)/decrease in stock	**(6.5)**		(10.0)		50.5	
Increase in operating debtors	**(22.2)**		(15.8)		(18.1)	
(Decrease)/increase in operating creditors	**(6.6)**		(18.4)		12.8	
Pension contributions in excess of expense	**(3.4)**		(3.2)		(6.7)	
Payments to settle other provisions	**(1.9)**		(4.1)		(3.9)	
	(40.6)		(51.5)		34.6	
Adjustment for non-cash items						
Amortisation of government grants	**(11.6)**		(12.3)		(24.3)	
Deferred tax (credit)/charge	**(4.7)**		1.5		(1.6)	
Amortisation of intangible assets	**6.7**		5.2		11.8	
Depreciation charge	**66.5**		67.5		133.8	
Impairment charge/(reversal)	**2.0**		(0.5)		23.9	
Loss/(gain) on revaluation of investment properties	**6.5**		(5.2)		(4.7)	
Other non-cash (decrease)/increase in provisions	**-**		(0.3)		1.5	
	65.4		55.9		140.4	
Adjustment for financing or investment activities						
Surplus on disposal of properties	**(12.8)**		(47.4)		(96.0)	
Surplus on disposal of other fixed assets	**-**		-		(0.1)	
Surplus on disposal of operations	**-**		(7.5)		(7.0)	
Share of surplus of JCEAs (excluding impairment)	**(2.3)**		(1.8)		(6.0)	
Net financing costs (excluding impairment)	**72.9**		62.5		177.7	
	57.8		5.8		68.6	
Net cash from operating activities		**117.7**		110.8		340.4
Cash flows from investing activities						
Net proceeds from disposal of properties	**44.6**		74.0		179.7	
Proceeds from disposal of other fixed assets	**-**		-		1.9	
Interest received	**12.9**		4.8		14.7	
Purchase of subsidiary (net of cash acquired)	**-**		(8.1)		(16.1)	
Acquisition of intangible assets	**(5.0)**		(5.6)		(9.2)	
Investment in social housing properties	**(244.8)**		(209.4)		(444.1)	
Acquisition of non-housing fixed assets	**(1.3)**		(0.1)		(2.1)	
(Investment in)/repayment of investment by JCEAs	**(11.4)**		2.4		(40.1)	
Distributions from JCEAs	**-**		-		1.0	
Proceeds from disposal of other fixed asset investments	**0.3**		-		0.3	
(Increase)/decrease in current asset investments	**(1.5)**		9.0		7.9	
Social housing and other property grants received	**34.8**		36.6		109.9	
Repayment of Recycled Capital Grant Fund	**-**		-		(3.3)	
Proceeds from disposal of operations (net of cash disposed)	**-**		18.3		17.8	
Net cash from investing activities		**(171.4)**		(78.1)		(181.7)
Cash flows from financing activities						
Interest paid	**(97.4)**		(84.2)		(180.6)	
Breakage costs	**-**		-		(44.8)	
Net borrowing/(repayment of) of loans and bonds (notional)	**132.1**		(15.1)		19.2	
Capital transaction costs paid	**-**		(0.2)		(0.9)	
Payment of finance lease capital	**-**		-		(0.1)	
Net cash from financing activities		**34.7**		(99.5)		(207.2)
Net decrease in cash and cash equivalents		**(19.0)**		(66.8)		(48.5)
Cash and cash equivalents at 1 April		**89.4**		137.9		137.9
Cash and cash equivalents at the end of the period		**70.4**		71.1		89.4

See note 12 for the reconciliation of net debt.

Notes to the Financial Statements for the half year ended 30 September 2023

1. Accounting policies

These interim financial statements have 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 these interim financial statements is materially the same as that applied in the Group's latest audited annual 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 2023.

The financial information contained in these interim financial statements does not constitute statutory financial statements as defined by the Co-operative and Community Benefit Societies Act 2014. A copy of the statutory financial statements for the year ended 31 March 2023 has been delivered to the Registrar of Mutual Societies. The auditor reported on those financial statements: their report was unqualified and had no matters on which to report by exception.

Going concern

These financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

The Board, after reviewing the Group's budgets for 2023/24 and 2024/25, and the Group's medium-term financial position as detailed in the 30-year business plan, is of the opinion that, taking into account reasonably possible downside scenarios, including the impact of high inflation and the cost of living crisis, the Group has adequate resources to continue to meet its liabilities over the period of at least 12 months from the date of approval of these interim financial statements.

The Board believes that the Group has sufficient funding in place and expects the Group to be in compliance with its debt covenants, even in reasonably possible downside scenarios.

Consequently, the Board is confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these interim financial statements and therefore has prepared these interim financial statements on a going concern basis.

Notes to the Financial Statements for the half year ended 30 September 2023 (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 2023. 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.

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 12 months:

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

The Group believes that the UELs used are reasonable based on its experience. The most material assumptions are the UELs of rental-only social housing property components: these were reviewed in 2022, with the input of the Group's repairs and maintenance staff, and were benchmarked against the UELs disclosed by other English Registered Providers.

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

Using these UELs, the accumulated depreciation at the reporting date was £1,370.2 million. Were each of the UELs shorter by one year, this figure would be approximately £1,422.7 million, reducing the net book value of social housing properties by £52.5 million.

Conversely, included in liabilities is £2,256.4 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 £4.2 million, leading to a net reduction in assets of £48.3 million (1.8% of net assets).

2. Significant judgements and accounting estimates (continued)

Accounting estimates (continued)

2 The valuation of residential investment properties.

At the reporting date, the Group holds £162.3 million of residential investment properties, of which £157.5 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 £12.2 million;

• Market rents: a 10% fall in these would reduce the value of these properties by £5.2 million; and

• Discount rates: increasing these by 0.5% would reduce the value of these properties by £3.9 million.

3 The fair value of derivative financial instruments.

At the reporting date, the Group has a £18.9 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 external market data at the reporting date, including Bank of England forecasts, plus an appropriate credit spread, giving a range of 3.55% to 5.48%. Decreasing this curve by 100 basis points would increase the net liability by £63.4 million (2.4% 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 2023 (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.

The assumptions used by the Group's schemes have been set by independent actuaries, and then reviewed and signed off by management.

For the Clarion Housing Group Pension Scheme, asset values at 30 September 2023 were provided by the scheme's administrators, while the liability at 30 September 2023 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 2023 have been estimated by using approximate actuarial techniques to roll forward the estimated figures provided to the Group for the year ending 31 March 2023.

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 £4.7 million;
- Increasing the pension increase assumption by 0.1% would increase the obligation by £4.6 million; and
- Increasing the assumed life expectancy by 1 year would increase the obligation by £9.4 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 2023, 6 of the Group's 7 defined benefit schemes remain in surplus, but this £35.8 million total asset has not been recognised based on an assessment of recovery (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 recoverability of current tenant arrears.

Included in 'Rent and service charges debtors' is £76.6 million which relates to current tenants. Excluding amounts covered by Housing Benefit or Universal Credit (which is expected to be received directly from the government) and also amounts owed by tenants who are freeholders or leaseholders (as larger arrears, such as for their share of communal repairs, may be secured against the properties they own) leaves £62.2 million to provide against.

Based on a review of the movement in the amounts owed in the year ending 31 March 2023, the Group has determined that a provision of 58% is required, or £36.1 million.

A 1% increase in the provision rate would increase the provision by £0.6 million.

2. Significant judgements and accounting estimates (continued)

6 <u>The valuation of stock.</u>

At the reporting date, the Group holds £148.8 million of social stock. Based on the sales margins in the period, this would generate £157.6 million of sales. Therefore, it is estimated that for this stock to be materially impaired, sales values would need to drop by around 17% in the following year.

The Group also holds £335.8 million of non-social stock. Based on the sales margins in the period, this would generate £352.2 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.

Forecasts released around the reporting date, by a number of mortgage lenders and estate agents, generally suggest that house prices may fall by around 2% to 4% in 2024. Therefore the Group does not consider that, overall, there is a significant risk of a material impairment.

During the year the Group impaired stock by £0.7 million, all relating to one scheme.

Notes to the Financial Statements for the half year ended 30 September 2023 (continued)

3. Units managed and/or owned

	At 1 April 2023	Adjustments	Units developed or newly-built units acquired	Units sold or demolished	Transfers to other Registered Providers	Other movements	**At 30 September 2023**
Units managed							
Social housing							
Social rent	73,970	(27)	12	(56)	(3)	6	**73,902**
Affordable rent	14,483	-	182	-	-	(35)	**14,630**
General needs	88,453	(27)	194	(56)	(3)	(29)	**88,532**
Supported	1,234	(6)	-	(11)	(206)	(6)	**1,005**
Housing for older people	6,544	(7)	-	(26)	(251)	(4)	**6,256**
Shared ownership	11,017	(1)	234	(24)	(4)	(43)	**11,179**
Care homes	12	-	-	-	-	-	**12**
Intermediate rent	465	-	-	-	-	6	**471**
Keyworker	947	-	-	-	-	(4)	**943**
Social leaseholders	10,232	(52)	-	(12)	(3)	40	**10,205**
Staff accommodation	83	-	-	(1)	-	(1)	**81**
Social homes managed	**118,987**	**(93)**	**428**	**(130)**	**(467)**	**(41)**	**118,684**
Non-social housing							
Market rent	819	(2)	-	-	-	(9)	**808**
Non-social leaseholders	4,971	61	24	(3)	-	(66)	**4,987**
Homes managed	**124,777**	**(34)**	**452**	**(133)**	**(467)**	**(116)**	**124,479**
Non-housing							
Garages and car parking spaces	10,301	3	-	-	-	-	**10,304**
Commercial leaseholders	342	1	-	-	(2)	(1)	**340**
Community centres	55	(1)	-	-	-	-	**54**
Units managed	**135,475**	**(31)**	**452**	**(133)**	**(469)**	**(117)**	**135,177**
The figures above include							
Social housing	177	-	-	-	-	-	**177**
Non-social housing	1,147	-	24	-	-	(69)	**1,102**
Non-housing	1	-	-	-	-	-	**1**
Units managed but not owned	**1,325**	**-**	**24**	**-**	**-**	**(69)**	**1,280**

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

3. Units managed and/or owned (continued)

	At 1 April 2023	Adjustments	Units developed or newly-built units acquired	Units sold or demolished	Transfers to other Registered Providers	Other movements	**At 30 September 2023**
Units owned but not managed							
Social housing	1,020	-	-	(8)	(12)	3	**1,003**
Non-social housing	1,695	(11)	52	-	-	69	**1,805**
Non-housing	8	-	-	-	-	-	**8**
Units owned but not managed	**2,723**	**(11)**	**52**	**(8)**	**(12)**	**72**	**2,816**

4. Turnover, cost of sales, operating costs, surplus on disposal of properties and operating surplus/deficit

4a. Particulars of turnover, cost of sales, operating costs, surplus on disposal of properties and operating surplus/deficit

	Half year ended 30 September 2023 Reviewed					Restated Half year ended 30 September 2022 Not reviewed	
	Turnover £m	**Cost of sales £m**	**Operating costs £m**	**Surplus on disposal £m**	**Operating surplus/ (deficit) £m**	Turnover £m	Operating surplus/ (deficit) £m
Social housing activities							
Social housing lettings (note 4b)	**389.4**	**-**	**(293.5)**	**-**	**95.9**	358.2	95.4
Shared ownership first tranche sales	**39.3**	**(36.5)**	**(0.6)**	**-**	**2.2**	56.4	6.9
Other social housing activities							
Care and support services	**6.6**	**-**	**(7.9)**	**-**	**(1.3)**	6.5	1.5
Social leaseholders	**6.7**	**-**	**(8.7)**	**-**	**(2.0)**	8.0	(2.3)
Development costs not capitalised / written off	**-**	**-**	**(1.2)**	**-**	**(1.2)**	-	(0.6)
Community investment	**1.4**	**-**	**(7.7)**	**-**	**(6.3)**	0.9	(5.7)
Other	**1.3**	**-**	**(2.3)**	**-**	**(1.0)**	1.5	(0.6)
Total	**16.0**	**-**	**(27.8)**	**-**	**(11.8)**	16.9	(7.7)
Surplus on disposal of social housing properties	**-**	**-**	**-**	**12.8**	**12.8**	-	47.4
Total social housing activities	**444.7**	**(36.5)**	**(321.9)**	**12.8**	**99.1**	431.5	142.0

Notes to the Financial Statements for the half year ended 30 September 2023 (continued)

4. Turnover, cost of sales, operating costs, surplus on disposal of properties and operating surplus/deficit (continued)

4a. Particulars of turnover, cost of sales, operating costs, surplus on disposal of properties and operating surplus/deficit (continued)

	Half year ended 30 September 2023 Reviewed					Half year ended 30 September 2022 Not reviewed	
	Turnover £m	**Cost of sales £m**	**Operating costs £m**	**Surplus on disposal £m**	**Operating surplus/ (deficit) £m**	Turnover £m	Operating surplus/ (deficit) £m
Non-social housing activities							
Property sales							
Open market sales	**27.9**	**(25.0)**	**(1.6)**	**-**	**1.3**	38.8	2.2
Other non-social housing activities							
Market rent lettings	**4.9**	**-**	**(1.7)**	**-**	**3.2**	4.4	2.8
Garage lettings	**1.4**	**-**	**(0.5)**	**-**	**0.9**	1.0	0.8
Commercial lettings	**1.6**	**-**	**(0.7)**	**-**	**0.9**	1.9	1.0
Other	**5.3**	**-**	**(1.9)**	**-**	**3.4**	2.9	1.5
Total	**13.2**	**-**	**(4.8)**	**-**	**8.4**	10.2	6.1
Total non-social housing activities	**41.1**	**(25.0)**	**(6.4)**	**-**	**9.7**	49.0	8.3
Total social and non-social housing activities	**485.8**	**(61.5)**	**(328.3)**	**12.8**	**108.8**	480.5	150.3

Analysis of disposals

	Turnover £m	Cost of sales £m	Operating costs £m	Surplus on disposal £m	Operating surplus/ (deficit) £m	Turnover £m	Operating surplus/ (deficit) £m
Social housing properties	***47.1***	***(30.5)***	***(3.8)***	**12.8**	**12.8**	*79.4*	47.4
Investment properties	***1.6***	***(1.6)***	**-**	**-**	**-**	-	-

Turnover and operating costs relating to social leaseholders are now included in 'Other social housing activities' in note 4a, having previously been reported within the 'Other' column of note 4b. For consistency, the analysis for the half year ended 30 September 2022 has been restated to move £8.0 million of turnover and £10.3 million of operating costs from note 4b.

Notes to the Financial Statements for the half year ended 30 September 2023 (continued)

4. Turnover, cost of sales, operating costs, surplus 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 2023 Reviewed Total £m	Restated Half year ended 30 September 2022 Not reviewed Total £m
Income						
Rent receivable net of identifiable service charges	301.5	19.5	28.3	7.2	**356.5**	330.6
Service charge income	11.2	4.3	5.3	0.5	**21.3**	15.3
Amortisation of government grants	9.5	1.0	0.8	0.3	**11.6**	12.3
Turnover from social housing lettings	**322.2**	**24.8**	**34.4**	**8.0**	**389.4**	358.2
Expenditure						
Management	(42.5)	(4.4)	(5.4)	(1.3)	**(53.6)**	(45.3)
Service charge costs	(19.4)	(5.3)	(7.7)	(0.8)	**(33.2)**	(26.7)
Routine maintenance	(87.1)	(7.1)	(0.3)	(1.6)	**(96.1)**	(70.2)
Planned maintenance	(35.0)	(1.4)	(0.1)	(0.6)	**(37.1)**	(31.3)
Major works expensed	(5.3)	(0.2)	-	(0.1)	**(5.6)**	(11.6)
Bad debts	(2.7)	(0.4)	(0.5)	(0.1)	**(3.7)**	(13.7)
Depreciation of housing properties	(58.7)	(4.1)	-	(0.9)	**(63.7)**	(63.5)
Lease costs	(0.1)	-	-	-	**(0.1)**	(0.1)
Other costs	(0.1)	-	-	(0.3)	**(0.4)**	(0.4)
Operating costs on social housing lettings	**(250.9)**	**(22.9)**	**(14.0)**	**(5.7)**	**(293.5)**	(262.8)
Operating surplus on social housing lettings	**71.3**	**1.9**	**20.4**	**2.3**	**95.9**	95.4
Void losses	**5.3**	**1.5**	**-**	**1.5**	**8.3**	6.5

Other includes intermediate rent, keyworker and temporary social units.

Void losses represent rent and service charge income lost as a result of an available-for-letting property not being let.

5. Interest receivable

	Half year ended 30 September 2023	Half year ended 30 September 2022
	Reviewed	Not reviewed
	£m	£m
Interest receivable on bank deposits	**4.2**	0.9
Interest receivable on derivatives	**2.0**	-
Interest receivable on finance leases	**0.1**	-
Interest receivable from JCEAs	**6.5**	3.9
Other interest receivable	**0.1**	-
	12.9	4.8

6. Interest payable and financing costs

	Half year ended 30 September 2023	Half year ended 30 September 2022
	Reviewed	Not reviewed
	£m	£m
Interest payable on loans	**38.4**	17.6
Interest payable on bonds and similar instruments	**55.6**	55.8
Interest payable on derivatives	**2.0**	11.3
Interest payable on finance leases	**0.3**	0.3
Interest payable relating to pensions	**0.8**	0.2
Impairment of loan to contractor	**1.3**	-
Other interest payable	**1.1**	-
Other charges	**2.4**	2.2
	101.9	87.4
Interest payable capitalised	**(13.8)**	(18.5)
	88.1	68.9

Latimer Developments Limited ("Latimer"), a member of the Group, has agreed to provide up to £6 million of support to the contractor for one of the company's development schemes. As this contractor is in financial difficulties, any support provided in this manner is not expected to be recovered, and so Latimer has expensed the support as it is paid. Even so, Latimer believes that providing this support is preferable to allowing the contractor to collapse, as doing so would further delay the scheme and increase the overall cost of development even further.

Support payments are made into a Project Bank Account which is controlled by Latimer, so that the funds are only used to pay costs relating to this particular development scheme, and are not available for any of the contractor's other costs.

In the second half of the prior year, the Group completed a debt portfolio rationalisation project which strengthens the Group's credit position going forward. £44.8 million of loan breakage costs were incurred as a result.

Notes to the Financial Statements for the half year ended 30 September 2023 (continued)

7. Movement in fair value of financial instruments

Included in income and expenditure	**Half year ended 30 September 2023 Reviewed £m**	Half year ended 30 September 2022 Not reviewed £m
Fair value gains on		
Borrowings treated as fair value hedging items	**4.4**	19.4
Derivatives treated as cash flow hedging instruments - ineffective	**1.3**	-
	5.7	19.4
Fair value losses on		
Derivatives treated as fair value hedging instruments	**(4.4)**	(17.4)
Derivatives not in hedging relationships	**-**	(0.1)
Amortisation of cash flow hedge reserve relating to a prematured derivative	**(0.3)**	(0.3)
	(4.7)	(17.8)
	1.0	1.6

Included in other comprehensive income	**Half year ended 30 September 2023 Reviewed £m**	Half year ended 30 September 2022 Not reviewed £m
Fair value gains on		
Derivatives treated as cash flow hedging instruments - effective	**64.9**	191.8
Amortisation of cash flow hedge reserve relating to a prematured derivative	**0.3**	0.3
	65.2	192.1

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

Notes to the Financial Statements for the half year ended 30 September 2023 (continued)

8. Taxation

	Half year ended 30 September 2023 Reviewed £m	Half year ended 30 September 2022 Not reviewed £m
Recognised in income and expenditure	**(4.7)**	1.7

The tax (credit)/charge for the Group for the period is less than 25% (30 September 2022: less than 19%), the main 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 2023 Reviewed £m**	Half year ended 30 September 2022 Not reviewed £m
Surplus on ordinary activities before taxation	**30.4**	102.3
Tax charge at 25% (30 September 2022: 19%)	**7.6**	19.4
Effects of:		
Charitable surpluses not taxed	**(12.3)**	(18.7)
Adjustment in respect of prior periods	**-**	0.3
Gift Aid expected to be paid in following 15 months	**(0.4)**	(0.3)
Other non-material differences	**0.4**	1.0
	(4.7)	1.7

The tax (credit)/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 (credit)/charge 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 2023 (continued)

9. Social housing properties

	Completed		Under construction		
	Rental-only £m	Shared ownership £m	Rental-only £m	Shared ownership £m	Total £m
Cost					
At 1 April 2023	7,874.8	1,349.6	256.3	256.9	**9,737.6**
Construction/redevelopment of properties	-	-	132.5	38.4	**170.9**
Works to completed properties	66.1	-	-	-	**66.1**
Other additions	0.3	-	-	-	**0.3**
Properties completing construction	47.1	63.0	(47.1)	(63.0)	**-**
Transfers from investment properties	3.3	-	-	-	**3.3**
Transfers from stock	-	0.2	-	-	**0.2**
Components replaced	(4.6)	-	-	-	**(4.6)**
Transfers to other private Registered Providers	(48.4)	-	-	-	**(48.4)**
Other disposals / write-offs	(2.2)	(8.3)	(0.1)	-	**(10.6)**
At 30 September 2023	**7,936.4**	**1,404.5**	**341.6**	**232.3**	**9,914.8**
Depreciation and impairment					
At 1 April 2023	(1,317.6)	(12.3)	(4.9)	(7.7)	**(1,342.5)**
Depreciation charge for the period	(63.7)	-	-	-	**(63.7)**
Properties completing construction	(2.2)	(6.8)	2.2	6.8	**-**
Eliminated on components replaced	4.6	-	-	-	**4.6**
Eliminated on transfers to other private RPs	8.1	-	-	-	**8.1**
Eliminated on other disposals / write-offs	0.6	0.1	-	-	**0.7**
At 30 September 2023	**(1,370.2)**	**(19.0)**	**(2.7)**	**(0.9)**	**(1,392.8)**
Net book value					
At 30 September 2023	**6,566.2**	**1,385.5**	**338.9**	**231.4**	**8,522.0**
Net book value					
At 31 March 2023	6,557.2	1,337.3	251.4	249.2	8,395.1

10. Stock

	Under construction		Completed properties		
	Social £m	Non-social £m	Social £m	Non-social £m	Total £m
At 1 April 2023	92.2	257.4	57.6	69.1	**476.3**
Additions	29.6	33.3	-	-	**62.9**
Impairment charge	-	(0.7)	-	-	**(0.7)**
Properties completing construction	(23.1)	(30.2)	23.1	30.2	**-**
Change of tenure	-	-	1.3	(1.3)	**-**
Transfer to social housing properties	-	-	(0.2)	-	**(0.2)**
Properties sold	-	-	(31.7)	(22.0)	**(53.7)**
At 30 September 2023	**98.7**	**259.8**	**50.1**	**76.0**	**484.6**

Notes to the Financial Statements for the half year ended 30 September 2023 (continued)

11. Creditors

	30 September 2023 £m	31 March 2023 £m
Debt (see note 12)		
Amounts falling due within one year	**47.4**	45.4
Amounts falling due after one year	**4,597.2**	4,472.1
	4,644.6	4,517.5
Grants (see note 13)		
Amounts falling due within one year	**44.9**	40.8
Amounts falling due after one year	**2,254.3**	2,256.8
	2,299.2	2,297.6
Derivative financial liabilities (see note 14)		
Amounts falling due within one year	**-**	0.1
Amounts falling due after one year	**34.9**	82.6
	34.9	82.7
Other creditors		
Amounts falling due within one year	**220.4**	244.9
Amounts falling due after one year	**108.0**	109.4
	328.4	354.3
	7,307.1	7,252.1

12. Debt analysis

Debt is repayable as follows:	30 September 2023 £m	31 March 2023 £m
Due within one year	**47.4**	45.4
Due between one and two years	**49.2**	45.6
Due between two and five years	**263.2**	251.6
Due after more than five years	**4,284.8**	4,174.9
	4,644.6	4,517.5

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 2023 £m	31 March 2023 £m
Notional amounts drawn		
Clarion Funding PLC		
- Note issuance	**1,750.0**	1,750.0
Clarion Treasury Limited		
- Loans	**1,560.6**	1,428.3
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	**1.1**	1.3
- Finance leases	**5.4**	5.4
Your Lifespace Limited		
- Finance leases	**1.2**	1.2
	4,603.3	4,471.2
Accounting adjustments		
Fair value adjustment due to		
- Acquisitions of legacy Registered Providers	**10.7**	11.2
- Hedging of private placement	**(15.4)**	(11.0)
Effective interest rate adjustment	**46.0**	46.1
	41.3	46.3
	4,644.6	4,517.5

The notional value of the Group's committed debt facilities at 30 September 2023 is £5,396.7 million (31 March 2023: £5,413.1 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 £0.5 million has been released in this period (30 September 2022: £0.6 million). The private placement is held at fair value as a result of hedge accounting and has reduced in value by £4.4 million during the period (30 September 2022: £19.4 million).

12. Debt analysis (continued)

As at 30 September 2023, the Group's debt has a weighted average maturity of 15 years (31 March 2023: 15 years) and a weighted average interest cost of 4.25% (31 March 2023: 3.96%). The weighted average funding cost incurred during the reporting period was 4.38% (30 September 2022: 4.11%). In order to minimise the Group's exposure to variable interest rate risk, 85% of the Group's portfolio as at 30 September 2023 is fixed, either directly or as a result of interest-rate swaps which convert variable interest rates to fixed interest rates (31 March 2023: 88%).

Analysis of changes in net debt	At 1 April 2023 £m	Cash flows £m	Changes in fair value £m	Other non-cash changes £m	At 30 September 2023 £m
Cash and cash equivalents	89.4	(19.0)	-	-	**70.4**
Debt	(4,517.5)	(132.1)	4.4	0.6	**(4,644.6)**
Derivatives	(80.7)	-	61.8	-	**(18.9)**
Net debt	**(4,508.8)**	**(151.1)**	**66.2**	**0.6**	**(4,593.1)**

Notes to the Financial Statements for the half year ended 30 September 2023 (continued)

13. Capital grants

Capital grants	HomeBuy grants £m	Social housing and other property grants £m
At 1 April 2023	9.0	2,257.3
New grant recognised	-	32.4
Amortisation income	-	(11.6)
Recycled on disposals (net of amortisation)	(0.1)	(1.4)
Disposals not required to be recycled	-	(20.3)
At 30 September 2023	**8.9**	**2,256.4**

Amounts falling due within one year	-	24.3
Amounts falling due after one year	8.9	2,232.1
	8.9	**2,256.4**

Recycled Capital Grant Fund	HE £m	GLA £m	Total £m
At 1 April 2023	14.7	16.6	**31.3**
Additions to fund due to disposals	0.8	1.0	**1.8**
Interest accrued	0.4	0.4	**0.8**
At 30 September 2023	**15.9**	**18.0**	**33.9**

Amounts falling due within one year	20.6
Amounts falling due after one year	13.3
	33.9

Amounts three years old or older which may need to be repaid	4.0	6.0	**10.0**

14. Financial instruments

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

	30 September 2023 £m	31 March 2023 £m
Notional		
Pay fixed	**855.1**	856.6
Receive fixed	**100.0**	100.0
	955.1	956.6
Fair value		
Pay fixed (asset)	**16.0**	2.0
Pay fixed (liability)	**(19.5)**	(71.7)
Receive fixed (liability)	**(15.4)**	(11.0)
	(18.9)	(80.7)

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

	30 September 2023 £m	31 March 2023 £m
Due within one year	**(4.7)**	3.1
Due between one and two years	**(1.0)**	4.8
Due between two and five years	**13.2**	28.6
Due after more than five years	**22.7**	77.2
	30.2	113.7

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 2023: all are Level 2).

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 relevant reliefs available in IFRS 9.

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 2023 (continued)

15. Provisions for liabilities and charges

	30 September 2023 £m	31 March 2023 £m
Net pension liabilities	**36.3**	36.5
Deferred tax liabilities	**2.0**	2.1
Other	**3.1**	5.0
	41.4	43.6

All of the Group's defined benefit pension schemes were revalued as at 30 September 2023 using approximate actuarial techniques, including updated assumptions on discount and inflation rates, as detailed in note 2.

	Net pension liabilities £m
At 1 April 2023	**36.5**
Net movement due to employer contributions, service costs and interest costs	**(2.6)**
Actuarial gain on pension schemes	**(3.6)**
Pension surplus not recoverable	**6.0**
Remeasurement of defined benefit pensions	**2.4**
At 30 September 2023	**36.3**

As interest rates continue to rise, the discount rate used to calculate the liabilities of the Group's pension schemes has increased from c.4.8% at 31 March 2023 to c.5.6%. As a result there is an actuarial gain for the period and six of the Group's pension schemes continue to be in surplus on a FRS 102 valuation basis. This £35.8 million total surplus at 30 September 2023 has not been recognised as:

i. In the case of the five local government schemes, this is chiefly that active membership of all of these LGPS arrangements is relatively low and has the potential to cease within the next 12 months (subject to agreement with staff and representatives, following the conclusion of consultations). It is therefore highly probable that the Group will not receive a future reduction in contributions. Whilst there may be scope for future refunds from these schemes, this is not virtually certain as at 30 September 2023 and impracticable to estimate.

ii. In the case of the Downland scheme, this is because the Group is unlikely to receive any material economic benefit from the provisional FRS 102 surplus calculated as at 30 September 2023. The reason being that the status of the scheme in terms of membership, ongoing funding contributions, and trustees' discretion regarding the use of surplus, means that there is limited reasonable expectation that the Group would be able to recover any material surplus either through reduced future contributions or by receiving a refund.

The £36.3 million liability at 30 September 2023 entirely relates to the Clarion Housing Group Pension Scheme, which is the only scheme currently in deficit on a FRS 102 valuation basis.

15. Provisions for liabilities and charges (continued)

The Group was notified in 2021 by the Trustee of the Clarion scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding whether some of these changes were made in accordance with the Trust's governing documentation. The Trustee is seeking clarification from the Court on these items, and this process is ongoing and unlikely to be resolved before 2025 at the earliest. The most recent estimate provided by the scheme's actuary suggested this could potentially increase the value of the scheme's liabilities by around 5%. This is an estimate only and is subject to change depending on the outcome of the court case and more detailed calculations on scheme data. Until the Court's direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.

16. Contingent assets/liabilities

As per note 1 of the financial statements for the year ended 31 March 2023, the original amount of social housing and other property grants may become repayable. In addition to the amounts included in creditors, £420.2 million of grant has been credited to reserves to date through amortisation (31 March 2023: £413.2 million). The timing of any future repayment, if any, is uncertain.

The Group has a contingent liability in relation to defects found at 2,777 properties (31 March 2023: 2,543 properties). For 55 of these properties, a formal liability assessment has been made, totalling £0.4 million (31 March 2023: 57 properties, £0.4 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 initially entered into a Standstill Agreement suspending time until 1 June 2023. The Association has since extended these Standstill Agreements or entered into protective proceedings. The likelihood of any liability and its timing remains very much uncertain.

17. Capital commitments

	30 September 2023 £m	31 March 2023 £m
Contracted for but not provided for in the financial statements	**557.0**	573.5
Authorised by the Board but not contracted for	**3,549.0**	3,368.0
	4,106.0	3,941.5

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

The figures above include £811.7 million (31 March 2023: £946.0 million) for the Group's share of the capital commitments of its JCEAs.

At the reporting date the Group had £70.4 million of cash and cash equivalents and £793.4 million of undrawn funding. Most of the remaining £3,242.2 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.

The Group has also been allocated grant funding under the Affordable Homes Programme 2021-26. £249 million of grant from Homes England and £224 million from the Greater London Authority, which in total will support the delivery of 4,324 homes.

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