CLARION
HOUSING GROUP

Clarion Housing Group

Interim Report and Accounts

Half year ended 30 September 2018

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THE HALF YEAR AT A GLANCE

Financial highlights

	6 months to 30 September 2018 (H1 2018/19) Actual	6 months to 30 September 2017 (H1 2017/18) Actual	12 months to 31 March 2018 (FY 2017/18) Actual
Turnover	£410m	£407m	£829m
Operating margin	38%	42%	37%
Net surplus	£87m	£96m	£157m
Operating cost per home	£2,119	£2,054	£4,432
Net long-term investment in affordable housing properties	£238m	£181m	£439m
Interest cover	2.1	2.5	1.9

Operational highlights

	6 months to 30 September 2018 (H1 2018/19) Actual	6 months to 30 September 2018 (H1 2018/19) Target	6 months to 30 September 2017 (H1 2017/18) Actual	12 months to 31 March 2018 (FY 2017/18) Actual
Overall resident satisfaction	78.8%	80.0%	81.1%	80.0%
Resident satisfaction with repairs	88.4%	85.0%	89.1%	88.0%
Arrears	4.1%	4.0%	3.8%	3.4%
Homes managed at the end of the period	124,251	N/A	122,965	123,788
Social rent loss due to voids	£4.6m	N/A	£4.6m	£8.7m
Occupancy rates	98.6%	98.5%	98.5%	98.5%
Social Value of community investment activity[1]	£57m	£50m	£44m	£96m

[1] A measure developed by the Housing Associations' Charitable Trust ("HACT"), working with social value experts and leading housing providers including Affinity Sutton, one of our legacy organisations.

Property development highlights

	6 months to 30 September 2018 (H1 2018/19) Actual	6 months to 30 September 2018 (H1 2018/19) Target	6 months to 30 September 2017 (H1 2017/18) Actual	12 months to 31 March 2018 (FY 2017/18) Actual
Total new homes constructed	420	579	661	1,263
Of which new affordable homes	*382*	*461*	*554*	*1,038*
Of which new private sales homes	*38*	*118*	*107*	*225*
New homes started	880	1,248	815	1,428
Sales income	£63m	£59m	£54m	£125m
Total sales volume	284	299	227	549

INTERIM MANAGEMENT REPORT

Chief Executive's statement

I am pleased to be able to report a good performance for the first half of 2018/19. We remain financially stable and resilient, in a strong position to accelerate delivery of new homes and continue to provide high quality services to our residents.

In her recent speech to the National Housing Summit, the Prime Minister made a strong and positive statement about the crucial role housing associations have to play in our country and we welcome this recognition. It is a responsibility we, as the largest social landlord in the country, take very seriously.

Clarion is now two years old and we have established strong foundations for the future. During the first half of this year we have seen the roll out of our business change programme (FF2) and secured a number of significant land deals contributing to the delivery of new homes in line with our development strategy. Our scale and financial strength means we are well placed to play a significant role in resolving the housing crisis and fulfilling our social mission in the process.

Clare Miller, Group Chief Executive

Our strategic priorities

Housing provider of choice

At the beginning of April 2018, the first phase of the Group's Enterprise Resource Planning (ERP) system implementation went live, as part of the FF2 project. This signified the first step towards transforming the Group's service provision, working practices and customer experience. It will ensure that the business is equipped for future growth in line with our strategy and that we can provide the service our residents expect.

As expected with any system change, there were some challenges that resulted in a short-term impact on performance. Overall resident satisfaction was a little under our internal target of 80% at 78.8% but remains a good score. We are on track to surpass this target during the second half of the financial year. Our arrears level of 4.1% was slightly above our internal target of 4.0%. Our occupancy rate remains consistently high and ended the half year at 98.6%.

Repairs performance was good - resident satisfaction with their last repair was comfortably above target at 88.4%. The Group's highly successful in-house repairs service, Clarion Response, which now covers the majority of Clarion stock, extended its coverage by a further 18,000 properties in North and East London, Essex and the Midlands in early November. This raises the internal provision of day-to-day repairs services by Clarion Response to 90,000 homes.

The Group is committed to providing good quality and safe homes. During the first half of the year we fitted 884 new kitchens, 822 new bathrooms, 988 new heating systems, and 2,437 new electrical systems. Our national fire safety programme - which was accelerated following the Grenfell fire through the recruitment of extra dedicated resource to aid delivery - has made excellent progress. All of our buildings over ten storeys have been subject to a comprehensive Type 1 inspection and identified remedial work is complete in all but two sites where work is currently ongoing. The majority of our buildings between six and nine storeys have been inspected and identified remedial works completed, with the remaining remedial work due to complete by the end of the financial year.

Building new homes and successful communities

The Group continues to deliver new homes and communities across the country. We will invest £13 billion in building new homes over the next ten years and the current pipeline stands at around 15,000 homes, of which two thirds will be affordable.

Although completions of new homes are down compared to the same period in the prior year, we are projecting 1,500 completions by the year end. In addition the number of homes started is expected to exceed our target of 2,500 by the end of the financial year as the Group's development programme gains pace.

Latimer, the Group's development company, has formed a joint venture partnership with Bovis Homes to deliver 1,500 new homes at a site in Sherford, Plymouth. The Group has also been selected as the preferred development partner by Crawley Borough Council to deliver 313 new homes as part of its town centre regeneration project.

Latimer has agreed to buy a 165-home site in Sandbach, Cheshire, and a site in Suffolk was acquired in August which will be redeveloped to provide 115 new affordable homes.

Two flagship schemes launched during the first part of the year - Noma, in the London Borough of Westminster, which comprises 109 private sale homes due for completion from early 2019 and a large-scale scheme at Conningbrook Lakes in Ashford, Kent. Once complete, Conningbrook Lakes will comprise 300 homes for private sale.

The Group has continued to take a long-term view and our investment plans include regenerating a number of our older estates. Work is underway to redevelop a former 1970s estate in Ealing and the Group has achieved planning permission to regenerate three estates in Merton which will see 2,800 new homes provided, including the re-provision of 1,175 existing homes, and 9,000sqm of new commercial and community space developed. This regeneration project will also create 700 construction jobs a year. In addition, following a comprehensive consultation process, a planning application for the regeneration of the Barne Barton estate in Plymouth - which will see an investment of £22 million - was submitted in July and now awaits determination by the local authority.

In the six months to September 2018 investment in our existing communities has delivered social value worth £57 million. This has included supporting 1,838 people into work, including 148 apprenticeships, and supporting 992 residents to manage their money more effectively, 1,742 to access free high quality debt advice and 619 to receive affordable loans. Our extensive programme to support our residents get online and improve their digital skills has seen 1,640 hours of digital skills training delivered, helping our residents access the myriad of benefits that come from using the internet - from access to money saving deals to job opportunities.

Clarion Futures has also expanded its youth ambassador programme, which empowers young residents to make positive changes in their communities. The UK-wide youth programme will be delivered by the Housing Association Youth Network (HAYN) and led by Clarion Futures and fellow housing association Peabody and will see £1.68 million invested in young people.

Maintaining long term financial resilience

The Group's business plan has strong growth ambitions, is managed through a prudent framework and anchored by adherence to our financial golden rules. These are designed to recognise business risks and govern our operating margins, net debt/turnover, sales as a percentage of turnover and social housing interest cover.

The business plan is also regularly stress-tested, both on single variant scenarios as well as more intense 'multi-variant' scenarios.

The Group seeks to maintain diversification in its funding sources with the majority coming from bilateral loans from banks and building societies and the remainder from the capital markets. We are committed to maintaining a strong investment grade rating and are currently rated by Moody's as A3 with a stable outlook and by Standard & Poor's as A with a stable outlook.

In April 2018, the Group was able to capitalise on the excellent progress made since merger and raised £250 million through a debut bond issue - an important contribution towards our delivery of new homes in line with our development strategy. Following a successful investor roadshow, the 30-year bond was 1.6 times subscribed and initially attracted over £600 million of orders from investors.

In advance of the wider roll-out of Universal Credit - which will see the housing element of welfare benefits paid directly to the claimant, not the landlord - we have piloted a campaign to create awareness around the changes in the way claimants will receive their money and prevent/reduce rent arrears. Following its success, the campaign will be rolled out in other stock areas across the country.

Being a great place to work

Clarion views organisational culture as a key cornerstone to its success. We used an independent research company to survey all employees. The insights told us what we are doing well and areas we could improve. Encouragingly, scores were high for commitment and motivation. The results also told us our management approach is very effective. We intend to build on these high scores even further.

We have agreed a Platinum Partnership with the Chartered Institute of Housing (CIH) which will provide us with access to a range of resources and support as part of our continued focus on growing our people. Meanwhile, our partnership with Ashridge Hult Business School continues to flourish, with almost 50 senior managers well advanced on Degree and Masters programmes.

The Staff Council has continued to demonstrate that it has a meaningful role to play within Clarion and an understanding of the strategic issues that impact staff. Our ground-breaking approach has shown that it is possible to have one body, comprising of representatives from the recognised union, Unison, and elected staff representatives working collaboratively to review human resource policies and give a clear voice to our people on a wide range of the issues that affect and concern them most.

Building a successful, respected and influential national business

With the Group's size comes the responsibility to utilise our strength and expertise for the benefit of our residents and the sector as a whole. To this end, we have published and influenced a number of high profile reports and spearheaded a number of important projects.

In June, the Future Shape of the Sector Commission (FSSC) launched its report, *'Building Homes, Building Trust,'* analysing how the sector should evolve to meet England's housing and community needs most effectively through the 2020s. The FSSC comprises senior leaders with an interest in housing, chaired by Lord Turnbull, a cross bench peer. Clare Miller, Group Chief Executive at Clarion was one of the eleven commissioners.

Following the FSSC report, Clarion co-sponsored an International Symposium which brought together eighty international academics, industry leaders and policy makers from twelve different countries to carry forward the Commission's work, share latest findings and inform thinking around the future directions in not-for-profit housing, neighbourhood development, governance and finance.

Clarion has also spearheaded a research project exploring LGBTQ residents' experience of social housing in association with the University of Surrey and Goldsmiths and five other housing associations - Genesis, Hanover, L&Q, Optivo and Riverside. The next phase of this project will develop a series of sector 'pledges' to identify the practical steps that social landlords could take to achieve LGBTQ inclusivity.

In addition, a new 'Centre for Excellence in Community Investment', designed to share innovation and good practice, was launched by HACT with Clarion Futures.

Our internal team of fire safety experts also worked closely with the CIH to develop a response to the government's Independent Review of Building Regulations and Fire Safety, the Hackitt Review.

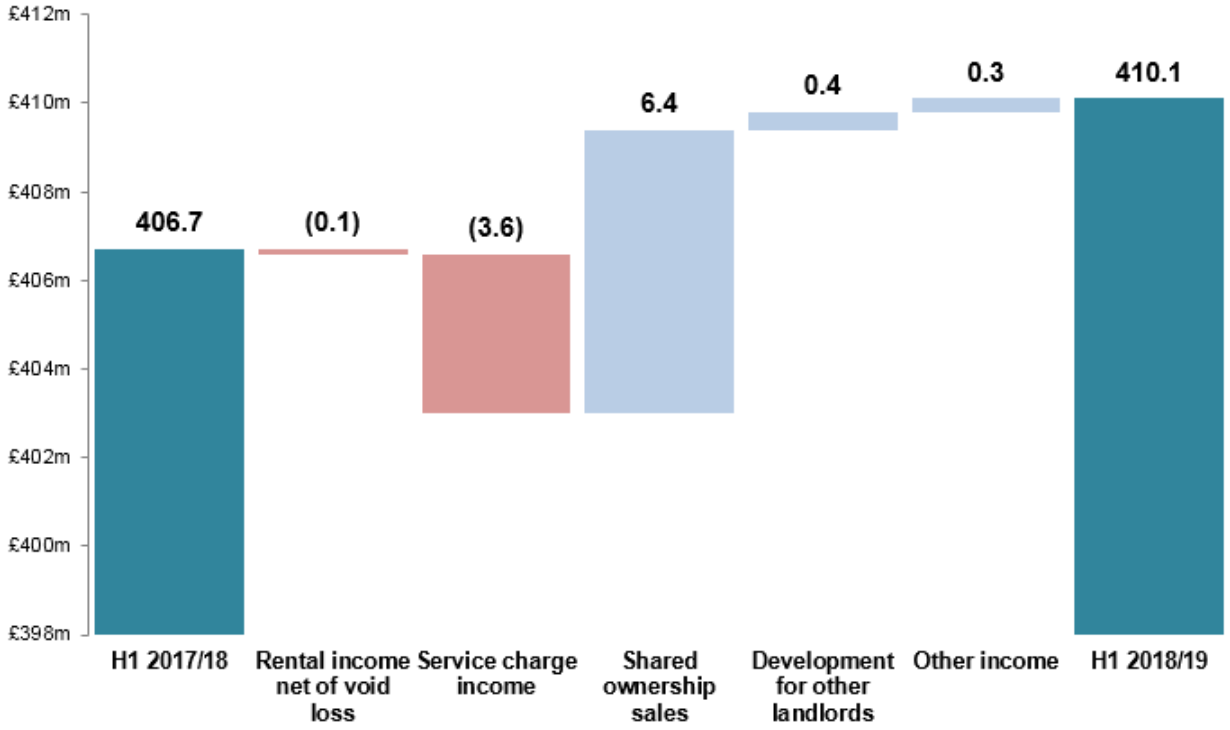
Financial review

In the six months to 30 September 2018, Clarion Housing Group has continued steadily growing its development pipeline. £240 million has been invested in new homes (H1 2017/18: £203 million) bringing the development pipeline to circa 15,000 homes (H1 2017/18: 11,900 units). Investment in our existing properties has also seen a significant increase with the Group spending £54 million (H1 2017/18: £38 million) on capital improvements. All of this has been achieved whilst maintaining a strong liquidity position of £700 million (31 March 2018: £640 million) reflecting the Group's financial strength, and whilst funding an increased volume of planned maintenance spend. The latter has inevitably led to a reduction in the Group's net surplus to £87 million when compared to the prior year (H1 2017/18: £96 million). Operating margin remains strong at 38% (H1 2017/18: 42%; FY 2017/18: 37%).

Statement of Comprehensive Income

At £410 million, turnover is £3.4 million (1%) higher than the prior year (H1 2017/18: £407 million). Figure 1 below provides an analysis of the movement in turnover compared to the first half of 2017/18.

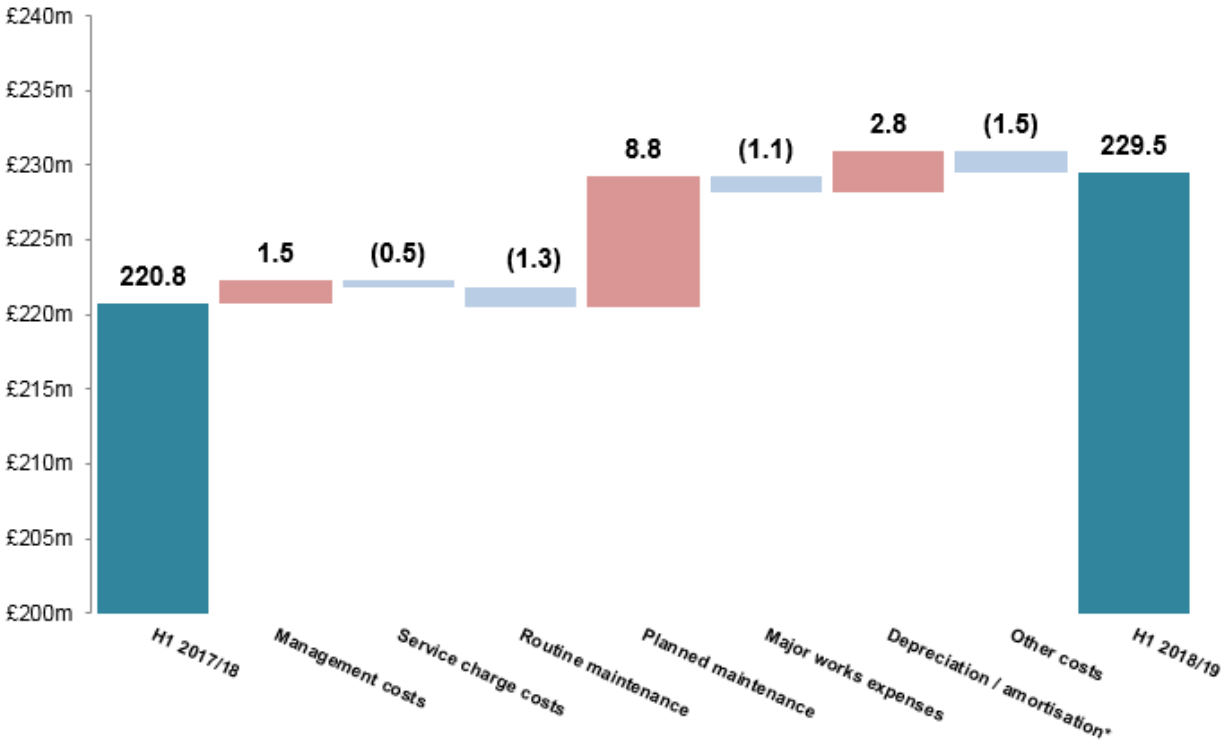
Figure 1: Movement in turnover (£m)



Core rental income has seen a small reduction year on year but includes the 1% annual rent cut which has been fully met by additional rental income from new handovers. The majority of the increase in turnover (£6 million) is the result of an increase in the volume of first tranche sales. There have been 231 sales in the year-to-date compared to 168 sales in the half year to 30 September 2017. This increase has been partially offset by a £4 million reduction in service charge income primarily relating to a £2.5 million reduction in annual service charges and a £1.5 million reduction in major works completed and therefore billed to leaseholders.

Figure 2 provides an analysis of the movement in our underlying operating costs compared to the first half of 2017/18.

Figure 2: Movement in operating costs (£m)



**excludes goodwill amortisation*

At £230 million, operating costs are £9 million (4%) higher than the same period last year. The majority of this increase (£9 million) relates to planned maintenance spend and, in particular, compliance and fire detection related works. During 2017/18 over 70% of the planned programme was delivered in the second half of the financial year as priorities changed with focus on accelerating fire safety and electrical testing works. This compares to 2018/19 where contracts have been mobilised from the start of the financial year. Like many other landlords, we continue to progress our national fire safety programme following the Grenfell fire resulting in additional planned spend compared to the first half of 2017/18.

Since launching the first phase of our ERP in April 2018, the Group now amortises the related intangible asset valued at £58 million. This accounts for £3 million of the increase in depreciation / amortisation compared to the first half of 2017/18.

The £2 million increase in management costs on the prior year is primarily explained by an increase in headcount, particularly within customer services and housing management. Customer experience is paramount to us, this increase in headcount was essential for us to address the inevitable initial challenges and acclimatisation to our system changes.

Overall, the Group has ended the half year with operating costs per unit of £2,119 (H1 2017/18: £2,054) and a headline operating margin of 38% (H1 2017/18: 42%).

Statement of Financial Position

The Group's Statement of Financial Position continues to demonstrate our financial strength. Net assets have increased with £130 million (9%) added to the £1,519 million March 2018 position.

Drawn debt is £3,756 million, up from £3,603 million at 31 March 2018. This increase helps fund the Group's capital investment in new homes. In the year to date we have invested £240 million (H1 2017/18: £203 million) in new homes, including £184 million on new social homes (H1 2017/18: £143 million), with a further £763 million contractually committed (FY 2017/18: £647 million). We completed 420 homes whilst construction began on a further 880. The current development pipeline now stands at circa 15,000 homes. By the end of March 2019 we expect to have over 2,500 homes under construction.

In addition to this we have invested a further £54 million (H1 2017/18: £38 million) in our existing social homes. This brings our total investment in social housing to £238 million in the first half of 2018/19 (H1 2017/18: £181 million) which is 2.8 times our year to date surplus (H1 2017/18: 1.9 times), as illustrated in figure three.

Figure 3: Surplus vs investment in social housing H1 2018/19

The above investment has been achieved whilst maintaining our Debt to Turnover ratio at 3.9, still within our lowered internal Financial Golden Rule maximum benchmark of 4.0, and gearing at 47.4%, still comfortably lower than our financial covenant target.

Liquidity ended the half year at £700 million (31 March 2018: £640 million), with committed and fully secured loan facilities totalling £4,248 million (31 March 2018: £4,015 million).

Key group financial indicators

Table 1: Summary of the Group's Financial Golden Rules

	Financial Golden Rules								
	Clarion Group			Housing Association			Latimer		
	Actual	Target/budget	Status	Actual	Target/budget	Status	Actual	Target/budget	Status
EBITDA MRI Cash Interest Cover[1]	1.7	>1.5	✓	1.7	>1.5	✓	3.8	>1.5	✓
Operating Margin[2]	34.8%	>30%	✓	38.8%	>35%	✓			
Net Debt to Full Year Turnover incl. JVs	3.9	<4.0	✓						
Sales as a Percentage of Turnover	14.8%	<40%	✓						
Social Housing Interest Cover				1.7	>1.3	✓			
Housing Association Investment in Latimer[3]				16.8%	<20%	✓			
Maximum Development for Sale Work in Progress							£211m	<£600m	✓
Value at Risk Coverage[4]							5.3	>1.5	✓

[1] measures the ratio of earnings before interest, tax, depreciation/amortisation, grant amortisation, surplus on existing property sales and major repairs investment against net interest paid

[2] excludes sales of existing property

[3] measures the Housing Association's equity or debt invested in Latimer as a proportion of Housing Association revenue reserves

[4] measures the impact of a 35% fall in house prices against Latimer's equity and reserves

The table above highlights the Group's performance against its Financial Golden Rules. These rules are designed to create a framework for maintaining financial resilience and credit strength while allowing the Group to realise its objectives including growth ambitions. They recognise the differing parts of the Clarion Group and isolate the risks of our commercial business (in particular from a sudden downturn in the housing market) from our core social housing activity.

The Group and its core divisions remain compliant with their Financial Golden Rules. The Housing Association can service its interest costs 1.7 times over from its core social housing activity. With an EBITDA MRI Cash Interest Cover of 3.8 our commercial business, Latimer, has sufficient free earnings to adequately service its third party borrowings.

At 34.8% and 38.8% respectively, Group and Housing Association operating margins remain comfortably above their minimum thresholds of 30% and 35%.

The first year of the Group's Business Plan post-merger allowed for a higher net debt to full year turnover threshold. This has now been reduced to <4.0. As Group turnover grows the level of headroom on this internal target will increase.

Our private sales exposure is managed by ensuring that our work in progress balance does not exceed £600 million; that development sales do not exceed 40% of turnover; that the Housing Association's investment in Latimer does not exceed 20% of its revenue reserves; and that Latimer has at least £1.50 of equity and revenue reserves for every £1.00 it could potentially lose if house prices fell by 35% (the 'Value at Risk' ratio). All rules have comfortably been met in the year.

The Group remains comfortably below and above, respectively, its strictest gearing and interest cover financial covenants.

Principal risks and uncertainties

Successful risk management is fundamental to the achievement of our strategic objectives. In order to continue to deliver on our stated objectives, we continue to monitor all risks which the Group faces. Successful risk management is a core component of our wider governance and internal control framework, through which the Group is able to achieve its objectives. The principal risks and uncertainties that the Group faces are largely unchanged from those reported in the last Annual Report and Financial Statements. The key ones are listed below:

· Failure to improve services;

· Failure to comply with health and safety regulations;

· Failure to deliver new homes in line with our agreed development strategy;

· Massive financial shock;

· Failure to deliver transformational change;

· Failure to achieve efficiencies;

· Succession; and

· IT security and cyber attack threat.

Further detail on all the risks and uncertainties faced, including those above, are included in the Annual Report and Financial Statements for the year ended 31 March 2018.

Outlook

While the government continues to push housing associations to increase development output, as evidenced by the £2 billion funding pledged by the Prime Minister, there is now a renewed focus on ensuring existing residents are well and safely housed, as emphasised in the government's Social Housing Green Paper. Following the Grenfell fire, all landlords are investing substantially in fire safety where stock inspections have identified need and this will impact spends. We have completed a large scope of fire safety work, prioritising our tall buildings and those which house vulnerable residents. However, fire safety is being embedded further into other business activity also - suppliers, contract oversight and new build specification.

The biggest opportunities to drive up supply will be unlocked through partnerships and Clarion continues to work closely with a number of the country's leading private housebuilders to do this. Increasing use in partnership models has also been seen by local government as well as national government. The need to build across a range of tenures remains high - home ownership remains out of reach for a very large portion of the market. The measure announced in the chancellor's Budget to abolish stamp duty for first-time buyers of shared ownership properties was welcomed and the Group supports initiatives which make home ownership more affordable and accessible.

The current uncertainty around exactly how and when the UK will end its membership of the European Union translates to uncertainty about the full impact that it will have on the Group. However, we undertake regular stress testing of our long term financial plan, informed by analysis of a range of potential scenarios including significantly increased material costs and interest rates. The Group partly mitigates both of these impacts through fixed price contracts and interest rate hedging arrangements.

INDEPENDENT REVIEW REPORT TO CLARION HOUSING GROUP LIMITED ("the Association")

Conclusion

We have been engaged by the Association to review the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2018 which comprises a Group Statement of Comprehensive Income, Group Statement of Financial Position, Group Statement of Changes in Capital and Reserves, Group Statement of Cash Flows, and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2018 is not prepared, in all material respects, in accordance with FRS 104 *Interim Financial Reporting.*

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

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

The annual financial statements of the Association are prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with FRS 104 *Interim Financial Reporting.*

Our responsibility

Our responsibility is to express to the Association a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

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

This report is made solely to the Association in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Association those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association for our review work, for this report, or for the conclusions we have reached.

Sean McCallion
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square, London, E14 5GL

12 December 2018

Group Statement of Comprehensive Income for the half year ended 30 September 2018

	Notes	**Half year ended 30 September 2018 Reviewed £m**	Half year ended 30 September 2017 Reviewed £m	Year ended 31 March 2018 Audited £m
Turnover	4a	**410.1**	406.7	828.6
Cost of sales	4a	**(37.9)**	(28.8)	(73.4)
Operating costs	4a	**(229.5)**	(220.8)	(478.9)
Surplus on disposal of properties	4a	**12.3**	11.9	29.1
Operating surplus	4a	**155.0**	169.0	305.4
Deficit on disposal of other fixed assets	4a	**-**	(0.3)	(2.2)
Share of surplus/(deficit) of JCEAs		**0.2**	0.8	(0.6)
Gain/(loss) on revaluation of investment properties		**0.4**	(3.3)	1.6
Interest receivable	5	**2.2**	2.3	3.0
Interest payable and financing costs	6	**(70.8)**	(71.2)	(147.2)
Movement in fair value of financial instruments	7	**(0.2)**	(1.7)	(2.5)
Surplus on ordinary activities before taxation		**86.8**	95.6	157.5
Tax (charge)/credit on surplus on ordinary activities	8	**(0.3)**	0.1	(0.9)
Surplus for the period		**86.5**	95.7	156.6
Actuarial gains on pension schemes	14	**11.4**	3.9	20.7
Movement in fair value of financial instruments	7	**32.5**	47.8	58.9
Loss on transfer of SHPS	14	**-**	(27.7)	(26.6)
Tax charge on other comprehensive income	8	**-**	-	(0.1)
Total comprehensive income for the period		**130.4**	119.7	209.5

All operations are continuing.

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

Neil Goulden	Clare Miller	Louise Hyde
Group Chair	Group Chief Executive	Company Secretary

12 December 2018

Group Statement of Financial Position as at 30 September 2018

	Notes	**30 September 2018 Reviewed £m**	31 March 2018 Audited £m
Fixed assets			
Goodwill		**3.6**	4.5
Other intangible assets		**63.7**	55.1
Social housing properties	9	**6,927.1**	6,786.7
Investment properties		**232.0**	231.6
Non-housing fixed assets		**52.0**	51.1
Interests in JCEAs		**82.8**	85.4
Other fixed asset investments		**13.5**	13.8
		7,374.7	7,228.2
Current assets			
Stock	10	**329.5**	264.0
Debtors: amounts falling due within one year		**94.4**	83.9
Debtors: amounts falling due after more than one year		**116.4**	125.1
Current asset investments		**112.6**	112.5
Cash and cash equivalents		**176.4**	182.9
		829.3	768.4
Current liabilities			
Creditors: amounts falling due within one year		**(288.7)**	(293.4)
Net current assets		**540.6**	475.0
Total assets less current liabilities		**7,915.3**	7,703.2
Creditors: amounts falling due after more than one year		**(6,199.4)**	(6,102.2)
Provisions for liabilities and charges	14	**(66.4)**	(81.9)
Total net assets		**1,649.5**	1,519.1
Capital and reserves			
Non-equity share capital		**-**	-
Cash flow hedge reserve		**(304.0)**	(336.5)
Income and expenditure reserve		**1,953.5**	1,855.6
Total capital and reserves		**1,649.5**	1,519.1

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

Neil Goulden	Clare Miller	Louise Hyde
Group Chair	Group Chief Executive	Company Secretary

12 December 2018

Group Statement of Changes in Capital and Reserves for the half year ended 30 September 2018

	Non-equity share capital £m	Cash flow hedge reserve £m	Income and expenditure reserve £m	Total capital and reserves £m
At 31 March 2017	-	(395.4)	1,705.0	1,309.6
Surplus for the year ending 31 March 2018	-	-	156.6	156.6
Other comprehensive income for the year	-	58.9	(6.0)	52.9
At 31 March 2018	-	(336.5)	1,855.6	1,519.1
Surplus for the half year ending 30 September 2018	-	-	86.5	**86.5**
Other comprehensive income for the period	-	32.5	11.4	**43.9**
At 30 September 2018	**-**	**(304.0)**	**1,953.5**	**1,649.5**
At 31 March 2017	-	(395.4)	1,705.0	1,309.6
Surplus for the half year ending 30 September 2017	-	-	95.7	95.7
Other comprehensive income for the period	-	47.8	(23.8)	24.0
At 30 September 2017	-	(347.6)	1,776.9	1,429.3

Group Statement of Cash Flows for the half year ended 31 September 2018

	Half year ended 30 September 2018 Reviewed		Half year ended 30 September 2017 Reviewed		Year ended 31 March 2018 Audited	
	£m	**£m**	£m	£m	£m	£m
Surplus for the period		**86.5**		95.7		156.6
Adjustment for working capital movements						
Increase in stock	**(60.6)**		(28.3)		(63.3)	
Increase in operating debtors	**(8.9)**		(6.1)		(3.6)	
(Decrease)/increase in operating creditors	**(18.4)**		(8.7)		10.5	
Pension contributions in excess of expense	**(2.8)**		(3.2)		(10.2)	
	(90.7)		(46.3)		(66.6)	
Adjustment for non-cash items						
Amortisation of government grants	**(11.8)**		(11.7)		(23.8)	
Deferred tax credit	**-**		(0.1)		(0.1)	
Amortisation of intangible assets	**4.7**		1.2		4.7	
Depreciation charge	**49.6**		49.4		100.0	
Impairment (reversal)/charge	**(0.4)**		-		0.7	
(Gain)/loss on revaluation of investment properties	**(0.4)**		3.3		(1.6)	
Other non-cash decrease in provisions	**(2.2)**		(3.1)		(5.4)	
	39.5		39.0		74.5	
Adjustment for financing or investment activities						
Surplus on disposal of properties	**(12.3)**		(11.9)		(29.1)	
Deficit on disposal of other fixed assets	**-**		0.3		2.2	
Share of (suplus)/deficit of JCEAs	**(0.2)**		(0.8)		0.6	
Net financing costs	**68.8**		70.6		146.7	
	56.3		58.2		120.4	
Net cash from operating activities		**91.6**		146.6		284.9
Cash flows from investing activities						
Proceeds from disposal of properties	**27.3**		22.7		56.0	
Proceeds from disposal of other fixed assets	**0.1**		-		1.0	
Interest received	**2.2**		0.2		3.0	
Purchase of subsidiary (net of cash acquired)	**-**		(23.8)		(24.3)	
Acquisition of intangible assets	**(14.0)**		(11.9)		(25.6)	
Acquisition of social housing properties	**(202.6)**		(171.6)		(392.9)	
Acquisition of non-housing fixed assets	**(5.0)**		(5.7)		(11.2)	
Repayment of investment by/(investment in) JCEAs	**2.5**		(2.0)		4.2	
Distributions from JCEAs	**0.3**		2.4		1.8	
Proceeds from disposal of other fixed asset investments	**0.3**		0.2		0.7	
(Increase)/decrease in current asset investments	**(0.1)**		0.2		(1.3)	
Social housing property grants received	**7.2**		4.9		9.5	
Net cash from investing activities		**(181.8)**		(184.4)		(379.1)
Cash flows from financing activities						
Interest paid	**(73.9)**		(73.6)		(149.5)	
Net borrowing of loans and bonds	**159.1**		115.8		259.4	
Capital transaction costs paid	**(1.1)**		-		(1.3)	
Payment of finance lease capital	**(0.4)**		(0.1)		-	
Net cash from financing activities		**83.7**		42.1		108.6
Net (decrease)/increase in cash and cash equivalents		**(6.5)**		4.3		14.4
Cash and cash equivalents at 1 April		**182.9**		168.5		168.5
Cash and cash equivalents at the end of the period		**176.4**		172.8		182.9

See note 11 for the reconciliation of net debt.

Notes to the Financial Statements for the half year ended 30 September 2018

1. Accounting policies

The half year report has been prepared using accounting policies consistent with FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (March 2018) ("FRS 102") and the Housing SORP 2014: Statement of Recommended Practice for Social Housing Providers ("the SORP") and in accordance with FRS 104 Interim Financial Reporting (March 2018) ("FRS 104"). The accounting policies and presentation followed in the half year report is the same as that applied in the Group's latest audited financial statements. Significant judgements, estimates and methods of computation are also materially consistent. These condensed interim financial statements should therefore be read in conjunction with the annual financial statements for the year ended 31 March 2018.

The financial information contained in this Interim Report does not constitute statutory financial statements as defined by the Co-operative and Community Benefit Societies Act 2014. A copy of the statutory accounts for the year ended 31 March 2018 has been delivered to the Registrar of Mutual Societies. The auditor reported on those accounts: their report was unqualified and had no matters on which to report by exception.

Going concern

On the basis of their assessment of the Group's financial position and resources, the Board believes the Group is well placed to manage its business risks. Therefore the Group's Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of these financial statements. Thus they continue to adopt the going concern basis in preparing these interim financial statements.

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 2018, although in the case of investment property and defined benefit pension valuations, a higher level of estimation has been employed. The use of a higher level of estimation is in accordance with FRS 104 and is not expected to result in a material difference.

1 The valuation of investment properties

With the exception of a small number of immaterial properties, the valuation of market rent and commercial stock has been reviewed by professional valuers taking into account changes in tenancies and overall movements in the market. Where material, revised desktop valuations have been prepared using updated assumptions as at 30 September 2017 and 30 September 2018, including estimated rental value and yield, movement in market rents, changes in house prices and the discount rate.

2 The valuation of defined benefit pension scheme obligations

The Group's significant pension schemes have been valued as at 30 September 2017 and 30 September 2018. The value of assets, defined benefit obligations and unfunded liabilities have been estimated by rolling forward figures from each respective year-end using approximate actuarial techniques and updated underlying assumptions, including the discount rate, inflation and life expectancy. All demographic assumptions as at 30 September 2017 and 30 September 2018 are in line with those used for the FRS 102 disclosures as at 31 March 2017 and 31 March 2018 respectively.

The 30 September 2017 valuation includes the Group's share of the net liability of the Social Housing Pension Scheme (SHPS) following its bulk transfer to the William Sutton Housing Association Final Salary Scheme (now named the Clarion Housing Group Pension Scheme). The bulk transfer valuation was based on a report prepared by the Scheme Actuary for the Trustee dated 6 April 2017, rolled forward to 30 September 2017 and adjusted to FRS 102 assumptions.

Notes to the Financial Statements for the half year ended 30 September 2018 (continued)

3. Units under management - Group

	At 1 April 2018	Handed over	Net conversion from Affordable	Other movements	**At 30 September 2018**
Units under management					
Social housing					
Social rent	77,141	1	39	(83)	**77,098**
Affordable rent	11,895	250	(283)	(13)	**11,849**
General needs	89,036	251	(244)	(96)	**88,947**
Supported	1,634	-	-	(24)	**1,610**
Housing for Older People	7,349	-	-	52	**7,401**
Shared ownership	7,520	131	(1)	(64)	**7,586**
Intermediate rent	779	-	245	(27)	**997**
Keyworker	750	-	-	(4)	**746**
Social leaseholders	9,809	-	-	55	**9,864**
Staff accommodation	143	-	-	1	**144**
Social homes under management	**117,020**	**382**	**-**	**(107)**	**117,295**
Non-social housing					
Market rent	844	-	-	16	**860**
Non-social leaseholders	5,924	-	-	172	**6,096**
Homes under management	**123,788**	**382**	**-**	**81**	**124,251**
Non-housing					
Garages and car parking spaces	10,715	-	-	(1)	**10,714**
Commercial leaseholders	297	-	-	63	**360**
Community centres	74	-	-	5	**79**
Units under management	**134,874**	**382**	**-**	**148**	**135,404**
Units owned but not managed	**2,090**	**38**	**-**	**(216)**	**1,912**

Other movements primarily relate to disposals.

Notes to the Financial Statements for the half year ended 30 September 2018 (continued)

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

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

	Half year ended 30 September 2018					Half year ended 30 September 2017	
	Turnover £m	Cost of sales £m	Operating costs £m	Surplus/ (deficit) on disposal £m	Operating surplus/ (deficit) £m	Turnover £m	Operating surplus/ (deficit) £m
Social housing activities							
Social housing lettings (note 4b)	**337.4**	**-**	**(203.3)**	**-**	**134.1**	341.0	145.4
Shared ownership first tranche sales	**28.0**	**(19.6)**	**-**	**-**	**8.4**	21.6	7.4
Other social housing activities							
Care and support services	8.1	-	(9.1)	-	**(1.0)**	8.5	(3.2)
Development for other landlords	3.8	(3.8)	-	-	**-**	3.4	-
Development costs not capitalised	-	-	(2.8)	-	**(2.8)**	-	(1.8)
Community investment	0.7	-	(7.1)	-	**(6.4)**	0.9	(5.5)
Other	3.0	-	(2.1)	-	**0.9**	3.0	3.0
Total	**15.6**	**(3.8)**	**(21.1)**	**-**	**(9.3)**	15.8	(7.5)
Surplus on disposal of social housing properties	**-**	**-**	**-**	**12.3**	**12.3**	-	11.9
Total social housing activities	**381.0**	**(23.4)**	**(224.4)**	**12.3**	**145.5**	378.4	157.2
Non-social housing activities							
Open market sales	**18.6**	**(14.5)**	**(1.9)**	**-**	**2.2**	18.6	6.8
Other non-social housing activities							
Market rent lettings	4.9	-	(1.8)	-	**3.1**	4.9	3.6
Garage lettings	1.5	-	(0.2)	-	**1.3**	1.5	0.8
Commercial lettings	1.9	-	(0.9)	-	**1.0**	1.7	0.5
Other	2.2	-	(0.3)	-	**1.9**	1.6	0.1
Total	**10.5**	**-**	**(3.2)**	**-**	**7.3**	9.7	5.0
Total non-social housing activities	**29.1**	**(14.5)**	**(5.1)**	**-**	**9.5**	28.3	11.8
Total social and non-social housing activities	**410.1**	**(37.9)**	**(229.5)**	**12.3**	**155.0**	406.7	169.0
Analysis of disposals							
Social housing properties	*31.3*	*(18.8)*	*(0.2)*	***12.3***	***12.3***	*25.6*	*11.9*
Other fixed assets	-	-	-	**-**	**-**	*0.1*	*(0.3)*

Notes to the Financial Statements for the half year ended 30 September 2018 (continued)

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

4b. Particulars of income and expenditure from social housing lettings

	General needs housing £m	Supported housing/ housing for older people £m	Shared ownership accomo-dation £m	Other £m	Total Half year ended 30 September 2018 £m	Total Half year ended 30 September 2017 £m
Income						
Rent receivable net of identifiable service charges	261.2	21.7	14.7	5.5	**303.1**	303.2
Service charge income	8.6	6.5	3.2	4.2	**22.5**	26.1
Amortisation of government grants	10.1	0.9	0.6	0.2	**11.8**	11.7
Turnover from social housing lettings	**279.9**	**29.1**	**18.5**	**9.9**	**337.4**	341.0
Expenditure						
Management	(32.3)	(6.6)	(1.0)	(2.0)	**(41.9)**	(40.4)
Service charge costs	(14.1)	(4.5)	(2.6)	(4.7)	**(25.9)**	(26.4)
Routine maintenance	(54.0)	(3.2)	-	(0.4)	**(57.6)**	(58.9)
Planned maintenance	(20.1)	(2.3)	-	(0.7)	**(23.1)**	(14.3)
Major works expensed	(4.5)	(0.9)	-	(0.3)	**(5.7)**	(6.8)
Bad debts	(2.9)	(0.2)	(0.2)	0.7	**(2.6)**	(3.1)
Depreciation of housing properties	(42.4)	(2.9)	-	(0.5)	**(45.8)**	(45.2)
Other costs	(0.1)	-	-	(0.6)	**(0.7)**	(0.5)
Operating costs on social housing lettings	**(170.4)**	**(20.6)**	**(3.8)**	**(8.5)**	**(203.3)**	(195.6)
Operating surplus on social housing lettings	**109.5**	**8.5**	**14.7**	**1.4**	**134.1**	145.4
Void losses	**2.4**	**1.5**	**0.1**	**0.6**	**4.6**	4.6

Other includes intermediate rent, keyworker, and social leaseholders.

The amounts for September 2017 have been restated to separate out "major works expensed", which was previously included in "planned maintenance".

Void losses represent rental 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 2018 (continued)

5. Interest receivable

	Half year ended 30 September 2018 £m	Half year ended 30 September 2017 £m
Interest receivable on bank deposits	**1.0**	0.5
Interest receivable from JCEAs	**1.2**	1.0
Other interest receivable	**-**	0.8
	2.2	2.3

6. Interest payable and financing costs

	Half year ended 30 September 2018 £m	Half year ended 30 September 2017 £m
Interest payable on loans	**16.8**	16.9
Interest payable on bonds and similar instruments	**40.0**	34.6
Interest payable on derivatives	**20.0**	22.7
Interest payable on finance leases	**-**	0.2
Interest payable relating to pensions	**0.9**	1.0
Other interest payable	**0.3**	-
Other charges	**1.9**	2.1
	79.9	77.5
Interest payable capitalised	**(9.1)**	(6.3)
	70.8	71.2

The Group's weighted average interest rate for general borrowings was 4.30% (September 2017: 4.28%).

Notes to the Financial Statements for the half year ended 30 September 2018 (continued)

7. Movement in fair value of financial instruments

Included in income and expenditure	**Half year ended 30 September 2018 £m**	Half year ended 30 September 2017 £m
Fair value gains on		
Borrowings treated as fair value hedging item	**1.6**	2.7
Derivatives treated as cash flow hedging instruments - due to changes in credit risk	**0.4**	-
	2.0	2.7
Fair value losses on		
Derivatives treated as fair value hedging instruments	**(2.1)**	(2.5)
Derivatives treated as cash flow hedging instruments - due to changes in credit risk	**-**	(1.2)
Derivatives not in hedging relationships	**(0.1)**	(0.7)
	(2.2)	(4.4)
	(0.2)	(1.7)

Included in other comprehensive income	**Half year ended 30 September 2018 £m**	Half year ended 30 September 2017 £m
Fair value gains on		
Derivatives treated as cash flow hedging instruments - effective	**32.5**	47.8

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

Notes to the Financial Statements for the half year ended 30 September 2018 (continued)

8. Taxation

	Half year ended 30 September 2018 £m	Half year ended 30 September 2017 £m
Recognised in income and expenditure	**0.3**	(0.1)

The tax charge for the period is less than (2017: less than) 19%, the rate of corporation tax in the UK. The differences are explained below:

Reconciliation of tax recognised in income and expenditure	**Half year ended 30 September 2018 £m**	Half year ended 30 September 2017 £m
Surplus on ordinary activities before taxation	**86.8**	95.6
Tax charge/(credit) at 19%	**16.5**	18.2
Effects of:		
Charitable surpluses not taxed	**(16.5)**	(18.2)
Other non-material differences	**0.3**	(0.1)
	0.3	(0.1)

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

Notes to the Financial Statements for the half year ended 30 September 2018 (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 2018	6,712.5	658.8	200.8	107.0	**7,679.1**
Construction/redevelopment of properties	-	-	92.4	51.4	**143.8**
Major repairs to completed properties	54.2	-	-	-	**54.2**
Other additions	4.7	-	-	-	**4.7**
Completed construction	43.4	16.8	(43.4)	(16.8)	**-**
Transfer to stock	-	(0.7)	-	-	**(0.7)**
Components replaced	(1.3)	-	-	-	**(1.3)**
Other disposals	(1.4)	(9.4)	(0.8)	(4.6)	**(16.2)**
At 30 September 2018	**6,812.1**	**665.5**	**249.0**	**137.0**	**7,863.6**
Depreciation and impairment					
At 1 April 2018	(879.2)	(13.2)	-	-	**(892.4)**
Depreciation charge for the year	(45.8)	-	-	-	**(45.8)**
Eliminated on components replaced	1.3	-	-	-	**1.3**
Eliminated on other disposals	0.2	0.2	-	-	**0.4**
At 30 September 2018	**(923.5)**	**(13.0)**	**-**	**-**	**(936.5)**
Net book value					
At 30 September 2018	**5,888.6**	**652.5**	**249.0**	**137.0**	**6,927.1**
Net book value					
At 31 March 2018	5,833.3	645.6	200.8	107.0	6,786.7

10. Stock

	Under construction		Completed properties		
	Social £m	Non-social £m	Social £m	Non-social £m	Total £m
At 1 April 2018	53.3	164.0	15.0	31.7	**264.0**
Additions	40.3	56.3	-	-	**96.6**
Impairment	-	-	-	0.4	**0.4**
Properties completed	(14.5)	(9.8)	14.5	9.8	**-**
Transfer from social housing properties	-	-	0.7	-	**0.7**
Properties sold	-	-	(18.3)	(13.9)	**(32.2)**
At 30 September 2018	**79.1**	**210.5**	**11.9**	**28.0**	**329.5**

Notes to the Financial Statements for the half year ended 30 September 2018 (continued)

11. Debt analysis

Debt is repayable as follows:	30 September 2018 £m	31 March 2018 £m
Due within one year	**80.7**	68.6
Due between one and two years	**186.4**	173.2
Due between two and five years	**371.1**	372.7
Due after more than five years	**3,117.3**	2,988.8
	3,755.5	3,603.3

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 2018 £m	31 March 2018 £m
Notional amounts drawn		
Clarion Treasury Limited		
- Loans	**2,112.0**	2,201.7
Circle Anglia Social Housing PLC		
- Bond issuance	**635.0**	635.0
Affinity Sutton Capital Markets PLC		
- Bond issuance	**500.0**	500.0
Clarion Funding Plc		
- Note issuance	**250.0**	-
Circle Anglia Social Housing 2 PLC		
- Private placement	**150.0**	150.0
Clarion Housing Association Limited		
- Bonds and loans	**54.2**	55.4
- Finance leases	**6.0**	5.9
	3,707.2	3,548.0
Accounting adjustments		
Fair value adjustment due to		
- Acquisitions of Mercian Housing Association Limited and Russet Homes Limited	**15.9**	16.4
- Hedging of private placement	**9.0**	10.6
Effective interest rate adjustment	**23.4**	28.3
	48.3	55.3
	3,755.5	3,603.3

The notional value of the Group's committed debt facilities at 30 September 2018 is £4,247.6 million (31 March 2018: £4,015.2 million).

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

The fair value adjustment relating to acquisitions is amortised over the life of the related loans and £0.5 million has been released in this period (30 September 2017: £0.8 million). The private placement is held at fair value as a result of hedge accounting and has reduced in value by £1.6 million during the period (30 September 2017: reduced by £2.7 million).

Notes to the Financial Statements for the half year ended 30 September 2018 (continued)

11. Debt analysis (continued)

Analysis of changes in net debt	At 1 April 2018 £m	Cash flows £m	Changes in fair value £m	Other non-cash changes £m	At 30 September 2018 £m
Cash and cash equivalents	182.9	(6.5)	-	-	**176.4**
Debt	(3,603.3)	(157.6)	1.6	3.8	**(3,755.5)**
Derivatives	(320.3)	-	30.7	(0.3)	**(289.9)**
Net debt	**(3,740.7)**	**(164.1)**	**32.3**	**3.5**	**(3,869.0)**

Notes to the Financial Statements for the half year ended 30 September 2018 (continued)

12. Capital grants

	HomeBuy grants £m	Social housing property grants £m
At 1 April 2018	11.8	2,107.4
New grant recognised	-	7.2
Amortisation	-	(11.8)
Recycled on disposals	(0.2)	(1.5)
Disposals not required to be recycled	-	(1.1)
At 30 September 2018	**11.6**	**2,100.2**
Amounts falling due within one year	-	23.1
Amounts falling due after more than one year	11.6	2,077.1
	11.6	**2,100.2**

Recycled Capital Grant Fund	HE £m	GLA £m	Total £m
At 1 April 2018	12.3	8.9	**21.2**
Additions to fund due to disposals	1.2	0.8	**2.0**
At 30 September 2018	**13.5**	**9.7**	**23.2**
Amounts falling due within one year			7.8
Amounts falling due after more than one year			15.4
			23.2
Amounts three years old or older which may need to be repaid	2.2	-	**2.2**

Disposal Proceeds Fund	HE £m	GLA £m	Total £m
At 1 April 2018 and at 30 September 2018	**3.6**	**1.7**	**5.3**
Amounts falling due within one year			2.2
Amounts falling due after more than one year			3.1
			5.3
Amounts three years old or older which may need to be repaid	1.1	-	**1.1**

Notes to the Financial Statements for the half year ended 30 September 2018 (continued)

13. Financial instruments

The following financial derivative contracts are in place:

	30 September 2018			31 March 2018		
	Active £m	**Forward starting £m**	**Total £m**	Active £m	Forward starting £m	Total £m
Notional						
Interest-rate swaps - option	-	-	**-**	160.0	-	160.0
Interest-rate swaps - pay fixed	1,354.6	100.0	**1,454.6**	1,355.1	100.0	1,455.1
Interest-rate swaps - receive fixed	100.0	-	**100.0**	100.0	-	100.0
	1,454.6	**100.0**	**1,554.6**	1,615.1	100.0	1,715.1
Fair value						
Interest-rate swaps - option	-	-	**-**	0.5	-	0.5
Interest-rate swaps - pay fixed	(287.5)	(7.1)	**(294.6)**	(319.5)	(8.1)	(327.6)
Interest-rate swaps - receive fixed	4.7	-	**4.7**	6.8	-	6.8
	(282.8)	**(7.1)**	**(289.9)**	(312.2)	(8.1)	(320.3)

Forward starting swaps represent hedging activity entered into in line with the Group's Treasury Risk Management Policy based on the forecast debt profile to protect against future interest rate increases.

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

	30 September 2018 £m	31 March 2018 £m
Due within one year	**43.4**	40.7
Due between one and two years	**38.4**	36.9
Due between two and five years	**70.2**	79.3
Due after more than five years	**233.4**	248.6
	385.4	405.5

Derivative financial instruments are calculated measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. As required by IFRS 13, there is also a bilateral credit valuation adjustment made in order to adjust for the credit worthiness of the counterparties involved in the trade.

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 2018: all are Level 2).

14. Provisions for liabilities and charges

	30 September 2018 £m	31 March 2018 £m
Net pension liabilities	**57.6**	70.9
Deferred tax liabilities	**1.0**	1.0
Other	**7.8**	10.0
	66.4	81.9

The revaluation of the Group's significant defined benefit pension assets and liabilities (with the Clarion Housing Group Pension Scheme, the Kent County Council Pension Fund, the London Borough of Bromley Pension Fund, the London Borough of Merton Pension Fund, the London Pension Fund Authority Pension Fund and the Norfolk County Council Pension Fund) as at 30 September 2018 resulted in a reduction of the net liability of £13.3 million, of which £11.4 million was actuarial gains/losses. The revaluations used approximate actuarial techniques, including updated assumptions on discount and inflation rates as detailed in note 2.

On 30 September 2017, the Group transferred its share of the defined benefit section of the Social Housing Pension Scheme ("SHPS") to the William Sutton Housing Association Final Salary Scheme (now called the Clarion Housing Group Pension Scheme, "the Clarion Scheme"). As a multi-employer scheme, the Group accounted for its share of SHPS as a defined contribution scheme whereas the Clarion Scheme is accounted for as a defined benefit scheme. Therefore, this transfer triggered a change in the accounting treatment of that specific part of the Group's pension portfolio and the additional £26.6m liability was recognised in Other Comprehensive Income (at 30 September 2017, the additional liability was estimated at £27.7 million).

15. Contingent assets/liabilities

As per note 1 of the financial statements for the year ended 31 March 2018, the original amount of social housing property grants may become repayable. In addition to the amounts disclosed in creditors, £327.1 million of grant has been credited to reserves to date through amortisation (31 March 2018: £314.9 million). The timing of any future repayment is uncertain.

The Group has a contingent liability in relation to defects found at 356 other properties (31 March 2018: 284 properties). For 34 of these properties, a formal liability assessment has been made, totalling £0.5 million (31 March 2018: 34 properties, £0.5 million).

Notes to the Financial Statements for the half year ended 30 September 2018 (continued)

16. Capital commitments

	30 September 2018 £m	31 March 2018 £m
Contracted for but not provided for in the financial statements	**762.5**	647.2
Authorised by the Board but not contracted for	**3,513.0**	2,673.2
	4,275.5	3,320.4

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

Amounts contracted for but not provided for in the financial statements include £584.8 million (31 March 2018: £458.0 million) for the Group's share of the capital commitments of its JCEAs.

At the reporting date the Group had £176.4 million of cash and cash equivalents and £540.4 million of undrawn funding. The remaining £3,558.7 million is expected to be funded by future surpluses and debt funding, sourced from banks and the debt capital markets. The Group considers this to be a reasonable expectation given its previous success in these markets and its strong investment grade credit rating. The first £250 million of the Group's £3 billion European Medium Term Note programme was issued in April 2018.

17. Events after the end of the reporting period

On 26 October 2018, the High Court issued a judgement in a claim between Lloyds Banking Group and three of its employees, regarding the rights of pension scheme members to equality of treatment in relation to pension benefits. The court ruling has made it clear that schemes are under a duty to equalise benefits for men and women in relation to Guaranteed Minimum Pension benefits.

The extent to which the judgement will increase the liabilities of the Group's pension schemes is under consideration and any adjustment is expected to be recognised in the second half of the year ended 31 March 2019.

Clarion Housing Group
Level 6
6 More London Place
Tooley Street
London
SE1 2DA

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