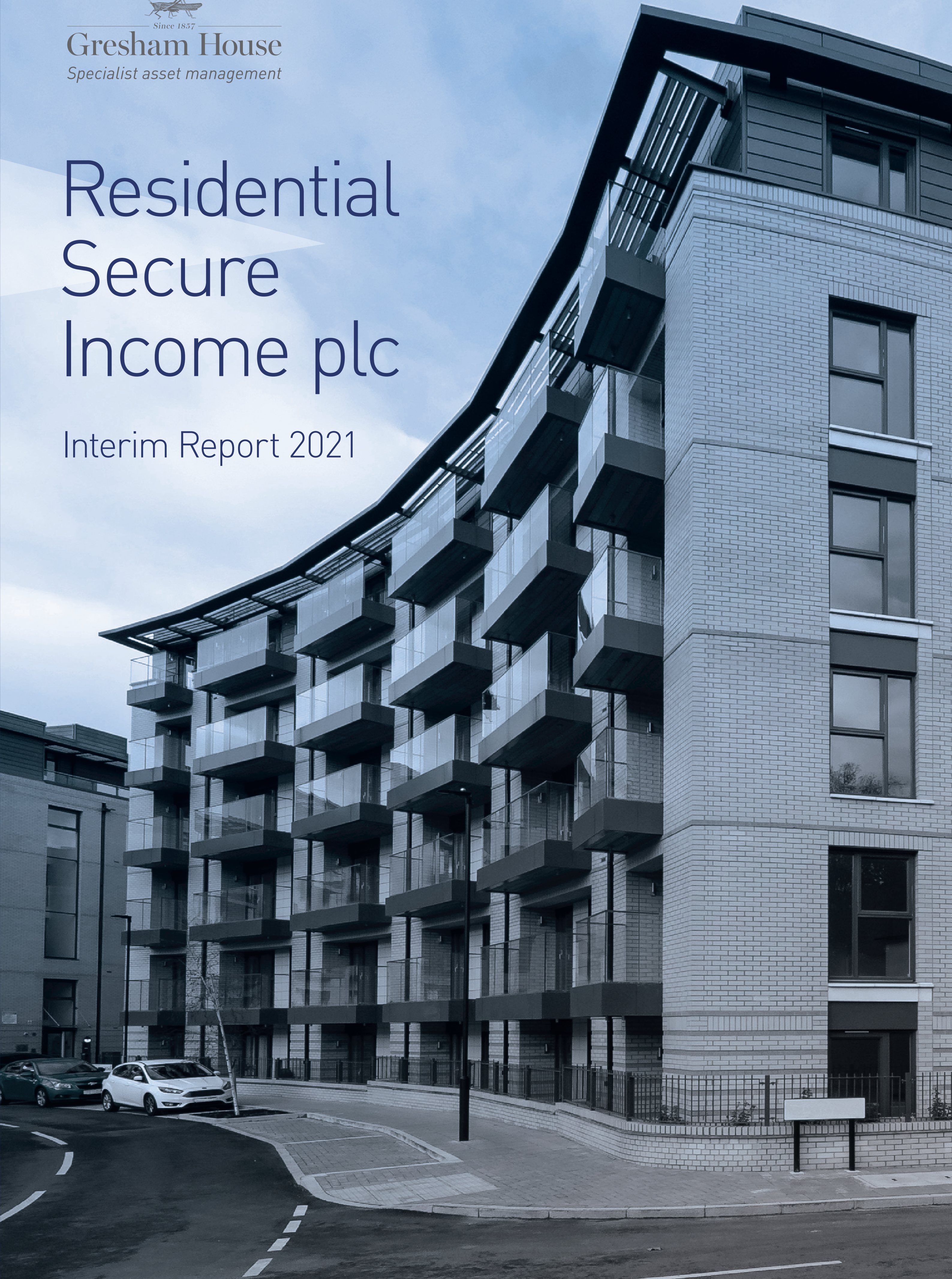
Since 1857
Gresham House
Specialist asset management

Residential Secure Income plc

Interim Report 2021



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Our purpose is to increase the provision of affordable housing by providing long-term capital to developers, housing associations and local authorities. This allows affordable, high quality, safe homes to be delivered while ensuring long-term stability of tenure for residents, and attractive, secure income for shareholders.

Financial Highlights as at 31 March 2021

INCOME

£3.1m/+29%
RECURRING PROFIT
BEFORE CHANGE IN FAIR VALUE AND PROPERTY DISPOSALS

Period ended 31 March 2020: £2.4m
See Statement of Comprehensive Income – Alternative Presentation on page 39

ADJUSTED EARNINGS PER SHARE
1.8p

Period ended 31 March 2020: 1.4p
See note 12 on page 52

EPRA ADJUSTED EARNINGS PER SHARE
1.8p

Period ended 31 March 2020: 1.4p
See note 12 on page 52

IFRS EARNINGS PER SHARE
2.6p

Year ended 31 March 2020: 0.8p
See note 12 on page 52

DIVIDEND PER SHARE
2.5p

Period ended 31 March 2020: 2.5p

CAPITAL

105.1p/+0.1%
IFRS NET ASSET VALUE PER SHARE

30 September 2020: 105.0p
See Note 29 page 62

106.3p/+0.5%
EPRA NTA NET TANGIBLE ASSETS PER SHARE

30 September 2020: 105.8p
See Note 35 on page 65

£325m
VALUE OF INVESTMENT PROPERTY

30 September 2020: £302m
See Note 14 on page 53

2.2%
(3.7m shares)

Of the total number of shares held by the fund manager, current and founder directors of the fund manager, and directors of ReSI plc as at the date of this report

(30 September 2020: 1.9% or 3.3m shares)

47%
LOAN TO VALUE RATIO (LTV)

30 September 2020: 43%

23 Years
WEIGHTED AVERAGE REMAINING LIFE OF DEBT

30 September 2020: 23 years

Chairman's Statement

Rob Whiteman CBE
Chairman

I am pleased to present the interim results of Residential Secure Income plc for the six months to 31 March 2021, which see ReSI make significant progress on our key objective of reaching full income generation and dividend cover within the full year.

Summary

These interim results to 31 March 2021, show ReSI's significant progress on our key objective, to reach full income generation and dividend cover by the end of this financial year. The income growth in the period has been driven by fully deploying our leveraged capital while improving occupation of our existing shared ownership and retirement homes. We have made this progress during the ongoing pandemic restrictions and uncertain economic climate, highlighting the importance of good quality, fit for purpose, affordable housing. Our homes' social value is demonstrated by extending affordable housing to under-served segments of the housing market: retirees to live with peers and avoid loneliness, providing high quality, and spacious home ownership to lower and middle-income households through shared ownership; or by providing accommodation for those who would otherwise be homeless.

ReSI's portfolio is defensive and well positioned to weather economic stress. Unlike many areas of the real estate sector, our cashflows have remained secure, and rent collection has remained firm through the COVID-19 crisis, maintained at 99% rent due during the half-year, in line with performance during normal economic conditions.

Demand for our high-quality affordable accommodation continues to be strong, whether in our existing portfolio or newly acquired homes. Voids in our established retirement portfolio have fallen below 8% and are approaching the pre-COVID average of around 7%; meanwhile our newly acquired shared ownership portfolio has continued to perform strongly in terms of first tranche sales and reservations.

The transfer of the retirement property management contract from Girlings to a subsidiary of the fund manager is progressing well, with improving performance, as evidenced in the void reductions, and is expected to complete in July 2021. This change is expected to drive further cost efficiencies and operational improvements over the next twelve months.

Net Asset Value and Results

This reduction in voids has driven the growth seen in ReSI's underlying financial results for the period, with further growth to be seen in the second half of the year, reflecting the full impact of recent acquisitions.

ReSI's rigorous disciplined approach to selecting and managing investments, delivered a total accounting return of 2.9 pence per share during the first half of the financial year. After paying a dividend of 2.5 pence per share and one-off charges of 0.3 pence, the IFRS Net Asset Value per share increased 0.1% to 105.1 pence during the half year to 31 March 2021. The portfolio produced £3.1m of recurring profit before change in fair value and property disposals, up 29% from £2.4m in the same period last year. The portfolio's valuation, assessed by Savills, rose £2.6m or 0.8% on a like-for-like fair value basis, to £325m.

Adjusted IFRS earnings per share were 1.8 pence (H1 2020: 1.4 pence), in line with the adjusted EPRA earnings per share of 1.8 pence (H1 2020: 1.4 pence) (See Note 12). A full summary of ReSI's performance and a NAV bridge is included in the performance section of the Fund Manager's Report.

Deployment and Dividend Outlook

In March 2021 ReSI reached full deployment of funds raised at IPO and leverage at our target ratio of 50%, with a £346m portfolio comprising of 3,060 homes, following approximately £40m of shared ownership acquisitions; £19m of which were acquired in March and immediately income-generating. This included 68 homes from existing partner Metropolitan Thames Valley Housing and 275 homes from new partners, Orbit and Brick-by-Brick.

Dividends totalling 2.5 pence were declared for the half-year, comprising equal quarterly dividends of 1.25 pence, in line with our IPO target of 5 pence for the year, which we reaffirm.

Chairman's Statement

With the portfolio fully invested and the ongoing operational improvements, ReSI expects to reach full dividend cover (on a look forward basis and calculated on recurring profit before valuation movements) in July 2021. Once the dividend is fully covered, the board plans to increase dividends in line with inflation, to reflect ReSI's inflation linked rental income.

Outlook

With ReSI's committed shared ownership acquisitions we have reached full deployment, which when coupled with the quality of our existing portfolio and the underlying fundamentals supporting our rental income, will enable the Company to deliver full dividend cover from July 2021 on a forward-looking basis.

ReSI has built a platform of resilient cash-generative assets and long-term debt which, when paired with the robust governance from its for-profit Registered Provider, and Gresham House's investment processes and substantial partnerships, will provide a strong basis for growth moving forward.

The UK's housing shortfall persists and most of the population lives in areas where home purchase is unaffordable. These twin factors drive the fundamental need for new, long-term investment into this sector. The government continues to support Homes England's Affordable Homes Programme, with total funding of £12.2 billion for new affordable housing over 5 years. However, housing associations, the traditional investors, need to invest huge sums into their existing stock to ensure safety and energy efficiency, which reduces their ability to provide new affordable homes. Alongside our existing retirement and local authority portfolio, we remain excited by the opportunity to help housing associations recycle their capital, in turn releasing new shared ownership housing stock into the private market, and delivering inflation-linked income to our investors.

The Board is grateful for the support of ReSI's shareholders and the contribution of its advisers.

Rob Whiteman
Chairman
Residential Secure Income plc
26 May 2021

Investment Case

Why affordable and social housing?

Stable, long-term, INFLATION LINKED RENTS

Diversified and diversifying income stream

Supply/demand imbalance from historic undersupply.
2m shortfall in homes delivered[1]

REDUCING DEVELOPMENT APPETITE FROM PEERS
94% of affordable housing delivered by not-for-profits[2]

SECURE, SUBSIDISED RENTS UNDERPINNED BY PENSIONS, HOUSING WELFARE OR SHARED OWNER STAKES

[1] MHCLG and National Housing Federation
[2] MHCLG and English Housing Survey

Why ReSI?

20-year track record financing and ADVISING SOCIAL HOUSING

LONG-TERM INVESTMENT grade equivalent debt
Average 23-year maturity, unique £300m index linked facility with 0.5% coupon

Wholly owned Group, Registered Provider of SOCIAL HOUSING

Investment Partner of Homes England and Greater London Authority

Sustainable investment approach maximises social impact

Funding Partners

GREATER LONDON AUTHORITY

Homes England

Portfolio Snapshot

3,060
HOMES

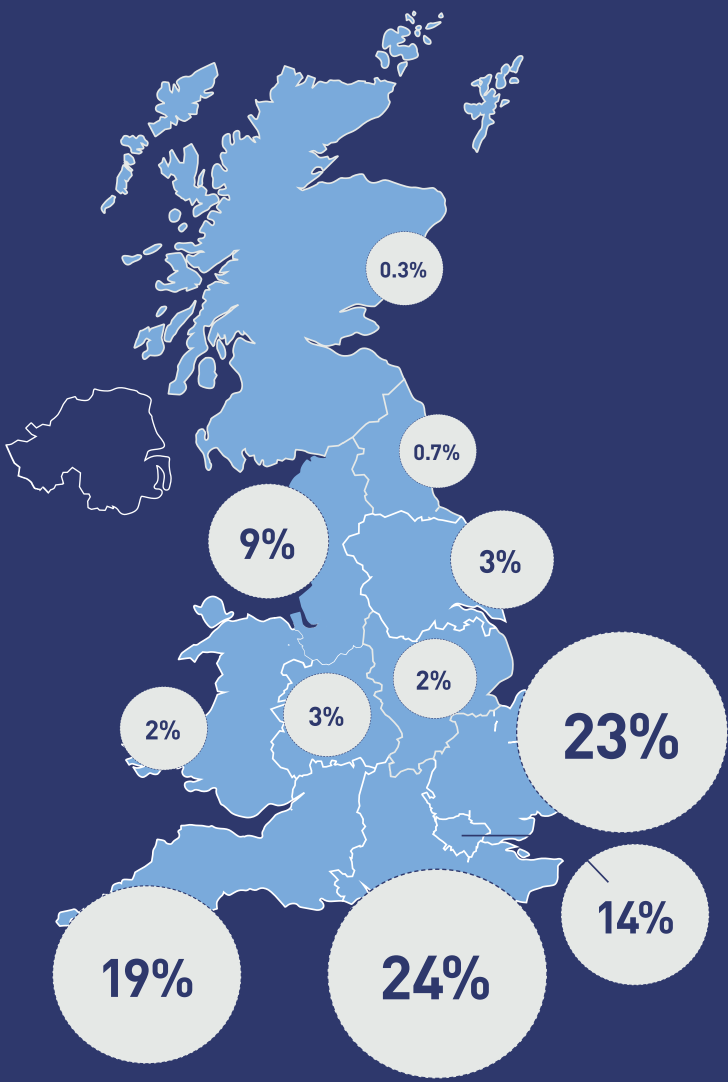
30 September 2020: 2,708

797
UNIQUE UK PROPERTY LOCATIONS

30 September 2020: 669

£346m
VALUE OF INVESTMENT PROPERTY INCLUDING COMMITTED ACQUISITIONS

30 September 2020: £302m
See note 14 on page 53



ANNUALISED NET RENTAL INCOME
£13.2m

Year to 30 September 2020: £11.3m

ANNUALISED NET YIELD
at 31 March 2021
4.8%

30 September 2020: 4.9%
See note 34 on page 64

2,465
NUMBER OF COUNTERPARTIES

30 September 2020: 2,111

Comparatives

Unless otherwise stated, comparative metrics are reported against 30 September 2020.

We invest in affordable homes across the UK to deliver secure inflation linked income

3,060 HOMES

2,222 RETIREMENT RENTAL HOMES

61% by value

Independent living for retirees with Assured Tenancies

549 SHARED OWNERSHIP HOMES

29% by value

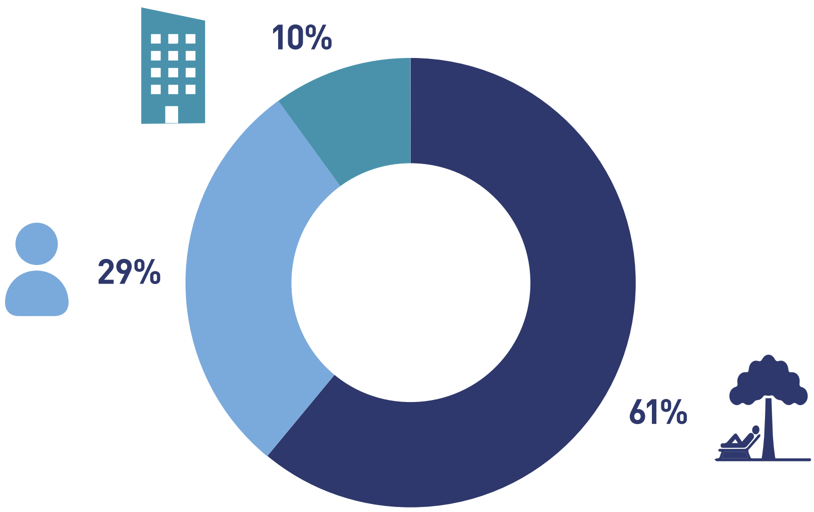
Part buy, part rent affordable home ownership. Quadruples access to home ownership

289 LOCAL AUTHORITY HOUSING UNITS

10% by value

Leased to local authorities for those otherwise homeless

PORTFOLIO SPLIT (VALUATION %)



Income Generating Portfolio as at 1 October 2020

2,619 HOMES **£274M**

- £212M RETIREMENT RENTALS 2,222 HOMES
- £33M LOCAL AUTHORITY 289 HOMES
- £29M SHARED OWNERSHIP 108 HOMES

Units acquired and occupied in the period

441 HOMES

- £34M SHARED OWNERSHIP 286 HOMES

Committed and available units

72M

- £38M SHARED OWNERSHIP 155 HOMES

Summary of Portfolio

SHARED OWNERSHIP

- **Part buy, part rent affordable homes ownership**
- Shared ownership portfolio now 93% occupied or reserved, delivering £0.4 million first tranche sales profit in H121
- Shared owners purchase a 25% stake or above in a property and pay a below market rent on the remaining stake
- Shared owners have the option to staircase (i.e. purchase a bigger share in the property at the then market value), crystallising expected valuation growth for ReSI

Social impact

- Shared ownership opens the door to home ownership
- Provides lifetime security of tenure
- Creates additional sub-market rental homes

549 Homes (29% of portfolio value)

£101m Valuation as at 31 March 2021 including committed acquisitions

RETIREMENT RENTAL

- **Independent living for retirees with Assured Tenancies**
- Secure rental income paid from pensions and welfare
- Provides fit for purpose homes for retired people, allowing them to maintain their independence without care provision

Social impact

- Living with peers helps address loneliness, the largest health problem for an elderly population
- Frees up large family homes
- Renting avoids the burdens and transaction costs of ownership and provides lifetime security of tenure through assured tenancy

2,222 Homes (61% of portfolio value)

£212m Valuation as at 31 March 2021

LOCAL AUTHORITY

- **Leased directly to local authorities that have a statutory duty to house those at risk of homelessness**
- Focus on areas with the most need for accommodation and strong supply / demand dynamics
- Rent set around market rent levels to minimise downside if local authority does not renew lease
- Focus on strategic partnerships with local authorities

Social impact

- Provides homes to those who are homeless or at risk of homelessness
- Savings to local authorities versus bed and breakfasts of £200 per week per unit (Social Impact Report, Social Profit Calculator, 2019)
- ReSI acts as an institutional landlord, ensuring standards of accommodation

289 Homes (10% of portfolio value)

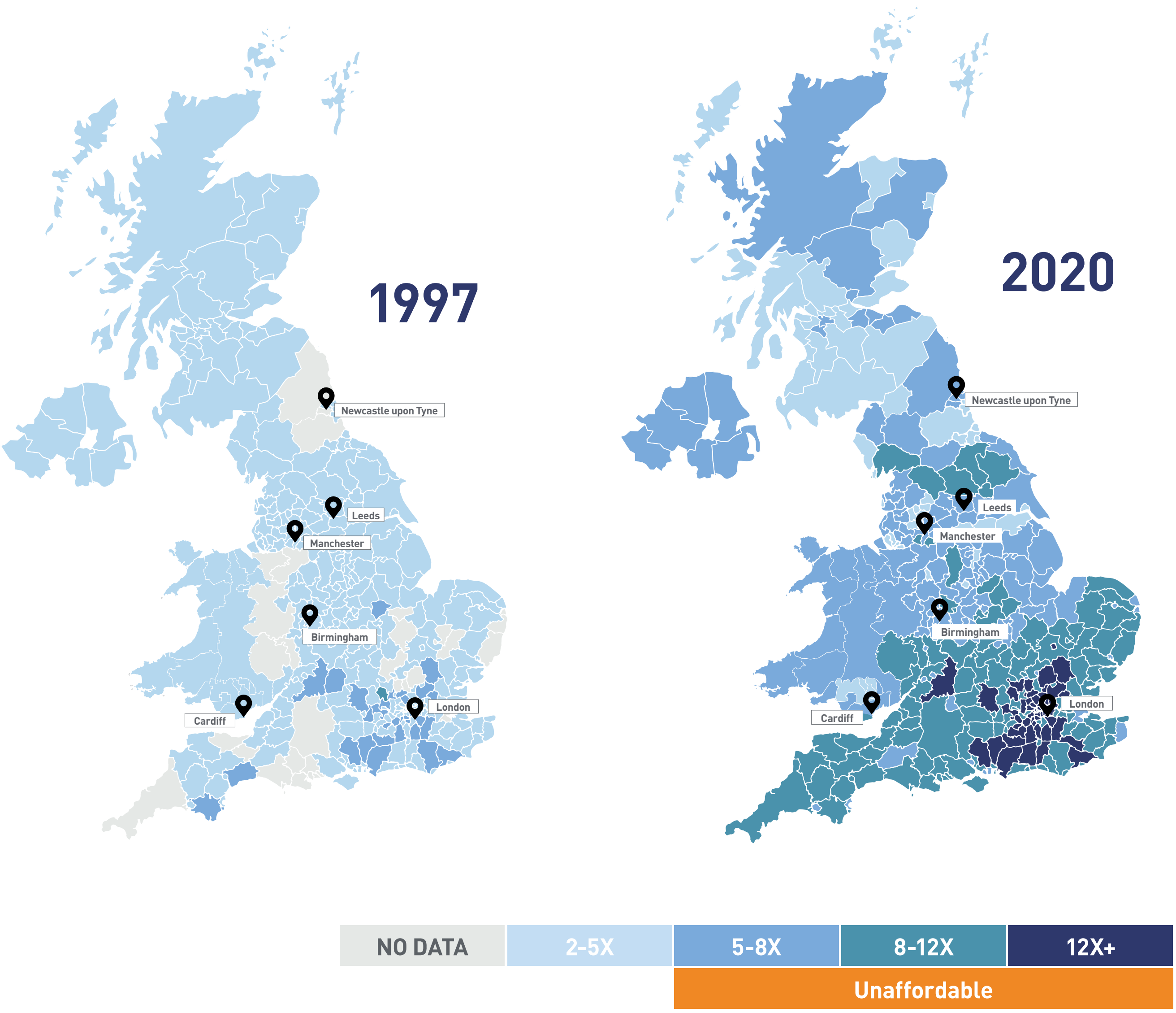
£33m Valuation as at 31 March 2021

Market Drivers

Supply / demand imbalance from historic undersupply

The UK has experienced a sustained period of over 30 years of undersupply of housing and more importantly affordable housing. The National Housing Federation estimate that 145,000 affordable homes are required each year to both clear the current backlog of people that need a home and meet future demand, but housing completions are significantly below historical averages with average delivery of only c.50,000 affordable homes per year over the last 5, 10, 20 and 30 years.

Across England there are only 17 local authorities in which the average earner could obtain a mortgage to buy the average-priced property, as shown in light blue on the map. This is caused by the well-documented mismatch of supply and demand for housing and a subsequent dearth of affordable areas nationwide. The maps show how the house price to earnings ratio has changed over recent decades:



Market Drivers

While the UK does not build enough homes to meet rising demand, the homes that are built are increasingly out of reach for ordinary owners. The 2018 Letwin review concluded that this is a result of the high price of land making it impossible to meet the need for housing through market delivery alone. In Letwin's draft analysis papers, he refers to finding that the need for social rented housing is 'virtually unlimited', concluding that the market for social rented property is separate from the price-constrained market for open market sales. The solution to this problem is to ensure that new housing provides a wider range of tenures and includes more social and affordable housing for high levels of demand that cannot be met by the market.

Stable, long-term, inflation linked rents

The affordable housing sector has long-term structural demand drivers, liability matching return characteristics, potential for growth and insulation from volatility, resulting in stable inflation linked income. It offers the best opportunity for social impact, for long-term investors looking for responsible investment opportunities.

Rent payments rise each year, typically in line with inflation, offering a secure income stream and potential growth in the assets' value over time, in exchange for an upfront capital amount.

Diversified and diversifying income stream

Affordable residential rents offer a diversified counterparty risk, through large numbers of residents and shared owners, resulting in lower overall counterparty risk compared to other real estate investments such as commercial real estate. Given the essential nature of the service being offered to residents and shared owners, the risk of rent arrears is comparatively low. An investment in affordable residential real estate also diversifies the investor risk when combined with existing real estate investments.

Reducing development appetite from peers

94% of affordable housing is currently delivered by not-for-profit housing associations. As financial pressures build on these associations due to the increasing cost burden of energy efficiency initiatives, health and safety and fire safety, new sources of funding are required to deliver affordable housing. The sector needs new sources of capital and more developers and providers of good quality affordable housing. The UK has been delivering around 46,000 new affordable homes per year since 2013 but this is significantly short of need, particularly in some parts of the country. Savills analysis suggests that a further 60,000 new affordable homes are needed per year, with significant shortfalls in London and the South East (Affordable Housing – Building Through Cycles, Savills, 2018).

Secure and subsidised rents underpinned by pensions, housing welfare or shared owner stakes

ReSI's residents pay their rents from secure income sources. Retirement rentals residents pay from pensions and savings, the local authority housing portfolio is leased to Luton Borough Council and shared owners have ownership stakes in their homes. ReSI's rental income stream is therefore significantly more secure than those from the private rental sector (PRS) or commercial real estate.

ReSI's Core Drivers

ADVISING SOCIAL HOUSING

20 year track record financing and advising social housing

The fund manager's direct parent company, TradeRisks Limited, has been active within the social housing sector for over 20 years as a funding arranger and advisor and, over the last three years, as an investor through ReSI.

The fund manager and its parent, TradeRisks, were acquired by Gresham House in March 2020, further increasing the investment expertise available to ReSI. The housing investment team at Gresham House has 15 members and growing, with an average of 20 years of relevant experience, covering fund management, housing investment, social housing management and financial and risk expertise.

Long-term investment grade equivalent debt

ReSI has long-term debt with a weighted average life of 23 years and a weighted average cost of this debt of 2.4%. ReSI uses this debt to provide higher leveraged returns for investors while avoiding or mitigating the traditional risks of real estate debt – i.e. refinancing, valuation covenants and interest rate exposure. This is a debt strategy used most commonly by infrastructure funds and other secure income sectors.

The recently secured £300m ultra long-term facility with the Universities Superannuation Scheme (USS) is an innovative new agreement, which provides a benchmark that could unlock the development of much needed shared ownership homes.

Wholly owned Group, Registered Provider of social housing

Investing via a Registered Provider (ReSI Housing Limited), allows ReSI plc to hold and manage regulated affordable housing assets. These include grant-supported and Section 106 schemes.

The key benefits of investing via a Registered Provider include access to a larger universe of attractive investment opportunities available to ReSI, including:

- access to government grant funding averaging £30,000 per new affordable home built with the added benefit of no stamp duty land tax; and
- access to discounted Section 106 properties which are c.20% of all new homes that must be rented at a rent below market and as such are sold for lower prices by developers.

Investment Partner of Homes England and Greater London Authority

ReSI Housing's Investment Partner Status with Homes England and the Greater London Authority allows ReSI to access the £12bn capital grant funding available to subsidise the delivery of 212,000 new affordable homes over the next five years, with half of these under a new model of shared ownership.

Sustainable investment approach maximises social impact

ReSI and Gresham House are early adopters of The Good Economy's Sustainable Reporting Standard for Social Housing and have implemented a Housing Sustainable Investment Policy to enforce sustainable investment goals.

ReSI's shared ownership Customer Charter and Environmental Charter drive best practice for the shared ownership sector.

For more information on ReSI's approach to sustainable investing please see page 30 of the 2020 Annual Report.

Investment Team

Ben Fry

Head of Housing Investment

- Ben Fry is Head of Housing Investment at Gresham House and Managing Director for ReSI Capital Management.
- Ben has led investment management for Residential Secure Income since IPO in July 2017, prior to which he led TradeRisks' debt advisory services for housing associations, local authorities, and specialist residential accommodation.
- Ben has 16 years of industry experience, with 10 years social housing experience since joining TradeRisks in 2011. Ben qualified as a chartered accountant with Deloitte and is a fellow of the Institute of Chartered Accountants of England and Wales. He holds a BSc in Mathematics from Imperial College London.

Alex Pilato

Managing Director, Housing & Capital Markets

- Alex is Managing Director and Head of the Housing and Capital Markets divisions at Gresham House, following the acquisition of TradeRisks and ReSI Capital Management in March 2020.
- Alex founded the TradeRisks group in 2000 where he was the Chairman & Chief Executive.
- Alex has worked in financial services throughout his career, including 7 years at JP Morgan. He has 33 years of investment banking and fund management experience, with the last 20 years focused in the social housing and infrastructure sectors.
- Alex has a first-class honours degree in Theoretical Physics from the University of London and a DPhil in Mathematics from the University of Oxford.

Mark Rogers

Head of Housing Origination

- Mark is Head of Housing Origination at Gresham House, having joined TradeRisks and ReSI Capital Management in 2018 to lead the acquisitions function. Before joining, Mark spent 12 years as a Chief Executive of Circle Housing Group, a 65,000 unit housing association, before merging it into the Clarion Group, the largest housing association in the UK. Prior to that, Mark held Chief Executive roles at Anglia Housing Group and Nene Housing Society. He has been a member of the Chartered Institute of Housing since 1986 and has 35 years of social housing experience.

Pete Redman

Head of Housing Management

- Pete is Head of Housing Management at Gresham House, joining Gresham House as part of the acquisition of TradeRisks in March 2020. He has responsibility for due diligence on residential acquisitions and operational performance by ReSI's property managers and leaseholders. He joined TradeRisks in 2013 and has 46 years of experience in residential portfolio management, having been Chief Executive of Notting Hill Housing Group and Housing Director of two London Boroughs.
- Pete has been advisor to the Greater London Authority, to the Scottish Government, and was a member of the team that won the Wolfson Economics Prize in 2014 on housing supply.
- Pete studied Engineering and then Philosophy at the University of Cambridge, is an Alumnus of London Business School, and is an Honorary Fellow of the Royal Institute of British Architects.

Environmental, Social and Governance

The Board and the fund manager believe that sustainable investment involves the integration of Environmental, Social and Governance ("ESG") factors within the investment process and that these factors should be considered alongside financial and strategic issues during assessment.

The Board and fund manager recognise their responsibility to manage and conduct business in a socially responsible way and many of the Company's investors, residents and other counterparties have the same values. Good governance and social responsibility require that the Company seeks to implement a collaborative approach to understanding and improving environmental and social performance. The fund manager is responsible for engagement on ESG matters and dedicates a significant amount of time and resource to focusing on the ESG characteristics of the properties in which it invests. Ongoing monitoring is carried out through investment reviews.

Such ESG factors are incorporated and prioritised as part of the investment and due diligence process. The fund manager also gives appropriate consideration to corporate governance and the representation of shareholder interests. This is applied both as a positive consideration, and also to exclude certain investments where the fund manager does not believe the interests of shareholders will be prioritised.

The fund manager's ultimate parent, Gresham House, has achieved top scores in the PRI (Principles for Responsible Investment) assessment report for 2020, the Group's first assessment since becoming a PRI signatory in 2018. Gresham House has a clear commitment to sustainable investment as part of its business mission and has adopted a Housing Sustainable Investment Framework to set out the manner in which its group level commitments are integrated in the housing investment strategy.

Sustainable Investment Framework

The ten themed Sustainable Investment Framework shown below is used to structure analysis, monitoring and reporting of ESG issues and opportunities within the lifecycle of our investments to aid more consistent integration. We are developing expert tools to profile our prospective investments to identify the most material themes within the broader framework and where we believe we should be directing our focus towards more sustainable outcomes.

Environment

Carbon, emissions and pollution	*Energy efficient housing; renewable energy where possible, access to public transport where available*
Natural resources management	*Water saving measures where possible; regeneration of brownfield sites*
Waste management	*Where feasible sustainable management of waste arising from refurbishment, maintenance and management of the portfolio*

Social

Employment health, safety and well-being	*Safety and well-being of residents a priority; application of best practice standards; quality employment*
Marketplace responsibility	*Affordability and quality in all tenure types, widening access to home ownership; proactive protection of residents' interests and customer charters*
Supply chain sustainability	*Sourcing policy ensures management teams have required knowledge of local areas and meet regulatory requirements*
Community care and engagement	*Contributing to community stability and environmental quality; housing that is accessible to jobs and amenities*

Governance

Governance and ethics	*Good practice governance, strong business ethics management and culture*
Risk and compliance	*Robust risk and compliance management; monitoring of regulatory and policy change*
Commitment to sustainability	*Clear objectives for positive social and/or environmental outcome delivery alongside robust financial returns*

Source: Gresham House

Social Impact

ReSI aims to increase the provision of affordable housing by providing long-term capital to developers, housing associations and local authorities. This allows high quality, safe homes to be delivered while ensuring long-term stability of tenure for residents.

The diagram below shows how ReSI's activities lead to social outcomes. By raising capital to invest into new and existing social and affordable housing, ReSI makes accommodation available to those who may otherwise be excluded by open market mechanisms.

ACTIVITIES
THE ACTIONS THAT RESI IS TAKING

- Raising capital from investors with aligned interests
- Building relations with RPs and other strategic partners
- Financing of new affordable housing development
- Acquisition of existing social housing

OUTPUTS
THE DIRECT RESULT OF THE ACTIONS OF THE RESI REIT

OUTPUTS - SHARED OWNERSHIP
- Door opened to home ownership
- More affordable housing brought into the market
- Households have lifetime security of tenure

OUTPUTS - LOCAL AUTHORITY HOUSING
- Fewer people rough sleeping
- Greater stability of accommodation
- Reduction in local authority use of emergency hotels

OUTPUTS - RETIREMENT RENTAL
- Retired households living with peers and with onsite support
- Retired households housed with long term security of tenure

OUTCOMES
THE CHANGES THAT DIRECTLY IMPACT PEOPLE'S LIVES

OUTCOMES - SHARED OWNERSHIP
- Improved stability through security of tenure for those who cannot afford to buy in the open market
- Change in household expenditure

OUTCOMES - LOCAL AUTHORITY HOUSING
- Improved tenant wellbeing
- Value for money for the public purse
- Independent living skills for tenants

OUTCOMES - RETIREMENT RENTAL
- Supporting independent living
- Alleviation of loneliness
- Equity released for other needs

Governance and ethics

ReSI's wholly owned subsidiary, ReSI Housing, is authorised by the Regulator of Social Housing ("RSH") as a for-profit Registered Provider ("RP").

Operating ReSI Housing enables ReSI to benefit from best in class governance process combining the financial rigour of the business world with the regulatory framework for Registered Providers.

The RSH regulatory framework ensures good governance, financial viability, minimum maintenance and environmental standards, and protection of residents' welfare, thus supporting ReSI's goal of maximising social benefit.

Non-executive directors of ReSI Housing have enhanced powers and can veto any action that threatens compliance with the RSH's regulatory standards.

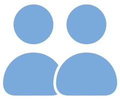
ReSI Housing non-executive directors include:

- David Orr CBE, former Chief Executive of the National Housing Federation.
- Gillian Rowley, former Head of Private Finance at the Homes & Communities Agency.

Regulator of Social Housing

Environmental, Social and Governance

Please see below for key milestones achieved and initiatives undertaken during the six months ended 31 March 2021 and targets for the next year.



Shared Ownership	
Milestones and initiatives	**Milestones over the next year**
We have acquired 259 existing shared ownership homes from Orbit and Metropolitan Thames Valley Housing. The shared owners will benefit from improved lease terms under the commitments in our Shared Ownership Charter including the ability to extend their leases for a nominal £1 premium and more accessible staircasing in 1% increments.	We have committed to the acquisition of 85 shared ownership homes from Brick by Brick, a local authority housebuilder in Croydon. These are new homes which would not otherwise be delivered as affordable housing.
Our new homes have an Energy Performance Rating of B and above, ensuring where possible that energy costs of shared owners are reasonable, and the long-term environmental impact of the home is reduced.	We will undertake a survey of our shared owners to better understand our performance and how we can continue to improve our service in the future.
	For existing homes, we will work with shared owners to help them upgrade to a minimum EPC rating of D by 2022 and C by 2028.

Retirement Rentals	
Milestones and initiatives	**Milestones over the next year**
Works are being carried out on vacant units which have an EPC rating of D or below. A short list of all E rated properties has been produced and possible improvements identified.	Works on the shortlisted properties will commence with the aim of eliminating all E rated EPCs by the end of 2021.
ReSI is continuing to work on improving the energy efficiency and the quality of units by undertaking renovations to properties that become vacant.	We will undertake a survey of residents to better understand our performance and how we can continue to improve our service in the future.

Local Authority	
Milestones and initiatives	**Milestones over the next year**
We worked with Luton Borough Council to avoid rough sleeping during Covid-19.	Replacing equipment in shared areas which has caused disruption to residents by the next reporting period.
The hot water boiler has been replaced at Wesley House with a new, more energy efficient unit.	

Wider Industry Engagement	
Milestones achieved	**Milestones over the next year**
We presented at a Pensions for Purpose event on the impact of shared ownership investments. The event aimed to increase the profile of this attractive asset class and to attract institutional investment into the sector.	ReSI is an Early Adopter of the Good Economy's Sustainability Reporting Standards for Social Housing. We will provide reporting against this framework alongside our 2021 Annual Report.
In February we presented to fellow Registered Providers of Social Housing research with Metropolitan Thames Valley Housing and the University of Cambridge on the state of shared ownership.	

Strategic Review

Fund Manager's Report

Alex Pilato
Chief Executive, ReSI Capital Management

ReSI offers a unique opportunity for investment into a highly scalable solution to the UK problem, a lack of affordable housing

Significant progress has been made during the period on our three priorities set out in our 2020 Annual Report, which will support dividend cover from July 2021

Firstly, growing our shared ownership portfolio by 343 homes through acquisitions from Metropolitan Thames Valley, Orbit and Brick by Brick, which completes ReSI's deployment. Secondly, increasing the occupancy rate of our shared ownership portfolio to 98% of completed homes. Thirdly, reducing our retirement portfolio void rate to below 8% from a peak of 11% in July 2020.

Our portfolio has been designed to help make people's housing aspirations achievable. Whether a retired person looking to move to tailored accommodation to combat loneliness, local authorities looking to house people during the pandemic, or someone who has dreamed of purchasing a property for their family but has found it to be unaffordable, ReSI's portfolio caters for residents poorly served by the mainstream housing market. Our ability to meet these under-served groups needs is reflected in the resilience of our portfolio and strengthens our confidence in the assets in which we invest.

We aim to be a best in class provider of affordable housing and drive an improvement in standards across the sector. For example, ReSI has developed a Shared Ownership Customer Charter and a Shared Ownership Environmental Charter which are unique in the shared ownership sector and provide benefits to both shared owners and our investors. Our aim is for these benefits to be shared by not just our residents but those in the wider c.200,000 shared ownership homes across the sector.

Performance

In March 2021 the Company reached full deployment with a £346m portfolio comprising of 3,060 homes, following approximately £40m of shared ownership acquisitions, 20% higher than the £32 million target announced in December 2020.

The growth in ReSI's underlying financial results for the period primarily reflect the occupational improvements during the period within the retirement and shared ownership portfolios, with the full benefit of recent acquisitions being visible in the second half of the year.

ReSI delivered a total return in the period of 2.6 pence per share (£4.4m) comprising:

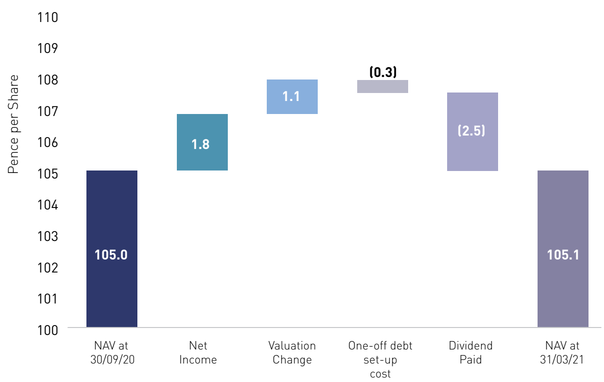
- 1.8 pence of recurring earnings (see note 12 – adjusted earnings per share), with recurring income of £3.1m from regular recurring cash flows; plus
- 1.6 pence gain on change in valuation on investment property as assessed by Savills (£2.5m) – a 0.8% increase on a like-for-like fair value basis to a total of £325m as at 31 March 2021 and reflecting the inflationary income growth in the period: less
- 0.5 pence loss on change in the fair value of debt (£1m); less
- 0.3 pence one-off debt set up costs (£0.5m), relating primarily to legal costs of securing further drawdowns from the USS facility and the setup of a new £10m working capital facility with Santander.

Fund Manager's Report

ReSI paid dividends during the period of 2.5 pence per share, resulting in a NAV improvement of 0.1 pence.

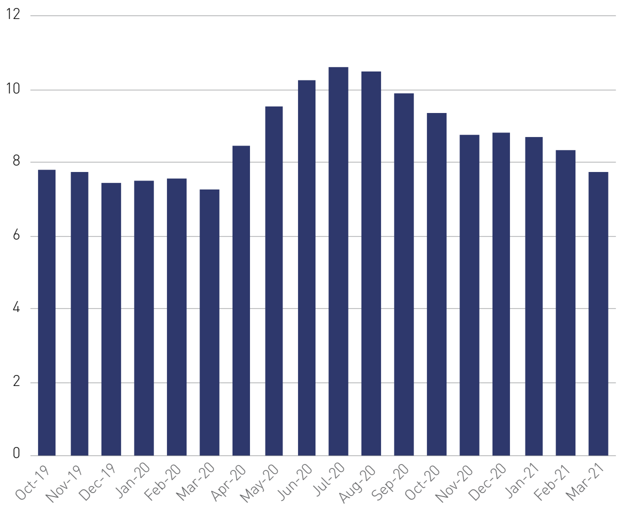
The EPRA earnings per share excludes the fair value gain on investment property and was 1.3 pence, compared to 1.3 pence for the year ending 30 September 2020. Adjusted EPRA earnings per share were 1.8 pence for the period, excluding one off costs and including first tranche sales (30 September 2020: 1.4 pence), in line with recurring earnings.

Net Asset Value

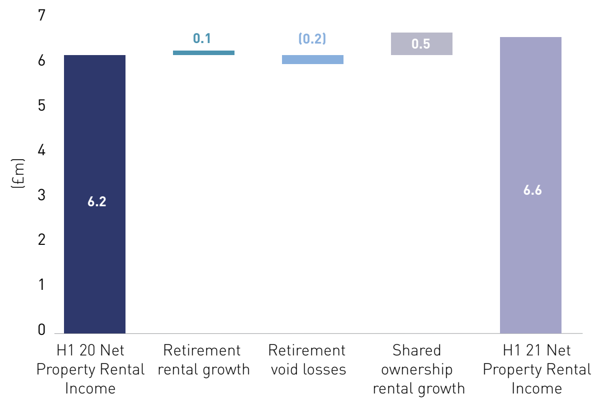


We have continued to see strong demand for our high-quality affordable accommodation, particularly evidenced by a reduction in voids in our retirement portfolio which are now below 8% approaching the pre-COVID average of around 7%. The transfer of the retirement property management contract from Girlings to a subsidiary of the fund manager, is progressing well as evidenced by improving performance evidenced through the void reductions. It is expected to complete in July 2021, and to drive further cost efficiencies and operational improvements over the next twelve months.

Retirement voids reduced to close to pre-Covid average



Change in rent workings

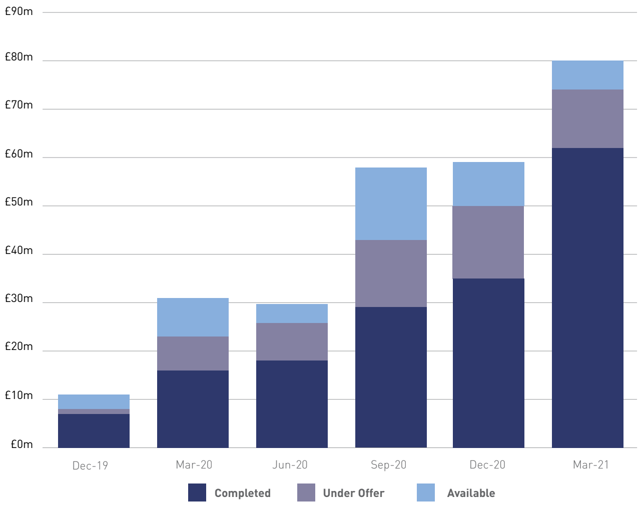


Total net property rental growth was £0.6m reflecting a 1.1% like-for-like increase in retirement rental in line with average RPI changes during the period and shared ownership growth of £0.5m from acquisitions and occupying vacant homes. This was partially offset by the £0.2m increase in retirement void losses, due to the impact of COVID compared to the same period last year, which had recovered by March 2021. The shared ownership rental, due to the new schemes, is expected to grow further for the remainder of the year.

First tranche shared ownership sales have remained strong at all schemes, with 98% of our shared ownership homes completed, either occupied or reserved as at the date of signing this report with 22 shared ownership homes reserved and 9 remaining available. This is a strong result reflecting the significant need for affordable home ownership.

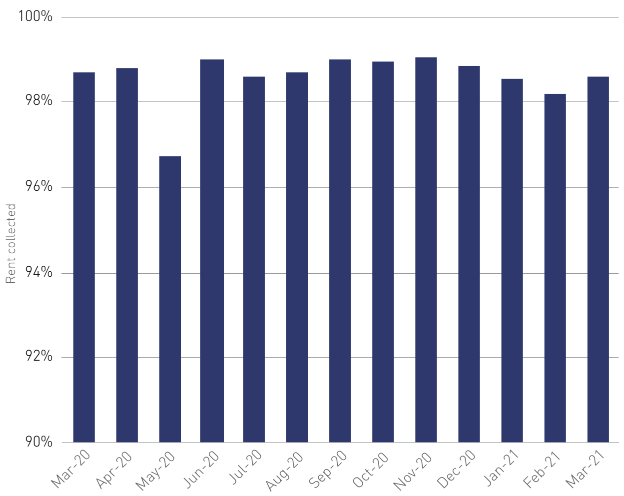
During the period we announced approximately £40m of shared ownership acquisitions; £19m of which were acquired in March and were immediately income-generating. This included 68 homes from existing partner Metropolitan Thames Valley Housing and 275 homes from new partners, Orbit and Brick-by-Brick. Strong partnerships with these housing associations should provide further investment opportunities to the Company over time. The full financial benefit of these recent acquisitions will be felt in the second half of the year.

Successfully delivering shared ownership homes



ReSI has a fundamentally defensive portfolio, which is positioned to weather economic stress, as illustrated by the 99% of rent collected throughout the six months to 31 March 2021, unchanged throughout the COVID-19 crisis and in line with normal performance, continuing to demonstrate the secure nature of ReSI's cashflows. ReSI's rental income is underpinned by pensions, housing welfare, below market rents and shared owner stakes.

Robust rent collection rate through COVID



Strong Foundations for Growth

ReSI offers now a unique opportunity for investment into this highly scalable solution to the UK problem of a lack of affordable accommodation:

1) The benefits of being a for-profit Registered Provider

ReSI Housing's status as a Registered Provider ("RP") provides access to government grant when acquiring shared ownership homes (see below) and benefits from best in class governance by combining the financial rigour and controls of the corporate world with the regulatory framework for Registered Providers. This regulatory framework is enforced by the Regulator for Social Housing ("RSH"), ensuring good governance, financial viability, maintenance and environmental standards and that residents' welfare is protected, supporting our goal of maximising social benefit.

ReSI now has a proven ability to purchase shared ownership homes from both housing associations and private developers. ReSI Housing's RP status has been instrumental in enabling ReSI to complete its deployment into shared ownership homes.

2) Investment Partner Status

ReSI Housing's Investment Partner Status with Homes England and the Greater London Authority allows ReSI to access the £12bn capital grant funding available to subsidise the delivery of 212,000 new affordable homes over the next five years, with half of these under a new model of shared ownership. The new model will introduce several initiatives that ReSI has already helped to pioneer through our Shared Ownership Charters including the ability to staircase in 1% increments with heavily reduced fees and longer lease terms (of 990 years). The new model aims to increase the affordability of shared ownership by reducing the minimum first tranche sale from 25% to 10% and providing landlord support for some repairs and maintenance for the first 10 years. This is a great opportunity for the growth of shared ownership which will make home ownership accessible to an even wider market.

Fund Manager's Report

3) Ultra long-term debt facility enables shared ownership to deliver long-term 5% dividends

ReSI Housing's shared ownership portfolio is also funded through our £300 million, ultra long-term secured facility with USS, one of the UK's largest pension schemes. The facility represents the first standalone investment grade financing secured for shared ownership, a sector where growth and supply have been constrained by a lack of long-term institutional debt. The facility also provides the foundations for future growth in ReSI's shared ownership portfolio. With a coupon of 0.5%, it provides a 300 basis points yield pick-up on our shared ownership investments enabling a leveraged return sufficient to support ReSI's dividend target of 5 pence per share, growing in line with inflation.

ReSI has drawn £54 million of the facility to date and we expect to make further drawdowns as we grow our shared ownership portfolio with a further £10 million expected to be used to complete our Brick By Brick acquisition. The debt principal increases in line with the RPI linkage in ReSI's shared ownership leases and fully amortises over 45 years. Hence with no refinancing risk and the strength of the shared ownership cash flows, the facility's covenants are cash flow based, rather than valuation linked, ensuring covenant compliance is fully in ReSI's control.

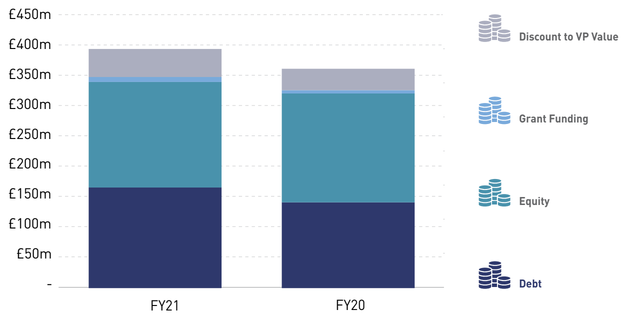
Financing and Capital Structure

ReSI now has in place £162m (book value) of fixed rate and inflation linked debt, with a weighted average cost of 2.4%, the vast majority of which is long-term partially or fully amortising debt an average maturity of 23 years.

These debt financings form part of the strategy to target an overall level of indebtedness of 50% loan to gross asset value and a low cost of very long-term funding, which together enhance the returns to equity available to ReSI shareholders and minimise exposure to refinancing, interest rate and covenant risks.

	H1 FY21	FY20
Total debt	**£162m**	£141m
Total assets	**£348m**	£327m
Reversionary surplus	**£45m**	£36m
LTV (target 50%)	**47%**	43%
Leverage on reversion value	**40%**	39%
Weighted average cost	**2.4%**	2.6%
Weighted average maturity	**23 years**	23 years

Capital Stack



During the period ReSI secured a £10m revolving credit facility from Santander. This facility will allow efficient management of ReSI's working capital now we are fully deployed.

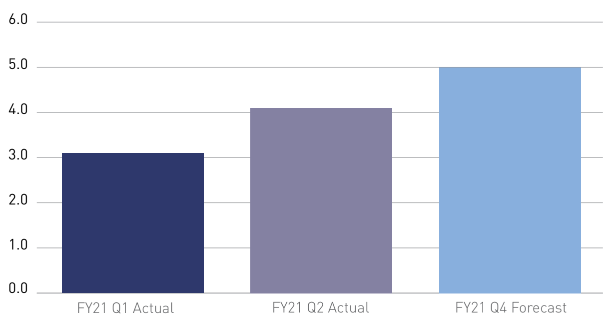
Outlook

We have made good progress on the plans we set out in November 2020 to deploy our remaining capital, fully occupy our shared ownership homes and address retirement voids, and as a result achieved our target dividend cover of 80% for the full year in Q2 with cover of 82%.

Over the second half of the year, earnings growth will be driven by the £40m of recent acquisitions, occupying the remaining shared ownership homes, and continuing to improve the performance of the retirement portfolio through taking control of its property management.

As a result we expect to reach full dividend coverage (on a look forward basis and calculated on recurring profit before valuation movements) in July 2021.

Annualised Net Income per quarter (pence per share)



Going forward our focus will be on the retirement and shared ownership portfolios where we have respectively scale and a unique opportunity through our for-profit Registered Provider with Homes England and GLA investment partner status.

Alex Pilato
Managing Director, Housing & Capital Markets
26 May 2021

Key Performance Indicators

Measure	Explanation	Relevance to Strategy	Result
Percentage of shared ownership homes occupied	The number of empty shared ownership properties in ReSI's portfolio. For each empty property, ReSI is unable to collect rent and must pay service charges and council tax.	ReSI requires its shared ownership homes to be sold to shared owners to generate rental and staircasing proceeds, in order to deliver full dividend coverage.	435 of ReSI's 444 shared ownership homes were sold, reserved or moving to completion to shared owners as of 31 March 2021, equivalent to 98% (30 September 2020: 125 of 196 (64%).
Void loss from retirement properties	The number of empty retirement properties in ReSI's portfolio. For each empty property, ReSI is unable to collect rent.	ReSI requires its retirement portfolio to perform in order to deliver full dividend coverage.	The void loss as at 31 March 2021 was below 8% (30 September 2020 10%).
Capital deployed	ReSI measures the rate at which it has deployed capital since IPO as this drives the timing of income production.	ReSI's strategy is to invest in high quality social housing assets; hence the total capital deployed into such assets reflects ReSI's ability to source suitable investments.	Since 30 September 2020 ReSI has committed approximately £40 million[1] which is 20% higher than the £32 million target announced in December 2020. These take ReSI to full capital deployment with £346m deployed (including committed acquisitions) by 31 March 2021 (30 September 2019: £302m).
IFRS NAV per share	ReSI measures its IFRS Net Asset Value per share, consistent with its financial statements, with a target to achieve capital appreciation in line with inflation without reliance on gains from asset sales.	A higher IFRS NAV per share compared to ReSI's opening NAV of 98p per share immediately following IPO, reflects capital appreciation on its portfolio.	IFRS NAV of 105.1p per share (30 September 2020: 105.0p).
Dividend per share	Targeting 5.0p per share in respect of the annual period to 30 September 2021, growing in line with inflation.	ReSI seeks to provide stable rental income to its investors through regular consistent dividend payments in line with its target. Measuring dividend payments per share reflects ReSI's ability to meet this target, with performance constrained by available cash and the income generated from ReSI's assets.	In line with target: two equal dividends declared of 1.25p per share in the period under review (declared in February and May, 2021) totalling 2.5p per Ordinary Share (H1 2020: 2.5p).
Ongoing charges ratio	Ongoing charges express the ratio of annualised ongoing expenses to average Net Asset Value over the period.	ReSI measures the ongoing charges ratio to demonstrate that the running costs of the Company are kept to a minimum without impacting on performance. A lower ongoing charges ratio will improve ReSI's financial performance.	1.6% (H1 20: 1.7%), from 1 October 2020 to 31 March 2021, of which 1.0% relates to the Fund Management fee and the remainder being general and administrative expenses.

1 assuming shared owners in currently unoccupied homes each acquire 25% of their asset

EPRA Performance Measures

Additional performance measures have been calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA), to aid comparison with other European real estate businesses.

Full reconciliations of EPRA Earnings and NAV performance measures are included in Notes 12 and 35 of the consolidated financial statements respectively.

1. EPRA Earnings per share

Definition	Purpose	Result
EPRA Earnings per share excludes gains from fair value adjustment on investment property that are included under IFRS.	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	1.3p per share for the period to 31 March 2021. (31 March 2020: 1.3p) Adjusted EPRA Earnings per share excluding one off costs and including first tranche sales for the period were 1.8p (31 March 2020 : 1.4p)

2. EPRA Net Asset Value (NAV) Metrics

Definition	Purpose	Result
EPRA Net Reinstatement Value (NRV): Assumes that entities never sell assets and aims to represent the value required to rebuild the entity. **EPRA Net Tangible Assets (NTA):** Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax. **EPRA Net Disposal Value (NDV):** Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.	The EPRA NAV set of metrics make adjustments to the NAV per the IFRS financial statements to provide stakeholders with the most relevant information on the fair value of the assets and liabilities of a real estate investment company, under different scenarios.	**EPRA NRV and EPRA NTA** £181.8m or 106.3p per share at 31 March 2021 (£181.0m or 105.8p per share at 30 September 2020) **EPRA NDV** £174.2m or 101.9p per share at 31 March 2021 (£163.7m or 95.8p per share at 30 September 2020)

3. EPRA Net Initial Yield (NIY)

Definition	Purpose	Result
Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge for themselves how the valuation of a portfolio compares with others.	4.5% at 31 March 2021 (4.7% at 30 September 2020)

4. EPRA 'Topped-Up' NIY

Definition	Purpose	Result
This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	The topped-up net initial yield is useful in that it allows investors to see the yield based on the full rent that is contracted at the end of the period.	4.5% at 31 March 2021 (4.7% at 30 September 2020)

5. EPRA Vacancy Rate

Definition	Purpose	Result
Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	A "pure" percentage measure of investment property space that is vacant, based on ERV.	8% at 31 March 2021 (13% at 30 September 2020)

6. EPRA Cost Ratio

Definition	Purpose	Result
Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a Company's operating costs.	EPRA Cost Ratio (including direct vacancy costs) 21% at 31 March 2021 (23% at 31 March 2020) EPRA Cost Ratio (excluding direct vacancy costs) was 19% at 31 March 2021 (22% at 31 March 2020)

Principal Risks and Uncertainties

The Board recognises the importance of risk management in achieving ReSI's strategic aims.

The fund manager, ReSI Capital Management, overseen by the Board, has responsibility for identifying potential risks at an early stage, escalating risks or changes to risk and implementing appropriate mitigations, which are recorded in the Company's risk register. Where relevant, the Company's financial model is stress tested to assess the potential impact of recorded risks against the likelihood of occurrence and graded suitably.

Risk is a standing agenda item at all Audit Committees, and the Board take a proactive view when assessing and mitigating risks. The Board regularly reviews the risk register to ensure the identified risks and mitigating actions remain appropriate.

ReSI's risk management process is designed to identify, evaluate and mitigate (rather than eliminate) the significant and emerging risks that it faces and continues to evolve to reflect changes in the business and operating environment. The process can therefore only provide reasonable, and not absolute, assurance. It does however ensure a defined approach to decision making that decreases uncertainty surrounding anticipated outcomes, balanced against the objective of creating value for shareholders.

An assessment of the risks that the Board deems to be the principal risks and uncertainties are listed below:

Risk	Risk mitigation	Party responsible	Party responsible for monitoring	Change in risk since 2020 Annual Report	Risk posed by COVID-19
Company, Investment Strategy and Operations					
ReSI may not meet its investment objective or return objective	• On-going information on investment activities provided by the fund manager to the Board • Regular review of investment and return objectives	Fund manager	Board	No change	Minimal
ReSI may be unable to make acquisitions within its targeted timeline	• ReSI has a detailed Investment Policy that describes target assets and the process for acquiring such assets • The fund manager has long-term relationships with leading housing associations, local authorities and private developers • The authorisation of ReSI Housing as a for-profit Registered Provider expands the origination universe to include acquiring newly developed properties that are designated as affordable accommodation under planning requirements and unrestricted stock where ReSI can apply government grant to convert into shared ownership • The fund manager has extended its origination and relationship network by bringing in additional experienced professionals with backgrounds working for housing associations, local authorities and private developers • To mitigate the impact of COVID-19, ReSI has worked with its partners to develop a strong pipeline of assets, and has looked to develop its network further with new partners	Fund manager	Board	Reduced	Moderate

Risk	Risk mitigation	Party responsible	Party responsible for monitoring	Change in risk since 2020 Annual Report	Risk posed by COVID-19
ReSI's due diligence ("DD") may not identify all risks and liabilities in respect of an acquisition	• The fund manager engages established law firms to carry out legal DD managed by in-house counsel • Property DD carried out by reputable real estate surveyors and managed by in-house property experts • Financial DD carried out by major accounting firms and managed by in-house experienced accountants • The fund manager performs shadow credit ratings utilising published credit rating methodologies	Fund manager	Board	No change	None
COVID-19 has a material impact on ReSI's long-term cash flows	• ReSI has a defensive portfolio, with a large proportion of rental income from residents that do not rely on employment income to pay rent • The fund manager has performed stress tests that show that ReSI's operations are a going concern, even under extreme scenarios • The fund manager has enacted a number of measures to mitigate the impact of COVID-19, including working with property managers • ReSI has strong relationships with key suppliers and is in regular contact to ensure continued provision of services	Fund manager	Board	No change	Minimal
COVID-19 closes access to debt markets resulting in ReSI being unable to grow the portfolio in line with its strategy	• In July 2020 ReSI secured a £300m 45 year debt facility from the Universities Superannuation Scheme; this ensures access to debt to grow the shared ownership portfolio for the foreseeable future • During the period ReSI has secured a £10m revolving credit facility from to allow efficient management of ReSI's working capital requirements. • ReSI has a range of other debt offers available from both short-term and long-term debt funders and maintains strong relationships with its existing funders	Fund manager	Board	No change	Minimal

Principal Risks and Uncertainties

Risk	Risk mitigation	Party responsible	Party responsible for monitoring	Change in risk since 2020 Annual Report	Risk posed by COVID-19
Environmental					
Risk of long-term impact on the portfolio from climate change	• Environmental concerns are integral to the ReSI investment analysis process, and are considered before investment in each scheme • The fund manager has a sustainable investment policy, which is used to inform investment decisions • We have partnered with knowledgeable third parties to understand our impact on the environment and enhance our reporting – please see the Environmental, Social and Governance part of this report	Fund manager	Board	No change	None
Real estate					
Significant or material fall in the value of the property market	• The aim of ReSI is to hold the assets for the long-term and generate inflation linked income • Although the risk of volatility in valuations has increased, the risk to ReSI is minimal as ReSI does not intend to rely on realised revaluation gains to cover dividend payments, which it intends to cover from income once fully invested • ReSI enters into long-term management agreements to ensure any fall in the property market should not result in significant impairment to the rental cash flows • ReSI focuses on areas of the market with limited and ideally countercyclical exposure to the wider property market	N/A	Board	Decreased	Moderate
Retaining and procuring appropriate residents	• The fund manager engages third parties to provide the day-to-day management of home lettings and collection of underlying rent from residents or shared owners • The fund manager only accepts void risk where there is a demonstrable strong demand or where the residents are part owners of the properties (as exhibited by retirement, sub-market rental assets or shared ownership properties) • To mitigate the impact of COVID-19, ReSI is proactively working with its property managers and residents to maintain occupancy rates, and with its sales delivery partners to sell its unoccupied shared ownership homes to owners	Third party property managers / estate agents	Fund manager	No change	Moderate

Risk	Risk mitigation	Party responsible	Party responsible for monitoring	Change in risk since 2020 Annual Report	Risk posed by COVID-19
Lack of demand for shared ownership	• The fund manager focuses on areas with high house price to earnings multiples where it is very difficult for average earners to afford to buy homes on an outright basis or with Help to Buy • The fund manager's acquisition due diligence includes an assessment of affordability and local supply and demand dynamics to avoid areas where there is excess supply under development. Appraisal assumptions allow for falls in value and delays in sales • The fund manager engages experienced third parties to act as sales agent and closely monitors sales progress, including the level of unsold stock • All stages of the first tranche sales process (reservations, progression, completion) have continued and been strong throughout the COVID-19 lockdowns	Fund manager	Board	No change	Minimal
Service providers					
ReSI is dependent on the expertise of the fund manager and its key personnel to evaluate investment opportunities and to assist in the implementation of ReSI's investment objective and investment policy	• ReSI places reliance on the independent Board of Directors who have strong relevant experience • The fund manager's interests are aligned to those of ReSI's shareholders through a fee structure which pays 25% of fund manager fees in equity and provides for no transaction-specific fees • As of the date of this report, the current and founder directors of the fund manager (or persons connected to them) hold (in aggregate) 2,544,429 Ordinary Shares in ReSI and the fund manager holds 1,122,118 Ordinary Shares	Fund manager	Board	No change	None
Taxation					
If ReSI fails to remain qualified as a REIT, its rental income and gains will be subject to UK corporation tax	• ReSI intends to remain within the UK REIT regime and work within its investment objective and policy • The Directors will at all times conduct the affairs of ReSI so as to enable it to become and remain qualified as a REIT for the purposes of Part 12 of the CTA 2010 • The Board would have oversight on any action that would result in ReSI failing to adhere to the UK REIT regime, and ReSI receives tax advice from professional advisers	Fund manager	Board	No change	None

Principal Risks and Uncertainties

Risk	Risk mitigation	Party responsible	Party responsible for monitoring	Change in risk since 2020 Annual Report	Risk posed by COVID-19
Investment Management					
Market and individual investment risks not analysed or detected in a timely fashion leading to investments with poor performance or a higher risk profile than stated within investment policy	• The fund manager rigorously analyses investment opportunities and undertakes comprehensive due diligence before acquisition • The fund manager does not receive a performance-based fee and as such is not financially incentivised to target riskier higher yielding assets • The fund manager receives a management fee prior to deployment and so is not financially incentivised to purchase assets quickly regardless of the performance of such assets	Fund manager	Board	No change	None

Governance

Board of Directors

Appointed
9 June 2017

Rob Whiteman CBE

Non-executive Chairman

Skills, competence and experience

- Significant knowledge of public service finances and reform and a strong background in public financial management and governance.
- Presently Chief Executive of the Chartered Institute of Public Finance & Accountancy (CIPFA) and previously Chief Executive of UK Border Agency (UKBA), Improvement and Development Agency (IDeA), and London Borough of Barking and Dagenham. He previously held various positions in the London Borough of Lewisham from 1996-2005, latterly as Director of Resources and Deputy Chief Executive.
- He has been a technical adviser to the board of the International Federation of Accountants (IFAC) in New York since 2013.
- Educated at the University of Essex where he gained a BA (Hons) in Economics and Government and is a qualified chartered public finance accountant (CPFA).

Previous Non Executive roles include:

- Chairman of Barking & Dagenham College.
- Chairman of the Audit Committee and Board non-executive director, Department of Energy & Climate Change (DECC).
- Chairman of NHS North East London Health & Care Partnership.
- Chairman of the Audit Committee and Board Senior non-executive director, NHS Whittington.
- Chairman of the Audit Committee and Board non-executive director, NHS Barking, Havering & Redbridge University Trust.

Appointed
27 April 2020

Elaine Bailey

Non-executive Director

Skills, competence and experience

- Previously the Chief Executive of Hyde Group, the G15 Housing Association with over 50,000 properties providing housing to 100,000 residents, a position she held for five years until 2019. During this time Elaine oversaw the establishment of a five-year development pipeline of 11,000 homes and the launch of several innovative partnerships with housebuilders, contractors, local authorities and other housing associations. Elaine also previously worked in the construction and government services sectors; and worked for some years at Serco.
- Actively involved in the government's Building Safety Programme, including as a member of the Industry Safety Standards Steering Group, and recently appointed to the HSE board by the Department for Work and Pensions (DWP) as a non-executive director.
- Elaine was educated at Southampton University, where she gained a civil engineering degree and holds an MBA from Imperial College.

Other roles:

- Director of Andium Housing Association
- Director, McCarthy & Stone Shared Ownership Division
- Director, CHAS (Construction Health and Safety)
- Director of MJ Gleeson plc
- Trustee of Greenslade Family Foundation

Appointed
9 June 2017

John Carleton

Non-executive Director

Skills, competence and experience

- Strong operational leader with management experience and a track record in social infrastructure and housing.
- Previously John was a Partner and Head of Housing, Regeneration and Growth at Arcadis LLP, was an Executive Director for Markets & Portfolio at Genesis Housing Association and Managing Director for Genesis Homes Ltd. In addition John has held various other roles including Executive Director of property investment at Orbit Group, Director of Places for People Leisure Partnerships, Director of Social Infrastructure and Housing at PricewaterhouseCoopers, Director of the Housing Corporation (now the Homes and Communities Agency), Property Director at Barclays Bank, Managing Director of HRC Ltd / Lehman Brothers and Head of the Specialist Property Division at the Bank of Ireland.
- Educated at the University of Liverpool and holds a MBA in Finance from Manchester Business School. John is a fellow of the R.I.C.S and also holds an IPF Investment Property Forum Diploma from the Cambridge University Land Institute.

Appointed
9 June 2017

Robert Gray

Non-executive Director and Chairman of the Audit Committee

Skills, competence and experience

- Extensive business experience, including experience in debt finance and capital markets.
- Robert has held roles at J.P. Morgan, HSBC Markets Limited and HSBC Investment Bank in London working initially as Managing Director in Global Capital Markets and subsequently as Vice Chairman for Client Development. Robert was also Chairman, Debt Finance & Advisory at HSBC Bank plc. As Director and Chair of the Overseas Promotion Committee of TheCityUK Robert served as financial services sector adviser to the UK Minister for Trade & Investment.
- He was Chairman of the International Primary Market Association and Vice Chairman and Chairman of the Regulatory Policy Committee of the International Capital Market Association.
- Educated at Sherborne School and St. John's College, Cambridge University where he gained a MA (Hons) in History.

Other roles

- Director & Chair of the Audit Committee of the Arab British Chamber of Commerce.
- Trustee, Allia Limited.
- Director & Company Secretary, Prospekt Medical Limited.

ReSI Housing Non-Executive Directors

ReSI owns ReSI Housing Limited, a for-profit registered provider of social housing. The ReSI Housing Board contains independent directors (who are independent of the fund manager) and fund manager directors. The independent Directors control the Board on matters that they consider may affect ReSI Housing's compliance with the regulatory standards of the Regulator of Social Housing. ReSI Housing's non-executive directors are:

Appointed
2 October 2018

David Orr CBE

Non-executive Director

Skills, competence and experience

- David is an experienced leader in both executive and non-executive roles. He has over 30 years' experience in Chief Executive roles, most recently at the National Housing Federation. He is Chair of Clarion Housing Association, is a previous President of Housing Europe and previous Chair of Reall, an international development housing charity. He is also chair of The Good Home Inquiry, co-chair of #Housing 2030, a joint project for Housing Europe and UNECE, and a member of the Archbishop of Canterbury's Housing, Church and Community Commission. David frequently speaks on the challenge of optimistic leadership and the critical importance of governance. He has wide ranging media experience, is a well-regarded commentator and blogger and has extensive expertise navigating the world of politics and government.
- In June 2018 David was awarded a CBE.

Other roles:

- Chair of Clarion Housing Association.
- Chair of Reall.
- Chair of The Good Home Inquiry.
- Co-chair of #Housing 2030.
- Board member of Clanmil Housing Association.
- Member of the Archbishop of Canterbury's Housing, Church and Community Commission.

Appointed
11 March 2019

Gillian Rowley

Non-executive Director

Skills, competence and experience

- Gillian brings to ReSI Homes over 30 years of housing and housing finance expertise, with a focus on policy development within the framework of regulatory standards.
- She served as the Non-Executive Director for The Housing Finance Corporation from 2006 – 2012, where she was heavily involved in business strategy, financial policy and governance. This overlapped with her role as the Head of Private Finance at the former social housing regulator, the Homes & Communities Agency, where for 13 years she was responsible for relationships with lenders, investors, advisers, and credit rating agencies operating in the social housing sector. She has also been an authority on all aspects of social housing finance policy, including advising government departments, focusing on areas of regulatory standards, and being responsible for social housing sector guidance on treasury management.

The Board is committed to high standards of corporate governance.

The Board of the Company has considered the Principles and Provisions of the 2019 Association of Investment Companies (AIC) Code of Corporate Governance. The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code ("the UK Code"), as well as setting out additional Provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the Principles and Provisions of the AIC Code, which has been endorsed by the Financial Reporting Council ("FRC"), provides more relevant information to shareholders. AIC members who report against the AIC Code fully meet their obligations under The UK Code and the related disclosure requirements contained in the Listing Rules. From Admission, the Company has complied with the AIC Code and a copy of the AIC Code can be viewed on the AIC's website (www.theaic.co.uk). It includes an explanation of how the AIC Code adapts the Principles and Provisions set out in the UK Code to make them relevant for investment companies.

During the six months ended 31 March 2021, the Company has complied with the recommendations of the UK Code and the relevant provisions of The UK Corporate Governance Code, except as set out below.

The UK Code includes provisions relating to:

- Deputy Chairman or Senior Independent Director – Being small in number, the Board has decided not to nominate a Deputy Chairman or a Senior Independent Director.
- Executive Directors - The UK Code includes provisions relating to the role of the chief executive and executive directors' remuneration. The Board considers these provisions are not relevant to the Company as it does not have any employees and, as such, it does not have any executive board members or a chief executive.
- Internal Audit function – The UK Code includes provisions for an internal audit function. For reasons set out in the AIC Code, the Board considers that these provisions are not relevant to the Company as it is an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no internal operations. The Company has therefore not reported further in respect of these provisions.

The Company has a robust corporate governance framework with oversight provided by a highly experienced, fully independent board. The Board is currently composed of four non-executive directors who are collectively responsible for determining the investment policy and strategy, and who have overall responsibility for the Company's activities. A list of Directors is shown on pages 32 to 33.

The Board of Directors

Composition

At the date of this report, the Board of ReSI plc consists of four non-executive directors including the Chairman, of whom three (75%) are male and one (25%) female. All of the directors have served during the entire period.

The Board believes that its composition was appropriate for an investment company of the Company's nature and size. All (100%) of the Directors are independent of the fund manager. All of the Directors are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

The Directors have a broad range of relevant experience to meet the Company's requirements and their biographies are shown in the Board of Directors section of this Annual Report.

The Board recognises the benefits to the Company of having longer serving Directors together with progressive refreshment of the Board.

A policy of insurance against Directors' and officers' liabilities is maintained by the Company.

Audit Committee

The Board delegates certain responsibilities and functions to the Audit Committee as set out in its written terms of reference. The Audit Committee is chaired by Robert Gray (who holds similar roles at other organisations) and consists of all the Directors (all of whom are independent and have relevant financial expertise). The Committee meets at least twice a year to review the interim and annual financial statements. The Committee also reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors, including the provision of non-audit services.

Other Committees

The fully independent Board additionally fulfils the responsibilities of the Nomination Committee and Remuneration Committee. It has not been considered necessary to establish separate nomination or remuneration committees given the size of the Board and the size and nature of the Company.

In addition, the Board as a whole fulfils the functions of a Management Engagement Committee to review the actions and judgements of management in relation to the interim and annual financial statements and the Company's compliance with statutory and regulatory matters. In addition, in this capacity, the Board reviews the terms of the Fund Management Agreement and examines the effectiveness of the Company's internal control systems and the performance of the fund manager, depositary, administrator, company secretary and the registrar.

Directors' Responsibilities in Respect of the Interim Accounts

Directors' responsibility statement

The Directors confirm that to the best of their knowledge this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union and that the Strategy and Performance overview on pages 2 to 17, the Fund Manager's Report and Key Performance Measures on pages 19 to 25, Principal Risks and Uncertainties on page 26 to 30 and the Related Party Disclosure on page 63 (note 31) include a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure and Transparency rules of the United Kingdom's Financial Conduct Authority namely:

- An indication of important events that have occurred during the first six months since 1 October 2020 and their impact on the condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- disclosure of any material related party transactions in the period are included in note 31 to the condensed consolidated financial statements.

The Interim report has been reviewed by the Company's auditor

A list of Directors is shown on pages 32 to 33.

For and on behalf of the Board

Rob Whiteman

Rob Whiteman
Chairman
26 May 2021

Independent Review Report to the members of Residential Secure Income plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2021 which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Cash Flow Statement, the Condensed Consolidated Statement of Changes in Equity and related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, ''Interim Financial Reporting'', as adopted by the European Union.

Our responsibility

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

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 Financial Reporting Council for use in the United Kingdom. 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. 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.

Conclusion

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 financial report for the six months ended 31 March 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP

BDO LLP
Chartered Accountants
London
United Kingdom

26 May 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financials

Condensed Consolidated Statement of Comprehensive Income

For the period 1 October 2020 to 31 March 2021

	Note	**Unaudited 6 months to 31 March 2021 £'000**	Unaudited 6 months to 31 March 2020 £'000
Income	6	**17,604**	16,373
Cost of sales	6	**(10,638)**	(10,049)
Net income		**6,966**	6,324
Administrative expenses			
Fund management fee	7	**(911)**	(927)
General and administrative expenses		**(492)**	(603)
Total administrative expenses		**(1,403)**	(1,530)
Operating profit before property disposals and change in fair value		**5,563**	4,794
Profit/(loss) on disposal of investment properties		**20**	(7)
Change in fair value of investment properties	10	**2,758**	(1,021)
Change in fair value of borrowings	10	**(982)**	–
Debt set up costs	9	**(497)**	–
Operating profit before finance costs		**6,862**	3,766
Finance income	9	**–**	35
Finance costs	9	**(2,537)**	(2,444)
Change in fair value of interest rate swap derivative contracts	9	**48**	(6)
Profit for the period before taxation		**4,373**	1,351
Taxation	11	**–**	–
Profit for the period after taxation		**4,373**	1,351
Other comprehensive income:		**–**	–
Total comprehensive income for the period attributable to the shareholders of the Company		**4,373**	1,351
Earnings per share - basic and diluted - pence	12	**2.6**	0.8

Alternative Presentation of Profit*

	Note	**Unaudited 6 months to 31 March 2021 £'000**	Unaudited 6 months to 31 March 2020 £'000
Operating profit before property disposals and change in fair value		**5,563**	4,794
Finance Costs	9	**(2,489)**	(2,415)
Recurring profit before change in fair value and property disposals		**3,074**	2,379
Debt set up costs	9	**(497)**	–
Profit/(loss) on disposal of investment properties		**20**	(7)
Change in fair value of investment properties	10	**2,758**	(1,021)
Change in fair value of borrowings	10	**(982)**	–
Profit for the period before taxation		**4,373**	1,351

All of the activities of the Group are classified as continuing.

The notes on pages 43 to 66 form part of these financial statements.

*The alternative presentation of profit is not in compliance with IFRS

Consolidated Statement of Financial Position

At 31 March 2021

	Note	**Unaudited 31 March 2021 £'000**	Audited 30 September 2020 £'000
Non-current assets			
Investment properties	14	**355,885**	331,782
Total non-current assets		**355,885**	331,782
Current assets			
Inventories - properties available for sale	13	**6,189**	10,421
Trade and other receivables	15	**3,097**	3,586
Deposits paid for acquisition	16	**3,084**	126
Cash and cash equivalents	17	**10,804**	10,365
Total current assets		**23,174**	24,498
Total assets		**379,059**	356,280
Current liabilities			
Trade and other payables	18	**6,242**	5,887
Borrowings	19	**14,859**	388
Interest rate swap derivative contracts	20	**56**	–
Lease liabilities	28	**986**	936
Total current liabilities		**22,143**	7,211
Non-current Liabilities			
Borrowings	19	**147,031**	140,713
Interest rate swap derivative contracts	20	**–**	104
Lease liabilities	28	**30,175**	28,640
Total non-current liabilities		**177,206**	169,457
Total liabilities		**199,349**	176,668
Net assets		**179,710**	179,612
Equity			
Share capital	21	**1,803**	1,803
Share premium	22	**108**	108
Own shares reserve	23	**(8,626)**	(8,626)
Retained earnings	24	**186,425**	186,327
Total interests		**179,710**	179,612
Total equity		**179,710**	179,612
Net asset value per share - basic and diluted (pence)	29	**105.1**	105.0

The financial statements were approved and authorised for issue by the Board of Directors on and signed on its behalf by:

Rob Whiteman
Chairman

26 May 2021

The notes on pages 43 to 66 form part of these financial statements.

Condensed Consolidated Statement of Cash Flows

For the period 1 October 2020 to 31 March 2021

	Note	**Unaudited 6 months to 31 March 2021 £'000**	Unaudited 6 months to 31 March 2020 £'000
Cash flows from operating activities			
Profit for the period		**4,373**	1,351
Adjustments for items that are not operating in nature:			
(Gain)/loss in fair value of investment properties	10	**(2,758)**	1,021
(Gain)/loss in fair value of interest rate swap	9	**(48)**	6
Loss in fair value of borrowings		**982**	–
(Profit)/loss on disposal of investment properties		**(20)**	7
Shares issued in lieu of management fees		**227**	231
Finance income	9	**–**	(35)
Finance costs	9	**2,537**	2,444
Debt set up costs		**497**	–
Operating result before working capital changes		**5,790**	5,025
Changes in working capital			
Decrease/(increase) in trade and other receivables		**489**	(1,182)
Decrease/(increase) in inventories		**4,232**	(2,327)
Increase in trade and other payables		**355**	480
Net cash flow generated from operating activities		**10,866**	1,996
Cash flow from investing activities			
Purchase of investment properties	14	**(22,035)**	(16,803)
Grant received	14	**2,099**	2,242
Disposal of investment properties		**322**	243
Deposits paid for acquisition	16	**(3,084)**	–
Interest received	9	**–**	35
Amounts transferred into restricted cash deposits	17	**(753)**	(20)
Net cash flow from investing activities		**(23,451)**	(14,303)
Cash flow from financing activities			
Purchase of own shares	23	**(227)**	(234)
New borrowings raised (net of expenses)	19	**19,670**	–
Bank loans repaid		**(301)**	(292)
Finance costs paid	9	**(2,596)**	(2,364)
Dividend paid	27	**(4,275)**	(4,276)
Net cash flow generated from financing activities		**12,271**	(7,166)
Net decrease in cash and cash equivalents		**(314)**	(19,473)
Cash and cash equivalents at the beginning of the period	17	**8,532**	25,032
Cash and cash equivalents at the end of the period	17	**8,218**	5,559

The notes on pages 43 to 66 form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

For the period 1 October 2020 to 31 March 2021

	Share capital £'000s	Share premium £'000s	Own shares reserve £'000s	Retained earnings £'000s	Total equity £'000s
Balance at 30 September 2019	1,803	108	(8,622)	192,425	**185,714**
Profit for the period	–	–	–	1,351	**1,351**
Other comprehensive income	–	–	–	–	**–**
Total comprehensive income	**–**	**–**	**–**	1,351	**1,351**
Contributions by and distributions to shareholders					
Issue of management shares	–	–	231	(231)	**–**
Share based payment charge				231	**231**
Purchase of own shares	–	–	(234)	–	**(234)**
Dividends paid	–	–	–	(4,276)	**(4,276)**
Balance at 31 March 2020	1,803	108	(8,625)	189,500	**182,786**
Profit for the period	–	–	–	1,098	**1,098**
Other comprehensive income	–	–	–	–	**–**
Total comprehensive income	**–**	**–**	**–**	1,098	**1,098**
Contributions by and distributions to shareholders					
Issue of management shares	–	–	227	(227)	**–**
Share based payment charge	–	–	–	227	**227**
Purchase of own shares	–	–	(228)	–	**(228)**
Dividends paid	–	–	–	(4,271)	**(4,271)**
Balance at 30 September 2020	1,803	108	(8,626)	186,327	**179,612**
Profit for the period	–	–	–	4,373	**4,373**
Other comprehensive income	–	–	–	–	**–**
Total comprehensive income	**–**	**–**	**–**	4,373	**4,373**
Contributions by and distributions to shareholders					
Issue of management shares	–	–	227	(227)	**–**
Share based payment charge	–	–	–	227	**227**
Purchase of own shares	–	–	(227)	–	**(227)**
Dividends paid	–	–	–	(4,275)	**(4,275)**
Balance at 31 March 2021	1,803	108	(8,626)	186,425	**179,710**

The notes on pages 43 to 66 form part of these financial statement.

Notes to the Financial Statements

For the period 1 October 2020 to 31 March 2021

1. General information

The financial information set out in this report covers the six months to 31 March 2021 and includes the results and net assets of the Company and its subsidiaries. The comparatives presented for the Statement of Comprehensive Income and Statement of Cash Flows are for the six months to 31 March 2020. The comparatives presented for the Statement of Financial Position are as at 30 September 2020.

This consolidated interim financial information has not been audited by the Company's auditor.

Residential Secure Income plc ("the Company") was incorporated in England and Wales under the Companies Act 2006 as a public company limited by shares on 21 March 2017. The Company's registration number is 10683026. The registered office of the Company is located at The Pavilions, Bridgwater Road, Bristol, BS13 8FD.

The Company achieved admission to the premium listing segment of the main market of the London Stock Exchange on 12 July 2017.

The Company and its subsidiaries (the "Group") invests in residential asset classes that comprise the stock of registered UK social housing providers, Housing Associations and Local Authorities.

2. Basis of preparation

These condensed financial statements for the period ended 31 March 2021 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. The interim report should be read in conjunction with the annual Financial Statements for the period ended 30 September 20, which have been prepared in accordance with international accounting standards in conformity with the Companies Act 2006 and international financial reporting standards as adopted by the European Union.

The condensed financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instruments and certain bank borrowings which have been measured at fair value.

The condensed financial statements have been rounded to the nearest thousand and are presented in Sterling, except when otherwise indicated.

The condensed financial statements for the period are unaudited and do not constitute statutory accounts for the purposes of the Companies Act 2006. The annual report and financial statements for the period ended 30 September 2020 have been filed at Companies House. The independent auditor's report on the annual report and financial statements for the period ended 30 September 2020 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under sections 498 (2) or 498 (3) of the Companies Act 2006.

a) Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Group has the resources to continue in business for the foreseeable future. The Group expects to formalise a 12 month extension of the Natwest facility which is due to expire in February 2022, soon after the date of signing of these accounts. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

As of the date of signing of these interim financial statements, the UK remains under measures to reduce transmission of Coronavirus (COVID-19). The Directors continue to monitor the developing situation and enact additional controls to reduce the impact on operations and financial performance. The Fund Manager's report on page 19 provides further information on ReSI's response to COVID-19. ReSI is subject to covenants on debt secured on its retirement, shared ownership and Local Authority portfolios (see note 19 on page 55). Sensitivity analysis has been performed, showing a large amount of headroom on all covenants, including all debt servicing and valuation metrics. Due to the long-term nature of the company's assets and strong cash flows, the Directors do not forecast a breach of any debt covenants.

b) Changes to accounting standards and interpretations

New standards during the period

The IASB and IFRIC have issued or revised a number of standards. None of these amendments have led to any material changes in the Group's accounting policies or disclosures during the year.

Standards in issue but not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2021 and whilst the Directors are considering these, initial indications are that these changes will have no material impact on the Group's financial statements, including IBOR phase 2 amendments.

Notes to the Financial Statements

For the period 1 October 2020 to 31 March 2021

3. Significant accounting policies

The significant accounting policies applied in the preparation of the financial statements are set out below. The policies have been consistently applied throughout the period.

a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries) at the period end date.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group:

- is exposed to, or has rights to, variable returns from its involvement with the entity and;
- has the ability to affect those returns through its power to direct the activities of the entity.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. The financial information of the subsidiaries is included in the financial statements from the date that control commences until the date that control ceases.

If an equity interest in a subsidiary is transferred but a controlling interest continues to be held after the transfer then the change in ownership interest is accounted for as an equity transaction.

Accounting policies of the subsidiaries are consistent with the policies adopted by the Company.

b) Acquisitions and business combinations

The Directors assess whether each acquisition is a business or asset acquisition. Under IFRS 3, a business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. A business will usually consist of inputs, processes and outputs.

Business acquisitions are accounted for using the acquisition method. To date the group has not acquired any businesses. Acquisitions that do not meet the definition of a business are accounted for as asset acquisition. Asset acquisitions are accounted for by applying the Group's relevant accounting policy relating to the assets being acquired.

c) Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are initially measured at cost, being the fair value of the consideration given, including expenditure that is directly attributable to the acquisition of the investment property. After initial recognition, investment property is stated at its fair value at the Statement of Financial Position date adjusted for the carrying value of leasehold interests. Gains and losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise in the Statement of Comprehensive Income.

Investment property is recognised as an asset when it is probable that the economic benefits that are associated with the property will flow to the Group and it can measure the cost of the investment reliably. This is usually on legal completion.

Subsequent expenditure is capitalised only when it is probable that future economic benefits are associated with the expenditure.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected to be obtained from the asset. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recorded in profit or loss in the period in which the property is derecognised.

Significant accounting judgements, estimates and assumptions made for the valuation of investment properties are discussed in note 4.

d) Inventories

Inventories relate to properties held for delivery as to shared ownership which provides an affordable home ownership through a part-buy, part-rent model where Shared Owners buy a stake in the home (with a lower deposit requirement as it is only required as a percentage of this stake) and pay a discounted rent on the portion of the property that the Shared Owner(s) does not own. In accordance with IAS 2 Inventories, the part that is expected to be sold to the Shared Owner under the First Tranche Sale are held at the lower of cost and net realisable value.

e) Shared ownership

Shared ownership is where initially a long lease on a property is granted through a sale to the occupier, in return for an initial payment (the First Tranche).

First Tranche sales are included within turnover and the related proportion of the cost of the asset recognised as cost of sales.

Shared ownership properties are split proportionately between Inventories and Investment properties based on the current element relating to First Tranche sales. The assumptions on which the First Tranche proportion has been based include, but are not limited to, matters such as the affordability of the shared ownership properties, local demand for shared ownership properties, and general experience of First Tranche shared ownership sales within ReSI Housing and the wider the social housing sector.

Shared Owners have the right to acquire further tranches and any surplus or deficit on such subsequent sales are recognised in the Statement of Comprehensive Income as a part disposal of Investment properties.

Where a grant is receivable from government and other bodies as a contribution towards the capital cost of shared ownership investment property, it is recognised as a deduction in arriving at the cost of the property. Prior to satisfying any performance obligations related to grant, such grants are held as a liability on the Statement of Financial Position.

In some circumstances, typically when a Shared Owner staircases, there arises an obligation to recycle the grant into the purchase of new affordable properties within three years or to repay the grant to the relevant government body. Where such an obligation exists the grant will be held as a liability on the Statement of Financial Position.

f) Share issue costs

The costs of issuing or reacquiring equity instruments (other than in a business combination) are accounted for as a reduction to share premium to the extent that share premium has arisen on the related share issue.

g) Revenue

The Group recognises revenue on an accruals basis, and when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. Revenue comprises rental income and First Tranche sales of shared ownership properties.

Gross rental income – Gross rental income is non-contingent rental income, recognised on a straight-line basis over the term of the underlying lease and is included in the Group Statement of Comprehensive Income. Any contingent element of rental income is recognised on an as-received basis. Lease incentives granted are recognised as an integral part of the net consideration for the use of the property and are therefore recognised on the same, straight-line basis over the term of the lease. Contractual fixed annual rent increases and lease incentives are recognised on a straight-line basis over the term of the lease.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the Group Statement of Comprehensive Income when the right to receive them arises.

Gross ground rental income - Gross ground rental income is recognised on a straight-line basis over the term of the underlying lease.

Income from property sales is recognised when performance conditions are fulfilled which is usually at the point of legal completion.

Property sales consist of one performance obligation – the transfer of the property to the shared owner. The transaction price is fixed and specific in the sales contract. Revenue is recognised at a point in time, when control of the property passes. Control is considered to pass on legal completion of the property sale.

h) Cost of sales

Included within First Tranches cost of sales are costs relating to the first tranche sale portion of newly acquired shared ownership properties. These costs include a share of expenditure incurred for acquisition of those properties in proportion to the First Tranche percentage sold, direct overheads and other incidental costs incurred during the course of the sale of those properties.

i) Expenses

The Group recognises all expenses on an accruals basis.

j) Finance income and expense

Finance income comprises interest receivable on funds invested. Financing expenses comprise interest payable, interest charged on head lease liabilities and amortisation of loan fees.

Interest income and interest payable are recognised in profit and loss as they accrue, using the effective interest method.

k) Taxation

Taxation on the profit or loss for the period not exempt under UK REIT regulations comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised as direct movement in equity, in which case it would be recognised as a direct movement in equity. Current tax is expected tax payable on any non-REIT taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided in full using the balance sheet liability method on timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

No provision is made for timing differences (i) arising on the initial recognition of assets or liabilities, other than on a business combination, that affect neither accounting nor taxable profit and (ii) relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

l) Dividend payable to shareholders

Equity dividends are recognised when they become legally payable which for the final dividends is the date of approval by the members. Interim dividends are recognised when paid.

m) Financial instruments

Financial assets

Recognition of financial assets

All financial assets are recognised on a trade date which is the date when the Group becomes a party to the contractual provisions of the instrument.

Notes to the Financial Statements

For the period 1 October 2020 to 31 March 2021

Initial measurement and classification of financial assets

Financial assets are classified into the following categories: 'financial assets at fair value through profit or loss' and 'financial assets at amortised cost'. The classification depends on the business model in which the asset is managed and on the cashflows associated with that asset.

Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

At 31 March 2021 the Group had the following non-derivative financial assets which are held at amortised cost:

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank (including investments in money-market funds) and short-term deposits with an original maturity of three months or less.

Trade and other receivables

Trade and other receivables are recognised at their original invoiced value. Where the time value of money is material, receivables are discounted and then held at amortised cost, less provision for expected credit loss.

Impairment of financial assets

The Group applies the IFRS 9 simplified approach to measuring the expected credit losses for trade and other receivables whereby the allowance or provision for all trade receivables are based on the lifetime expected credit losses ("ECLs").

The Group applies the general approach for initial recognition and subsequent measurement of expected credit loss provisions for the loan receivable and other receivables which have maturities of 12 months or more and have a significant finance component.

This approach comprises of a three-stage approach to evaluation expected credit losses. These stages are classified as follows:

Stage 1

Twelve-month expected credit losses are recognised in profit or loss at initial recognition and a loss allowance is established. For financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk at the reporting date, the loss allowance for 12-month expected credit losses is maintained and updated for changes in amount. Interest revenue is calculated on the gross carrying amount of the asset (i.e. without reduction for expected credit losses).

Stage 2

If the credit risk increases significantly and the resulting credit quality is not considered to be low credit risk, full lifetime expected losses are recognised and includes those financial instruments that do not have objective evidence of a credit loss event. Interest revenue is still calculated on the gross carrying amount of the asset.

Stage 3

If the credit risk of a financial asset increases to the point that it is considered credit impaired (there is objective evidence of impairment at the reporting date), lifetime expected credit losses continue to be recognised. For financial assets in this stage, lifetime expected credit losses will generally be individually assessed. Interest revenue is calculated on the amortised cost net carrying amount (amortised cost less impairment).

De-recognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership to another entity. If any interest in a transferred asset is retained then the Group recognises its retained interest in the asset and associated liabilities.

Financial liabilities

Recognition of financial liabilities

All financial liabilities are recognised on the date when the Group becomes a party to the contractual provisions of the instrument.

Initial measurement and classification of financial liabilities

Financial liabilities are classified into the following categories: 'financial liabilities at fair value through profit or loss' and 'other financial liabilities'. The classification depends on the nature and purpose of the financial liabilities and is determined at the time of initial recognition.

Financial liabilities are initially measured at fair value, net of transaction costs, except for those financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.

Fair value through profit or loss

This category comprises certain of the Group's borrowings and out-of-the-money derivatives where the time value does not offset the negative intrinsic value (see "Financial assets" section for in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value). The Group's loans with USS held at fair value through profit and loss may be recorded at a different value to the notional value of the borrowings due to changes in the expected future rate of inflation versus the date the debt was drawn, impacting gilt rates. The designation to value a loan at fair value through profit and loss is irrevocable and was made to correct an accounting mismatch as the value of the loan is linked to the value of the shared ownership investment portfolio. The decision to link the loan to RPI was made to ensure that returns are matched to rent proceeds received (also linked to RPI). They are carried in the Consolidated Statement of Financial Position at fair value with changes in fair value recognised in the Group Statement of Comprehensive Income as either a fair value movement (note 10) or in the finance income or expense line (note 9), except where the movement relates to a change in own credit risk which is recognised in other comprehensive income.

At 31 March 2021 the Group had the following non-derivative financial liabilities which are classified as other financial liabilities:

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently held at amortised cost.

Borrowings

Borrowings are either recognised initially at fair value less attributable transaction costs or at fair value, with attributable transaction costs fully expensed if an election is made to hold at Fair Value through profit or loss (FVTPL). Subsequent to initial recognition, borrowing costs are either stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method or at fair value if elected to hold at FVTPL.

De-recognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

n) Derivative instruments and hedge accounting

Derivative financial instruments, comprising interest rate swaps held for hedging purposes, are initially recognised at fair value and are subsequently measured at fair value being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. Movements in fair value are recognised in profit and loss as part of finance costs.

o) Leases

The group as lessor

A lease is classified as a finance lease if substantially all of the risks and rewards of ownership transfer to the lessee. In the case of properties where the Group has a leasehold interest, this assessment is made by reference to the Group's right of use asset arising under the head lease rather than by reference to the underlying asset. If the Group substantially retains those risks, a lease is classified as an operating lease.

Rentals receivable under operating leases are recognised in the income statement on a straight-line basis over the term of the relevant lease. In the event that lease incentives are granted to a lessee, such incentives are recognised as an asset. The aggregate cost of the incentives is recognised as a reduction in rental income on a straight-line basis over the term of the relevant lease.

The group as lessee

Where an investment property is held under a head lease, the lease liability is capitalised at the lease commencement at the present value of the minimum lease payments. Each lease payment is allocated between repayment of the liability and a finance charge to achieve a constant rate on the outstanding liability. The corresponding rental obligations, net of finance charges, are included in liabilities. Investment properties held under head leases are subsequently carried at their fair value. The carrying value of lease liabilities are remeasured when the variable element of the future lease payments dependent on a rate or index is revised, using same the discount rate as at the lease commencement date.

p) Share based payments

The fair value of payments made to the Fund Manager that are to be settled by the issue of shares is determined on the basis of the Net Asset Value of the Group. The estimated number of shares to be issued in satisfaction of the services provided is calculated using the daily closing share price of the Company at the date of calculation.

Notes to the Financial Statements

For the period 1 October 2020 to 31 March 2021

4. Significant accounting judgements and estimates

The preparation of financial statements in accordance with the principles of IFRS required the Directors of the Group to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Estimates:

Investment properties

The Group uses the valuation carried out by its independent valuers as the fair value of its property portfolio. The assumptions on which the property valuation reports have been based include, but are not limited to, matters such as the tenure and tenancy details for the properties, ground conditions at the properties, the structural condition of the properties, prevailing market yields and comparable market transactions. Further information is provided in note 14.

The Group's properties have been independently valued by Savills (UK) Limited ("Savills" or the "Valuer") in accordance with the definitions published by the Royal Institute of Chartered Surveyors' ("RICS") Valuation – Professional Standards, July 2017, Global and UK Editions (commonly known as the "Red Book"). Savills is one of the most recognised professional firms within residential and social housing property valuation and has sufficient current local and national knowledge and has the skills and understanding to undertake the valuations competently.

If the assumptions upon which the external valuer has based its valuations prove to be inaccurate, this may have an impact on the value of the Group's investment properties, which could in turn have an effect on the Group's financial position and results. Further information is provided in note 14.

With respect to the Group's Financial Statements, investment properties are valued at their fair value at each Statement of Financial Position date in accordance with IFRS 13 which recognises a variety of fair value inputs depending upon the nature of the investment. Specifically:

Level 1 – Unadjusted, quoted prices for identical assets and liabilities in active (typically quoted) markets;

Level 2 – Quoted prices for similar assets and liabilities in active markets.

Level 3 – Inputs not based on observable market data (that is, unobservable inputs).

The Group's investment properties are included in Level 3 as the inputs to the valuation are not based on observable market data.

Borrowings held at fair value

Some of the Group's borrowing are held at fair value. The inputs / assumptions on which these borrowings have been valued include the relevant inflation linked gilt rate at the date of valuation and the future rate of RPI inflation. Further information is provided in note 19. If these assumptions prove to be inaccurate, this may have an impact on the carrying value of the Group's borrowings held at fair value, which could in turn have an effect on the Group's financial position and results. Further information is provided in note 19. In the fair value hierarchy, borrowings valued at fair value are included in Level 2 as the inputs to the valuation are based on observable market data (inflation linked gilt yields).

Shared Ownership Properties

First Tranche Sales

The Group estimates the proportion of shared ownership properties that will be sold as First Tranche sales and therefore classified as inventory rather than investment property, the assumptions on which the proportion has been based include, but are not limited to, matters such as the affordability of the shared ownership properties, local demand for shared ownership properties, and general experience of First Tranche shared ownership sales in the social housing sector. The first tranche sales percentage used is consistent with values used by the valuers. As at 31 March 2021 the average first tranche sales percentage assumed for vacant shared ownership properties is 25%. If there is a change in percentage used, this will affect the proportion of inventory and investment property recognised with a higher assumed first tranche sale percentage resulting in a higher inventory value and lower investment property value.

5. Operating segments

IFRS 8, Operating Segments, requires operating segments to be identified on the basis of internal financial reports about components of the Group that are regularly reviewed by the chief operating decision maker (which in the Group's case is the Board of Directors) in order to allocate resources to the segments and to assess their performance.

The Group's reporting to the chief operating decision maker does not differentiate by property type or location as the Group is considered to be operating in a single segment of business and in one geographical area.

No customers have revenue that is greater than 10% of the total Group revenue.

The internal financial reports received by the Board of Directors contain financial information at a Group level and there are no reconciling items between the results contained in these reports and the amounts reported in the Financial Statements.

6. Income less cost of sales

	Net property income £'000	First tranche sales £'000	Unaudited 6 months to 31 March 2021 Total £'000	Unaudited 6 months to 31 March 2020 Total £'000
Gross Rental income	10,712	–	**10,712**	10,226
Rent straight line adjustments	257	–	**257**	–
First tranche property sales	–	6,635	**6,635**	6,147
Total income	10,969	6,635	**17,604**	16,373
Service charge expenses	(2,319)	–	**(2,319)**	(2,322)
Property operating expenses	(2,060)	–	**(2,060)**	(1,732)
Impairment of receivables	(15)	–	**(15)**	(5)
First tranche cost of sales	–	(6,244)	**(6,244)**	(5,990)
Total cost of sales	(4,394)	(6,244)	**(10,638)**	(10,049)
Gross profit before ground rents	6,575	391	**6,966**	6,324
Ground rents disclosed as finance lease interest	(512)	–	**(512)**	(488)
Gross profit after ground rents disclosed as finance lease asset	6,063	391	**6,454**	5,836

The gross profit after ground rents disclosed as lease interest are presented to provide what the Board believes is a more appropriate assessment of the Group's net property income. Ground rent costs are an inherent cost of holding certain leasehold properties and are taken into consideration by Savills when valuing the Group's properties.

'Rent straight line adjustments' represent the recognition of lease incentives and contractual fixed annual rent increases on a straight-line basis over the term of the underlying leases.

7. Fund management fee

	Unaudited 6 months to 31 March 2021 £'000	Unaudited 6 months to 31 March 2020 £'000
Cash portion	**684**	696
Equity	**227**	231
	911	927

ReSI Capital Management Limited acts as alternative investment fund manager (the "Fund Manager"), in compliance with the provisions of the AIFMD, pursuant to the Fund Management Agreement.

The Fund Manager is entitled to an annual management fee (the "Fund Manager Fee") under the Fund Management Agreement with effect from the date of Admission, as follows:

a) On that part of the Net Asset Value up to and including £250 million, an amount equal to 1% p.a. of such part of the Net Asset Value;

b) on that part of the Net Asset Value over £250m and including £500m, an amount equal to 0.9% p.a. of such part of the Net Asset Value;

c) on that part of the Net Asset Value over £500m and up to and including £1,000m, an amount equal to 0.8% p.a. of such part of the Net Asset Value;

d) on that part of the Net Asset Value over £1,000m, an amount equal to 0.7% p.a. of such part of the Net Asset Value.

The Fund Management Fee is paid quarterly in advance. 75% of the total Fund Management Fee is payable in cash and 25% of the total Fund Management Fee (net of any applicable tax) is payable in the form of Ordinary Shares rather than cash.

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For the period 1 October 2020 to 31 March 2021

8. Directors' fees and expenses

	Unaudited 6 months to 31 March 2021 £'000	Unaudited 6 months to 31 March 2020 £'000
Fees	**77**	77
Taxes	**11**	14
Expenses	**–**	3
	88	94
Fees paid to directors of subsidiaries	**23**	23
	111	117

The Group had no employees during the period other than the Directors and Directors of subsidiaries.

The Chairman is entitled to receive a fee linked to the Net Asset Value of the Group as follows:

Net asset value	Annual fee
Up to £100,000,000	£40,000
£100,000,000 and £200,000,000	£50,000
£200,000,000 to £350,000,000	£60,000
Thereafter	£70,000

Each of the Directors, save the Chairman, is entitled to receive a fee linked to the Net Asset Value of the Group as follows:

Net asset value	Annual fee
Up to £100,000,000	£30,000
£100,000,000 and £200,000,000	£35,000
Thereafter	£40,000

None of the Directors received any advances or credits from any Group entity during the period (2020: £nil).

9. Net finance costs

	Unaudited 6 months to 31 March 2021 £'000	Unaudited 6 months to 31 March 2020 £'000
Finance income		
Interest income	**–**	35
	–	35
Finance costs		
Interest payable on borrowings	**(1,903)**	(1,848)
Amortisation of loan costs	**(108)**	(108)
Securities trustee fees	**(14)**	–
Lease interest	**(512)**	(488)
	(2,537)	(2,444)
Movement in fair value of derivative contracts		
Interest rate swaps	**48**	(6)
Net finance costs	**(2,489)**	(2,415)
One-off shared ownership facility set up costs	**(330)**	–
Debt set up fees	**(167)**	–
Debt set up costs	**(497)**	–

The Group's interest income during the period relates to cash invested in a money market fund, which is invested in short-term AAA rated Sterling instruments.

Ground rents paid in respect of leasehold properties have been recognised as a finance cost in accordance with IFRS 16 "Leases".

Movement in fair value of derivative contracts arises from interest rate swaps entered into in February 2019 to partially fix the £14.5m of debt secured in the Local Authority portfolio.

Debt set up costs relate to the fees incurred in securing the revolving capital facility of £10m with Santander UK plc.

10. Change in fair value

	6 months to 31 March 2021 £'000	6 months to 31 March 2020 £'000
Gain/(loss) on fair value adjustment of investment properties	3,015	(1,021)
Adjustments for lease incentive assets and rent straight line assets recognised		
Start of the year	272	–
End of the year	(529)	–
	2,758	(1,021)
Loss on fair value adjustment of borrowings (note 19)	(982)	–
Shared ownership facility set up costs	(330)	–
	1,446	(1,021)

Gain on fair value adjustment of borrowings arises from debt raised against the shared ownership portfolio, which the Company has elected to fair value through Profit and Loss. During the period the Group incurred costs of £0.3m (equivalent to 0.3 basis points per annum over 45 years) in relation to further drawdowns of debt under the shared ownership 45-year £300m facility. An election has been made to value this debt at fair value through profit or loss, therefore all fees associated with this debt have been expensed in the current financial year.

11. Taxation

	Unaudited 6 months to 31 March 2021 £'000	Unaudited 6 months to 31 March 2020 £'000
Current tax	–	–
Deferred tax	–	–
	–	–

The tax charge for the period varies from the standard rate of corporation tax in the UK applied to the profit before tax. The differences are explained below:

	Unaudited 6 months to 31 March 2021 £'000	Unaudited 6 months to 31 March 2020 £'000
Profit before tax	4,373	1,351
Tax at the UK corporation tax rate of 19% (2020: 19%)	831	257
Tax effect of:		
UK tax not payable due to REIT exemption	(353)	(415)
Investment property revaluation not taxable	(524)	194
Expenses that are not deductible in taxable profit	(7)	(36)
Utilisation/carry forward of losses	53	–
Tax charge for the period	–	–

As a UK REIT the Group is exempt from corporation tax on the profits and gains from its property rental business provided it meets certain conditions set out in the UK REIT regulations.

The Government has announced that the corporation tax standard rate is to remain at 19% until 31 March 2022. From 1 April 2022 the rate will increase to 25%, although this is not yet substantively enacted.

Notes to the Financial Statements

For the period 1 October 2020 to 31 March 2021

12. Earnings per share

	Unaudited 6 months to 31 March 2021 £'000	Unaudited 6 months to 31 March 2020 £'000
Profit attributable to Ordinary shareholders	**4,373**	1,351
Deduction of fair value movement on investment properties and borrowings	**(1,776)**	1,027
Add back: one-off shared ownership facility set up costs	**330**	–
Add back: of one-off revolving credit facility set up costs	**167**	–
Deduction of aborted acquisition costs	**1**	–
(Profit)/loss on property disposals	**(20)**	7
Adjusted earnings	**3,075**	2,385
Weighted average number of ordinary shares (thousands)	**171,020**	171,020
Basic earnings per share (pence)		
- 2021 (pence)	**2.56**	
- 2020 (pence)		0.79
Adjusted earnings per share (pence)		
- 2021 (pence)	**1.80**	
- 2020 (pence)		1.39

Basic earnings per share ('EPS') is calculated as profit attributable to Ordinary Shareholders of the Company divided by the weighted average number of shares in issue throughout the relevant period.

The adjusted earnings are presented to provide what the Board believes is a more appropriate assessment of the operational income accruing to the Group's activities. Hence, the Group adjusts basic earnings for income and costs which are not of a recurrent nature or which may be more of a capital nature.

EPRA Earnings per share

	Unaudited 6 months to 31 March 2021 £'000	Unaudited 6 months to 31 March 2020 £'000
Profit attributable to Ordinary shareholders	**4,373**	1,351
Changes in fair value of investment property	**(2,758)**	1,021
Less: Profits or losses on disposal of investment properties	**(20)**	7
Less: Profits or losses on sales of trading properties	**(391)**	(157)
Changes in fair value of financial instruments and associated closeout costs	**933**	6
EPRA earnings	**2,137**	2,228
Basic number of shares (thousands)	**171,020**	171,020
EPRA – Earnings per Share (pence)	**1.25**	1.30

Adjusted EPRA Earnings per share

	Unaudited 6 months to 31 March 2021 £'000	Unaudited 6 months to 31 March 2020 £'000
EPRA earnings	**2,137**	2,228
Company specific adjustments:		
Exclude one off costs	**497**	5
Include shared ownership first tranche sales	**391**	157
Company specific Adjusted EPRA Earnings	**3,025**	2,390
Adjusted EPRA Earnings Per Share		
- 2021 (pence)	**1.77**	
- 2020 (pence)		1.40

EPRA earnings per share ('EPS') is calculated as EPRA earnings attributable to Ordinary Shareholders of the Company divided by the weighted average number of shares in issue throughout the relevant period.

The adjusted EPRA earnings are presented to provide what the Board believes is a more appropriate assessment of the operational income accruing to the Group's activities. Hence, the Group adjusts EPRA earnings for income and costs which are not of a recurrent nature or which may be more of a capital nature.

13. Inventories – properties available for sale

	Unaudited 31 March 2021 £'000	Audited 30 September 2020 £'000
Shared ownership properties	**6,189**	10,421
	6,189	10,421

14. Investment properties

	Unaudited 31 March 2021 £'000	Audited 30 September 2020 £'000
At beginning of period	**331,782**	290,162
Property acquisitions at cost	**21,761**	47,657
Grant receivable	**(2,099)**	(5,286)
Capital expenditure	**400**	298
Property disposals	**(301)**	(334)
Movement in head lease gross up	**1,584**	44
Adjustments for lease incentive assets and rent straight line assets recognised	**(257)**	(272)
Change in fair value during the period	**3,015**	(487)
At end of period	**355,885**	331,782
Valuation provided by Savills	**325,253**	302,478
Adjustment to fair value - finance lease asset	**31,161**	29,576
Adjustments for lease incentive assets and rent straight line assets recognised	**(529)**	(272)
Total investment properties	**355,885**	331,782

The investment properties are divided into:

	Unaudited 31 March 2021 £'000	Audited 30 September 2020 £'000
Leasehold properties	**267,475**	260,199
Freehold properties*	**57,778**	42,279
Head lease gross up	**31,161**	29,576
Adjustments for lease incentive assets and rent straight line assets recognised	**(529)**	(272)
Total investment properties	**355,885**	331,782

*Includes Feuhold properties, the Scottish equivalent of Freehold.

The table below shows the total value of the Group's investment properties including committed properties with purchase contracts exchanged. Consistent with the valuation provided by Savills, the adjustment to fair value in respect of finance lease assets for ground rents receivable has been excluded to show the value of the asset net of all payments to be made (including ground rent payments). Committed properties with purchase contracts exchanged have been included to provide an indication of the value of all properties to which the Group is contractually committed.

	Unaudited 31 March 2021 £'000	Audited 30 September 2020 £'000
Total investment properties	**355,885**	331,782
Adjustment to fair value - finance lease asset	**(31,161)**	(29,576)
Adjustments for lease incentive assets and rent straight line assets recognised	**529**	272
Committed properties with purchase contracts exchanged	**21,000**	–
Total investment properties including committed properties with purchased contracts exchanged	**346,253**	302,478

The historical cost of investment properties at 31 March 2021 was £299,860,855 (30 September 2020: £279,434,155).

In accordance with "IAS 40: Investment Property", the Group's investment properties have been independently valued at fair value by Savills (UK) Limited ("Savills"), an accredited external valuer with recognised and relevant professional qualifications.

The carrying values of investment property as at 31 March 2021 agree to the valuations reported by external valuers, except that the valuations have been:

a) Decreased by £529,323 (£272,321 at 30 September 2020) in respect of lease incentive and rent straight line adjustments recognised as assets and;

b) Increased by the amount of head lease liabilities recognised in respect of investment properties held under leases £31,160,908 (£29,576,691 at 30 September 2020), representing the present value of ground rents payable for the properties held by the Group under leasehold – further information is provided in note 28. This is because the independent valuations are shown net of all payments expected to be made. However, for financial reporting purposes in accordance with IAS 40, "Investment Property", the carrying value of the investment properties includes the present value of the minimum lease payments in relation to these leases. The related lease liabilities are presented separately on the Statement of Financial Position.

Notes to the Financial Statements

For the period 1 October 2020 to 31 March 2021

'Rent straight line adjustments' represent the recognition of lease incentives and contractual fixed annual rent increases on a straight-line basis over the term of the underlying leases.

The Group's investment objective is to provide shareholders with an attractive level of income, together with the potential for capital growth, from acquiring portfolios of homes across residential asset classes that comprise the stock of statutory registered providers.

The Group intends to hold its investment property portfolio over the long term, taking advantage of upward-only inflation linked leases. The Group will not be actively seeking to dispose of any of its assets, although it may dispose of investments should an opportunity arise that would enhance the value of the Group as a whole.

The Group has pledged all of its investment properties (including inventory) to secure loan facilities granted to the Group (see note 19).

In accordance with IFRS 13, the Group's investment property has been assigned a valuation level in the fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The Group's investment property as at 31 March 2021 is categorised as Level 3.

ReSI's shared ownership properties are valued by Savills using a discounted cashflow methodology applying a discount rate to estimated future cashflows. The discount rate applied, house price growth and staircasing rates are considered to be unobservable inputs.

Everything else being equal, there is a negative relationship between the discount rate and the property valuation, such that an increase in the discount rate will decrease the valuation of a property and vice versa. Conversely there is a positive relationship between future house price growth and the property valuation, such that an increase in future house price growth will increase the valuation of a property and vice versa. The relationship between future staircasing rates and property valuation may be either positive or negative depending on the discount rate and house price growth assumptions used for a given property. If a zero rate of staircasing is assumed this would result in an increase in the valuation of ReSI's shared ownership properties as Savills apply a higher discount rate to staircasing cashflows as compared to rental cashflows. Equally, if it assumed that a property staircases immediately this would also result in increase in the valuation of ReSI's shared ownership properties as these properties are valued at a discount to their Open Market Value (the price at which Shared Owners staircase). The valuation movement is not materially sensitive to changes in each of these inputs.

ReSI's other investment properties are valued by Savills using a capitalisation methodology applying a yield to current and estimated rental income subject to certain adjustments for estimated vacant possession value and head lease length. Yields and rental values are considered to be unobservable inputs.

Everything else being equal, there is a positive relationship between rental values and the property valuation, such that an increase in rental values will increase the valuation of a property and vice versa. However, the relationship between capitalisation yields and the property valuation is negative; therefore an increase in capitalisation yields will reduce the valuation of a property and vice versa. There are interrelationships between these inputs as they are determined by market conditions, and the valuation movement in any one period depends on the balance between them. If these inputs move in opposite directions (i.e. rental values increase and yields decrease) valuation movements can be amplified, whereas if they move in the same direction they may be offset, reducing the overall net valuation movement. The valuation movement is materially sensitive to changes in yields and rental values however it is impractical to quantify these changes as the valuation is unique to each property and the outcome is dependent in interdependent factors including yields, recent market transactions, head lease length and other relevant information.

15. Trade and other receivables

	Unaudited 31 March 2021 £'000	Audited 30 September 2020 £'000
Trade debtors	**614**	926
Prepayments	**2,411**	2,239
Other debtors	**72**	421
	3,097	3,586

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a 12-month expected loss provision for rent receivables. To measure expected credit losses on a collective basis, rent receivables are grouped based on similar credit risk and ageing.

The expected loss rates are based on the Group's historical credit losses experienced since inception to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. Both the expected credit loss provision and the incurred loss provision in the current and prior years are immaterial. No reasonably possible changes in the assumptions underpinning the expected credit loss provision would give rise to a material expected credit loss.

There is no significant difference between the fair value and carrying value of trade and other receivables at the Statement of Financial Position date.

16. Deposits paid for acquisitions

	Unaudited 31 March 2021 £'000	Audited 30 September 2020 £'000
Deposit paid for acquisitions	3,084	126
	3,084	126

The deposits as at 31 March 2021 relate to the acquisition of shared ownership homes from Brick by Brick and Orbit which are due to complete by the end of the Group's financial year.

The deposit as at 30 September 2020 related to the acquisition of shared ownership homes in Cheshire, West Yorkshire, Greater Manchester and Lancashire which completed in Q4 2020.

17. Cash and cash equivalents

	Unaudited 31 March 2021 £'000	Audited 30 September 2020 £'000
Cash at bank	8,216	8,530
Cash held as investment deposit	2	2
	8,218	8,532
Restricted cash	2,586	1,833
	10,804	10,365

Included within cash at the period end was an amount totalling £2,585,902 (£1,832,545 at 30 September 2020) held in separate bank accounts to which the Group has restricted access.

£1,224,547 (30 September 2020: £1,172,285) was held by the managing agent of the retirement portfolio in respect of tenancy rental deposits. Other funds were held by the management agent in an operating account to pay service charges in respect of the retirement portfolio due on 1 April 2021.

£1,047,318 (30 September 2020: £660,260) was held by US Bank in respect of funds required as a debt service reserve for the shared ownership debt.

£314,037 (30 September 2020 : £ nil) was held on behalf of shared ownership tenants at Swindon.

Cash held as investment deposit relates to cash invested in a money market fund, which is invested in short-term AAA rated Sterling Investments. As the fund has a short maturity period, the investment has a high liquidity. The fund has £21.4 billion AUM, hence the Group's investment deposit represents an immaterial proportion of the fund.

18. Trade and other payables

	Unaudited 31 March 2021 £'000	Audited 30 September 2020 £'000
Trade payables	2,208	1,651
Accruals	2,152	2,290
VAT payable	–	3
Deferred income	657	770
Other creditors	1,225	1,173
	6,242	5,887

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. For most suppliers interest is charged if payment is not made within the required terms. Thereafter, interest is chargeable on the outstanding balances at various rates. The Company has financial risk management policies in place to control that all payables are paid within the agreed credit timescale.

There is no significant difference between the fair value and carrying value of trade and other payables at the Statement of Financial Position date.

19. Borrowings

	Unaudited 31 March 2021 £'000	Audited 30 September 2020 £'000
Loans	164,241	143,560
Unamortised borrowing costs	(2,351)	(2,459)
	161,890	141,101
Current liability	14,859	388
Non-current liability	147,031	140,713
	161,890	141,101
The loans are repayable as follows:		
Within one year	14,859	388
Between one and two years	526	14,924
Between three and five years	4,588	4,258
Over five years *	141,917	121,531
	161,890	141,101

*£77.6m of this is due at the maturity date of the loan in 2043.

Notes to the Financial Statements

For the period 1 October 2020 to 31 March 2021

Movements in borrowings are analysed as follows:

	Unaudited 31 March 2021 £'000	Audited 30 September 2020 £'000
At beginning of period	**141,101**	108,192
Drawdown of facility	**20,000**	34,000
Amortisation of loan costs	**108**	217
Fair value movement	**982**	(718)
Repayment of borrowings	**(301)**	(590)
At end of period	**161,890**	141,101

The table below lists the Group's borrowings:

Lender	Original facility £'000	Outstanding debt £'000	Maturity date	Annual interest rate %
Held at amortised cost				
Scottish Widows Ltd	97,000	95,528	Jun-43	3.46 Fixed (Average)
National Westminster Bank Plc	14,450	14,450	Feb-22	1.50 over 3 month £ LIBOR
	111,450	**109,978**		
Held at fair value				
Universities Superannuation Scheme	54,000	54,263	May-65	0.5 *
Total borrowings	**165,450**	**164,241**		

*The principal will increase at a rate of RPI+0.5% on a quarterly basis; RPI is capped between 0% and 5% on a pro-rated basis.

The Group has elected to fair value through Profit and Loss the Universities Superannuation Scheme borrowings. This is considered a more appropriate basis of recognition than amortised cost given the inflation-linked nature of the debt, which has been negotiated to inflate in line with the RPI linked rent in ReSI's shared ownership leases. The notional outstanding debt at 31 March 2021 was £54.0 million (30 September 2020: £34.0 million).

The Universities Superannuation Scheme borrowings have been fair valued by calculating the present value of future cashflows, using the relevant inflation linked gilt rate at the date of valuation. The inflation linked gilt rate used for the valuation as at 31 March 2021 was -2.11% (30 September 2020: -2.38%). In accordance with IFRS 13, the Group's borrowings held at fair value have been assigned a valuation level in the fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The Group's borrowings held at fair value as at 31 March 2021 are categorised as Level 2.

Everything else being equal, there is a negative relationship between the inflation linked gilt rate and the borrowings valuation, such that an increase in the inflation linked gilt rate (and therefore the future interest payable) will reduce the valuation of the borrowing liability and vice versa. A 10-basis point increase in the inflation linked gilt rate would result in a reduction of the liability by £1.1m.

The fair value of borrowings held at amortised cost at 31 March 2021 was £115.8m (£126.9m at 30 September 2020).

The Scottish Widows facility is secured by a first charge over retirement properties with a fair value of £212.4m.

The NatWest facility is secured by a first charge over Local Authority Housing properties with a fair value of £33.0m.

The Universities Superannuation Scheme facility is secured by a first charge over shared ownership properties with a fair value of £79.8m and related inventory of £6.9m, deposits of £3.1m and restricted cash balances of £1.1m.

During the period, the Group agreed a revolving capital facility of £10m with Santander UK plc. As at the period end, £nil amounts had been drawn down under the facility. The facility bears interest at LIBOR plus 2.80%. The Group incurred costs of £167,490 in arranging the facility and these are shown in Finance costs.

20. Derivative financial instruments

	Unaudited 31 March 2021 £'000	Audited 30 September 2020 £'000
Interest rate swap derivative contracts	**56**	104

The derivative contracts arise from interest rate swaps entered into in February 2019 to partially fix the £14.5m of debt secured on the Local Authority portfolio.

The notional principal amount of the interest rate swaps is £9,537,000 and the expiry date is 20 August 2021.

The contract rate the Group are paying for its interest rate swaps is 1.0580%.

The valuations of all derivatives held by the Group are classified as Level 2 in the IFRS 13 fair value hierarchy as they are based on observable inputs. There have been no transfers between levels of the fair value hierarchy during the year.

21. Share capital account

	Number of Ordinary 1p shares	£'000
At 31 March 2020, 30 September 2020 and 31 March 2021	**180,324,377**	1,803

The share capital account relates to amounts subscribed for share capital.

Rights, preferences and restrictions on shares

All Ordinary Shares carry equal rights, and no privileges are attached to any shares in the Company. All the shares are freely transferable, except as otherwise provided by law. The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Treasury shares do not hold any voting rights.

22. Share premium account

	£'000
At 31 March 2020, 30 September 2020 and 31 March 2021	**108**

The share premium account relates to amounts subscribed for share capital in excess of nominal value.

23. Own shares reserve

	£'000
At 31 March 2020	(8,625)
Purchase of own shares	(228)
Transferred as part of Fund Management fee	227
At 30 September 2020	(8,626)
Purchase of own shares	(227)
Transferred as part of Fund Management fee	227
At 31 March 2021	**(8,626)**

The own shares reserve relates to the value of shares purchased by the Company in excess of nominal value.

During the period ended 31 March 2021, the Company purchased 251,394 of its own 1p ordinary shares at a total gross cost of £227,354 (£227,012 cost of shares and £342 associated costs).

During the period, 251,394 1p Ordinary Shares were transferred from its own shares reserve to the Fund Manager, in lieu of the management fee in accordance with the Fund Management Agreement.

As at 31 March 2021, 9,304,729 (30 September 2020: 9,304,729) 1p Ordinary Shares are held by the Company.

Notes to the Financial Statements

For the period 1 October 2020 to 31 March 2021

24. Retained earnings

	£'000
At 31 March 2020	189,500
Profit for the period	1,098
Share based payment charge	227
Issue of management shares	(227)
Dividends	(4,271)
At 30 September 2020	186,327
Profit for the period	4,373
Share based payment charge	227
Issue of management shares	(227)
Dividends	(4,275)
At 31 March 2021	**186,425**

Retained earnings incorporate all gains and losses and transactions with shareholders (e.g. dividends) not recognised elsewhere.

25. Group entities

The group entities which are owned either directly by the Company or indirectly through a subsidiary undertaking are:

Name of entity	Percentage of ownership	Country of incorporation	Principal place of business	Principal activity
ReSI Portfolio Holdings Limited	100%	UK	UK	Holding company*
RHP Holdings Limited	100%	UK	UK	Holding company
The Retirement Housing Limited Partnership	100%	UK	UK	Property investment
ReSi Housing Limited	100%	UK	UK	Social housing Registered Provider
Wesley House (Freehold) Limited	100%	UK	UK	Property investment
Eaton Green (Freehold) Limited	100%	UK	UK	Property investment

Name of entity	Registered address
ReSI Portfolo Holdings Limited	21-26 Garlick Hill, London, EC4V 2AU
RHP Holdings Limited	21-26 Garlick Hill, London, EC4V 2AU
The Retirement Housing Limited Partnership	Glanville House, Frobisher Way, Taunton , Somerset, TA2 6BB
ReSi Housing Limited	21-26 Garlick Hill, London, EC4V 2AU
Wesley House (Freehold) Limited	21-26 Garlick Hill, London, EC4V 2AU
Eaton Green (Freehold) Limited	21-26 Garlick Hill, London, EC4V 2AU

All group entities are UK tax resident.

* ReSI Portfolio Holdings Limited was newly incorporated during the period.

26. Notes to the cash flow statement

The liabilities arising from financing activities are reconciled below:

	Borrowings due within one year (note 19) £'000	Borrowings due in more than one year (note 19) £'000	Fair value of interest rate swaps (note 20) £'000	Lease liabilities (note 28) £'000	Total £'000
At 1 October 2020	388	140,713	104	29,576	**170,781**
Cash flows					
Borrowings reclassified	14,450	(14,450)	–	–	**–**
Borrowings advanced	322	19,678	–	–	**20,000**
Borrowings repaid	(301)	–	–	–	**(301)**
Ground rent paid	–	–	–	(512)	**(512)**
Non-cash flows					
Amortisation of debt set up fees	–	108	–	–	**108**
Change in fair value of interest rate swaps	–	–	(48)	–	**(48)**
Change in fair value of borrowings	–	982	–	–	**982**
Recognition of headlease liabilities acquired	–	–	–	2,097	**2,097**
At 31 March 2021	14,859	147,031	56	31,161	**193,107**

	Borrowings due within one year (note 19) £'000	Borrowings due in more than one year (note 19) £'000	Fair value of interest rate swaps (note 20) £'000	Lease liabilities (note 28) £'000	Total £'000
At 1 October 2019	257	51,303	–	27,715	**79,275**
Cash flows					
Borrowings advanced	462	53,989	–	–	**54,451**
Borrowings repaid	(215)	–	–	–	**(215)**
Loan set up fees paid	(156)	(1,139)	–	–	**(1,295)**
Ground rent paid	–	–	–	(469)	**(469)**
Non-cash flows					
Amortisation of debt set up fees	–	56	–	–	**56**
Change in fair value of interest rate swaps	–	–	(46)	–	**(46)**
Recognition of headlease liabilities acquired	–	–	–	2,076	**2,076**
At 31 March 2020	348	104,209	(46)	29,322	**133,833**

Notes to the Financial Statements

For the period 1 October 2020 to 31 March 2021

27. Dividends

	Unaudited 6 months to 31 March 2021 £'000	Unaudited 6 months to 31 March 2020 £'000	Audited 6 months to 30 September 2020 £'000
Amounts recognised as distributions to shareholders in the period to 31 March 2021:			
4th interim dividend for the year ended 30 September 2020 of 1.25p per share (2019 1.25p)	**2,137**	2,138	
1st interim dividend for the year ended 30 September 2021 of 1.25p per share (2020 1.25p)	**2,138**	2,138	
	4,275	4,276	
Categorisation of dividends for UK tax purposes:			
Amounts recognised as distributions to shareholders in the period:			
Property Income Distribution (PID)	**2,052**	1,710	
Non-PID	**2,223**	2,566	
	4,275	4,276	
Amounts not recognised as distributions to shareholders in the period:			
2nd interim dividend for the year ended 30 September 2020 of 1.25p per share (2019 1.25p)			2,131
3rd interim dividend for the year ended 30 September 2020 of 1.25p per share (2019 1.25p)			2,138
			4,271

On 7th May 2021, the Company declared its second interim dividend of 1.25 pence per share for the period 1 January 2021 to 31 March 2021.

The Company intends to continue to pay dividends to shareholders on a quarterly basis in accordance with the REIT regime.

Dividends are not payable in respect of its Treasury shares held.

28. Lease arrangements

The Group as lessee

The interest expense in respect of lease liabilities for the period was £512,000 (31 March 2020: £488,000).

There was no expense relating to variable lease payments in the period (31 March 2020: Nil).

The Group did not have any short-term leases or leases for low value assets accounted for under IFRS 16 paragraph 6, nor any sale and leaseback transactions.

The total cash outflow in respect of leases was £512,000 (31 March 2020: £488,000).

At 31 March 2021, the Group had outstanding commitments for future minimum lease payments under non-cancellable leases, which fall due as follows:

As at 31 March 2021	Less than one year £'000	Two to five years £'000	More than five years £'000	Total £'000
Minimum lease payments	986	3,943	130,205	135,134
Interest	–	(287)	(103,686)	(103,973)
Present value at 31 March 2021	**986**	**3,656**	**26,519**	**31,161**

As at 30 September 2020	Less than one year £'000	Two to five years £'000	More than five years £'000	Total £'000
Minimum lease payments	936	3,743	123,461	128,140
Interest	–	(273)	(98,291)	(98,564)
Present value at 30 September 2020	936	3,470	25,170	29,576

The above commitment is in respect of ground rents payable for properties held by the Group under leasehold. There are 2,270 (30 September 2020: 2,267) properties held under leasehold with an average unexpired lease term of 129 years (30 September 2020: 129 years).

The majority of restrictions imposed are the covenants in place limiting tenancies to people of retirement age.

The Group as lessor

The Group leases some of its investment properties under operating leases. At the balance sheet date, the Group had contracted with tenants for the following future aggregate minimum rentals receivable under non-cancellable operating leases:

	Unaudited 31 March 2021 £'000	Audited 30 September 2020 £'000
Receivable within 1 year	**5,908**	4,912
Receivable between 1-2 years	**3,862**	2,907
Receivable between 2-3 years	**3,862**	2,907
Receivable between 3-4 years	**3,862**	2,907
Receivable between 4-5 years	**3,862**	2,907
Receivable after 5 years	**214,329**	122,918
	235,685	139,458

The total of contingent rents recognised as income during the period was £nil (31 March 2020: £nil).

The majority of leases are assured tenancy or assured shorthold tenancy agreements. The table above shows the minimum lease payments receivable under the assumption that all tenants terminate their leases at the earliest opportunity. However, assured tenancies are long-term agreements providing lifetime security of tenure to residents.

The leases in the licensed retirement homes portfolio are indefinite and would only be terminated in the event that the leaseholders of the relevant retirement development vote to no longer have a resident house manager living at their development.

The Group's shared ownership properties are let to Shared Owners on leases with an initial c.130-year lease term.

Two of the Group's properties are let out on more traditional leases which account for approximately 10% of total rental income.

Notes to the Financial Statements

For the period 1 October 2020 to 31 March 2021

The table below shows our expected lease receivables, excluding future rent reviews, from existing leases based on historical turnover rates consistent with our assumptions for valuing the properties:

	Unaudited 31 March 2021 £'000	Audited 30 September 2020 £'000
Receivable within 1 year	**22,064**	20,775
Receivable between 1-2 years	**18,705**	17,528
Receivable between 2-3 years	**15,998**	14,865
Receivable between 3-4 years	**13,814**	12,716
Receivable between 4-5 years	**12,050**	10,980
Receivable after 5 years	**261,685**	169,221
	344,316	246,085

29. Net asset value per share

	Unaudited 31 March 2021 £'000	Audited 30 September 2020 £'000
Net assets	**179,710**	179,612
	179,710	179,612
Ordinary shares in issue at period end (excluding shares held in treasury)	**171,019,648**	171,019,648
Basic NAV per share (pence)	**105.1**	105.0

The net asset value ('NAV') per share is calculated as the net assets of the Group attributable to shareholders divided by the number of Ordinary Shares in issue at the period end.

EPRA Net Tangible Assets (NTA) per share

	31 March 2021 £'000	30 September 2020 £'000
IFRS NAV per the financial statements	**179,710**	179,612
Revaluation of trading properties	**295**	710
Fair value of financial instruments	**1,038**	(614)
Real estate transfer tax*	**739**	1,247
EPRA NTA	**181,782**	180,955
Fully diluted number of shares (thousands)	**171,020**	171,020
EPRA NAV per share (pence)	**106.3**	105.9

* purchaser's cost to complete

The EPRA net tangible assets (' EPRA NTA') per share is calculated as the EPRA NTA of the Group attributable to shareholders divided by the number of Ordinary Shares in issue at the period end.

30. Contingent liabilities and commitments

ReSI's shared ownership portfolio has been supported by £8.3m government grant funding. In some circumstances, typically when a shared owner staircases, ReSI will be required to recycle the grant into the purchase of new properties within three years or to repay it to the grant providing body.

In the period ReSI committed to the acquisition (by exchange of contracts) of 191 shared ownership homes from Orbit for a total acquisition cost of £16.4 million. £14.6m of the acquisition completed in the period and ReSI expects to complete on the remaining £1.8 million acquisition by the end of the Group's financial year.

In the period ReSI committed to the acquisition (by exchange of contracts) of 85 shared ownership homes from Brick by Brick for a total acquisition cost of £29.0 million. The acquisition is expected to complete by the end of the Group's financial year.

There are no provisions for fines and settlements specified for ESG (Environmental, Social or Governance) issues.

31. Related party disclosure

As defined by IAS 24 Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

For the period ended 31 March 2021, the Directors of the Group are considered to be the key management personnel. Details of amounts paid to Directors for their services can be found within note 8, Directors' fees and expenses.

ReSI Capital Management Limited acts as alternative investment fund manager (the "Fund Manager"), in compliance with the provisions of the AIFMD, pursuant to the Fund Management Agreement. The Fund Manager has responsibility for the day-to-day management of the Company's assets in accordance with the Investment policy subject to the control and directions of the Board.

The Fund Management agreement is terminable on not less than 12 months' notice, such notice not to expire earlier than 12 July 2022 (the fifth anniversary of admission to the Official List of the UKLA and traded on the London Stock Exchange main market).

Details regarding the Fund Manger's entitlement to a management fee are shown in note 7.

For the period ended 31 March 2021, the Company incurred £911,172 (period ended 31 March 2020: £926,504) in respect of fund management fees and no amount was outstanding as at 31 March 2021 (31 March 2020: £nil). The above fee was split between cash and equity as per the Fund Management Agreement with the cash equating to £683,380 (31 March 2020: £695,010) and the equity fee of £227,972 (31 March 2020: £231,494) being paid as 251,394 (31 March 2020: 242,752) Ordinary Shares at an average price of £0.90 per share (31 March 2020: £0.95 per share).

In addition, the Fund Manager was paid a fee, pursuant to the Fund Management Agreement, of £159,214 (31 March 2020: £nil) in respect of its arrangement of borrowings for the Group.

During the period the Directors and the Fund Manager received dividends from the Company of £4,210 (31 March 2020: £2,121) and £23,542 (31 March 2020: £34,406) respectively.

32. Post balance sheet events

As of the date of signing of these financial statements, there have been no significant events that require disclosure to, or adjustment in the interim financial statements as at 31 March 2021.

33. Financial instruments

The table below sets out the categorisation of the financial instruments held by the Group as at 31 March 2021. Borrowings held at amortised cost have a fair value of £115.8m. The carrying amount of other financial instruments approximates to their fair value.

	Unaudited 31 March 2021 £'000	Audited 30 September 2020 £'000
Financial assets		
Trade and other receivables	**686**	1,347
Cash and cash deposits	**10,804**	10,365
	11,490	11,712
Financial liabilities		
At amortised cost		
Obligations under finance leases	**31,161**	29,576
Borrowings	**107,627**	107,819
Trade and other payables	**5,585**	5,114
	144,373	142,509
At fair value through profit or loss		
Interest rate swap derivative contracts	**56**	104
Borrowings	**54,263**	33,282
	54,319	33,386
	198,692	175,895

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For the period 1 October 2020 to 31 March 2021

34. Supplemental financial information

Net rental yield

The net yield on the Group's historical cost of investment property represents the unlevered rental income return on the Group's capital deployed into acquisition of investment properties.

	Unaudited 31 March 2021 £'000	Audited 30 September 2020 £'000
Annualised net rental income at balance sheet date	**13.2**	11.8
Historical cost of investment property	**299.9**	279.4
Historical cost of investments not yet income producing	**(24.9)**	(40.4)
Historical cost of income producing investment properties	**275.0**	239.0
Net rental yield	**4.8%**	4.9%

35. EPRA Performance Measures (unaudited)

The European Public Real Estate Association (EPRA) is the body that represents Europe's listed property companies. The association sets out guidelines and recommendations to facilitate consistency in listed real estate reporting, in turn allowing stakeholders to compare companies on a like-for-like basis. As a member of EPRA, the Company is supportive of EPRA's initiatives and discloses measures in relation to the EPRA Best Practices Recommendations ('EPRA BPR') guidelines.

Performance measure	Definition
1) EPRA Earnings Recurring earnings from core operational activities.	This is a key measure of a company's underlying operating results, providing an indication of the extent to which current dividend payments are supported by earnings.
2) EPRA NAV METRICS	The EPRA NAV set of metrics make adjustments to the NAV per the IFRS financial statements to provide stakeholders with the most relevant information on the fair value of the assets and liabilities of a real estate investment company, under different scenarios.
3 i) EPRA Net Initial Yield ('NIY')	Annualised rental income based on cash rents at the balance sheet date, less non-recoverable property expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.
3 ii) EPRA 'topped-up' yield	This measure incorporates an adjustment to EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives, such as discounted rent periods and step rents).
4) EPRA Vacancy Rate	Estimated Market Rent Value ('ERV') of vacant space divided by ERV of the whole portfolio.
5) EPRA Cost Ratios	This measure includes all administrative and operating expenses including share of joint ventures' overheads and operating expenses, net of any service fees, all divided by gross rental income.

1) EPRA Earnings Recurring earnings from core operational activities.

	31 March 2021 £'000	31 March 2020 £'000
Earnings per IFRS income statement	4,373	1,351
Changes in value of investment properties	(2,758)	1,021
Less: Profits or losses on disposal of investment properties	(20)	7
Less: Profits or losses on sales of trading properties incl. impairment charges in respect of trading properties.	(391)	(157)
Changes in fair value of financial instruments and associated close-out costs	933	6
EPRA Earnings	**2,137**	**2,228**
Basic number of shares (thousands)	171,020	171,020
EPRA Earnings per share (EPS) (pence)	1.25	1.30
Company specific adjustments:		
Exclude one off costs	497	5
Include shared ownership first tranche sales	391	157
Company specific adjusted earnings	3,025	2,390
Company specific adjusted EPS (pence)	1.77	1.40

2) EPRA Net Tangible Assets (NTA) and EPRA Net Reinstatement Value (NRV)

	31 March 2021 £'000	30 September 2020 £'000
IFRS NAV per the financial statements	179,710	179,612
Revaluation of trading properties	295	710
Fair value of financial instruments	1,038	(614)
Real estate transfer tax*	739	1,247
EPRA NTA / EPRA NRV	181,782	180,955
Fully diluted number of shares (thousands)	171,020	171,020
EPRA NTA / EPRA NRV per share (pence)	106.3	105.8

* Purchaser's costs

3) EPRA Net Disposable Value (NDV)

	31 March 2021 £'000	31 March 2020 £'000
IFRS NAV per the financial statements	179,710	179,612
Revaluation of trading properties	295	710
Fair value of fixed interest rate debt	(5,793)	(16,575)
EPRA NDV	174,212	163,747
Fully diluted number of shares (thousands)	171,020	171,020
EPRA NDV per share (pence)	101.9	95.8

Notes to the Financial Statements

For the period 1 October 2020 to 31 March 2021

4) EPRA Net Initial Yield (NIY) AND EPRA "Topped Up" NIY

	31 March 2021 £'000	30 September 2020 £'000
Investment property – wholly owned	**324,724**	302,206
Trading property (including share of JVs)	**6,189**	10,421
Completed property portfolio	**330,913**	312,627
Allowance for estimated purchasers' costs	**19,855**	18,758
Gross up completed property portfolio valuation	**350,768**	331,385
Annualised cash passing rental income	**24,483**	23,762
Property outgoings	**(8,789)**	(8,244)
Annualised net rents	**15,694**	15,518
Add: notional rent expiration of rent free periods or other lease incentives	**-**	-
Topped-up net annualised rent	**15,694**	15,518
EPRA NIY	**4.5%**	4.7%
EPRA Topped up NIY	**4.5%**	4.7%

5) EPRA Vacancy Rate

	31 March 2021 £'000	30 September 2020 £'000
Estimated Rental Value of vacant space	**2,062**	3,147
Estimated rental value of the whole portfolio	**24,483**	23,762
EPRA Vacancy Rate	**8%**	13%

6) EPRA Cost Ratios

	31 March 2021 £'000	31 March 2020 £'000
Administrative/operating expense line per IFRS income statement	**1,403**	1,548
Management fees less actual/estimated profit element	**770**	725
EPRA Costs (including direct vacancy costs)	**2,173**	2,273
Direct vacancy costs	**(193)**	(174)
EPRA Costs (excluding direct vacancy costs)	**1,980**	2,099
Gross Rental Income	**10,457**	9,739
EPRA Cost Ratio (including direct vacancy costs)	**21%**	23%
EPRA Cost Ratio (excluding direct vacancy costs)	**19%**	22%

Gloassary

Administrator	The Company's administrator from time to time, the current such administrator being MGR Weston Kay LLP.
AIC	Association of Investment Companies.
Alternative Investment Fund or "AIF"	An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.
Alternative Investment Fund Managers Directive or "AIFMD"	A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.
Annual General Meeting or "AGM"	A meeting held once a year which shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask directors questions about the company in which they are invested.
Articles or Articles of Association	Means the articles of association of the Company.
Company Secretary	The Company's company secretary from time to time, the current such company secretary being PraxisIFM Fund Services (UK) Limited.
Discount	The amount, expressed as a percentage, by which the share price is less than the net asset value per share.
Depositary	Certain AIFs must appoint depositaries under the requirements of AIFMD. A depositary's duties include, inter alia, safekeeping of assets, oversight and cash monitoring. The Company's current depositary is Thompson Taraz Depositary Limited.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders.
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
Functional Home	Means both a Unit and an aggregation of multiple Units offering elderly care facilities, assisted living facilities, sheltered housing or supported housing that are made available, by a Tenant, Occupant or Nominator (as the case may be) to a Resident/Residents.
Fund Manager	Means ReSI Capital Management Limited, a company incorporated in England and Wales with company number 07588964 in its capacity as Fund Manager to the Company.
Gearing	A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.
Housing Association	Means a regulated independent society, body of trustees or company established for the purpose of providing social housing.
Investment Company	A company formed to invest in a diversified portfolio of assets.
Issue Price	100 pence per Ordinary Share.

Glossary

Leverage	An alternative word for "Gearing". Under AIFMD, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.
Liquidity	The extent to which investments can be sold at short notice.
Loan to Value (LTV)	Ratio of total debt outstanding, excluding the finance lease liability, against the total assets excluding the adjustment for finance lease gross up.
Market Rental Home	Means both a Unit of residential accommodation and an accommodation block comprising multiple Units facilities that is/are made available, by a Tenant, Occupant or Nominator, to a Resident/Residents at a market rent.
Net assets	Means the net asset value of the Company as a whole on the relevant date calculated in accordance with the Company's normal accounting policies.
Net asset value (NAV) per Ordinary Share	Means the net asset value of the Company on the relevant date calculated in accordance with the Company's normal accounting policies divided by the total number of Ordinary Shares then in issue.
Non PID dividend	Means a dividend paid by the Company that is not a PID.
Ongoing charges	A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company.
Ordinary Shares	The Company's Ordinary Shares of 1p each.
PID	Means a distribution referred to in section 548(1) or 548(3) of the CTA 2010, being a dividend or distribution paid by the Company in respect of profits or gains of the Property Rental Business of the Group (other than gains arising to non-UK resident Group companies) arising at a time when the Group is a REIT insofar as they derive from the Group's Property Rental Business.
Portfolio	A collection of different investments held in order to deliver returns to shareholders and to spread risk.
Premium	The amount, expressed as a percentage, by which the share price is more than the net asset value per share.
Property Rental Business	Means a Property Rental Business fulfilling the conditions in section 529 of the CTA 2010.
REIT	Real estate investment trust.
Rental Agreement	comprise Leases, Occupancy Agreements and Nominations Agreements.

Reputable Care Provider	Means a Statutory Registered Provider or other private entity in the business of building, managing and/or operating Functional Homes in the United Kingdom that the Fund Manager considers reputable in light of its investment grade equivalent debt strategy.
Reversionary Surplus	The increase in valuation if the portfolio is valued on a vacant possession basis compared to the IFRS fair value.
Share buyback	A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.
Share price	The price of a share as determined by a relevant stock market.
Shared Owner	Means the part owner of a shared ownership home that occupies such shared ownership home in return for the payment of rent to the co-owner.
Social impact per share	The social, economic and environmental impact and value of investments calculated using two key analysis frameworks, Social Return on Investment (SROI) and Economic Impact, divided by the number of shares outstanding.
Sub-Market Rental Home	Means a Unit of residential accommodation that is made available, by a Tenant, Occupant or Nominator, to a Resident to rent at a level below the local market rent.
Total return	A measure of performance that takes into account both income and capital returns.
Treasury shares	A company's own shares which are available to be sold by a company to raise funds.

Company Information

Directors
Robert Whiteman (Non-executive Chairman)
Robert Gray (Non-executive Director)
John Carleton (Non-executive Director)
Elaine Bailey (Non-executive Director)

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