



CLARION
HOUSING GROUP

Clarion Housing Group Interim Report and Accounts

Half year ended 30 September 2017



**Building homes.
Developing futures.**

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THE HALF YEAR AT A GLANCE

Financial Highlights

	6 months to 30 September 2017 (H1 2017/18) Actual	6 months to 30 September 2016 (H1 2016/17) Actual	12 months to 31 March 2017 (FY 2016/17) Actual
Turnover	£407m	£395m	£796m
Operating margin	42%	39%	36%
Net surplus	£96m	£84m	£173m
Operating cost per home	£2,054	£2,199	£4,623
Net long-term investment in affordable housing properties	£181m	£171m	£271m
Interest cover	247%	229%	210%

Operational Highlights

	6 months to 30 September 2017 (H1 2017/18) Actual	6 months to 30 September 2017 (H1 2017/18) Target	6 months to 30 September 2016 (H1 2016/17) Actual	12 months to 31 March 2017 (FY 2016/17) Actual
Resident satisfaction	81.1%	80.0%	80.1%	76.7%
Resident satisfaction with repairs	89.1%	85.0%	84.4%	79.9%
Arrears	3.8%	4.0%	3.9%	3.5%
Homes owned and managed at the end of the period/year	125,123	N/A	N/A	124,572
Housing calls answered within 30 seconds	84.9%	80.0%	74.3%	74.5%
Social rent loss due to voids	£4.6m	N/A	£4.7m	£9.8m
Occupancy rate	98.5%	98.5%	98.3%	98.4%
Repairs completed on time	96.1%	95.0%	94.5%	95.6%
Properties meeting Decent Homes Standard	100.0%	100.0%	100.0%	100.0%
Social value of community investment activity	£44m	£40m	N/A	£85m

Property Development Highlights

	6 months to 30 September 2017 (H1 2017/18) Actual	6 months to 30 September 2017 (H1 2017/18) Target	6 months to 30 September 2016 (H1 2016/17) Actual	12 months to 31 March 2017 (FY 2016/17) Actual
Total new homes constructed:	661	637	574	1,340
<i>Of which new affordable homes</i>	554	459	538	1,206
<i>Of which new private sales homes</i>	107	178	36	134
New homes started	815	733	739	1,863
Sales income	£54m	£57m	£47m	£109m
Total sales volume	227	333	263	516

INTERIM MANAGEMENT REPORT

Chief Executive's Statement

We are pleased to publish an update on Clarion's performance at the midpoint of the financial year - a strong set of results which build on a solid foundation created by Clarion Housing Group after Affinity Sutton Group merged with Circle Housing Group at the end of November 2016. Utilising our financial strength, capacity and expertise to make a real difference to people's lives is central to our social purpose. The performance of the business over the past six months is a spring board for delivering our ambition to build 50,000 new homes over 10 years and for operating the largest social investment programme in the sector through Clarion Futures, which launched in October. As demonstrated in the Annual Report and Accounts 2016/17, the new Group moved quickly on the key drivers for merging and this pace hasn't waned. The positive results in these half year accounts show we are firmly on track to achieve our overall vision and aims.

Keith Exford CBE
Group Chief Executive

Our strategic priorities

The Group has a clear strategy for growth, stemming from five strategic objectives.

Housing Provider of choice

We continue to meet and exceed all of the Group's service level improvement targets. As a result of Clarion's improvement plan to address some of the historic service shortcomings highlighted in the Homes and Communities Agency's regulatory notice on Circle Housing Group, there is a more consistent standard of good customer service across all our stock areas.

Resident satisfaction is above our 80% target at 81.1% which is comparable with some of the country's leading retailers and service providers. Resident satisfaction with repairs in particular has seen a significant increase compared with last year, as has call handling, with 84.9% of calls now answered within 30 seconds - up more than 10 per cent from the same period last year. Similarly, repairs completed on time has also seen an increase and 100% of our homes continue to meet Decent Homes Standard. Occupancy remains very good at 98.5% and has increased slightly from the same period last year; arrears remains within our budget of 4% and rent loss due to voids is also within the budget of 2%.

Following the tragic fire at Grenfell Tower, Clarion took swift action to undertake a comprehensive review of fire safety across our taller buildings including cladding, the internal safety of these buildings and critical housekeeping arrangements. We immediately deployed a team of experts to oversee this work and our detailed inspection is now complete. In addition, two of our staff members have been seconded to the Royal Borough of Kensington and Chelsea's Grenfell Tower Fire team and we have ring-fenced void properties in the borough for Grenfell Tower fire survivors. We will continue, as always, to work with third parties such as the London Fire Brigade to ensure the safety and wellbeing of our residents, acting on new regulations and guidance when it is published.

Building new homes and successful communities

Our development ambitions are to build 50,000 new homes in ten years and we will invest over £1 billion every year in meeting and delivering on this target. In keeping with our social purpose, two thirds of our development programme will be homes for affordable rent and shared ownership.

At the mid point of the year we are ahead of target for new homes, having completed 661 - the majority of which have been affordable - and we have started to build a further 815, also ahead of our target. Overall our current development pipeline now stands at 11,900 units, a significant advancement in our ambition to build 50,000 new homes over the next ten years.

Sales volumes have remained strong over the first half of the year and the Group has generated sales income of £54 million. Total sales margin for the year to date was strong at 31%, increasing from 24% at the same point last year. We will continue to monitor sales performance and leading indicators in the wider market closely to ensure that we have the appropriate strategy on a site by site basis. Build quality remains good - customer satisfaction with new build products and services was excellent at 94.1% whilst average defects per property was extremely low at 0.2.

Since April 2017, the Group has made excellent headway on its build programme, unlocking capacity through partnerships. The Homes and Communities Agency appointed Clarion on to all five of its regional Delivery Partner Panels, which will enable further partnership opportunities to bring forward new homes. We have agreed a strategic partnership with the Mayor of London to deliver at least 5,000 high quality, new affordable homes in the capital by 2021.

In March we secured a 31 acre site in Ashford, Kent with planning permission for around 300 private sale homes. In May we announced a partnership with Southwark Council which will see us invest £125 million in new housing across 10 sites, as part of Southwark's Regeneration in Partnership Plan. Building on our existing presence in Southwark, we have also launched a landmark shared ownership development in the borough, Blackfriars Place. Most recently we have secured a site in York, known as Cocoa Works, with the potential for us to develop 280 units. We continue to seek opportunities both inside and outside the capital.

Clarion is also investing significantly in regenerating its existing estates and has submitted outline planning for the £1 billion transformation of three estates in the London Borough of Merton. Plans are progressing to invest £22 million in our Barne Barton Estate, Plymouth and create lasting social, economic and environmental benefits.

Our current ten year major repairs investment plan is valued at £1.3 billion. Over the first half of this year, we have replaced 812 roofs, 1,256 kitchens, 822 bathrooms and 1,140 doors/windows. We have also upgraded 4,037 electrical systems and 1,056 heating systems.

As well as building new homes, our ambition is to deliver one of the country's largest social investment programmes, supporting residents into work and training; improving their neighbourhoods and helping young people to get a better start in life.

In the 6 months to September 2017 investment in our existing communities has delivered social value worth over £44 million, £4 million over target. This has included supporting nearly 1,500 people into work as well as 150 apprenticeships and supporting just over 1,350 to manage their money more effectively, through guidance on budgeting, providing access to high quality debt advice and affordable loans and by helping people to manage their use of energy. Our extensive programme to support our residents get online and improve their digital skills has seen 170 'digital champions' recruited and 837 hours of digital skills training has been delivered, helping our residents access the myriad of benefits that come from using the internet - from access to money saving deals to job opportunities.

Maintaining long-term financial resilience

Maintaining and protecting our financial strength is key to ensuring our future success and making sure we are able to continue to deliver in the long term. Seeking value for money, without compromising quality, is embedded across the organisation.

The Group measures its financial resilience using a set of Financial Golden Rules. These provide a framework for both assessing our historic performance and planning our future strategy. As well as ensuring solid long-term financial performance, they aim to protect our social housing assets from the risks associated with commercial activity. As detailed further on page 10, the Group has met all its Financial Golden Rules in the half year to 30 September 2017. All rules continue to also be met across our long term financial plan.

In September we established a £3 billion Secured Euro Medium Term Notes programme in line with our strategy to diversify our funding sources and create a robust debt issuing platform. This provides the Group with a versatile platform allowing us to access the debt capital markets quickly, underpinning our growth ambitions to build 50,000 homes over ten years. The Notes will be issued by a newly-incorporated entity, Clarion Funding plc, which sits as a subsidiary within the Group. Each of the Note series issued under the programme are secured prior to issuance by a portfolio of social housing properties owned by the Group. The rating for the programme assigned by Moody's is A3, which was derived from the credit quality of the Group.

Following a downgrade of the UK Sovereign rating, Moody's downgraded all the housing associations they rate (as well as other institutions they deem to have close links to the government). However, Moody's new rating of the Group of A3 continues to recognise the following strengths:

- One of the largest housing associations in the UK with sizeable balance sheet
- Strong operating margins
- Good liquidity position supported by strong unencumbered assets and robust treasury policy
- Strong regulatory framework

In line with other housing associations, the Moody's 'rating outlook' has simultaneously improved from 'negative' to 'stable' with the agency citing the continued strong regulatory framework and more stable government policy.

The development of our major corporate change programme, FF2, which is underpinned by Microsoft Dynamics Enterprise Resource Planning platform, is progressing well with the first phase on track to go live in the second quarter of the 2018 calendar year. The new, modernised systems will transform ways of working, enable digital access for our customers and a shift to a "self-serve" approach, help to release operating efficiencies and ensure our business is fit for the future.

The simplification of our structures is nearing conclusion and the separate housing associations are set to amalgamate to form one single provider during the first quarter of 2018.

Being a great place to work

The Group has continued to prioritise recruiting, retaining and developing good people to provide excellent services to our customers. We have made some successful improvements to our internal apprenticeship programme and have implemented new accredited training courses and tailored programmes which specifically focus on developing our leadership pipelines at Head of Service and Director level.

We have also been working to ensure every member of staff has had an opportunity to help us shape the future of our new organisation and with their input we have launched "The Clarion Way". This comprises four key behaviour principles and is based on what our staff, at all levels, have told us they think is required in order to build a successful business and deliver on our ambitions.

When we formed the new organisation, we took the decision to ask staff what form of representation they would prefer. Accordingly, an independent agency conducted a staff survey and, based on the results, we have now signed a recognition agreement with Unison whose representatives will sit alongside elected members of a new Staff Council to allow all Clarion employees to have a voice.

Building a successful, respected and influential national business

As the country's largest affordable housing provider we are committed to utilising our position to influence public policy in pursuit of our housing and community objectives. We work collaboratively as part of the National Housing Federation and the G15 as well as other lobby groups. During the first half of this financial year we have responded to consultations opened by the Department for Communities and Local Government (DCLG), Greater London Authority, National Housing Federation and the Chartered Institute of Housing. We have also responded to the Government's review into building regulations and fire safety, which will report jointly to the DCLG and Home Office.

Alongside L&Q and Network Homes, we have established a new Commission to consider how the housing association sector should evolve over the next 10-15 years. The Commission has issued a Call for Evidence and the subsequent analysis will be supplemented in the New Year by roundtables and interviews debating key themes and issues, before a final report is published in the summer of 2018.

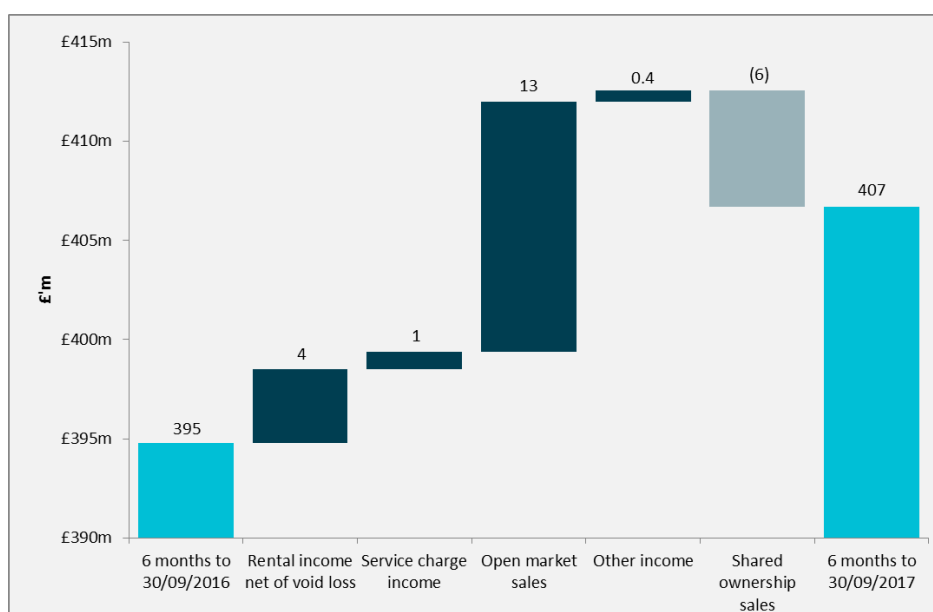
Financial Review

Clarion Housing Group has continued to deliver strong financial performance with a surplus of £96 million at the half year point (H1 2016/17: £84 million) on a turnover of £407 million (H1 2016/17: £395 million), delivering an operating margin of 42% (H1 2016/17: 39%). This improvement in financial performance has been achieved whilst delivering 661 new homes (H1 2016/17: 574) and investing £38 million in our existing properties (H1 2016/17: £38 million).

Statement of Comprehensive Income

The key drivers of our rise in operating margin have been a £12 million (3%) increase in turnover coupled with a £15 million (6%) reduction in underlying operating costs. Figure 1 provides an analysis of the movement in turnover compared to the first half of 2016/17.

Figure 1: Movement in turnover



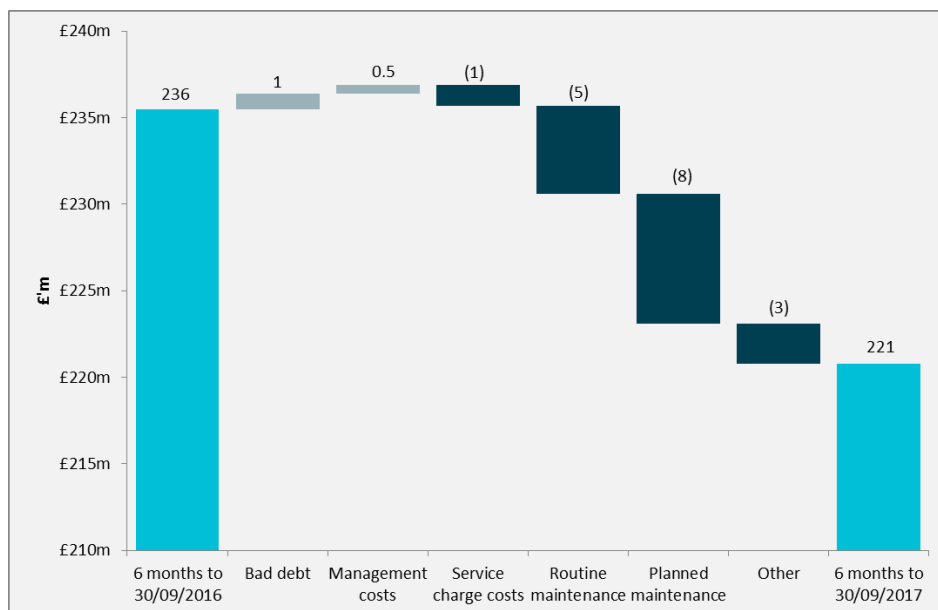
The majority of the increase in turnover (£13 million) is the result of open market sale volumes. There have been 42 open market sales in the six months to September 2017 compared to 13 in the six months to September 2016. We have a further 27 units reserved/exchanged representing close to £10 million in proceeds that will be realised over the next few months as units complete.

Rental income has also seen an increase to £303 million (H1 2016/17: £299 million). This is the combined effect of an increase in unit numbers, conversions to higher affordable rents and a movement in deferred rent income.

The above increases have been partially offset by a £6 million reduction in shared ownership sales caused by delays in handovers. All are forecast to sell in the final six months of the year and at higher values than budgeted.

Figure 2 provides an analysis of the movement in our underlying operating costs compared to the first half of 2016/17.

Figure 2: Movement in operating costs



At £2,054, operating costs per home managed have seen a significant reduction of 7% compared to the first half of 2016/17 as we continue to manage down costs.

Whilst management costs have seen a £0.5 million increase on the prior year, the first half of 2017/18 includes £2 million of one-off costs. The main item was a £1.5 million settlement agreement relating to the bulk transfer of the Group's assets and liabilities out of the multi-employer Social Housing Pension Scheme. Excluding one-off costs, management costs have reduced by £1.5 million reflecting synergies and efficiencies following merger.

Further efficiencies have been achieved in routine maintenance where costs have reduced by £5.1 million compared to the first half of 2016/17. Whilst partly demand led, savings are being made as a result of better cost control and through planning service delivery.

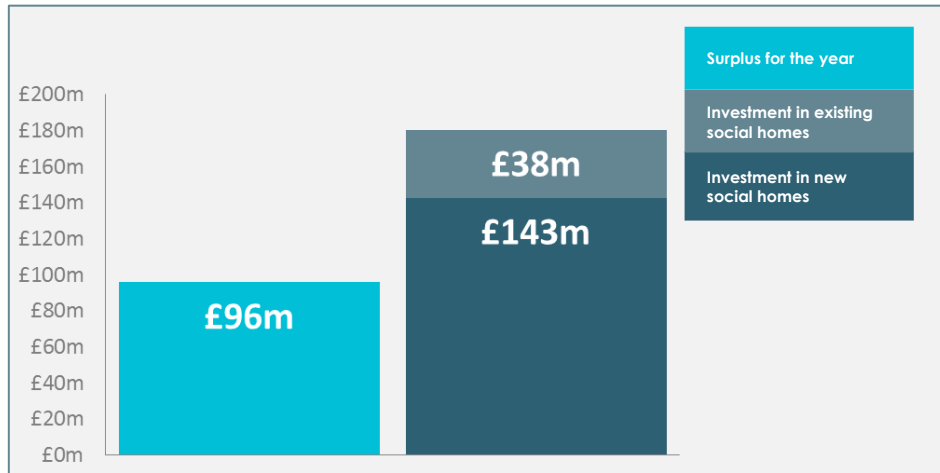
Planned maintenance spend at £21 million is £7.5 million lower than the prior year, the result of back office savings relating to staff costs and professional fees and delays in the mobilisation of non-essential work as we renegotiate key contracts. This renegotiation will ultimately lead to cost benefit savings. In comparison, the planned investment programme was stepped up in the first half of 2016/17.

The Group has seen a £3.3 million decrease in the market valuation of its market rent portfolio. This reflects a revised approach employed by our external valuer who has applied different assumptions to our portfolio post-Grenfell.

Statement of Financial Position

Our Statement of Financial Position metrics remain strong with net assets increased by 9% to £1.43 billion. We have invested £203 million in new homes (including £143 million on new social homes) in the first half of 2017/18 and, as at the half year point, have contractually committed a further £727 million (FY 2016/17 £696 million) as part of our ambition to build 50,000 homes over ten years. In addition to this we have invested a further £38 million on our existing social homes bringing our total investment in social housing to £181 million in six months (1.9 times our surplus) as illustrated in figure three.

Figure 3: Surplus vs long-term investment in social housing



The above investment has been achieved whilst only increasing our Debt to Turnover ratio by 0.1 since the 2016/17 financial year end to 3.8, still well within our Financial Golden Rule maximum benchmark of 4.5. The 0.1 increase in Debt to Turnover ratio reflects a £116 million increase in the Group's drawn debt position to £3.4 billion. Committed debt facilities as at 30 September 2017 stood at £4.1 billion, a reduction of £25 million on the prior year position. Over two-thirds of the Group's debt matures after 10 years presenting reduced short term re-financing risk.

Group liquidity ended September 2017 at £845 million (FY 2016/17: £977 million) including £173 million of operational cash (FY 2016/17: £169 million). In terms of interest rate risk, the Group was 90% hedged at the end of September (FY 2016/17 94%). Our weighted average interest rate reduced to 4.28% (H1 2016/17: 4.37%).

Provisions for liabilities and charges have increased £18 million since the 2016/17 financial year end to £107.7 million. This is primarily driven by a £21.6 million movement in our provision for pension liability largely caused by the transfer of the defined benefit sections of the Social Housing Pension Scheme (SHPS) to the William Sutton Housing Association Final Salary Scheme (now called the Clarion Housing Group Pension Scheme) and the resulting change in accounting treatment. This transfer and the resulting accounting impact is explained further in note 14 of the accounts.

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	2.1	>1.5	✓	2.1	>1.5	✓	1.8	>1.5	✓
Operating Margin ²	38.6%	>30%	✓	40.4%	>35%	✓			
Net Debt to Full Year Turnover incl. JCEs ³	3.8	<4.5	✓						
Sales as a Percentage of Turnover	12.9%	<40%	✓						
Social Housing Interest Cover				1.8	>1.3	✓			
Maximum Development for Sale Work in Progress							136	<£600m	✓
Value at Risk Coverage ⁴							7.0	>1.5	✓
RP Investment in Latimer ⁵				13.0%	<20%	✓			

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 based on the full year forecast turnover for the Group, including JCEs as at September 2017

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

⁵ measures the Housing Associations' equity or debt invested in Latimer as a proportion of Housing Association revenue reserves

The table above highlights the Group's performance against its Financial Golden Rules. Our Financial Golden Rules create a framework for maintaining financial resilience and credit strength while allowing the Group to realise its objectives. 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 which we seek to protect against adverse shocks and market movements.

The Group remains compliant with all its rules for the year to date. The Group can service its interest costs twice over from its core social housing business with Housing Association EBITDA MRI Cash Interest Cover at 2.1. At 40.4%, the housing associations' combined operating margin is also comfortably above our minimum threshold of 35%, ultimately driving the Group's margin of 38.6%.

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 Associations' investment in Latimer does not exceed 20% of its revenue reserves; and that Latimer has £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 continue to be comfortably met.

Mark Washer
Chief Financial Officer

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 50,000 new homes
- Massive financial shock
- Failure to deliver our transformational change programme successfully
- Failure to achieve efficiencies
- Succession planning for key personnel
- 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 2017.

Outlook

Whilst the UK economy is continuing to grow, albeit at a sluggish rate, and unemployment still falling, the UK as a whole is facing a number of headwinds caused by a fall in earnings in real terms, rising consumer debt, faltering consumer and business confidence, inflationary pressure, sterling volatility and the recent increase in the base interest rate. The increase in the base interest rate was predominantly driven by the additional inflationary pressure generated by the fall in the value of the pound soon after the referendum. Whilst further rate increases are unlikely in the short term, Clarion's financial plan is built on prudent assumptions so if interest rates did rise in line with market expectations, there would be a minimal impact on Clarion's development capacity providing housing demand remains buoyant.

After the 2008 crash, house builders restructured their business model to enable it to weather any storm. There are two potential implications of this: Firstly, more opportunities are emerging for Clarion to work in partnership with house builders, developers and land owners in order to share risks and skills. Secondly, a desire by Government to support new long term players in the market, such as Clarion, thereby reducing its dependency on the house builders, who can now turn off production quickly.

The Government's February 2017 Housing White paper reiterated its desire for Housing Associations to improve efficiency in order to release additional capacity for housebuilding. Furthermore, the Government pledged in the Autumn 2017 Budget to build 300,000 extra homes a year on average by the mid-2020's. The recent rent agreement, which allows social rents to increase by CPI + 1% for 5 years post FY20, gives Housing Associations additional resources to build more – the value of the new agreement to Clarion is £220 million.

The Government expects the reclassification of Housing Associations as private companies will give them greater control of their finances and enable them to build more homes. The Government has promised an extra £10 billion for the Help to Buy scheme to enable an additional 135,000 people onto the house ladder and help address the fall in homeownership from 71% in 2003 to 63% in 2016.

Following the tragic fire at Grenfell Tower we have been undertaking a feasibility study into sprinkler systems within our stock and will decide a way forward following this. We have also implemented a fire safety campaign via a range of channels aimed at providing advice to all our residents. We have responded to the Government's review into building regulations and fire safety which will examine building and fire safety regulations and related compliance and enforcement within multi-occupancy high rise residential buildings. The Review will report jointly to the DCLG and Home Office.

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 2017 which comprises a Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Capital and Reserves, Cash flow Statement 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 2017 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. The Association has not previously produced a half-yearly report containing a condensed set of financial statements. As a consequence, the review procedures set out above have not been performed in respect of the comparative period for the six months ended 30 September 2016.

Directors’ responsibilities

The half-yearly report is the responsibility of, and has been approved by, the Association’s Board. The annual financial statements of the Association are prepared in accordance with applicable 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 Housing SORP 2014: *Statement of Recommended Practice for Social Housing Providers*, the Accounting Direction for Private Registered Providers of Social Housing 2015 and the Co-operative and Community Benefit Societies Act 2014. 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.

Andrew Sayers

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square, London, E14 5GL

15 December 2017

Group Statement of Comprehensive Income for the half year ended 30 September 2017

	Notes	Half year ended 30 September 2017 Reviewed £m	Combined* half year ended 30 September 2016 £m	Year ended 31 March 2017 Audited £m
Turnover	4a	406.7	394.8	795.6
Cost of sales	4a	(28.8)	(20.5)	(48.2)
Operating costs	4a	(220.8)	(235.5)	(495.2)
Surplus on disposal of properties	4a	11.9	13.2	37.3
Operating surplus	4a	169.0	152.0	289.5
(Deficit)/surplus on disposal of other fixed assets	4a	(0.3)	0.4	0.6
Surplus on disposal of operations		-	0.8	6.6
Share of operating surplus of JCEs and associates		0.8	4.3	5.5
(Loss)/gain on revaluation of investment properties		(3.3)	-	17.2
Interest receivable	5	2.3	2.1	5.1
Interest payable and financing costs	6	(71.2)	(71.0)	(144.9)
Movement in fair value of financial instruments	7	(1.7)	(1.7)	(3.6)
Surplus on ordinary activities before taxation		95.6	86.9	176.0
Tax credit/(charge) on surplus on ordinary activities	8	0.1	(2.7)	(2.7)
Surplus for the period		95.7	84.2	173.3
Actuarial gains/(losses) on pension schemes	14	3.9	(31.4)	(9.5)
Movement in fair value of financial instruments	7	47.8	(85.0)	(9.2)
Loss on transfer of SHPS	14	(27.7)	-	-
Foreign exchange rate gains		-	1.9	0.8
Tax charge on other comprehensive income	8	-	(1.5)	(1.5)
Total comprehensive income for the period		119.7	(31.8)	153.9

All operations are continuing.

*As disclosed in the Group's year end financial statements, adjustments have been made in combining the prior year, including those arising from the alignment of accounting policies.

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

Neil Goulden
Group Chairman

Mark Washer
Chief Financial Officer

Clare Miller
Company Secretary

13 December 2017

Group Statement of Financial Position as at 30 September 2017

	Notes	30 September 2017 Reviewed £m	31 March 2017 Audited £m
Fixed assets			
Goodwill		6.3	6.3
Other intangible assets		43.1	33.2
Social housing properties	9	6,607.9	6,503.2
Investment properties		225.0	228.3
Non-housing fixed assets		50.5	49.0
Interests in JCEs and associates		86.0	92.0
Other fixed asset investments		14.3	14.5
		7,033.1	6,926.5
Current assets			
Stock	10	223.7	171.6
Debtors: amounts falling due within one year		84.7	80.1
Debtors: amounts falling due after more than one year		136.7	140.1
Current asset investments		110.7	111.2
Cash and cash equivalents		172.8	168.5
		728.6	671.5
Current liabilities			
Creditors: amounts falling due within one year		(235.7)	(289.5)
		492.9	382.0
Net current assets			
		7,526.0	7,308.5
Total assets less current liabilities			
Creditors: amounts falling due after more than one year		(5,989.0)	(5,909.2)
Provisions for liabilities and charges		(107.7)	(89.7)
		1,429.3	1,309.6
Total net assets			
Capital and reserves			
Non-equity share capital		-	-
Cash flow hedge reserve		(347.6)	(395.4)
Income and expenditure reserve		1,776.9	1,705.0
		1,429.3	1,309.6

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

Neil Goulden
Group Chairman

Mark Washer
Chief Financial Officer

Clare Miller
Company Secretary

13 December 2017

Group Statement of Cash Flows for the half year ended 30 September 2017

	Half year ended 30 September 2017 Reviewed	Combined half year ended 30 September 2016	Year ended 31 March 2017 Audited
Surplus for the period	95.7	84.2	173.3
<i>Less:</i>			
Loss/(gain) on revaluation of investment properties	3.3	-	(17.2)
Deficit/(surplus) on disposal of other fixed assets	0.3	(0.4)	(0.6)
Share of operating surplus of joint ventures	(0.8)	(4.3)	(5.5)
Surplus on disposal of operations	-	(0.8)	(6.6)
Net financing costs	70.6	70.6	143.4
Tax (credit)/charge on surplus on ordinary activities	(0.1)	2.7	2.7
Operating surplus	169.0	152.0	289.5
<i>Adjustments for:</i>			
Proceeds from disposal of properties in excess of surplus	10.8	13.0	33.8
Amortisation of government grants	(11.7)	(11.8)	(22.8)
Corporation tax paid	-	(0.2)	(0.2)
Amortisation/Impairment of intangible assets	1.2	5.5	20.6
Depreciation including component write off	49.4	49.9	93.6
Impairment reversal of JCE investment	-	-	(4.4)
Increase in stock	(28.3)	(14.6)	(35.3)
Increase in debtors	(6.1)	(11.6)	(7.2)
Decrease in trade and other creditors	(8.7)	(35.9)	(4.5)
Pension contributions in excess of expense	(3.2)	(1.9)	(6.0)
Other (decrease)/increase in other provisions	(3.1)	0.2	6.9
Net cash from operating activities	169.3	144.6	364.0
Cash flows from investing activities			
Purchase of subsidiary (net of cash acquired)	(23.8)	-	-
Proceeds from disposal of other fixed assets	-	0.4	0.7
Proceeds from disposal of operations (net of cash disposed)	-	1.5	38.0
Proceeds from disposal of investment properties	-	-	18.9
Interest received	0.2	0.6	5.1
Acquisition of intangible assets	(11.9)	(7.8)	(24.4)
Acquisition of social housing properties	(122.0)	(79.7)	(207.7)
Spend on capital major works	(49.6)	(37.5)	(74.3)
Acquisition of non-housing fixed assets	(5.7)	(10.7)	(12.4)
Acquisition of investment properties	-	-	(3.1)
Investment in JCEs and associates	(2.0)	(27.0)	(25.2)
Distributions from JCEs and associates	2.4	12.5	17.2
Acquisition of other fixed asset investments	0.2	1.3	1.4
Decrease/(increase) in current asset investments	0.2	30.9	(9.1)
Social housing property grants received	4.9	4.0	7.6
Net cash from investing activities	(207.1)	(111.5)	(267.3)
Cash flows from financing activities			
Interest paid	(73.6)	(77.7)	(156.7)
Net borrowing of loans and bonds	115.8	39.6	66.6
Capital transaction costs paid	-	-	(4.4)
Payment of finance lease capital	(0.1)	(0.2)	-
Net cash from financing activities	42.1	(38.3)	(94.5)
Net increase/(decrease) in cash and cash equivalents	4.3	(5.2)	2.2
Cash and cash equivalents at 1 April	168.5	166.3	166.3
Cash and cash equivalents at end of period	172.8	161.1	168.5

Group Statement of Changes in Capital and Reserves for the half year ended 30 September 2017

	Non-equity share capital £m	Cash flow hedge reserve £m	Income and expenditure reserve £m	Total capital and reserves £m
At 1 April 2017	-	(395.4)	1,705.0	1,309.6
Surplus for the 6 month period 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
	Non-equity share capital £m	Cash flow hedge reserve £m	Income and expenditure reserve £m	Total capital and reserves £m
At 1 April 2016	-	(386.2)	1,542.0	1,155.8
Surplus for the 6 month period ending 30 September 2016	-	-	84.2	84.2
Other comprehensive income for the period	-	(85.0)	(31.0)	(116.0)
At 30 September 2016	-	(471.2)	1,595.2	1,124.0
	Non-equity share capital £m	Cash flow hedge reserve £m	Income and expenditure reserve £m	Total capital and reserves £m
At 1 April 2016	-	(386.2)	1,542.0	1,155.8
Surplus for the year ending 31 March 2017	-	-	173.3	173.3
Other comprehensive income for the year	-	(9.2)	(10.3)	(19.5)
At 31 March 2017	-	(395.4)	1,705.0	1,309.6

1. Accounting policies

Basis of preparation

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 (September 2015) ("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. 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. The condensed interim financial statements should therefore be read in conjunction with the annual financial statements for the year ended 31 March 2017.

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 2017 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 2017, although in the case of our 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 2016 and 30 September 2017, 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 2016 and 30 September 2017. 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 2016 and 30 September 2017 are in line with those used for the FRS 102 disclosures as at 31 March 2016 and 31 March 2017, respectively.

The 30 September 2017 valuation now 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 called the Clarion Housing Group Pension Scheme). The bulk transfer valuation has been 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.

3. Units under management

	Combined At 1 April 2017	Handed over	Net conversion to Affordable	Other movements	At 30 September 2017
Social housing					
Social rent	77,022	7	(21)	2	77,010
Affordable rent	11,373	316	23	(99)	11,613
General needs	88,395	323	2	(97)	88,623
Supported	1,542	-	-	30	1,572
Housing for Older People	7,392	-	-	50	7,442
Shared ownership	7,239	231	-	(126)	7,344
Intermediate rent	786	-	(2)	-	784
Keyworker	738	-	-	(4)	734
Social leaseholders	9,710	-	-	58	9,768
Staff accommodation	150	-	-	(5)	145
Social homes under management	115,952	554	-	(94)	116,412
Non-social housing					
Market rent	869	-	-	(23)	846
Non-social leaseholders	5,642	-	-	65	5,707
Homes under management	122,463	554	-	(52)	122,965
Non-housing					
Garages and car parking spaces	11,074	-	-	(136)	10,938
Commercial leaseholders	230	-	-	-	230
Community centres	76	-	-	-	76
Units under management	133,843	554	-	(188)	134,209
Units owned but not managed	2,109	107	-	(58)	2,158

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

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

	Half year ended 30 September 2017					Combined half year ended 30 September 2016	
	Turnover £m	Cost of sales £m	Operating costs £m	Surplus on disposal £m	Operating surplus £m	Turnover £m	Operating surplus £m
Social housing activities							
Social housing lettings (note 4b)	341.0	-	(195.6)	-	145.4	336.6	129.0
Shared ownership first tranche sales	21.6	(13.9)	(0.3)	-	7.4	27.5	11.0
Other social housing activities							
Care & support services	8.5	-	(11.7)	-	(3.2)	8.8	(2.5)
Development costs not capitalised	-	-	(1.8)	-	(1.8)	-	(1.9)
Community investment	0.9	-	(6.4)	-	(5.5)	0.2	(3.2)
Other	6.4	(3.4)	-	-	3.0	2.7	(1.4)
Total	15.8	(3.4)	(19.9)	-	(7.5)	11.7	(9.0)
Surplus on disposal of social housing properties	-	-	-	11.9	11.9	-	13.2
Total social housing activities	378.4	(17.3)	(215.8)	11.9	157.2	375.8	144.2
Non-social housing activities							
Open market sales	18.6	(11.5)	(0.3)	-	6.8	6.0	2.2
Other non-social housing activities							
Market rent lettings	4.9	-	(1.3)	-	3.6	7.8	4.1
Garage lettings	1.5	-	(0.7)	-	0.8	1.4	0.9
Commercial lettings	1.7	-	(1.2)	-	0.5	2.1	0.5
Other	1.6	-	(1.5)	-	0.1	1.7	0.1
Total	9.7	-	(4.7)	-	5.0	13.0	5.6
Total non-social housing activities	28.3	(11.5)	(5.0)	-	11.8	19.0	7.8
Total social and non-social housing	406.7	(28.8)	(220.8)	11.9	169.0	394.8	152.0
Analysis of disposals							
Social housing properties	25.6	(13.1)	(0.6)	11.9	11.9	32.4	13.2
Other fixed assets	0.1	(0.4)	-	(0.3)	(0.3)	0.6	0.4

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

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

	Half year ended 30 September 2017					Total £m	Combined half year ended 30 September 2016
	General needs housing £m	Supported housing/ housing for older people £m	Shared ownership accomo- dation £m	Other £m	Total £m		
Income							
Rent receivable net of identifiable service charges	262.3	22.3	13.1	5.5	303.2		299.5
Service charge income	9.9	5.7	3.9	6.6	26.1		25.2
Amortisation of government grants	9.7	0.9	0.8	0.3	11.7		11.8
Other revenue grants/income	-	-	-	-	-		0.1
Turnover from social housing lettings	281.9	28.9	17.8	12.4	341.0		336.6
Expenditure							
Management	(30.0)	(7.2)	(1.0)	(2.2)	(40.4)		(39.9)
Service charge costs	(10.5)	(6.0)	(4.0)	(5.9)	(26.4)		(27.6)
Routine maintenance	(54.1)	(4.0)	(0.1)	(0.7)	(58.9)		(64.0)
Planned maintenance	(18.5)	(1.5)	(0.9)	(0.2)	(21.1)		(28.6)
Bad debts	(3.1)	-	-	-	(3.1)		(2.2)
Depreciation of housing properties	(42.0)	(2.9)	-	(0.3)	(45.2)		(45.0)
Other costs	(0.1)	-	-	(0.4)	(0.5)		(0.3)
Operating costs on social housing lettings	(158.3)	(21.6)	(6.0)	(9.7)	(195.6)		(207.6)
Operating surplus on social housing lettings	123.6	7.3	11.8	2.7	145.4		129.0
Void losses	2.3	1.7	0.2	0.4	4.6		4.7

Other includes intermediate rent, keyworker, and social leaseholders.

£nil (September 2016: £0.1 million) of depreciation relating to garages is included in note 4a.

Void losses represent rental income lost as a result of an available-for-letting property not being let.

5. Interest receivable

	Half year ended 30 September 2017 £m	Combined half year ended 30 September 2016 £m
Interest receivable on bank deposits	0.5	0.6
Interest receivable from participating interests	1.0	0.6
Other interest receivable	0.8	0.9
	2.3	2.1

6. Interest payable and financing costs

	Half year ended 30 September 2017 £m	Combined half year ended 30 September 2016 £m
Interest payable on loans	16.9	20.1
Interest payable on bonds	34.6	33.8
Interest payable on derivatives	22.7	19.9
Interest payable on finance leases	0.2	0.2
Interest payable relating to pensions	1.0	0.9
Other interest payable	-	0.2
Other charges	2.1	1.0
	77.5	76.1
Interest payable capitalised	(6.3)	(5.1)
	71.2	71.0

The Group's weighted average interest rate for general borrowings was 4.28% (September 2016: 4.37%).

7. Movement in fair value of financial instruments

	Half year ended 30 September 2017 £m	Combined half year ended 30 September 2016 £m
Included in income and expenditure		
Fair value gains on		
Borrowings treated as fair value hedging item	2.7	-
Derivatives treated as fair value hedging instruments	-	8.6
	2.7	8.6
Fair value losses on		
Borrowings treated as fair value hedging item	-	(9.4)
Derivatives treated as fair value hedging instruments	(2.5)	-
Derivatives treated as cash flow hedging instruments - due to changes in credit risk	(1.2)	(0.9)
Derivatives not in hedging relationships	(0.7)	-
	(4.4)	(10.3)
Total included in income and expenditure	(1.7)	(1.7)
Included in other comprehensive income		
Fair value gains on		
Derivatives treated as cash flow hedging instruments - effective	47.8	-
Fair value losses on		
Derivatives treated as cash flow hedging instruments - effective	-	(85.0)
	47.8	(85.0)

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

8. Taxation

	Half year ended 30 September 2017 £m	Combined half year ended 30 September 2016 £m
Total tax (credit)/charge in the period	(0.1)	4.2
Recognised in income and expenditure	(0.1)	2.7
Recognised in other comprehensive income	-	1.5
	(0.1)	4.2

The tax (credit)/charge for the Group for the period is less than 19% (2016: less than 20%), the rate of corporation tax in the UK. The differences are explained below:

	Half year ended 30 September 2017 £m	Combined half year ended 30 September 2016 £m
Reconciliation of tax recognised in income and expenditure		
Surplus on ordinary activities before taxation	95.6	87.0
Tax at 19% (30 September 2016: 20%)	18.2	17.4
Effects of:		
Charitable surpluses not taxed	(18.2)	(15.6)
Other non material movements	(0.1)	0.9
	(0.1)	2.8

The changes in the rate of UK corporation tax to 19% from 1 April 2017, and to 17% from 1 April 2020, were substantively enacted by the reporting date.

The tax charge at the half year end factors in gift aid relief which is normally determined at the year end. Without this, the tax charge would not be truly representative of the amount to be paid to HMRC.

9. Social housing properties

	Completed		Under construction		Total £m
	Rental-only £m	Shared ownership £m	Rental-only £m	Shared ownership £m	
Cost					
At 1 April 2017	6,482.1	601.8	147.4	85.3	7,316.6
Construction/redevelopment of properties	-	-	64.6	50.1	114.7
Additions to existing properties*	46.0	-	-	-	46.0
Completed construction	59.3	34.4	(59.3)	(34.4)	-
Reclassification between tenures	-	-	10.7	(10.7)	-
Components replaced	(2.1)	-	-	-	(2.1)
Other disposals	(6.0)	(8.7)	(0.1)	-	(14.8)
At 30 September 2017	6,579.3	627.5	163.3	90.3	7,460.4
Depreciation and impairment					
At 1 April 2017	(799.0)	(13.5)	(0.9)	-	(813.4)
Depreciation charge for the period	(45.2)	-	-	-	(45.2)
Completed construction	(0.9)	-	0.9	-	-
Components replaced	2.1	-	-	-	2.1
Other disposals	3.9	0.1	-	-	4.0
At 30 September 2017	(839.1)	(13.4)	-	-	(852.5)
Net book value					
At 30 September 2017	5,740.2	614.1	163.3	90.3	6,607.9
Net book value					
At 31 March 2017	5,683.1	588.3	146.5	85.3	6,503.2

*Included in additions to existing properties is £37.8 million of major works

10. Stock

	Under construction		Completed properties		Total £m
	Social £m	Non-social £m	Social £m	Non-social £m	
At 1 April 2017	40.2	101.3	14.2	15.9	171.6
Additions*	19.3	60.1	0.4	-	79.8
Properties completed	(19.6)	(24.9)	19.6	24.9	-
Properties sold	(3.4)	(0.2)	(13.0)	(11.1)	(27.7)
At 30 September 2017	36.5	136.3	21.2	29.7	223.7

* Additions includes £24.4 million relating to stock acquired as part of the acquisition of Latimer Green Lanes Limited on 7 April 2017.

11. Debt analysis

	30 September 2017	31 March 2017
	£m	£m
Debt is repayable as follows:		
Due within one year	61.0	79.3
Due between one and two years	70.1	52.5
Due between two and five years	480.2	394.7
Due after more than five years	2,841.7	2,811.5
	3,453.0	3,338.0
	30 September 2017	31 March 2017
	£m	£m
Included in the above are the following accounting adjustments:		
Fair value adjustments:		
Acquisition of Mercian Housing Association Limited	2.0	2.3
Acquisition of Russet Homes Limited	15.9	16.4
Private Placement adjustment due to hedging	10.1	12.9
Effective interest rate adjustment	20.2	17.8
	48.2	49.4

These fair value adjustments represent the difference between the book value and the fair value of the loans at the date of acquisition and this is the price the loans are carried at in the financial statements. The fair value is amortised over the life of the loans and £0.8 million (September 2016: £0.6 million) of fair value has been released in this period.

	30 September 2017	31 March 2017
	£m	£m
The Group's funding is provided by the following entities using a mixture of facilities:		
Clarion Treasury Limited		
- Loans	2,059.5	1,939.9
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
Affinity Sutton Homes Limited		
- Bonds and Loans	45.9	48.8
- Finance Leases	5.2	5.2
Circle 33 Housing Trust Limited		
- Loans	8.5	9.0
- Finance Leases	0.7	0.7
	3,404.8	3,288.6

The Group's committed debt facilities at 30 September 2017 was £4,075.8 million (March 2017: £4,100.3 million).

The Group's facilities are repayable at various dates through to 2046 and are secured by fixed charges over the completed housing properties of the participating Group members and a series of cross guarantees.

12. Capital grants

	HomeBuy grants £m	Social housing property grants £m
At 1 April 2017	12.3	2,119.9
New grant recognised	-	5.0
Amortisation	-	(11.7)
Recycled on disposals	(0.3)	(2.0)
At 30 September 2017	12.0	2,111.2
Amounts falling due within one year	-	23.2
Amounts falling due after more than one year	12.0	2,088.0
	12.0	2,111.2

	HCA £m	GLA £m	Total £m
Recycled Capital Grant Fund			
At 1 April 2017	11.1	9.5	20.6
Additions to fund due to disposals	0.6	2.2	2.8
At 30 September 2017	11.7	11.7	23.4
Amounts falling due within one year			7.2
Amounts falling due after more than one year			16.2
			23.4
Amounts three years old or older which may need to be repaid	1.9	0.3	2.2

	HCA £m	GLA £m	Total £m
Disposal Proceeds Fund			
At 1 April 2017	3.9	4.6	8.5
Transfers to other private registered providers	-	(0.1)	(0.1)
At 30 September 2017	3.9	4.5	8.4
Amounts falling due within one year			3.1
Amounts falling due after more than one year			5.3
			8.4
Amounts three years old or older which may need to be repaid	0.7	0.8	1.5

13. Financial instruments

The following financial derivative contracts are in place:

	30 September 2017			31 March 2017		
	Active £m	Forward starting £m	Total £m	Active £m*	Forward starting £m	Total £m*
Notional						
Interest-rate swaps - option	160.0	-	160.0	160.0	-	160.0
Interest-rate swaps - pay fixed	1,380.7	100.0	1,480.7	1,381.3	100.0	1,481.3
Interest-rate swaps - receive fixed	100.0	-	100.0	100.0	-	100.0
	1,640.7	100.0	1,740.7	1,641.3	100.0	1,741.3
Fair value						
Interest-rate swaps - option	0.9	-	0.9	1.6	-	1.6
Interest-rate swaps - pay fixed	(332.3)	(7.3)	(339.6)	(377.9)	(8.3)	(386.2)
Interest-rate swaps - receive fixed	7.7	-	7.7	10.2	-	10.2
	(323.7)	(7.3)	(331.0)	(366.1)	(8.3)	(374.4)

*The notional value as reported at 31 March 2017 included £100 million of "Interest rate swaps - pay fixed" as both active and forward starting. The notional value has been updated to reflect this correction and does not affect other data within the financial statements.

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.

The following table indicates the periods in which cash flows associated with hedging instruments are expected to occur.

	30 September 2017 £m	31 March 2017 £m
Due within one year	(0.6)	(1.2)
Due between one and two years	(1.5)	-
Due between two and five years	(38.7)	(54.4)
Due after more than five years	(290.2)	(318.8)
	(331.0)	(374.4)

The Group's derivative financial instruments are held at fair value. Fair values are classified as Level 2 as defined by the Fair value hierarchy contained within IFRS 13 and are consistent with those applied during the year ended 31 March 2017.

Fair value Measurement

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.

14. Provisions for liabilities and charges

	30 September 2017	31 March 2017
Pension liability	£94.7m	£57.2m
SHSPS deficit funding payment	-	£15.9m
<i>Total pension provision</i>	<i>£94.7m</i>	<i>£73.1m</i>
Deferred tax liability	£1.2m	£1.2m
Other provisions	£11.8m	£15.4m
Provision for pensions and liabilities	£107.7m	£89.7m

Provisions for liabilities and charges includes £94.7 million (FY 2016/17 £57.2 million) relating to the Group's defined benefit pension liabilities and £nil (FY 2016/17 £15.9 million) relating to SHPS deficit funding payments.

On 30 September 2017 the Group transferred the defined benefit sections of SHPS to the William Sutton Housing Association Final Salary Scheme (now called the Clarion Housing Group Pension Scheme). SHPS is a multi-employer defined benefit scheme which had been accounted for as a defined contribution scheme. Hence the £15.9 million provision at 31 March 2017 (£14.9 million at 30 September 2017) only represented the net present value of the agreed deficit-funding contributions. The Clarion Housing Group Pension Scheme is a defined benefit scheme accounted for under normal defined benefit scheme rules.

The transfer of SHPS has therefore triggered a change in accounting treatment of that specific part of the Group's pension scheme portfolio and as such the £14.9 million provision at the date of transfer has been replaced with a defined benefit liability of £42.6 million. The £27.7 million movement has been reflected in Other Comprehensive Income.

The revaluation of the Group's remaining significant defined benefit pension schemes (Norfolk Pension Fund, London Pension Fund Authority, London Borough of Merton Pension Fund, the former William Sutton Scheme and Kent County Council Pension Fund - Russet Homes) as at 30 September 2017 resulted in a reduction of the liability of £5.1 million. These have been revalued using approximate actuarial techniques, including updated assumptions on discount and inflation rates as detailed in note 2.

The resulting net increase in pension liability is £37.5m whereas the net increase in the total pension related provisions is £21.6m.

The Group's share of the SHPS funding shortfall will continue to be circa £2.4m per year until 2026/27 although a review is due in the latter part of 2018 following the next actuarial valuation. A £6 million further contribution to the scheme was made in early October 2017 to improve its funding level. As this was paid after 30 September 2017, it is not reflected in the above valuation.

15. Contingent assets/liabilities

As per Note 1 (full detail in the annual financial statements), the original amount of social housing property grants may become repayable. In addition to the amounts disclosed in creditors, £303.8 million of grant has been credited to reserves to date through amortisation (March 2017: £292.1 million). The timing of any future repayment is uncertain.

Under the admission agreement for the Norfolk County Council Superannuation Fund, all parties - including the Group - are jointly and severally liable for the fund's liabilities.

Circle Thirty Three Housing Trust Limited (one of the Group entities), in conjunction with HSBC Bank Plc has issued a Standby Letter of Credit of £2 million to Surrey County Council. This will expire 12 months from the date of issue of 5 July 2017.

The Group has received a letter before action from solicitors acting on behalf of various residents at Orchard Village in respect of disrepair, misrepresentation and other various claims. No formal liability assessment has been undertaken.

The Group has a contingent liability in relation to defects found at 147 other properties. For five of these cases, a formal liability assessment has been made, totalling £0.1 million.

16. Capital commitments

	30 September 2017 £m	31 March 2017 £m
Contracted for but not provided for in the financial statements	727.1	695.6
Authorised by the Board but not contracted for	898.1	490.5
	1,625.2	1,186.1

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

17. Event after the end of the reporting period

On 1 November 2017, the Financial Conduct Authority registered the transfer of engagements of Russet Homes Limited to Circle Thirty Three Housing Trust Limited.

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