

**SUPPLEMENT DATED 29TH MARCH, 2018 TO THE OFFERING CIRCULAR DATED 29TH
SEPTEMBER, 2017**



CLARION FUNDING PLC

(Incorporated in England with limited liability under the Companies Act 2006, registered number 10922187)

£3,000,000,000

Secured Euro Medium Term Note Programme

This Supplement (the **Supplement**) to the Offering Circular (the **Offering Circular**) dated 29th September, 2017 which comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the **FSMA**) and is prepared in connection with the £3,000,000,000 Secured Euro Medium Term Note Programme (the **Programme**) established by Clarion Funding plc (the **Issuer**). Terms defined in the Offering Circular have the same meaning when used in this Supplement. When used in this Supplement, **Prospectus Directive** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the EEA.

This Supplement is supplemental to, and should be read in conjunction with, the Offering Circular and any other supplements to the Offering Circular issued by the Issuer.

Each of the Issuer and Clarion Housing Association Limited (**Clarion HA**) accepts responsibility for the information contained in this Supplement. To the best of the knowledge of each of the Issuer and Clarion HA (which has taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Purpose of the Supplement

The purpose of this Supplement is (a) to provide an update on the reorganisation of the Clarion Housing Group; (b) to incorporate by reference the Clarion Housing Group's interim financial statements as at and for the six month period ended 30th September, 2017; and (c) to provide an update of certain alternative performance measures.

Reorganisation of the Clarion Housing Group

On 1st November, 2017, Russet Homes Limited transferred its engagements to Circle Thirty Three Housing Trust Limited (**Circle 33**) in accordance with section 110 of the Co-operative and Community Benefit Societies Act 2014 (the **2014 Act**) (the **Russet Transfer**).

On 2nd January, 2018, Affinity Sutton Homes Limited (**Affinity Sutton Homes**) and Circle 33 amalgamated (the **Amalgamation**) in accordance with section 109 of the 2014 Act to form one registered society, Clarion HA.

On 1st March, 2018, Old Ford Housing Association Limited (**Old Ford**) transferred its engagements to Clarion HA (the **Old Ford Transfer** and, together with the Russet Transfer and the Amalgamation, the **Clarion Reorganisation**) in accordance with section 110 of the 2014 Act.

Clarion Housing Group Limited, the parent company of Affinity Sutton Homes, Circle 33, Russet and Old Ford prior to the Clarion Reorganisation, was not included within the scope of the Russet Transfer, the Amalgamation or the Old Ford Transfer and is now the parent company of Clarion HA. As a result of the Clarion Reorganisation, all assets and liabilities of each of Affinity Sutton Homes, Circle 33, Russet and Old Ford have vested in Clarion HA and Clarion HA is now the only remaining Original Borrower under the Programme and the only remaining Guarantor under the Deed of Guarantee.

Clarion HA is incorporated with limited liability as a registered society within the meaning of the 2014 Act (with registered number 7686) and is a Registered Provider of Social Housing (with registered number 4865). The registered address of Clarion HA is Level 6, 6 More London Place, Tooley Street, London SE1 2DA.

Interim Financial Statements as at and for the six month period ended 30th September, 2017

On 18th December, 2017 the Clarion Housing Group published its consolidated unaudited interim financial statements as at and for the six month period ended 30th September, 2017. A copy of those interim financial statements has been filed with the Financial Conduct Authority and, by virtue of this Supplement, those interim financial statements are incorporated in, and form part of, the Offering Circular including the information set out at the following pages in particular:

| | |
|--|----------------|
| Group Statement of Comprehensive Income..... | Page 13 |
| Group Statement of Financial Position..... | Page 14 |
| Group Statement of Cash Flows..... | Page 15 |
| Notes to the Financial Statements..... | Pages 17 to 30 |
| Audit Review Report..... | Page 12 |

Any other information incorporated by reference that is not included in the cross-reference list above is considered to be additional information to be disclosed to investors rather than information required by the relevant Annexes of the Prospectus Regulation.

Alternative Performance Measures

The Clarion Housing Group believes that, in addition to the financial measures set out on pages 556 to 564 of the Offering Circular, the following financial measures that are not recognised by UK GAAP, including FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (the **Accounting Standards**), but are derived from information provided in the Clarion Housing Group's financial statements, provide additional useful information regarding its ongoing operating and financial performance.

These measures are not recognised measures under the Accounting Standards, do not have standardised meanings prescribed by the Accounting Standards and should not be considered in isolation or construed to be alternatives to measures pursuant to the Accounting Standards including revenues, net income (loss), comprehensive income (loss) for the period determined in accordance with the Accounting Standards. The Clarion Housing Group's method of calculating these measures may differ from the method used by other entities. Accordingly, certain of the financial performance measures presented in this Supplement may not

be comparable to similarly titled measures used by other entities or in other jurisdictions. Consequently, these measures should not be considered substitutes for the information contained in the financial statements set out in the section of the Offering Circular entitled "*Financial Statements*" or the consolidated unaudited interim financial statements incorporated by reference in the Offering Circular by virtue of this Supplement and should be read in conjunction therewith.

In particular, the Clarion Housing Group uses the financial measures (as defined below) set out in the table below to evaluate the business performance of the Clarion Housing Group:

| Metric | Definition | Reconciliation | Additional Information |
|---|--|--|---|
| Debt to Turnover ratio | See "Net debt to full year turnover" in the Offering Circular. | See "Net debt to full year turnover" in the Offering Circular. | This is a risk indicator that measures the balances between debt and turnover. |
| EBITDA MRI (HAs) (for HA Financial Golden Rules) | "Operating surplus" adding "depreciation of intangible assets", adding "amortisation of intangible assets", deducting "amortisation of government grants", adding "impairment: charge/(reversal)" and deducting "capitalised major repairs" and deducting "surplus on disposal of properties". | "Operating surplus", "depreciation of intangible assets", "amortisation of intangible assets", "amortisation of government grants", "impairment: charge/(reversal)" and "capitalised major repairs" are each taken from the Statement of Comprehensive Income in each of the financial statements for the HAs, Clarion Housing Group Limited and the treasury vehicles (the Group Borrower, Affinity Sutton Capital Markets Plc, Circle Anglia Social Housing Plc, Circle Anglia Social Housing 2 Plc and Affinity Sutton Funding Limited) in respect of the financial year ended 31st March, 2017. "Surplus on disposal of properties" is taken from the Statement of Comprehensive Income in each of the HA Financial Statements. | This indicates the cash operating performance of the HAs, Clarion Housing Group Limited and the treasury vehicles and it represents earnings before interest, tax, depreciation and amortisation, adding back major repair capitalised costs. |

| Metric | Definition | Reconciliation | Additional Information |
|---|---|--|--|
| <p>EBITDA MRI cash interest cover (Latimer)</p> <p>(for Latimer Financial Golden Rules)</p> | <p>"Operating profit", adding "operating surplus JCEs" and divided by "net interest payable" (Latimer).</p> | <p>"Operating profit" is taken from the Statement of Comprehensive Income in the financial statements for Latimer in respect of the financial year ended 31st March, 2017.</p> <p>"Operating surplus JCEs" is taken from Note 17 to the 2017 Group Financial Statements. See the relevant figure for "operating surplus" under the column entitled "2017 £m" of the table entitled "Group".</p> <p>"Net interest payable" (Latimer) (see below).</p> | <p>This is a risk indicator that measures the ability of the non-social business (i.e. Latimer Group and all JCEs) to cover its total net interest expenses from its cash operating performance.</p> |
| <p>Intercompany interest payable (Latimer)</p> | <p>"Interest payable to Group Undertakings".</p> | <p>"Interest payable to Group Undertakings" is taken from the Notes entitled "interest payable and financing costs" in the financial statements for Latimer in respect of the financial year ended 31st March, 2017.</p> | <p>This is a risk indicator that measures total interest payable by the non-social business (being, Latimer, YLS and Leamington Waterfront LLP) to the Group Parent and the HA.</p> |
| <p>Interest cover</p> | <p>"Operating surplus" adding "depreciation including component write off", adding "amortisation/impairment of intangible assets", adding "amortisation of government grants", adding "major repairs to existing properties" and divided by "interest receivable", adding "interest payable and financing costs".</p> | <p>"Operating surplus" is taken from the Statement of Comprehensive Income in the 2017 Group Financial Statements and the Group's interim financial statements as at and for the six month period ended 30th September, 2017.</p> <p>"Depreciation including component write off" is taken from the Group Statement of Cash Flows in the 2017 Group Financial Statements and the Group's interim financial statements as at</p> | <p>This is a risk indicator that measures the ability of the Clarion Housing Group to cover its total net interest expenses from its operating performance.</p> |

| Metric | Definition | Reconciliation | Additional Information |
|--------|------------|--|------------------------|
| | | <p>and for the six month period ended 30th September, 2017.</p> <p>"Amortisation/impairment of intangible assets" is taken from the Group Statement of Cash Flows in the 2017 Group Financial Statements and the Group's interim financial statements as at and for the six month period ended 30th September, 2017.</p> <p>"Amortisation of government grants" is taken from the Group Statement of Cash Flows in the 2017 Group Financial Statements and the Group's interim financial statements as at and for the six month period ended 30th September, 2017.</p> <p>"Major repairs to existing properties" is taken from the footnote to Note 9 to the Group's interim financial statements as at and for the six month period ended 30th September, 2017.</p> <p>"Interest receivable" is taken from the Group Statement of Comprehensive Income in the 2017 Group Financial Statements and the Group's interim financial statements as at and for the six month period ended 30th September, 2017.</p> <p>"Interest payable and financing costs" is taken from the Group Statement</p> | |

| Metric | Definition | Reconciliation | Additional Information |
|---|---|---|---|
| | | of Comprehensive Income in the 2017 Group Financial Statements and the Group's interim financial statements as at and for the six month period ended 30th September, 2017. | |
| Net Book Value | Value of "social housing properties". | "Social housing properties" is taken from the Statement of Financial Position in the 2017 Group Financial Statements and the Group's interim financial statements as at and for the six month period ended 30th September, 2017. | The Net Book Value represents the value of the social housing properties, measured at cost after depreciation and impairment. |
| Net interest payable (HAs) (for HA Financial Golden Rules) | "Interest receivable", adding "interest payable and financing costs", adding "capitalised interest" and deducting "intercompany interest payable Latimer" | <p>"Interest receivable" and "interest payable and financing costs" are each taken from the Statement of Comprehensive Income in each of the financial statements for the HAs, Clarion Housing Group Limited and the treasury vehicles (the Group Borrower, Affinity Sutton Capital Markets Plc, Circle Anglia Social Housing Plc, Circle Anglia Social Housing 2 Plc and Affinity Sutton Funding Limited) in respect of the financial year ended 31st March, 2017.</p> <p>"Capitalised interest" is taken from the Notes in each of the financial statements for the HAs, Clarion Housing Group Limited and the treasury vehicles (the Group Borrower, Affinity Sutton Capital Markets Plc, Circle Anglia Social</p> | This indicates the total net interest payable by the HAs, Clarion Housing Group Limited and the treasury vehicles. |

| Metric | Definition | Reconciliation | Additional Information |
|---|--|---|--|
| | | <p>Housing Plc, Circle Anglia Social Housing 2 Plc and Affinity Sutton Funding Limited) in respect of the financial year ended 31st March, 2017.</p> <p>"Intercompany interest payable Latimer" (see above).</p> | |
| Net long-term investment in affordable housing properties | "Construction / redevelopment of social properties including buy-backs", adding "additions to existing properties less buy-backs". | "Construction / redevelopment of social properties including buy-backs" and "additions to existing properties less buy-backs" are each defined in the management accounts of the HAs. | This indicator represents the amount that the Clarion Housing Group has invested in existing and new social homes. |
| Operating costs per home | "Operating costs" divided by "homes under management", excluding "social leaseholders" and "non-social leaseholders". | <p>"Operating costs" is taken from the Statement of Comprehensive Income in the 2017 Group Financial Statements and the Group's interim financial statements as at and for the six month period ended 30th September, 2017.</p> <p>"Homes under management" is taken from Note 3 to the 2017 Group Financial Statements and the Group's interim financial statements as at and for the six month period ended 30th September, 2017. See the relevant figure for "Homes under management" under the column entitled "At 31 March 2017" or "At 30 September 2017" (as applicable).</p> <p>"Social leaseholders" is taken from Note 3 to the</p> | This is a cost indicator that measures the operating costs incurred per unit managed. |

| Metric | Definition | Reconciliation | Additional Information |
|---|---|---|---|
| | | <p>2017 Group Financial Statements and the Group's interim financial statements as at and for the six month period ended 30th September, 2017. See the relevant figure for "Social leaseholders" under the column entitled "At 31 March 2017" or "At 30 September 2017" (as applicable).</p> <p>"Non-social leaseholders" is taken from Note 3 to the 2017 Group Financial Statements and the Group's interim financial statements as at and for the six month period ended 30th September, 2017. See the relevant figure for "Non-social leaseholders" under the column entitled "At 31 March 2017" or "At 30 September 2017" (as applicable).</p> | |
| Operating costs per unit | See "Operating costs per home" above. | See "Operating costs per home" above. | See "Operating costs per home" above. |
| Operating margin (HAs) (for HA Financial Golden Rules) | "Operating surplus" deducting "surplus on disposal of properties", divided by "turnover" (expressed as a percentage). | "Operating surplus", "surplus on disposal of properties" and "turnover" are each taken from the Statement of Comprehensive Income in each of the financial statements for the HAs, Clarion Housing Group Limited and the treasury vehicles (the Group Borrower, Affinity Sutton Capital Markets Plc, Circle Anglia Social Housing Plc, Circle Anglia Social Housing 2 Plc and Affinity Sutton Funding Limited) in respect of the financial | Operating margin is a measure of profitability. This ratio indicates the efficiency of the financial performance of the HAs (including Clarion Housing Group Limited and the treasury vehicles) by showing how much of each £1 of revenues is left after both operating costs and cost of sales are considered. |

| Metric | Definition | Reconciliation | Additional Information |
|---|--|---|--|
| | | year ended 31st March, 2017. | |
| Sales (for Group Financial Golden Rules) | "Turnover from shared ownership first tranche sales", adding "open market sales" and "turnover from JCEs and associates". | <p>"Turnover from shared ownership first tranche sales" is taken from Note 4a to the 2017 Group Financial Statements. See the relevant figure for "Shared ownership first tranche sales" under the column entitled "Turnover £m" of the table entitled "Group - Social housing activities".</p> <p>"Turnover from open market sales" is taken from Note 4a to the 2017 Group Financial Statements. See the relevant figure for "Open market sales" under the column entitled "Turnover £m" of the table entitled "Group - Non-social housing activities".</p> <p>"Turnover from JCEs and associates" is taken from Note 17 to the 2017 Group Financial Statements. See the relevant figure for "Turnover" under the column entitled "2017".</p> | This indicates the total market sales the Clarion Housing Group has realised. |
| Sales income | See "Sales" above. | See "Sales" above. | This indicates the total market sales the Clarion Housing Group has realised. |
| Sales margin | "Operating surplus from shared ownership first tranche sales", adding "operating surplus from open market sales", divided by "turnover from shared ownership first tranche sales", adding "turnover from | "Operating surplus from shared ownership first tranche sales" is taken from Note 4a to the 2017 Group Financial Statements and the Group's interim financial statements as at and for the six month period | This indicates the total market sales the Clarion Housing Group has realised, excluding JVs. |

| Metric | Definition | Reconciliation | Additional Information |
|--------|---------------------|--|------------------------|
| | open market sales". | <p>ended 30th September, 2017. See the relevant figure for "Shared ownership first tranche sales" under the column entitled "Operating surplus £m".</p> <p>"Operating surplus from open market sales" is taken from Note 4a to the 2017 Group Financial Statements and the Group's interim financial statements as at and for the six month period ended 30th September, 2017. See the relevant figure for "Open market sales" under the column entitled "Operating surplus £m".</p> <p>"Turnover from shared ownership first tranche sales" is taken from Note 4a to the 2017 Group Financial Statements and the Group's interim financial statements as at and for the six month period ended 30th September, 2017. See the relevant figure for "Shared ownership first tranche sales" under the column entitled "Turnover £m".</p> <p>"Turnover from open market sales" is taken from Note 4a to the 2017 Group Financial Statements and the Group's interim financial statements as at and for the six month period ended 30th September, 2017. See the relevant figure for "Open market sales" under the column entitled "Turnover £m".</p> | |

| Metric | Definition | Reconciliation | Additional Information |
|------------------------|---------------------------|---------------------------|---|
| Sales operating margin | See "Sales margin" above. | See "Sales margin" above. | This indicates the total market sales the Clarion Housing Group has realised. |
| Sales turnover | See "Sales" above. | See "Sales margin" above. | This indicates the total market sales the Clarion Housing Group has realised. |

Copies of all documents incorporated by reference in the Offering Circular can be obtained from the registered office of the Issuer, from the specified office of the Paying Agent for the time being in London and will be available for viewing on the Clarion Housing Group's website at <https://www.clarionhg.com/finance-and-investors/reports-and-financial-statements/>.

If documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of this Supplement for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference or attached to this Supplement.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Offering Circular by this Supplement and (b) any other statement in or incorporated by reference in the Offering Circular, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Offering Circular since the publication of the Offering Circular.