



CLARION
HOUSING GROUP

Clarion Housing Group

Interim Report and Accounts

Half year ended 30 September 2024

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The half year at a glance

All figures are actuals

FINANCIAL HIGHLIGHTS	6 months to 30 September 2024 (H1 2024/25)	6 months to 30 September 2023 (H1 2023/24)	12 months to 31 March 2024
Turnover	£542m	£486m	£993m
Operating surplus (pre-disposals)	£118m	£96m	£171m
Operating margin pre-disposals	22%	20%	17%
Operating surplus	£138m	£109m	£237m
Operating margin	25%	22%	24%
Net surplus	£68m	£35m	£87m
Operating cost* per home	£3,114	£3,004	£6,153
Investment in new homes	£196m	£234m	£486m
Spend on improving and maintaining homes	£177m	£205m	£418m
Interest cover covenant**	2.6	1.7	1.9
Liquidity	£1,382m	£864m	£1,079m

* Excluding pension cessations

**Based on the Guarantor, Clarion Housing Association Limited

OPERATIONAL HIGHLIGHTS	6 months to 30 September 2024 (H1 2024/25)	6 months to 30 September 2023 (H1 2023/24)	12 months to 31 March 2024
Overall resident satisfaction	84.9%	82.5%	83.8%
Resident satisfaction with repairs	91.4%	89.4%	90%
Arrears	6.9%	8.1%	7.4%
Homes managed at the end of the period	124,130	124,479	124,408
Social rent loss due to voids	£8.6m	£8.3m	£15.8m
Occupancy rates	98.5%	98.4%	98.4%
Social Value of community investment activity	£76m	£62m	£121m

DEVELOPMENT HIGHLIGHTS	6 months to 30 September 2024 (H1 2024/25)	6 months to 30 September 2023 (H1 2023/24)	12 months to 31 March 2024
Total new homes constructed	792	606	1,538
Of which new affordable homes	616	428	1,023
Of which new private sales homes (including share of JCEAs)	176	178	515
Sales income (excluding share of JCEA sales and leaseholder reversion)	£88m	£67m	£147m
Total sales volume (excluding share of JCEA sales)	527	413	890

Interim management report

Statement from the Group Chief Executive

At the end of what had been an incredibly difficult financial year last March, I was cautiously optimistic about the green shoots of improvement we were seeing in the economic environment. We finished the year having preserved a robust financial position due to our careful planning and I'm pleased to report we have been able to build on this and present a strong set of financial accounts at the mid-point of the current financial year.

Our financial strength underpins our ability to do the best by our residents and our teams have been busy making improvements to how we deliver services having undertaken a wholesale review of our operations as part of our 'Connect' programme. Over the last six months we have consistently exceeded 80% customer satisfaction, but in the background, we are striving to do even better – improving alignment across departments, aiming to create a seamless customer experience for residents and making sure they have the support they need.

Our satisfaction results are compiled by an independent third party and are based upon recent customer interactions with Clarion, enabling residents to tell us how we performed for them personally. In addition, the Regulator of Social Housing's new Tenant Satisfaction Measures ("TSMs") came into play this year and include statistics based on perceptions of our performance.

As expected, due to the difference in sampling approach the TSM scores are lower than the transactional surveys and are similar to other large housing associations that build homes and manage homes in urban areas. Where we have lower scores, these align with our own identified improvement areas which we have been prioritising, such as complaints handling. As we begin to embed new ways of working, we expect our TSM results to begin to improve year-on-year.

Our own customer insight data has been showing us that each year, the proportion of residents who have had to get into or increase their household debt just to meet day to day costs was still increasing. Fortunately, our 2024 data tells us that, for the first time since 2021, this has decreased. We hope that lower inflation and falling energy costs have made things a little easier for our residents, but we know things continue to be tough for many and demand for our free jobs and training support and money guidance services remains high. Since April, we have helped 793 people into jobs and 2,412 into training. In addition, 35 people have been supported to set up their own business. Over 7,000 money guidance and financial inclusion interventions have been made by us and our external partners. These figures always remind me how much of an impact we have - every day - on people's lives.

The impact of having a safe, secure and affordable home can't be understated. I firmly believe it is directly linked to better life chances. We want the young people in our homes to be given the best chance of success, and this is why we donated £45,000 through our charitable foundation to projects providing free activities for children over the summer.

At Clarion, we are guardians of the legacy of our founder William Sutton, and we are here to make sure that legacy continues. Every decision we make as a business takes into account the long-term and is always guided by the best interests of both our current and future residents. I know we will build on the excellent performance over the last six months, and I am looking forward to sharing what we have achieved at the end of the year.

Clare Miller, Group Chief Executive

Statement from the Group Chair

It is a real privilege to reflect on the performance of the Group over the course of what has been my first six months as Chair. I have spent time out and about, visiting our homes and new developments, and speaking with different teams and the commitment to our social purpose I have witnessed has been remarkable, and everything I had hoped to see when I stepped into this role at the country's largest provider of affordable housing.

At that point, in May 2024, the year to date had been tough. The external operating environment was extremely challenging. There are still big challenges ahead, but one thing I am confident we do have in our favour is the political will to solve the housing crisis, with a government who understand the value of social housing

We asked for certainty to allow us to invest and make plans for the long-term and welcome the announcement in the Chancellor's Budget to commence a consultation on the future rent settlement. We will be responding with a request for a 10-year settlement so that we can really get to work delivering the homes needed by this generation and the next.

The top-up in funding via the Affordable Homes Programme was also welcome and will have a positive impact on the supply of new homes. Over the last six months, Clarion has completed nearly 800 new homes, of which 78% were for affordable tenures. Cognisant of our exposure to a challenging market and volatile supply chain costs, we have been taking a cautious approach to development, but these numbers still represent a strong level of delivery and are improved on the same period last year when we built 606 new homes.

We have a pipeline of 20,000 new homes, which we will deliver at a pace which enables us to maintain a strong and resilient financial profile. There are significant challenges ahead which we are working through the full implications of, including the impact of the rise in employers' National Insurance contributions and the implementation of Awaab's Law. We will need to assess the resources we will need to facilitate new regulation, and how we may need to adapt our business plan. We look forward to working with government to share our insights and expertise and support the vision of building 1.5 million new homes over the next parliament. We are ready to take on the challenge this ambition represents, with the right supportive operating environment that enables its delivery.

We have been calling for a long-term plan for housing and were pleased when this intention was announced by the Secretary of State for Housing, Communities and Local Government. We look forward to lending our voice as part of this work and doing all we can to support the government.

Finally, I would like to thank my fellow Board members, the Group Executive Team and all the teams across the organisation for their hard work over the last six months in delivering on our mission to provide homes for those that need them most. A particular thanks to Tom Smyth, our Chair of Treasury Committee, who will be stepping down at the end of the December and will be replaced by Heike Munro.

Jock Lennox, Group Chair

Financial Review

The first half of the financial year 2024/25 has seen a strong financial performance. Operating surplus of £138 million is £29 million higher than the £109 million generated during the first half of 2023/24 and net surplus of £68 million is nearly double (H1 2023/24: £35 million). As in previous years, all of this net surplus has been invested in a continued programme of planned improvements to our existing housing as well as the development of new social housing.

Investment in our communities remains a priority for the Group with £7 million spent on providing a range of activities such as support and advice for residents facing financial difficulties (H1 2023/24: £8 million).

Total net assets have increased to £2,707 million (31 March 2024: £2,635 million) contributing to a gearing ratio comfortably below our tightest covenant. £222 million of cash has been generated from our operating activities (H1 2023/24: £118 million) which is well in excess of our interest obligations of £99 million (H1 2023/24: £97 million). Liquidity remains high at £1,382 million which is a £303 million improvement on the position reported in March 2024.

Statement of Comprehensive Income

Operating surplus

In the six months to 30 September 2024 the Group has generated an operating surplus of £138 million and an operating margin of 25% (H1 2023/24: £109 million at 22%). The majority of this increase has been due to our core social housing lettings activity where operating surplus has increased to £124 million (H1 2023/24: £96 million). In addition to this, operating surplus generated from our other social activities has increased to £9 million (H1 2023/24: £3 million), whilst that generated from non-social activities has seen a reduction to £5 million (H1 2023/24: £10 million).

Figure 1: Six month movement in operating surplus from social housing lettings activity

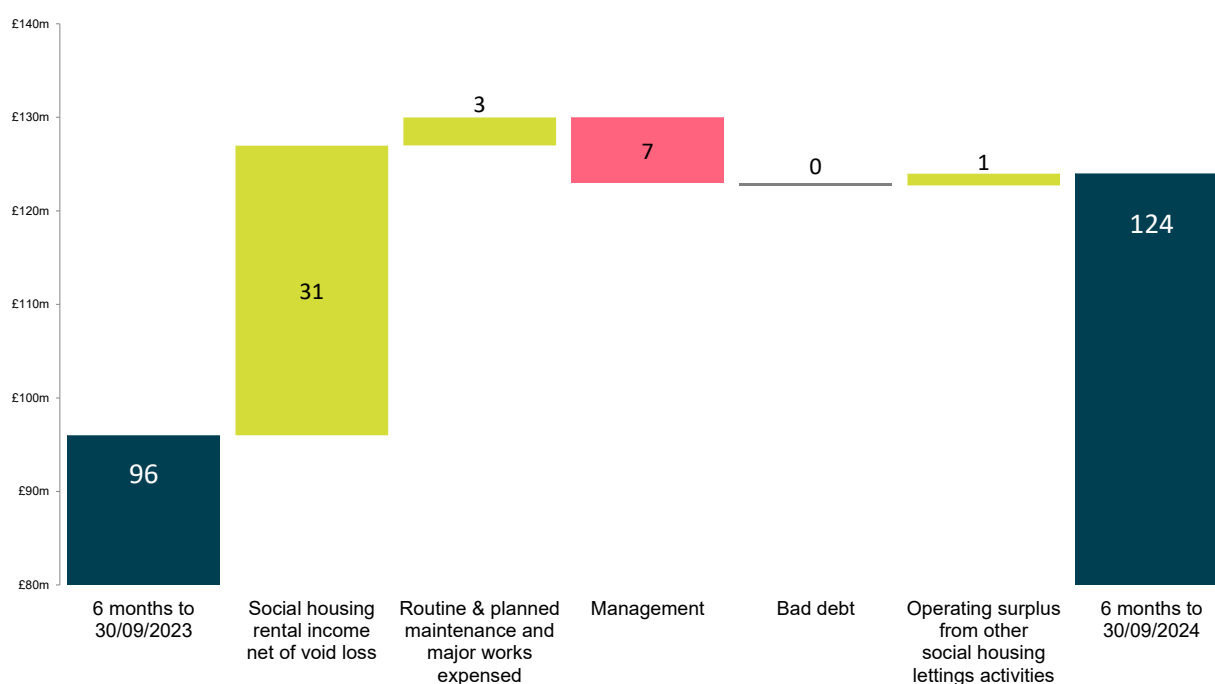


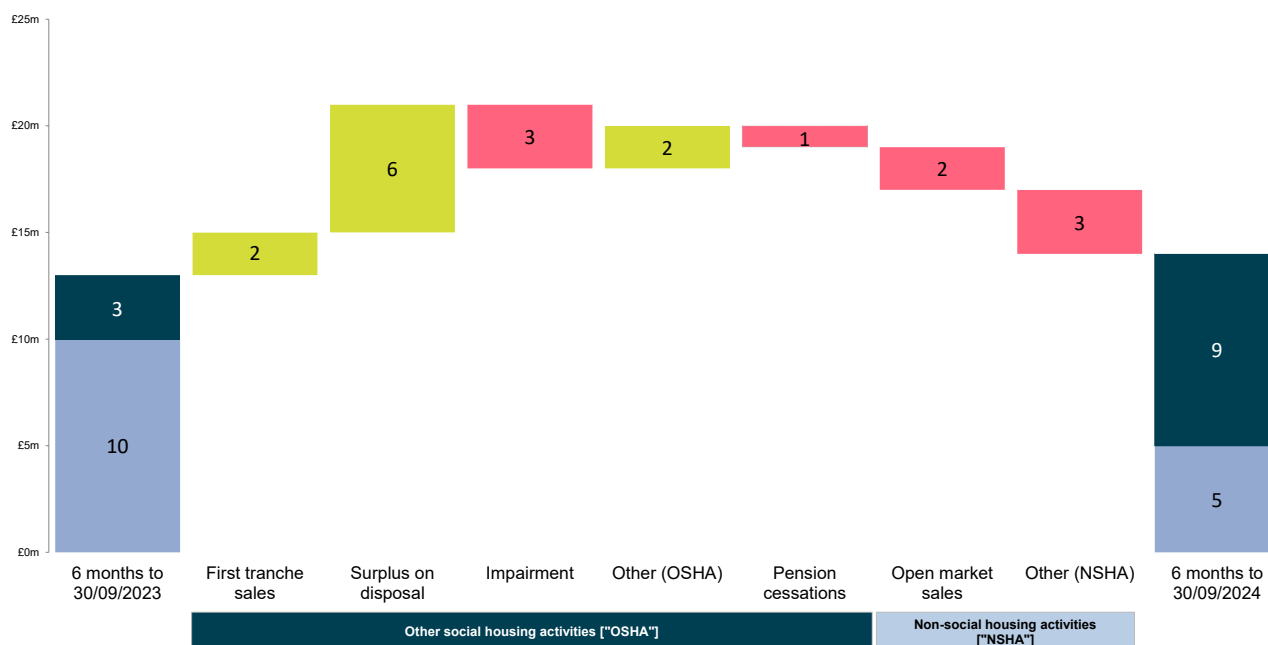
Figure 1 provides an analysis of the movement in operating surplus from our core activity of social housing lettings. Social housing rent income (net of voids) increased by £31 million which is predominantly driven by the permitted 7.7% rent increase. Void losses at £9 million (H1 2023/24: £8 million) are a continued focus for the business, although represent just 2% of social rent income.

Routine and planned maintenance, and major works expensed have in total seen a net £3 million reduction during the first half of 2024/25. The primary driver of this reduction is in routine maintenance. Whilst demand for repairs remains high, productivity has improved and we are seeing the benefits from insourcing work and having less reliance on contractors.

Costs relating to our tenancy management services have seen a £7 million increase. The movement is largely attributable to increases in staffing (including support staff), disrepair and insurance costs which are partially offset by reductions in areas such as council tax – an area of focus of our Connect programme.

Positively, rent arrears continued to improve to 6.91%, down from 7.41% at the end of 2023/24. Our Customer Accounts Team continue to offer bespoke support to help residents maximise their income and manage their finances. As a result the bad debt charge for the six months has been maintained at £4 million.

Figure 2: Six month movement in operating surplus from other social housing activities (OSHA) and non-social housing activities (NSHA)



Operating surplus from the Group’s other social housing activities at £9 million has seen a £6 million improvement (H1 2023/24: £3 million). Figure 2 analyses the movement.

At £19 million, the surplus generated from social housing property disposals is £6 million higher than that generated in the first half of 2023/24 with 301 more sales in the first six months of 2024/25 compared to the prior year. A re-phasing of the planned disposal programme in 2023/24 in response to market conditions is the primary driver. So far this year we have transferred 700 units under our management to other Registered Providers (H1 2023/24: 469 units).

Shared ownership first tranche sales generated a £4 million operating surplus in the six months to 30 September 2024 (H1 2023/24: £2 million), a £2 million increase on the prior year. The increase is due to a combination of increased volumes and improved gross margins, with 398 sales completing at an overall gross margin of 11% (H1 2023/24: 325 sales at 7%).

Included under first tranche cost of sales is a £3 million impairment charge for the Lampton Rise development, fully offset by a £3 million impairment reclassification due to a tenure change at our Bath Road, Bristol development. The latter impairment is now disclosed under operating costs and is driving the increase in impairment of social housing properties due to development triggers.

In November 2023 (H2 2023/24), driven by a desire to move to a standard offering for all staff and protect the organisation from future unknown liabilities, we closed our defined benefit pension schemes to future accrual. This resulted in cessation of our Local Government Pension Schemes (“LGPS”) and a net £9 million settlement refund was accrued at the year-end, estimated based on our discussions with the Funds. All the LGPS’ have now been settled with the Group receiving a net refund of £8 million – the difference to our estimate at year-end is shown as a £1 million cessation cost in H1 2024/25.

Our non-social housing activities include our open market sales and lettings from our market rent and commercial portfolios. Operating surplus across these activities has reduced to £5 million at the half year point (H1 2023/24: £10 million). As can be seen in Figure 2, £2 million of the reduction is from open market sales.

Market conditions and supply chain costs have continued to have an impact on the open market sales margin, although more recently development costs have begun to stabilise. Over the six month period to 30 September 2024, 129 open market sales have completed at a break-even gross margin (H1 2023/24: 88 sales at a 10% gross margin). These figures exclude our share of joint venture sales.

At 30 September 2024, 125 open market sale units were reserved/exchanged (30 September 2023: 48) with a further 183 available for sale (30 September 2023: 124 available for sale).

Despite the current economic climate, operating surplus from our non-social lettings activity at £5 million continues to remain resilient (H1 2023/24: £5 million). The remaining £3 million reduction in overall non-social housing activities is driven by other movements, including a review of cost allocations.

Net surplus

Below operating surplus, notable movements include those relating to investment properties and interest payable.

The first half of 2024/25 has seen the value of our investment property portfolio increase by £2 million (H1 2023/24: £7 million reduction). This reflects yields stabilising along with some growth in vacant possession values over the last six months, particularly in the market rent portfolio.

The Group continues to hold a relatively high proportion of its net debt at fixed rates (91%, September 2023: 85%) thus ensuring it is not unduly exposed to fluctuating interest rates. During the first six months of the year, interest payable and financing costs increased by £5 million to £93 million with the weighted average cost of capital rising to 4.48% (H1 2023/24: 4.38%).

Offsetting this increase is a £3 million increase in interest receivable as a result of additional lending to our joint venture entities and derivatives. Interest cover at 2.6 remains comfortably above our tightest covenant.

Other Comprehensive Income (OCI)

The market value of the Group's interest rate swaps (derivatives) as at 30 September 2024 remains broadly in line with the value at 31 March 2024. As a result, the movement in fair value of our financial instruments recognised in OCI over the period is £nil. This compares to a £65 million gain in the six months to 30 September 2023 which was driven by interest rates rising significantly over that period.

Also impacting OCI is a £4 million gain on remeasuring our defined benefit pension schemes (H1 2023/24: £2 million loss). The Group now retains just two defined benefit pension schemes, both of which are closed to future accrual. Since 31 March 2024, the net liability on our largest pension scheme has reduced to £41 million (31 March 2024: £44 million), and likewise the net surplus on the Group's other defined scheme has seen a minor increase of £1 million.

Statement of Financial Position

Our financial position metrics remain strong with our net asset position increasing to £2,707 million (31 March 2024: £2,635 million). Our gearing ratio (as per our strictest covenant definition and based on our Guarantor) is 48% (31 March 2024: 49%).

The primary drivers behind the £72 million (3%) increase in net assets are our continued investment in existing properties and new homes, and our improved liquidity position.

Over the first six months of 2024/25, the Group has invested £196 million in our new homes and major regeneration programmes (H1 2023/24: £234 million), with 91% (£179 million) of this investment relating to affordable homes (H1 2023/24: 86%, £201 million). The reduced investment compared to the prior year reflects some later starts on site.

Partially offsetting this movement is a £55 million net increase in our grant liability, reflecting new grant recognised during the year less amounts amortised, recycled or transferred on disposal.

The Group completed 792 properties during the first half of the financial year - of which 78% were for affordable tenures (H1 2023/24: 606, of which 71% affordable). With £3,892 million of capital expenditure approved at the half year (31 March 2024: £3,873 million) and a current pipeline of some 20,532 new homes, the Group is committed to building as many new homes as we can and regenerating our existing properties but at a pace which enables us to maintain a strong and resilient financial profile.

During the first half of 2024/25 we have invested £41 million (H1 2023/24: £66 million) in our existing homes which is on top of the £136 million (H1 2023/24: £139 million) of revenue

maintenance spend. The year-on-year variance is primarily related to timing differences in the phasing of the work, with increased expenditure anticipated in the second half of the year.

Whilst delays on site and phasing of work have reduced our total investment in affordable housing when compared to the first half of 2023/24, it remains significant and, as demonstrated in Figure 3, well in excess of our annual net surplus.

Figure 3: Surplus versus investment in social housing



Since the 31 March 2024, the Group has seen a £303 million improvement in its liquidity position. Clarion returned to the public capital markets in May 2024 with a new sustainable bond issue. The 33-year 5.375% £250 million bond was strongly received by the market, with high levels of investor engagement at the company roadshow resulting in the final issue being 3.3 times oversubscribed. The proceeds from the bond issue were used to repay revolving facilities, maintaining a notional debt position of £4,563 million (31 March 2024: £4,574 million) whilst increasing undrawn committed facilities to £1,238 million (31 March 2024: £993 million). The Group’s weighted average maturity of its borrowings now stands at 15 years (31 March 2024: 14 years). In addition, the Group holds increased cash and cash equivalents with £144 million at the half year point (31 March 2024: £86 million).

Other notable movements impacting the Statement of Financial Position are a £12 million increase in our interests in JCEAs reflecting our continuing investment in a number of jointly controlled entities and a £21 million reduction in other creditors due within one year due to timing of accrued spend.

Statement of Cash Flows

Figure 4: Group cash flows for the six month period

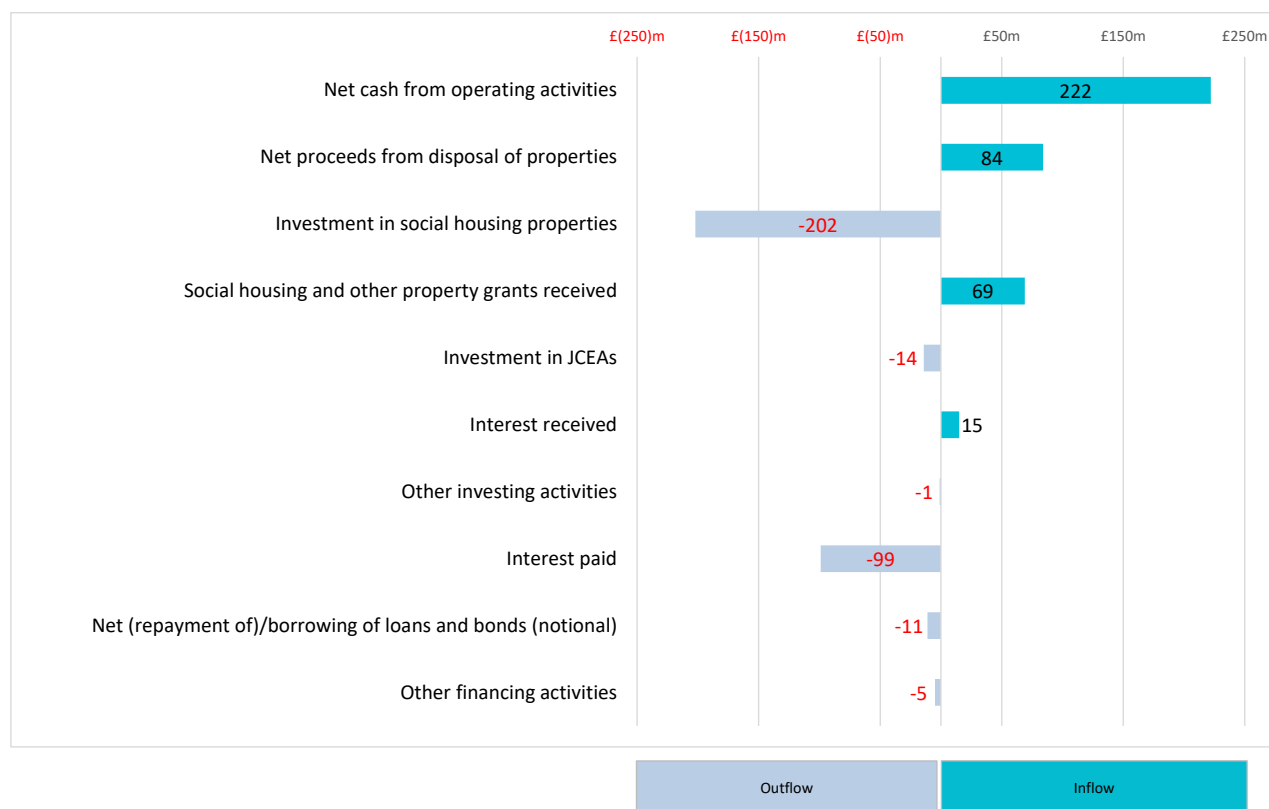


Figure 4 summarises the Group's cash flows for the year where we have seen a net cash inflow of £58 million (H1 2023/24: £19 million outflow). The values disclosed are cash movements and therefore will differ to those presented in the rest of our analysis due to exclusion of accruals and other non-cash accounting items.

Cash generation from operations is a critically important measure since it provides an indication of the Group's ability to meet the 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 £222 million, cash generation from operations is nearly double that generated in the first half of 2023/24 (H1 2023/24: £118 million) and well in excess of the Group's £99 million interest payments (H1 2023/24: £97 million) leaving £123 million (H1 2023/24: £21 million) available as contribution to the cash investment made in our new and existing social housing properties.

During the first six months of 2024/25, £202 million of cash has been invested in our social housing properties (H1 2023/24: £245 million). Cash generated from operations has been supplemented by grant receipts of £69 million (H1 2023/24: £35 million) and disposal proceeds of £84 million (H1 2023/24: £45 million).

Our net cash from financing activities is a £115 million net cash outflow to 30 September 2024 versus a £35 million inflow to 30 September 2023. The primary outflow continues to be our interest

payments. As mentioned previously, additional proceeds from the Group's bond issue in May 2024 have been used to repay existing revolver facilities resulting in a net £11 million repayment of debt (H1 2023/24: £132 million net borrowing).

The Group ended the half year with cash and cash equivalents of £144 million (30 September 2023: £70 million, 31 March 2024: £86 million), a significant contributor to the Group's overall liquidity position.

Principal risks and uncertainties

The Group Board remains committed to proactively managing Clarion's principal risks and ensuring that risk management activities are embedded across the Group. The overall risk profile, which remains largely consistent with prior reporting, is driven by external factors, being managed alongside the delivery of internal change initiatives, which are crucial to our long-term risk mitigation plans. Key aims of these on-going initiatives include: (1) ensuring customer-facing efficiencies and deliverables are well embedded with the realisation of anticipated benefits, (2) ensuring our compliance with changes in the legislative and regulatory space, and (3) enhancing our cybersecurity resilience against potential threats.

We maintain a sharp focus on the macroeconomic environment, which continues to influence our operations. The Boards across the Clarion Group are regularly updated on emerging risks, their potential impacts, and the mitigation plans in place, ensuring that risk management remains a priority across the business.

Outlook

The sector remains under pressure, with demands on services still elevated and with increased costs now incorporated in business plans. However, there are buds of positivity in the outlook now that inflation has moderated, the housing market shows signs of improvement, and the new government has confirmed its support for the sector through a longer-term rent settlement and £500 million of additional grant funding.

Fitch affirmed our A+ credit rating in November, and while we acknowledge the negative outlook held by the agency on the sector and Clarion, we were pleased with this outcome. Fitch believes "performance will improve as construction inflation reduces, rent increases return to CPI+1%, developments are completed with returns recognised, and building safety costs reduce as remediation is completed." The maintenance of the A+ rating demonstrates the additional financial strength and flexibility Clarion retains beyond members of our peer group who were recently downgraded by the agency.

S&P affirmed our rating at A-, stable outlook in November, noting that "Clarion is more resilient than other providers in the sector to external shocks," and that "Clarion's management has been proactive and continues adapting its strategy to the current market conditions."

The recent UK budget and the election of a new US administration may, for different reasons, both have inflationary impacts which could result in interest rates reducing at a slower pace than previously anticipated. We remain satisfied with our decision to pre-empt market volatility by completing a £250 million bond issue in May, a bond issue which was very strongly received by the market and leaves us with comfortable funding headroom. We continue to retain the conservative approach to financial management which ensures we remain well placed to meet any challenges ahead.

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 2024, 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 2024 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 members have inappropriately adopted the going concern basis of accounting, or that the Board members have 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 members’ responsibilities

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

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 members are 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 members are 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 members either intend to liquidate the Group or to cease operations, or have 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

13 December 2024

Group Statement of Comprehensive Income for the half year ended 30 September 2024

		Half year ended 30 September 2024 Reviewed £m	Half year ended 30 September 2023 Reviewed £m	Year ended 31 March 2024 Audited £m
	Notes			
Turnover	4a	541.8	485.8	992.5
Cost of sales	4a	(83.4)	(61.5)	(142.4)
Operating costs (excluding pension cessations)	4a	(338.8)	(328.3)	(671.3)
Pension cessations	4a	(1.3)	-	(7.5)
Surplus on disposal of properties	4a	19.6	12.8	66.1
Operating surplus	4a	137.9	108.8	237.4
Share of surplus of JCEAs		3.1	2.3	2.5
Gain/(loss) on revaluation of investment properties		2.1	(6.5)	(7.8)
Interest receivable	5	15.5	12.9	28.3
Interest payable and financing costs	6	(93.2)	(88.1)	(178.1)
Movement in fair value of financial instruments	7	(0.6)	1.0	(0.4)
Surplus on ordinary activities before taxation		64.8	30.4	81.9
Tax credit on surplus on ordinary activities	8	3.2	4.7	5.2
Surplus for the period		68.0	35.1	87.1
Remeasurement of defined benefit pensions	15	4.0	(2.4)	11.6
Movement in fair value of financial instruments	7	-	65.2	22.2
Total comprehensive income for the period		72.0	97.9	120.9

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

Jock Lennox
Group Chair

Mark Hattersley
Group Chief Financial Officer

Louise Hyde
Company Secretary

12 December 2024

Group Statement of Financial Position as at 30 September 2024

	Notes	30 September 2024 Reviewed £m	31 March 2024 Audited £m
Fixed assets			
Goodwill		14.3	14.3
Other intangible assets		49.4	56.6
Social housing properties	9	8,719.7	8,656.9
Investment properties		197.5	200.6
Non-housing fixed assets		27.4	25.4
Interests in JCEAs		223.1	210.9
Other fixed asset investments		10.4	10.5
		9,241.8	9,175.2
Current assets			
Stock	10	427.2	469.5
Debtors: amounts falling due within one year		128.5	124.7
Debtors: amounts falling due after one year		103.5	100.1
Current asset investments		60.0	59.9
Cash and cash equivalents		143.9	85.8
		863.1	840.0
Current liabilities			
Creditors: amounts falling due within one year	11	(302.9)	(325.5)
		560.2	514.5
Net current assets			
		9,802.0	9,689.7
Total assets less current liabilities			
Creditors: amounts falling due after one year	11	(7,049.5)	(7,006.9)
Provisions for liabilities and charges	15	(45.8)	(48.1)
		2,706.7	2,634.7
Total net assets			
Capital and reserves			
Non-equity share capital		-	-
Cash flow hedge reserve		(55.2)	(55.2)
Income and expenditure reserve		2,761.0	2,689.0
Restricted reserve		0.9	0.9
		2,706.7	2,634.7
Total capital and reserves			

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

Jock Lennox
Group Chair

Mark Hattersley
Group Chief Financial Officer

Louise Hyde
Company Secretary

12 December 2024

Group Statement of Changes in Capital and Reserves for the half year ended 30 September 2024

	Non-equity share capital £m	Cash flow hedge reserve £m	Income and expenditure reserve £m	Restricted reserve £m	Total capital and reserves £m
At 31 March 2023	-	(77.4)	2,591.2	-	2,513.8
Surplus for the year ending 31 March 2024	-	-	87.1	-	87.1
Other comprehensive income for the year	-	22.2	11.6	-	33.8
Transfers between reserves	-	-	(0.9)	0.9	-
At 31 March 2024	-	(55.2)	2,689.0	0.9	2,634.7
Surplus for the half year ending 30 September 2024	-	-	68.0	-	68.0
Other comprehensive income for the period	-	-	4.0	-	4.0
At 30 September 2024	-	(55.2)	2,761.0	0.9	2,706.7
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

Group Statement of Cash Flows for the half year ended 30 September 2024

	Half year ended 30 September 2024		Half year ended 30 September 2023		Year ended 31 March 2024	
	Reviewed		Reviewed		Audited	
	£m	£m	£m	£m	£m	£m
Surplus for the period		68.0		35.1		87.1
<i>Adjustment for working capital movements</i>						
Decrease/(increase) in stock		37.9		(6.5)		2.2
Increase in operating debtors		(11.6)		(22.2)		(6.9)
Increase/(decrease) in operating creditors		2.8		(6.6)		(16.7)
Pension expense in excess of/(less than) contributions		1.3		(3.4)		2.8
Pension cessation receipts		15.6		-		-
Pension cessation payments		(8.1)		-		-
Payments to settle other provisions		(0.1)		(1.9)		(2.5)
		37.8		(40.6)		(21.1)
<i>Adjustment for non-cash items</i>						
Amortisation of government grants		(11.6)		(11.6)		(23.5)
Deferred tax credit		(3.2)		(4.7)		(5.2)
Amortisation of intangible assets		7.6		6.7		14.5
Depreciation charge		67.9		66.5		131.9
Impairment charge/(reversal)		1.5		2.0		(0.7)
(Gain)/loss on revaluation of investment properties		(2.1)		6.5		7.8
Other non-cash increase in provisions		0.2		-		0.2
		60.3		65.4		125.0
<i>Adjustment for financing or investment activities</i>						
Surplus on disposal of properties		(19.6)		(12.8)		(66.1)
Share of surplus of JCEAs (excluding impairment)		(2.8)		(2.3)		(2.6)
Net financing costs (excluding impairment)		78.3		72.9		148.9
		55.9		57.8		80.2
Net cash from operating activities		222.0		117.7		271.2
Cash flows from investing activities						
Net proceeds from disposal of properties		83.5		44.6		158.0
Interest received		15.3		12.9		27.3
Acquisition of intangible assets		(0.7)		(5.0)		(5.7)
Investment in social housing properties		(201.5)		(244.8)		(467.4)
Acquisition of non-housing fixed assets		(5.9)		(1.3)		(3.9)
Investment in JCEAs		(13.7)		(11.4)		(23.1)
Distributions from JCEAs		4.6		-		0.2
Proceeds from disposal of other fixed asset investments		0.1		0.3		0.6
(Increase)/decrease in current asset investments		(0.1)		(1.5)		48.0
Social housing and other property grants received		69.0		34.8		96.1
Net cash from investing activities		(49.4)		(171.4)		(169.9)
Cash flows from financing activities						
Interest paid		(99.0)		(97.4)		(206.3)
Net (repayment of)/borrowing of loans and bonds (notional)		(11.0)		132.1		102.7
Discount on bond issues		(3.3)		-		-
Capital transaction costs paid		(1.2)		-		(1.1)
Payment of finance lease capital		-		-		(0.2)
Net cash from financing activities		(114.5)		34.7		(104.9)
Net increase/(decrease) in cash and cash equivalents		58.1		(19.0)		(3.6)
Cash and cash equivalents at 1 April		85.8		89.4		89.4
Cash and cash equivalents at the end of the period		143.9		70.4		85.8

See note 12 for the reconciliation of net debt.

Notes to the Financial Statements for the half year ended 30 September 2024

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 (September 2024) ("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 (September 2024) ("FRS 104"); recent amendments made to FRS 102 and FRS 104, as a result of Periodic Review 2024, are not currently mandatory and have not been early-adopted.

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 2024.

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 2024 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

The Board, after reviewing the Group's latest forecast for 2024/25, budget for 2025/26, and its long-term financial plan ("LTFP"), is of the opinion that 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 most recent LTFP was approved by Board in May 2024 and presents a financially robust performance, reflecting the Group's resilience in the backdrop of sustained political and economic uncertainty, high inflation, and regulatory and operational pressures shared across the sector. The LTFP projects a strong financial outlook with sufficient funding in place and maintains compliance with the most stringent financial banking covenant requirements.

Rigorous stress testing is carried out based on single and multi-variate scenarios linked to the latest Group risk register. The impact on cash, covenants, and security, when faced with plausible cyclical and long-term economic and business risks, has been measured. A worst-case "perfect storm" scenario is also modelled and mitigating actions identified to ensure compliance with all loan covenants, restoring financial viability.

Consequently, the Board is confident that the Group will have sufficient funds to continue in operational existence 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 2024 (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 2024. 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.

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 ("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 detail in 2022, with the input of the Group's repairs and maintenance staff, and by benchmarking against the UELs disclosed by other English Registered Providers. A further sense check was completed during the previous financial year, which included a review against expected asset service lives.

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
Fire safety	5-15 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 £1,471.0 million. Were each of the UELs shorter by one year, this figure would be approximately £1,518.0 million, reducing the net book value of social housing properties by £47.0 million.

Conversely, included in liabilities is £2,333.9 million of social housing and other 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 £4.3 million, leading to a net reduction in assets of £42.7 million (1.6% of net assets).

Notes to the Financial Statements for the half year ended 30 September 2024 (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 £153.4 million of residential investment properties, of which £147.9 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 £10.5 million;
- Market rents: a 10% fall in these would reduce the value of these properties by £5.8 million; and
- Discount rates: 7.25% has been used; increasing this by 0.5% would reduce the value of these properties by £4.4 million.

3 The fair value of derivative financial instruments.

At the reporting date, the Group has a £58.0 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 3.06% to 5.09%. Decreasing this curve by 100 basis points would increase the net liability by £62.7 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 2024 (continued)

2. Significant judgements and accounting estimates (continued)

Accounting estimates (continued)

4 The valuation of defined benefit pension scheme obligations.

During the prior year the Group decided to cease participating in, and close to future accrual, all seven of its defined benefit pension schemes. This triggered a cessation and settlement event for the five Local Government Pension Schemes and the related pension assets and liabilities were derecognised from the Statement of Financial Position. Whilst closed to future accrual, the remaining two private defined benefit schemes remain on the Statement of Financial Position and will continue to be valued on an FRS 102 basis at each reporting date (in this case 30 September 2024).

Asset values at 30 September 2024 were provided by the schemes' administrators. The liability at 30 September 2024 for the much-larger Clarion Housing Group Pension Scheme has been estimated by using the projected unit method to roll forward the results of the 31 March 2024 FRS 102 valuation; for the smaller Downland Housing Group Pension & Assurance Scheme, the liability at 30 September 2024 has been estimated by using approximate actuarial techniques to roll forward the triennial valuation as at 31 March 2023.

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 have been set by independent actuaries and then reviewed and signed off by management.

Using sensitivity analysis which the Clarion Housing Group Pension Scheme's actuary has provided, the estimated combined impact of changing the material assumptions would be as follows:

- Decreasing the discount rate by 0.1% would increase the obligation by £3.6 million;
- Increasing the pension increase assumption by 0.1% would increase the obligation by £3.6 million; and
- Increasing the assumed life expectancy by 1 year would increase the obligation by £7.2 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.

Notes to the Financial Statements for the half year ended 30 September 2024 (continued)

2. Significant judgements and accounting estimates (continued)

Accounting estimates (continued)

5 The recoverability of current tenant arrears.

Included in 'Rent and service charges debtors' is £71.8 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 £58.2 million to provide against.

Based on a review of the movement in the amounts owed in the past year, the Group has determined that a provision of 51% is required, or £29.7 million.

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

6 The valuation of stock.

At the reporting date, the Group holds £131.0 million of social stock, which is net of £5.6 million of impairment. Based on the sales margins in the year, this stock value would generate £144.2 million of sales. Therefore, it is estimated that for the impairment of this stock to be materially increased, sales values would need to drop by around 23% in the following year. Such a dramatic fall is incredibly unlikely.

The Group also holds £296.2 million of non-social stock, which is net of £3.6 million of impairment. For these properties the most significant assumptions, and their sensitivities as per the 30 September 2024 impairment review, are sales income and build costs:

- a 5% fall in future open market sales proceeds would increase the impairment by £2.8 million; and
- a 5% fall in future open market sales proceeds combined with a 5% increase in the cost of completing these properties would increase the impairment by £2.9 million.

Notes to the Financial Statements for the half year ended 30 September 2024 (continued)

3. Units managed and/or owned

	At 1 April 2024	Adjustments	Units developed or newly- built units acquired	Units sold or demolished	Transfers to other Registered Providers	Other movements	At 30 September 2024
Units managed							
<u>Social housing</u>							
Social rent	73,566	(27)	158	(36)	(301)	5	73,365
Affordable rent	14,685	(11)	214	(4)	(105)	(21)	14,758
General needs	88,251	(38)	372	(40)	(406)	(16)	88,123
Supported	963	30	-	(7)	(10)	(61)	915
Housing for older people	6,203	(15)	-	(2)	(21)	(2)	6,163
Shared ownership	11,352	(6)	244	(30)	(204)	(37)	11,319
Care homes	12	-	-	-	-	-	12
Intermediate rent	471	3	-	-	(17)	1	458
Keyworker	941	-	-	-	-	(1)	940
Social leaseholders	10,200	(8)	-	(2)	(19)	36	10,207
Staff accommodation	81	-	-	-	-	-	81
Social homes managed	118,474	(34)	616	(81)	(677)	(80)	118,218
<u>Non-social housing</u>							
Market rent	830	(6)	-	(1)	(20)	(5)	798
Non-social leaseholders	5,104	-	10	-	-	-	5,114
Homes managed	124,408	(40)	626	(82)	(697)	(85)	124,130
<u>Non-housing</u>							
Garages and car parking spaces	10,260	-	17	(4)	(2)	-	10,271
Commercial leaseholders	342	3	4	-	(1)	9	357
Community centres	53	2	1	-	-	-	56
Units managed	135,063	(35)	648	(86)	(700)	(76)	134,814
The figures above include							
Social housing	179	-	-	-	-	-	179
Non-social housing	1,221	-	10	-	-	-	1,231
Non-housing	1	-	-	-	-	-	1
Units managed but not owned	1,401	-	10	-	-	-	1,411

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

Notes to the Financial Statements for the half year ended 30 September 2024 (continued)

3. Units managed and/or owned (continued)

	At 1 April 2024	Adjustments	Units developed or newly- built units acquired	Units sold or demolished	Transfers to other Registered Providers	Other movements	At 30 September 2024
Units owned but not managed							
Social housing	824	-	-	-	(83)	61	802
Non-social housing	2,022	-	121	(3)	-	16	2,156
Non-housing	8	-	-	-	-	-	8
Units owned but not managed	2,854	-	121	(3)	(83)	77	2,966

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

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

	Half year ended 30 September 2024 Reviewed					Half year ended 30 September 2023 Reviewed	
	Turnover £m	Cost of sales £m	Operating costs (incl. pension cessations) £m	Surplus on disposal £m	Operating surplus/ (deficit) £m	Turnover £m	Operating surplus/ (deficit) £m
Social housing activities							
Social housing lettings (note 4b)	422.0	-	(298.5)	-	123.5	389.4	95.9
Shared ownership first tranche sales	47.0	(42.0)	(0.7)	-	4.3	39.3	2.2
Other social housing activities							
Care and support services	6.5	-	(4.4)	-	2.1	6.6	(1.3)
Social homeowners	10.9	-	(12.1)	-	(1.2)	6.7	(2.0)
Development costs not capitalised / written off	-	-	(3.0)	-	(3.0)	-	(1.2)
Impairment of social housing properties due to Development triggers	-	-	(3.2)	-	(3.2)	-	-
Community investment	0.9	-	(7.1)	-	(6.2)	1.4	(6.3)
Pension cessations	-	-	(1.3)	-	(1.3)	-	-
Other	1.7	-	(3.2)	-	(1.5)	1.3	(1.0)
Total	20.0	-	(34.3)	-	(14.3)	16.0	(11.8)
Surplus on disposal of social housing properties	-	-	-	19.1	19.1	-	12.8
Total social housing activities	489.0	(42.0)	(333.5)	19.1	132.6	444.7	99.1

Notes to the Financial Statements for the half year ended 30 September 2024 (continued)

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

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

	Half year ended 30 September 2024 Reviewed					Half year ended 30 September 2023 Reviewed	
	Turnover £m	Cost of sales £m	Operating costs (incl. pension cessations) £m	Surplus on disposal £m	Operating surplus/ (deficit) £m	Turnover £m	Operating surplus £m
Non-social housing activities							
Property sales							
Open market sales	41.2	(41.4)	(0.9)	-	(1.1)	27.9	1.3
Other non-social housing activities							
Market rent lettings	5.3	-	(2.0)	-	3.3	4.9	3.2
Garage lettings	1.3	-	(0.6)	-	0.7	1.4	0.9
Commercial lettings	1.8	-	(1.0)	-	0.8	1.6	0.9
Other	3.2	-	(2.1)	-	1.1	5.3	3.4
Total	11.6	-	(5.7)	-	5.9	13.2	8.4
Surplus on disposal of investment properties	-	-	-	0.5	0.5	-	-
Total non-social housing activities	52.8	(41.4)	(6.6)	0.5	5.3	41.1	9.7
Total social and non-social housing activities	541.8	(83.4)	(340.1)	19.6	137.9	485.8	108.8

	Half year ended 30 September 2024 Reviewed					Half year ended 30 September 2023 Reviewed	
	Turnover £m	Cost of sales £m	Operating costs £m	Surplus on disposal £m	Operating surplus £m	Turnover £m	Operating surplus £m
Analysis of disposals							
Social housing properties	85.0	(62.0)	(3.9)	19.1	19.1	47.1	12.8
Investment properties	2.5	(2.0)	-	0.5	0.5	1.6	-

Notes to the Financial Statements for the half year ended 30 September 2024 (continued)

4. Turnover, cost of sales, operating costs (including pension cessations), 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/ for older people £m	Shared ownership accom- modation £m	Other £m	Half year ended 30 September 2024 Reviewed Total £m	Half year ended 30 September 2023 Reviewed Total £m
Income						
Rent receivable net of identifiable service charges	327.3	20.5	32.4	7.6	387.8	356.5
Service charge income	12.0	4.1	5.4	0.6	22.1	21.3
Amortisation of government grants	10.0	0.6	0.9	0.1	11.6	11.6
Other income	0.2	-	0.3	-	0.5	-
Turnover from social housing lettings	349.5	25.2	39.0	8.3	422.0	389.4
Expenditure						
Management	(49.0)	(4.4)	(5.8)	(1.3)	(60.5)	(53.6)
Service charge costs	(19.9)	(4.8)	(7.4)	(0.8)	(32.9)	(33.2)
Routine maintenance	(81.7)	(6.1)	(0.3)	(1.4)	(89.5)	(96.1)
Planned maintenance	(35.0)	(1.2)	(0.1)	(0.6)	(36.9)	(37.1)
Major works expensed	(8.9)	(0.2)	(0.1)	(0.2)	(9.4)	(5.6)
Bad debts	(2.9)	(0.6)	(0.3)	-	(3.8)	(3.7)
Depreciation of housing properties	(59.3)	(3.8)	-	(0.9)	(64.0)	(63.7)
Social housing leased-in	(0.1)	-	-	-	(0.1)	(0.1)
Other costs	(1.3)	(0.1)	-	-	(1.4)	(0.4)
Operating costs on social housing lettings	(258.1)	(21.2)	(14.0)	(5.2)	(298.5)	(293.5)
Operating surplus on social housing lettings	91.4	4.0	25.0	3.1	123.5	95.9
Void losses	5.4	1.3	-	1.9	8.6	8.3

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.

Notes to the Financial Statements for the half year ended 30 September 2024 (continued)

5. Interest receivable

	Half year ended 30 September 2024 Reviewed £m	Half year ended 30 September 2023 Reviewed £m
Interest receivable on bank deposits	3.4	4.2
Interest receivable on derivatives	3.4	2.0
Interest receivable on finance leases	0.1	0.1
Interest receivable from JCEAs	8.1	6.5
Interest receivable relating to pensions in surplus	0.2	-
Other interest receivable	0.3	0.1
	15.5	12.9

6. Interest payable and financing costs

	Half year ended 30 September 2024 Reviewed £m	Half year ended 30 September 2023 Reviewed £m
Interest payable on loans	39.2	38.4
Interest payable on bonds and similar instruments	60.1	55.6
Interest payable on derivatives	1.7	2.0
Interest payable on finance leases	0.3	0.3
Interest payable relating to pensions	1.1	0.8
Impairment of loan to contractor	-	1.3
Other interest payable	1.2	1.1
Other charges	2.9	2.4
	106.5	101.9
Interest payable capitalised	(13.3)	(13.8)
	93.2	88.1

Notes to the Financial Statements for the half year ended 30 September 2024 (continued)

7. Movement in fair value of financial instruments

	Half year ended 30 September 2024 Reviewed £m	Half year ended 30 September 2023 Reviewed £m
Included in income and expenditure		
<u>Fair value gains on</u>		
Borrowings treated as fair value hedging items	-	4.4
Derivatives treated as fair value hedging instruments	1.2	-
Derivatives treated as cash flow hedging instruments - ineffective	-	1.3
	1.2	5.7
<u>Fair value losses on</u>		
Borrowings treated as fair value hedging items	(1.2)	-
Derivatives treated as fair value hedging instruments	-	(4.4)
Derivatives treated as cash flow hedging instruments - ineffective	(0.3)	-
Amortisation of cash flow hedge reserve relating to a prematured derivative	(0.3)	(0.3)
	(1.8)	(4.7)
	(0.6)	1.0
Included in other comprehensive income		
<u>Fair value gains on</u>		
Derivatives treated as cash flow hedging instruments - effective	-	64.9
Amortisation of cash flow hedge reserve relating to a prematured derivative	0.3	0.3
	0.3	65.2
<u>Fair value losses on</u>		
Derivatives treated as cash flow hedging instruments - effective	(0.3)	-
	-	65.2

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

Notes to the Financial Statements for the half year ended 30 September 2024 (continued)

8. Taxation

	Half year ended 30 September 2024 Reviewed £m	Half year ended 30 September 2023 Reviewed £m
Recognised in income and expenditure	(3.2)	(4.7)

The tax credit for the Group for the period is less than 25% (30 September 2023: less than 25%), the main rate of corporation tax in the UK. The differences are explained below:

	Half year ended 30 September 2024 Reviewed £m	Half year ended 30 September 2023 Reviewed £m
Reconciliation of tax recognised in income and expenditure		
Surplus on ordinary activities before taxation	64.8	30.4
Tax charge at 25% (30 September 2023: 25%)	16.2	7.6
<u>Effects of:</u>		
Charitable surpluses not taxed	(20.0)	(12.3)
Gift Aid expected to be paid in following 15 months	(0.3)	(0.4)
Deferred tax asset not recognised on losses carried forward	1.4	0.6
Other non-material differences	(0.5)	(0.2)
	(3.2)	(4.7)

The tax 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 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 2024 (continued)

9. Social housing properties

	Completed		Under construction		Total £m
	Rental-only £m	Shared ownership £m	Rental-only £m	Shared ownership £m	
Cost					
At 1 April 2024	8,044.3	1,435.5	363.5	251.5	10,094.8
Construction/redevelopment of properties	-	-	101.3	51.8	153.1
Works to completed properties	41.4	-	-	-	41.4
Other additions	1.1	-	-	-	1.1
Properties completing construction	118.9	58.5	(118.9)	(58.5)	-
Change of tenure	-	-	20.1	(20.1)	-
Transfers from investment properties	3.2	-	-	-	3.2
Transfers from stock	-	2.6	-	6.0	8.6
Components replaced	(4.8)	-	-	-	(4.8)
Transfers to other Registered Providers ("RPs")	(54.9)	(21.0)	-	-	(75.9)
Other disposals / write-offs	(3.9)	(8.3)	-	-	(12.2)
At 30 September 2024	8,145.3	1,467.3	366.0	230.7	10,209.3
Depreciation and impairment					
At 1 April 2024	(1,421.8)	(12.5)	(2.6)	(1.0)	(1,437.9)
Depreciation charge for the period	(64.0)	-	-	-	(64.0)
Impairment charge for the period	-	(0.6)	(2.6)	-	(3.2)
Change of tenure	-	-	(1.0)	1.0	-
Eliminated on components replaced	4.8	-	-	-	4.8
Eliminated on transfers to other RPs	9.4	0.6	-	-	10.0
Eliminated on other disposals / write-offs	0.6	0.1	-	-	0.7
At 30 September 2024	(1,471.0)	(12.4)	(6.2)	-	(1,489.6)
Net book value					
At 30 September 2024	6,674.3	1,454.9	359.8	230.7	8,719.7
Net book value					
At 31 March 2024	6,622.5	1,423.0	360.9	250.5	8,656.9

10. Stock

	Under construction		Completed properties		Total £m
	Social £m	Non-social £m	Social £m	Non-social £m	
At 1 April 2024	99.9	214.6	46.7	108.3	469.5
Additions	26.3	16.8	-	-	43.1
Impairment reversed/(charged)	0.1	-	2.3	(1.0)	1.4
Properties completing construction	(24.9)	(44.4)	24.9	44.4	-
Change of tenure	-	-	4.3	(4.3)	-
Transfer to social housing properties	(6.0)	-	(2.6)	-	(8.6)
Properties sold	-	-	(40.0)	(38.2)	(78.2)
At 30 September 2024	95.4	187.0	35.6	109.2	427.2

Notes to the Financial Statements for the half year ended 30 September 2024 (continued)

11. Creditors

	30 September 2024 Reviewed £m	31 March 2024 Audited £m
<u>Debt (see note 12)</u>		
Amounts falling due within one year	44.5	48.2
Amounts falling due after one year	4,558.3	4,569.5
	4,602.8	4,617.7
<u>Grants (see note 13)</u>		
Amounts falling due within one year	43.5	41.5
Amounts falling due after one year	2,332.5	2,279.1
	2,376.0	2,320.6
<u>Derivative financial liabilities (see note 14)</u>		
Amounts falling due within one year	-	-
Amounts falling due after one year	60.8	62.2
	60.8	62.2
<u>Other creditors</u>		
Amounts falling due within one year	214.9	235.8
Amounts falling due after one year	97.9	96.1
	312.8	331.9
	7,352.4	7,332.4

Notes to the Financial Statements for the half year ended 30 September 2024 (continued)

12. Debt analysis

	30 September 2024 Reviewed £m	31 March 2024 Audited £m
Debt is repayable as follows:		
Due within one year	44.5	48.2
Due between one and two years	113.2	117.0
Due between two and five years	506.3	218.9
Due after more than five years	3,938.8	4,233.6
	4,602.8	4,617.7

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 2024 Reviewed £m	31 March 2024 Audited £m
<u>Notional amounts drawn</u>		
Clarion Funding PLC		
- Note issuance	2,000.0	1,750.0
Clarion Treasury Limited		
- Loans	1,270.8	1,531.5
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	0.5	0.8
- Finance leases	5.2	5.2
Your Lifespace Limited		
- Finance leases	1.2	1.2
	4,562.7	4,573.7
<u>Accounting adjustments</u>		
Fair value adjustment due to		
- Acquisitions of legacy Registered Providers	9.7	10.2
- Hedging of private placement	(9.5)	(10.7)
Effective interest rate adjustment	39.9	44.5
	40.1	44.0
	4,602.8	4,617.7

The notional value of the Group's committed debt facilities at 30 September 2024 is £5,800.7 million (31 March 2024: £5,567.1 million).

The Group's facilities are repayable at various dates through to 2057 and are secured by fixed charges over the completed housing properties of the participating Group members and a series of cross guarantees.

Notes to the Financial Statements for the half year ended 30 September 2024 (continued)

12. Debt analysis (continued)

The fair value adjustment relating to acquisitions is amortised over the life of the related loans and £0.5 million has been released in this period (30 September 2023: £0.5 million). The private placement is held at fair value as a result of hedge accounting and has increased in value by £1.2 million during the period (30 September 2023: reduced by £4.4 million).

As at 30 September 2024, the Group's debt has a weighted average maturity of 15 years (31 March 2024: 14 years) and a weighted average cost of 4.25% (31 March 2024: 4.29%). The weighted average cost during the reporting period was 4.48% (30 September 2023: 4.38%). In order to minimise the Group's exposure to variable interest rate risk, 91% of the Group's portfolio as at 30 September 2024 is fixed, either directly or as a result of interest-rate swaps which convert variable interest rates to fixed interest rates (31 March 2024: 84%).

	At 1 April 2024 £m	Cash flows £m	Changes in fair value £m	Other non-cash changes £m	At 30 September 2024 £m
Analysis of changes in net debt					
Cash and cash equivalents	85.8	58.1	-	-	143.9
Debt	(4,617.7)	11.0	(1.2)	5.1	(4,602.8)
Derivatives	(58.6)	-	0.6	-	(58.0)
Net debt	(4,590.5)	69.1	(0.6)	5.1	(4,516.9)

Notes to the Financial Statements for the half year ended 30 September 2024 (continued)

13. Capital grants

Capital grants	HomeBuy grants £m	Social housing and other property grants £m
At 1 April 2024	8.8	2,281.3
New grant recognised	-	81.7
Amortisation income	-	(11.6)
Recycled on disposals (net of amortisation)	(0.1)	(1.7)
Disposals not required to be recycled	-	(15.8)
At 30 September 2024	8.7	2,333.9
Amounts falling due within one year	-	23.2
Amounts falling due after one year	8.7	2,310.7
	8.7	2,333.9

Recycled Capital Grant Fund	Homes England £m	Greater London Authority £m	Total £m
At 1 April 2024	9.8	20.7	30.5
Additions to fund due to disposals	1.0	1.1	2.1
Interest accrued	0.3	0.5	0.8
At 30 September 2024	11.1	22.3	33.4
Amounts falling due within one year			20.3
Amounts falling due after one year			13.1
			33.4
Amounts three years old or older which may need to be repaid	2.0	10.1	12.1

Notes to the Financial Statements for the half year ended 30 September 2024 (continued)

14. Financial instruments

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

	30 September 2024	31 March 2024
	Reviewed	Audited
	£m	£m
<u>Notional</u>		
Pay fixed	828.9	829.4
Receive fixed	100.0	100.0
	928.9	929.4
<u>Fair value</u>		
Pay fixed (asset)	2.8	3.6
Pay fixed (liability)	(51.3)	(51.5)
Receive fixed (liability)	(9.5)	(10.7)
	(58.0)	(58.6)

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 2024	31 March 2024
	Reviewed	Audited
	£m	£m
Due within one year	(2.3)	(1.7)
Due between one and two years	7.4	6.4
Due between two and five years	28.8	29.2
Due after more than five years	37.3	43.0
	71.2	76.9

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 2024: all are Level 2).

Notes to the Financial Statements for the half year ended 30 September 2024 (continued)

15. Provisions for liabilities and charges

	30 September 2024 Reviewed £m	31 March 2024 Audited £m
Defined benefit pension schemes in deficit	41.2	43.6
Deferred tax liabilities	1.8	1.8
Other	2.8	2.7
	45.8	48.1

Both of the Group's defined benefit pension schemes were revalued as at 30 September 2024 using approximate actuarial techniques, including updated assumptions on discount and inflation rates, as detailed in note 2.

	Defined benefit pension schemes assets/(liabilities) £m
At 1 April 2024	
Schemes in deficit included in provisions	(43.6)
Schemes in surplus included in debtors	6.4
	(37.2)
Net movement due to employer contributions, scheme admin expenses and interest income/costs	(0.9)
Actuarial gain on pension schemes	4.0
At 30 September 2024	(34.1)
Schemes in deficit included in provisions	(41.2)
Schemes in surplus included in debtors	7.1
	(34.1)

The discount rate used to calculate the liabilities of the Group's pension schemes has increased slightly in the period, from 4.9% at 31 March 2024 to 5.1%. As a result there is an actuarial gain for the period.

The £41.2 million liability at 30 September 2024 entirely relates to the Clarion Housing Group Pension Scheme ("the Clarion scheme"), which continues to be the only scheme in deficit on a FRS 102 valuation basis (31 March 2024: £43.6 million).

The Downland Housing Group Pension & Assurance Scheme is in a net surplus position of £7.1 million at the reporting date (31 March 2024: £6.4 million). This surplus continues to be recognised in full as the Group has determined there is an unconditional right to refund based on the scheme's trust deed and rules.

The Group is aware of the June 2023 High Court judgement in the case of Virgin Media vs NTL Pension Trustees II Limited, and that in July 2024 the Court of Appeal dismissed the appeal brought by Virgin Media against aspects of the High Court's decision. The judgement may have significant implications for defined benefit schemes that were "contracted out" between April 1997 and April 2016. The Group understands that this will be affected by questions which are being put to the High Court in the case of Verity Trustees Limited v Wood and others, which will be heard by the High Court in February 2025. At this point in time it is unclear whether there could be an impact for the Group's schemes and therefore a sufficiently reliable estimate of any effect on the obligation cannot be made. Thus the defined benefit obligation for both schemes has been calculated on the basis of the pension benefits currently being administered.

Notes to the Financial Statements for the half year ended 30 September 2024 (continued)

15. Provisions for liabilities and charges (continued)

Additionally, 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 2024, the original amount of social housing and other property grants may become repayable. In addition to the amounts included in creditors, £436.4 million of grant has been credited to reserves to date through amortisation (31 March 2024: £428.6 million). The timing of any future repayment, if any, is uncertain.

On 27 July 2021, Clarion Housing Association Limited ("the Association") 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 was valued at up to £17.0 million and has since increased to £21.0 million. In the intervening period, the Association has entered into various Standstill Agreements with relevant parties to protect its position and there has been ongoing communication with the claimant. Expert reports have now been provided by the claimant and are currently being reviewed by our experts. The likelihood of any liability and its timing still remains very much uncertain.

As at the reporting date, the Group has a constructive obligation linked to a development in Lewisham which practically completed in 2016. Commitments have been made to shared owners in order to remediate defects with the scheme. We are still in the early stages of consultation with the shared owners and as such we cannot reliably estimate the value of the commitment but believe cost could be up to £20.0 million. Clarion will separately seek to recover the majority of these costs under warranty and through claims against the developer and employers agent.

Notes to the Financial Statements for the half year ended 30 September 2024 (continued)

17. Capital commitments

	30 September 2024	31 March 2024
	Reviewed	Audited
	£m	£m
Contracted for but not provided for in the financial statements	771.7	688.1
Authorised by the Board but not contracted for	3,120.6	3,184.6
	3,892.3	3,872.7

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

The figures above include £712.8 million (31 March 2024: £740.6 million) for the Group's share of the capital commitments of its JCEAs.

At the reporting date the Group had £143.9 million of cash and cash equivalents and £1,238.0 million of undrawn funding. Most of the remaining £2,510.4 million is expected to be funded by future surpluses and debt funding, sourced from banks and the debt capital markets. The Group considers this to be a reasonable expectation given its previous success in these markets and its strong, investment-grade credit rating. A further £250 million of the Group's £3 billion European Medium Term Note programme was issued during the period.

The Group has also been allocated grant funding under the Affordable Homes Programme 2021-26. £249 million of grant from Homes England and £278 million from the Greater London Authority, which in total will support the delivery of 4,618 homes.

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CLARION
HOUSING GROUP

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