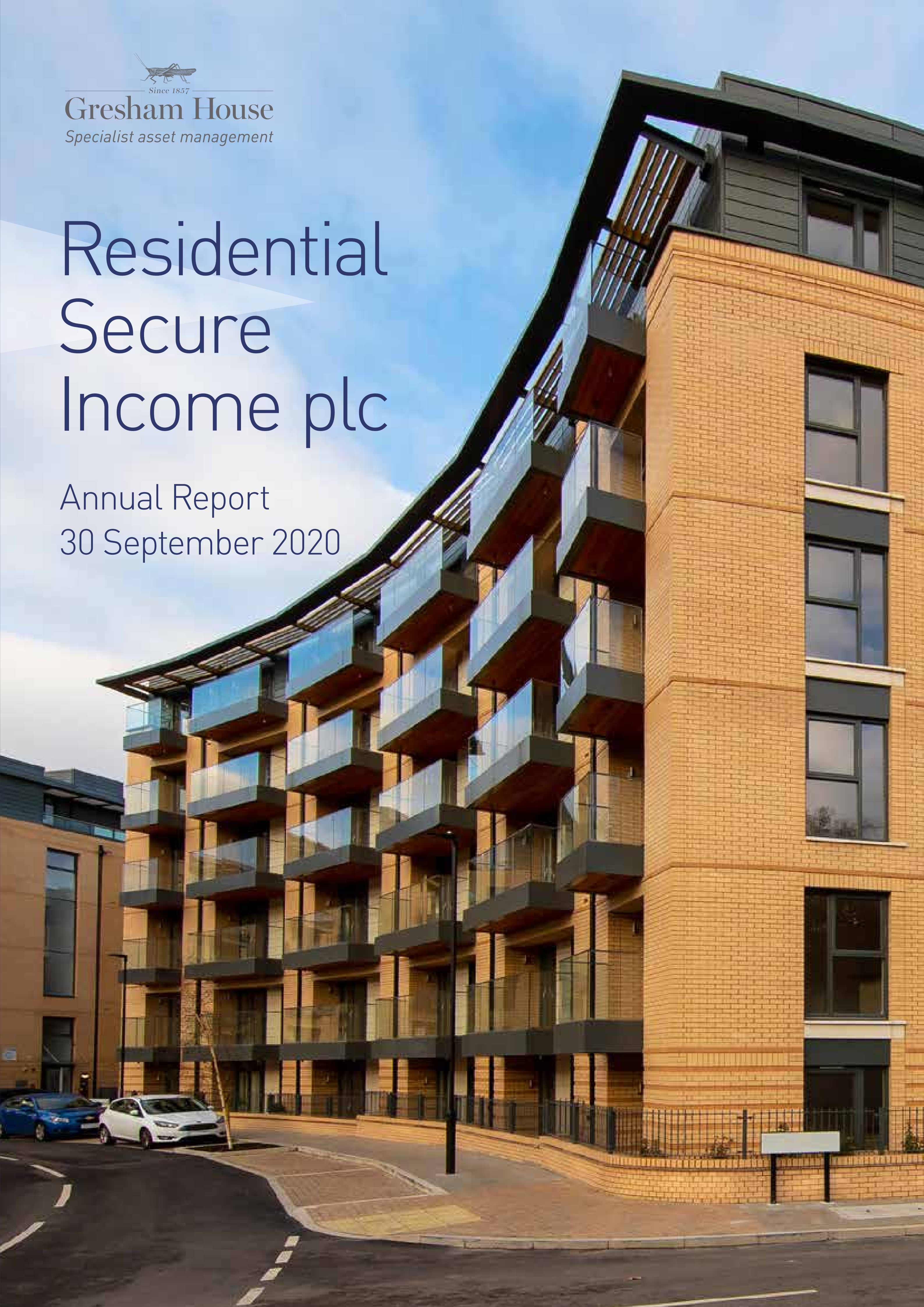
Since 1857
Gresham House
Specialist asset management

Residential Secure Income plc

Annual Report
30 September 2020



Contents

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.

Investment Case

Why affordable and social housing?

Stable, long-term, INFLATION LINKED RENTS

Diversified and diversifying income stream

Below market rents ensuring ongoing demand

Supply / demand imbalance from historic undersupply

Two million shortfall in homes delivered versus NHF target over last decade[1]

REDUCING DEVELOPMENT APPETITE FROM COMPETITORS

94% of affordable housing delivered by not-for-profits[2]

[1] MHCLG and National Housing Federation

[2] MHCLG and English Housing Survey

Why ReSI?

Wholly owned Registered Provider of SOCIAL HOUSING

LONG-TERM INVESTMENT grade equivalent debt

Average 23 year maturity

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

19 year proven track record financing and ADVISING SOCIAL HOUSING

Sustainable investment approach maximises social impact

Funding Partners

GREATER LONDON AUTHORITY

Homes England

Financial Highlights as at 30 September 2020

INCOME

10.3% INCREASE
OPERATING PROFIT BEFORE PROPERTY DISPOSALS AND CHANGE IN FAIR VALUE VERSUS FY19

ADJUSTED EARNINGS PER SHARE
2.9p

30 September 2019: 2.8p
See note 14 on page 92

IFRS EARNINGS PER SHARE
1.4p

30 September 2019: 7.7p
See note 14 on page 92

DIVIDEND PER SHARE
5.0p

Year to 30 September 2019: 5.0p

CAPITAL

105.0p/-3.3%
IFRS NET ASSET VALUE PER SHARE

30 September 2019: 108.6p.
See note 31 on page 101

£302m
VALUE OF INVESTMENT PROPERTY*

30 September 2019: £261m.
See note 16 on page 93

3.3m
(1.9% of the total number of shares outstanding)

Shares held by the fund manager, current and founder directors of the fund manager, and directors of ReSI plc as at 30 September 2020 (30 September 2019: 2.8m)

43%
GAV LEVERAGE RATIO

30 September 2019: 36%
See note 35(e) on page 104

23 Years
WEIGHTED AVERAGE REMAINING LIFE OF DEBT

30 September 2019: 19 years

* FY20 metric has changed – no longer contains committed acquisitions. The FY19 comparative has been updated to reflect this.

Portfolio Snapshot

2,708
HOMES

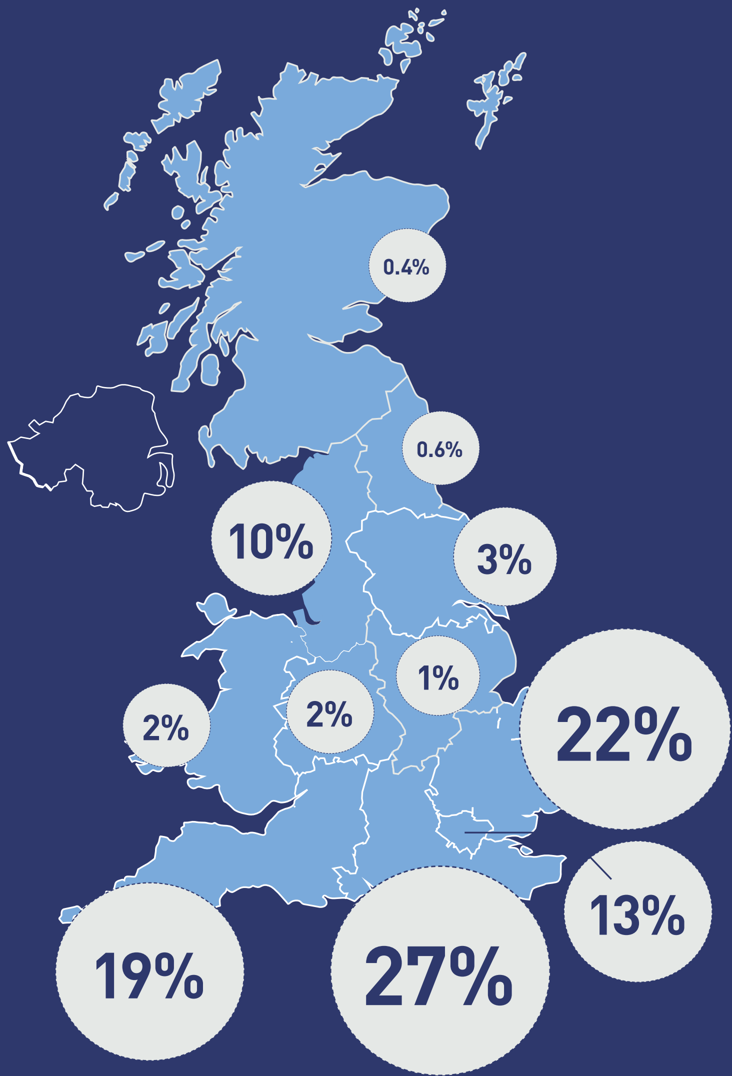
30 September 2019: 2,545

669
UNIQUE UK PROPERTY LOCATIONS

30 September 2019: 655

162
NUMBER OF NEW SHARED OWNERSHIP HOMES DELIVERED IN FY20

Year to 30 September 2019: 34



NET RENTAL INCOME IN YEAR TO 30 SEPTEMBER 2020
£11.3m

Year to 30 September 2019: £11.2m
See note 6 on page 90

ANNUALISED NET YIELD
4.9%

30 September 2019: 5.0%
See note 36 on page 104

2,111
NUMBER OF COUNTERPARTIES

30 September 2019: 1,936

Comparatives

Unless otherwise stated, comparative metrics are reported against 30 September 2019.

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

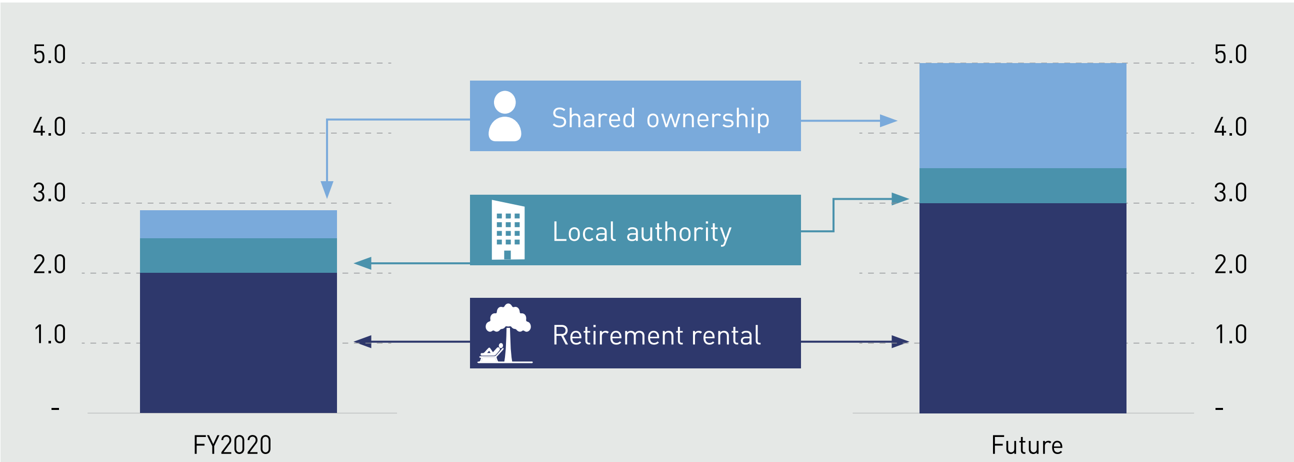
2,708 HOMES

196 SHARED OWNERSHIP HOMES
19% by value

289 LOCAL AUTHORITY HOUSING UNITS
11% by value

2,223 RETIREMENT RENTAL HOMES
70% by value

NET OPERATING INCOME BY PORTFOLIO (PENCE PER SHARE)



Future performance is an indication of the composition of the portfolio when fully deployed.

FY20 Income Generating Portfolio
2,546 HOMES £256M

Acquired FY20
162 HOMES £46M

Pipeline
£32M

£210M RETIREMENT RENTALS 2,223 HOMES

£34M LOCAL AUTHORITY 289 HOMES

£58M SHARED OWNERSHIP 196 HOMES

£32M PIPELINE SHARED OWNERSHIP

Summary of Portfolio

SHARED OWNERSHIP

- **Part buy, part rent affordable homes ownership**
- Shared ownership portfolio now 85% occupied or reserved, delivering £0.5 million first tranche sales profit in FY20
- 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
- Shared ownership will be the predominant focus of ReSI's ongoing investment

Social impact

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

196 Homes (19% of portfolio value)

£58m Valuation as at 30 September 2020

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

2,223 Homes (70% of portfolio value)

£210m Valuation as at 30 September 2020

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 (11% of portfolio value)

£34m Valuation as at 30 September 2020

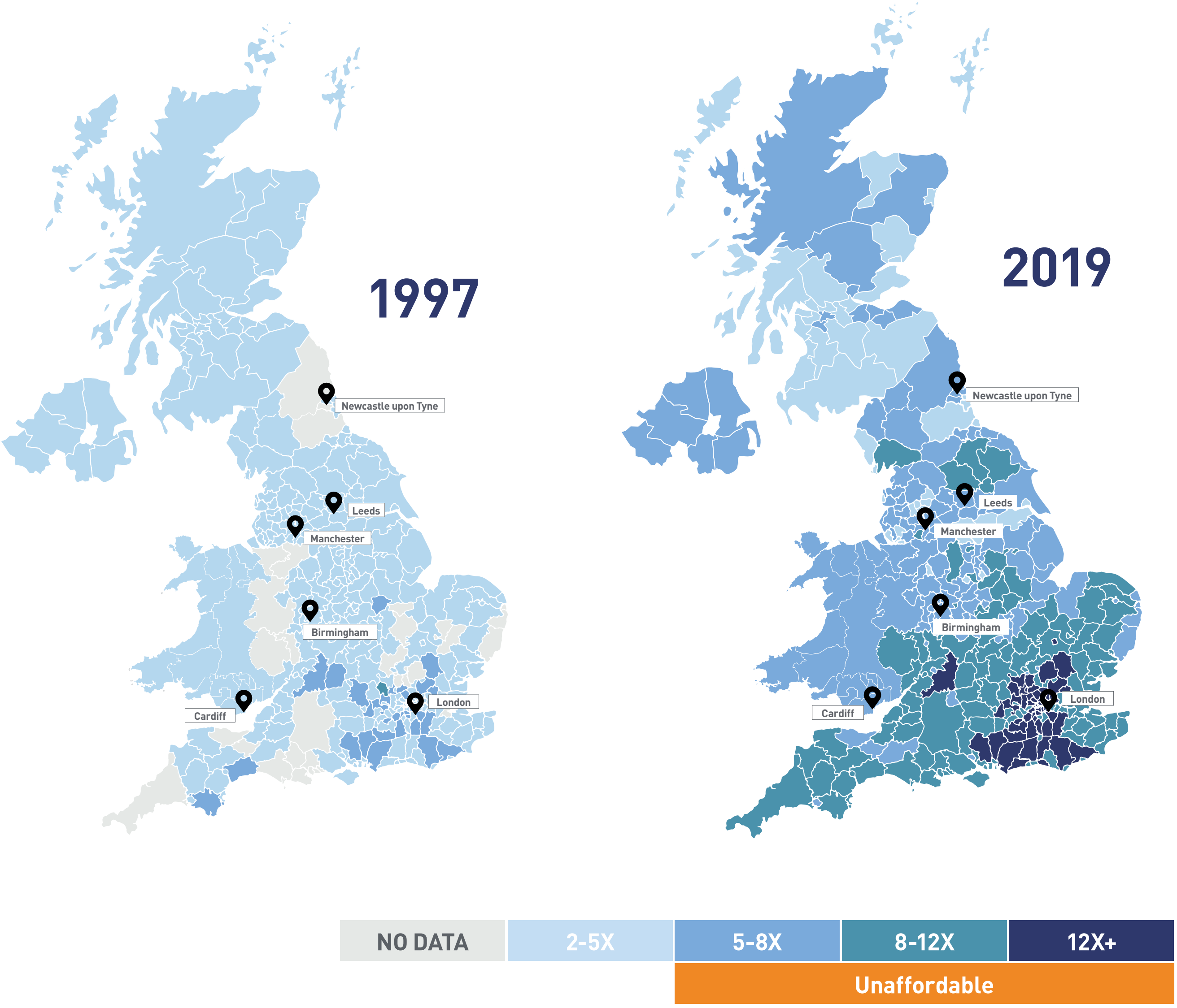
Market Drivers

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.

An increasing need for affordable homes

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

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 competitors

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).

Below market rents ensuring ongoing demand

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.

ReSI's Core Drivers

Wholly owned 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.

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 2.6%. 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. Please see page 21 for more information.

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 framework 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.

ADVISING SOCIAL HOUSING

19 year proven 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 19 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' relevant experience, covering fund management, housing investment, social housing management and financial and risk expertise.

Secure 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.

Investment Portfolio - Shared Ownership

Shared ownership housing

- Shared ownership will be the predominant focus of ReSI's ongoing investment.
- Shared ownership allows middle and lower income households to buy an initial stake of at least 25% in a property and pay a below market rent on the remaining part. The average income for shared ownership residents is £36k (CML Regulated Mortgage Survey December 2015).
- Shared owners have the option to staircase (i.e. to 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 by enabling a broad range of buyers to purchase a home with a smaller deposit and lower annual payments than would be required under Help to Buy or an outright purchase.
- Creates supply of additional sub-market rental homes.
- For more information on shared ownership's social impact, see page 36.
- There are 190,000 shared ownership homes across England, and a total of 17,024 new shared ownership sales were made in the year to March 2020 (Savills, 2020).

Shared ownership portfolio at a glance

- ReSI's portfolio consists of 196 new build homes, with a fair value of £58m.

	Totteridge Place	Clapham Park	Step Forward	Brampton Park
Date	January 2019	January / July 2020	July 2020	September 2020
Size	£16.5m/ 34 homes	£60.6m / 132 homes	£2.2m / 24 homes	£1.6m / 6 homes
Why is it good for ReSI?	First shared ownership acquisition. Enabled Investment Partner status with the GLA	First acquisition from a Housing Association (Metropolitan Thames Valley)	Expands portfolio outside London with fully income generating homes	Enabled Investment Partner status with Homes England
Status	**64% occupied; 21% in sales progression; 15% available as date of report signing**			

SHARED OWNERSHIP PORTFOLIO AT A GLANCE

196 SHARED OWNERSHIP HOMES DELIVERED

£6m OF GRANT FUNDING
used to deliver homes intended for private sale as shared ownership

99% OF RENT COLLECTED
in the year to Sept 2020

ReSI's portfolio is managed by **Metropolitan Thames Valley Housing ("MTVH")** one of the largest Housing Associations and a recognised leader in shared ownership

MANAGING
c.9,000
SHARED OWNERSHIP HOMES

DELIVERING
c.500 EACH YEAR

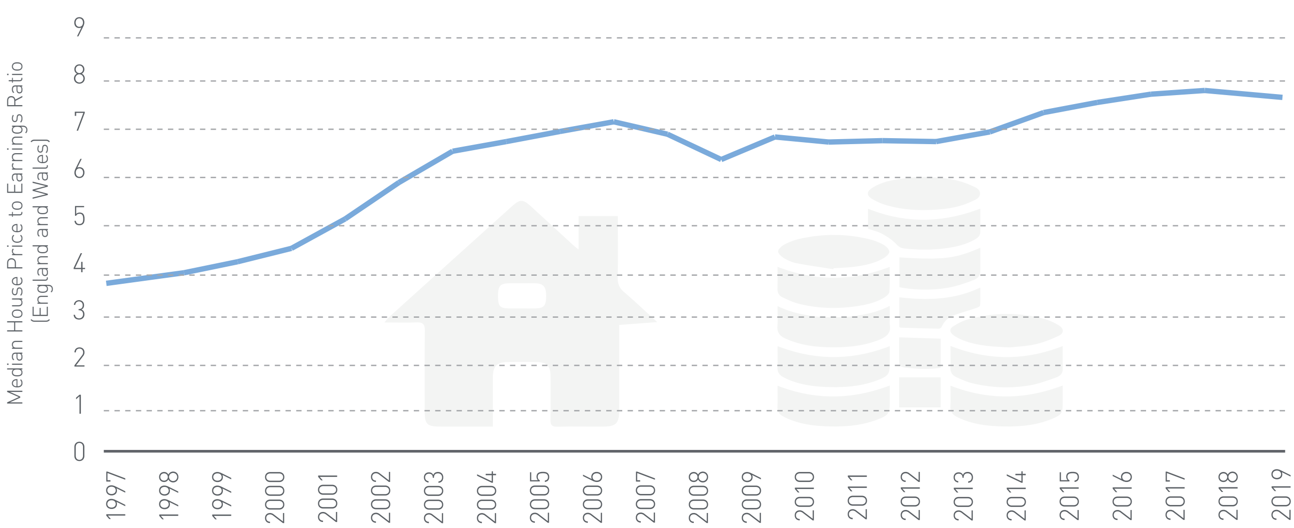
162 NEW SHARED HOMES DELIVERED THIS FINANCIAL YEAR

RESI'S PORTFOLIO CONSISTS OF
196
new build apartments, with a fair value of £58m

85% OF RESI'S SHARED OWNERSHIP HOMES
are either occupied or reserved and moving to completion as at the date of this report

Shared ownership homes are held through our for-profit Registered Provider of social housing, ReSI Housing Limited. ReSI Housing has been awarded Investment Partner Status by both the Greater London Authority and Homes England, the UK Government public bodies that fund new affordable housing in England, and so is able to access £12bn of grant funding for over 180,000 new affordable homes.

MEDIAN HOUSE PRICE TO MEDIAN EARNINGS



ONS, "House price to residence-based earnings ratio dataset", March 2020

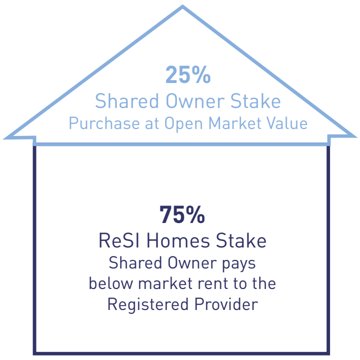
Investment Portfolio - Shared Ownership

Shared ownership overview

Part-buy, part-rent model makes shared ownership the affordable home ownership solution

Shared ownership provides the affordable route to home ownership through a part buy, part rent model with subsidised rents and low deposit requirements. In summary, the shared owner:

1. Purchases an equity stake in their new home at Open Market Value (OMV). This is known as the "first tranche sale" and is minimum of 25% of the value of the property;



2. Pays a below market rent on the remaining unsold equity, usually held by a Registered Provider, which contractually increases annually at RPI+0.5%;
3. Has the option to incrementally purchase additional shares in its home at the prevailing open market value (known as "staircasing");
4. Typically finances their initial stake with a 90% mortgage; and
5. Is fully responsible for all maintenance, repair and insurance, creating strong alignment of interest.

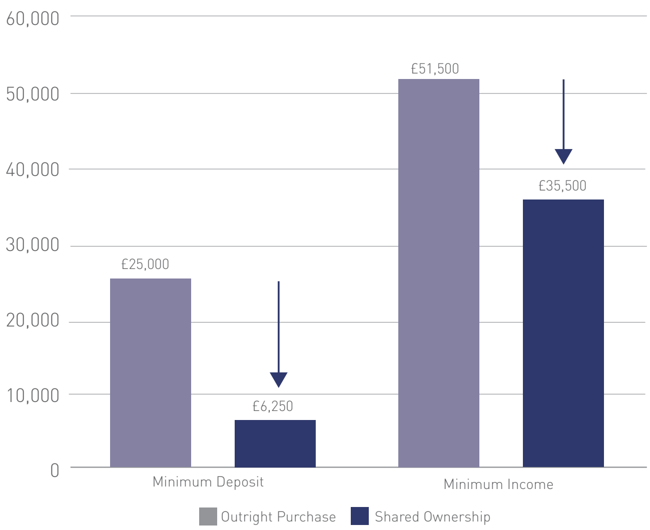
Shared ownership is required to be affordable to incoming shared owners, which typically means no more than 40% of post-tax income of new shared owners can be spent on total housing costs (i.e. mortgage, rent and any service charge).

Increased affordability provides huge demand for shared ownership

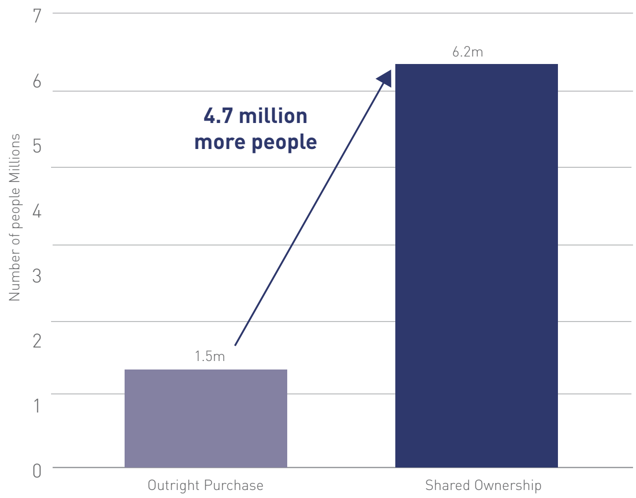
Due to lower deposit requirements and discounted rental payments, shared ownership addresses the affordability barrier that forces people into a lifetime of private market-rented accommodation with no certainty of tenure, making it difficult for people to become members of their community.

The graph below sets out the smallest amount of deposit required and the minimum income requirement to purchase a home worth £250,000 under shared ownership, and traditional home ownership.

Deposit and income comparison



Home ownership eligibility

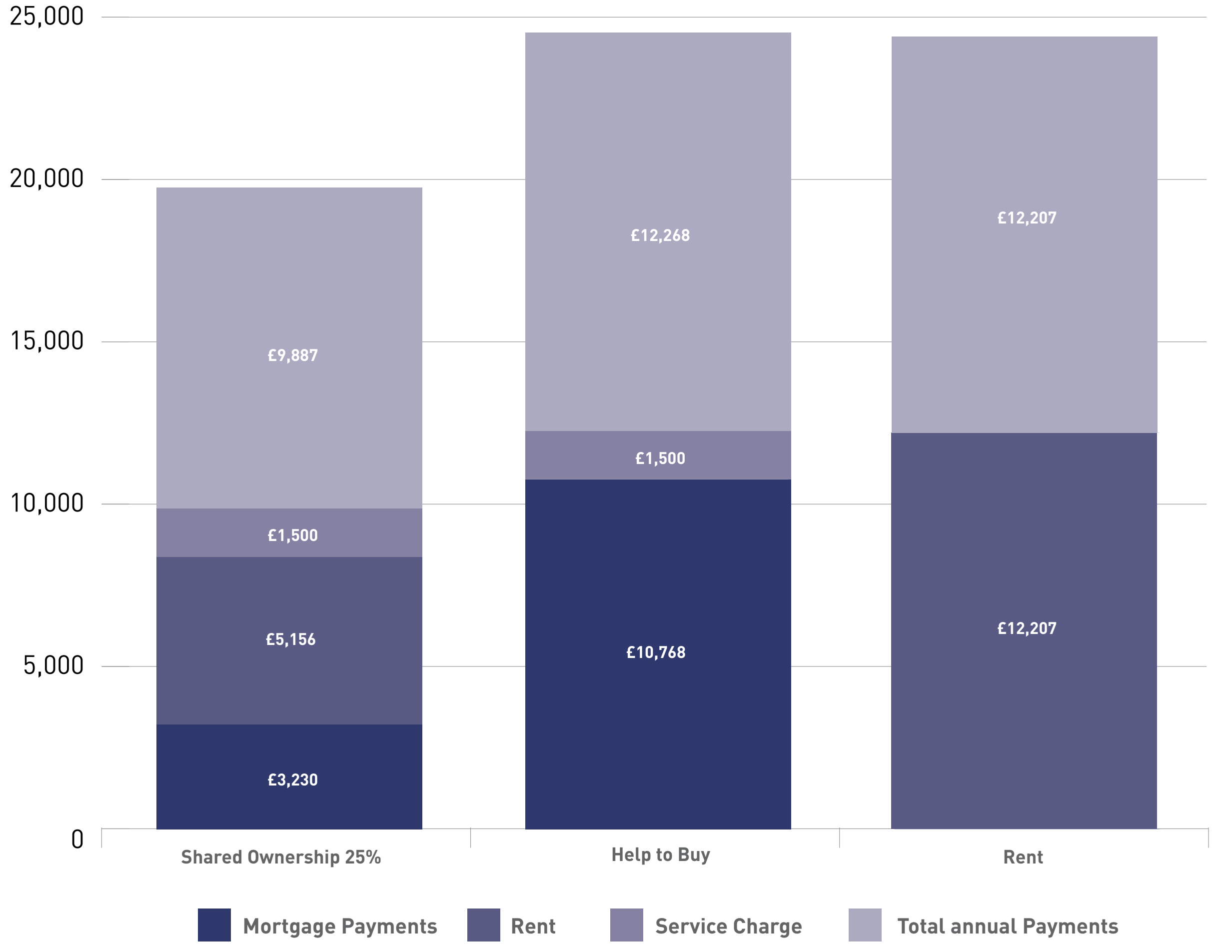


The average shared owner / owners have a household income of £36,000, in line with the minimum income requirement for the average home shown above, ranging from below £26,000 in the North East to £45,000 in London and well within the maximum limit of £80,000 per annum (£90,000 in London).

ReSI's shared ownership homes are available from a minimum 25% first tranche, to ensure that these homes are accessible to the widest possible range of buyers. This is a key differentiator from other providers that require a 40% minimum first tranche with an adverse effect on affordability.

Shared ownership is also more affordable than renting an equivalent property. An individual or family could buy a shared ownership home with annual housing costs at 40% of their net income, but would need to pay 50% of their net income to rent an equivalent property on the private rental market. This discount to market rent offers a tangible saving to shared owners.

Typical Living Costs



Assumptions:

- £250,000 home;
- 10% deposit (5% for Help to Buy with 25% Help to Buy loan);
- 25 year mortgage @ 3%;
- 4.9% market rent yield.

Case Studies

Interview with Julie, a shared ownership resident

A single parent of two children, Julie, had been renting in the local area for ten years before purchasing her shared ownership flat. Buying on the open market was out of reach for Julie, but after inheriting some money she was able to afford a shared ownership property. The Good Economy heard how her home gave her stability within the area which was particularly important for her children who were at college nearby. Julie emphasised the following as key benefits of her home:

HIGH QUALITY HOME in nice area with practical layout and good transport links

SAVINGS OF C.£300 PER MONTH

HELPFUL SALES TEAM AND CONCIERGE SERVICE

Interview with Avril, a retirement rentals tenant

Avril made the transition from work to retirement easier by choosing to move to a retirement community whilst she was still working. This enabled her to set up social connections ready for retirement.

There are events organised throughout the year at the development like coffee and mince pies at Christmas, and the Valentine's evening that Avril organised with a friend this year.

Avril says, "When I hear stories about lonely older people I always wonder how it has happened. I don't understand why you'd want to live alone in a three bedroom house, with all those rooms to clean and heat, when you could move into a lovely apartment like mine. It would also help with the housing shortage".

> "I'm all for retirement living! Poplar Court is well kept and safe. If you want to do your own thing you don't have to join in but I think people live longer here because they have more company and their minds are more active".

Investment Portfolio

Independent retirement rental housing

- Retirement housing provides fit for purpose homes for retired people, allowing them to maintain their independence for longer, while offering a remedy to loneliness problems and freeing up larger homes for families.
- ReSI's retirement rental income is delinked to the economy as residents primarily pay their rent from pensions and housing benefits where applicable, rather than employment income.
- Almost 25% (by net operating income) of the retirement portfolio is used to house the individuals managing retirement homes for ReSI and other leaseholders, providing additional rental security.

Social impact

- There has been a steady upward trend in life expectancy in the UK. By 2025 the average remaining life expectancy of a person reaching retirement age is expected to reach c.22 years. As a result, 25% of the UK population is expected to be over 65 by 2025 compared to 19% in 2018.
- Just 1% of UK over 60s live in purpose-built retirement housing, compared to 13% in Australia and 17% in the USA.
- There is a very limited pipeline of retirement developments in the UK, with only 3% of consented developments being designed specifically for the elderly.
- Specialist retirement housing is accessible (e.g. without steep staircases) and easy to manage, enabling people to live independently in their own living space to a greater age, whilst still having access to some level of day-to-day and emergency support.
- According to Age UK, over 1 million older people say they always or often feel lonely[1]. Nearly half of older people in the UK (49% of over 65s) say that television or pets are their main form of company, with one research report claiming that loneliness can be as harmful for our health as smoking 15 cigarettes a day. Specialised retirement accommodation helps to foster a sense of community by offering shared spaces such as a residents' lounge and communal gardens.

1 https://www.ageuk.org.uk/latest-news/archive/1-million-older-people-feel-lonely/#:~:text=Age%20UK%20is%20calling%20for,loneliness%20is%20in%20the%20UK.

RETIREMENT RENTAL PORTFOLIO AT A GLANCE

2,223
RETIREMENT RENTAL HOMES
within **652** PURPOSE BUILT
RETIREMENT HOUSING BLOCKS
(30 September 2019: 2,222 homes)

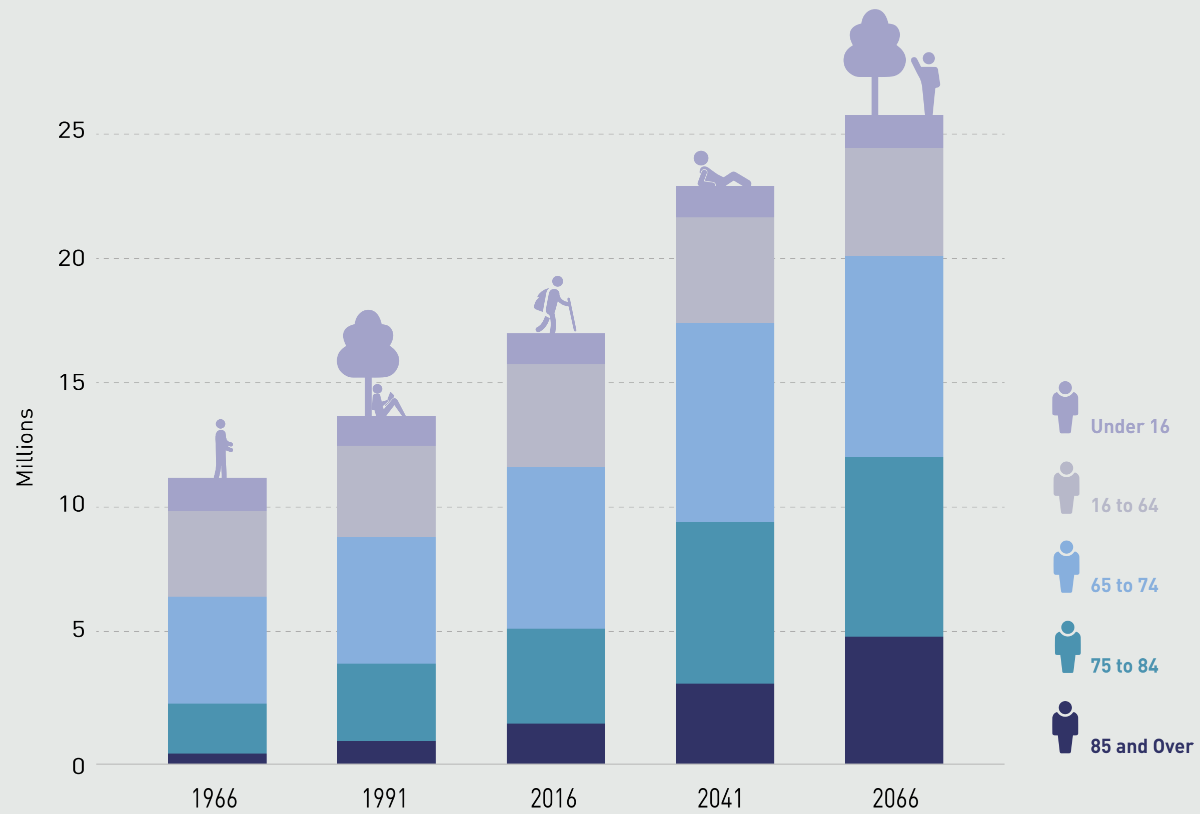
99%
OF RENT COLLECTED
in the year to Sept 2020

£9.1m
ANNUALISED NET RENT
after ground rents*

Residents are able to rent a retirement property through an assured tenancy, providing lifetime security of tenure without the burdens of home ownership

* FY19: £9.4m; FY20 lower as a result of the number of void homes being higher as at 30 September 2020 due to the impact of COVID-19.

NUMBER OF UK RESIDENTS OVER 65 YEARS OLD



Source: ONS

Investment Portfolio

Local authority housing

- ReSI's aim is to become a long-term partner to local authorities who have a statutory duty to house those who are homeless or at risk of homelessness.
- ReSI's focus is on acquiring properties in areas with the highest need for accommodation and strong supply and demand dynamics with rents set around market rent, thus minimising downside risk if the local authority does not renew a lease.

Social impact

- The UK is facing significant demand for short-term council housing nationally – there were 93,000 households in temporary accommodation as at 31 March 2020, an increase of 9.4% from 31 March 2019.
- New legislation introduced under the Homelessness Reduction Act 2017 placed additional obligations on local authorities for housing vulnerable/statutory homeless people, creating further pressures on councils looking to increase their access to emergency and temporary housing.
- Local authorities are increasingly unable to meet demand for temporary accommodation from their own housing stock (currently used to provide housing for 22% of households in temporary accommodation), diverting resources from other core services of local authorities.
- There is an increasing reliance on emergency bed & breakfasts, with use by councils rising by 146% in the 10 years to 31 March 2020, which are more costly than leasing from the private sector.
- As a result there is a shortfall between cost and support for temporary housing in London, the South East and other metropolitan areas. English local authorities spent £939m on temporary accommodation in 2018/19, a 48% increase in real terms from 2013/14.
- Rents at ReSI's properties are set at close to long-term market rent levels, provide a cost saving to local authorities, who often have to rely on costly pay-nightly accommodation and bed & breakfasts.
- ReSI provides a long-term institutional landlord to replace the numerous individual landlords that local authorities currently rely upon and removes the difficulties that local authorities have with ensuring adequate standards across their rented estates.

LOCAL AUTHORITY HOUSING PORTFOLIO AT A GLANCE

289 RESIDENTIAL HOMES IN FIVE FREEHOLD BUILDINGS

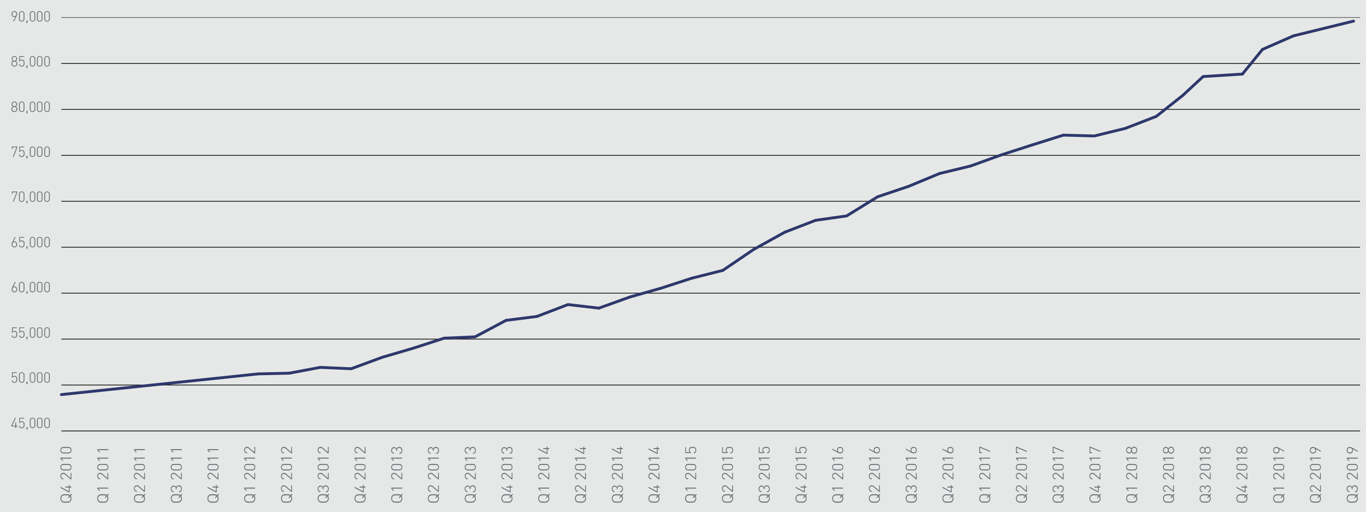
Managed and maintained by **Luton Borough Council and Mears**

FINANCED BY £14.5M OF DEBT PARTIALLY FIXED AT A COUPON OF 2.56%

ANNUALISED **NET RENT £1.8M**

100% OF RENT COLLECTED IN THE YEAR TO 30 SEPTEMBER 2020

NUMBER OF HOUSEHOLDS IN TEMPORARY ACCOMMODATION



Capital Structure

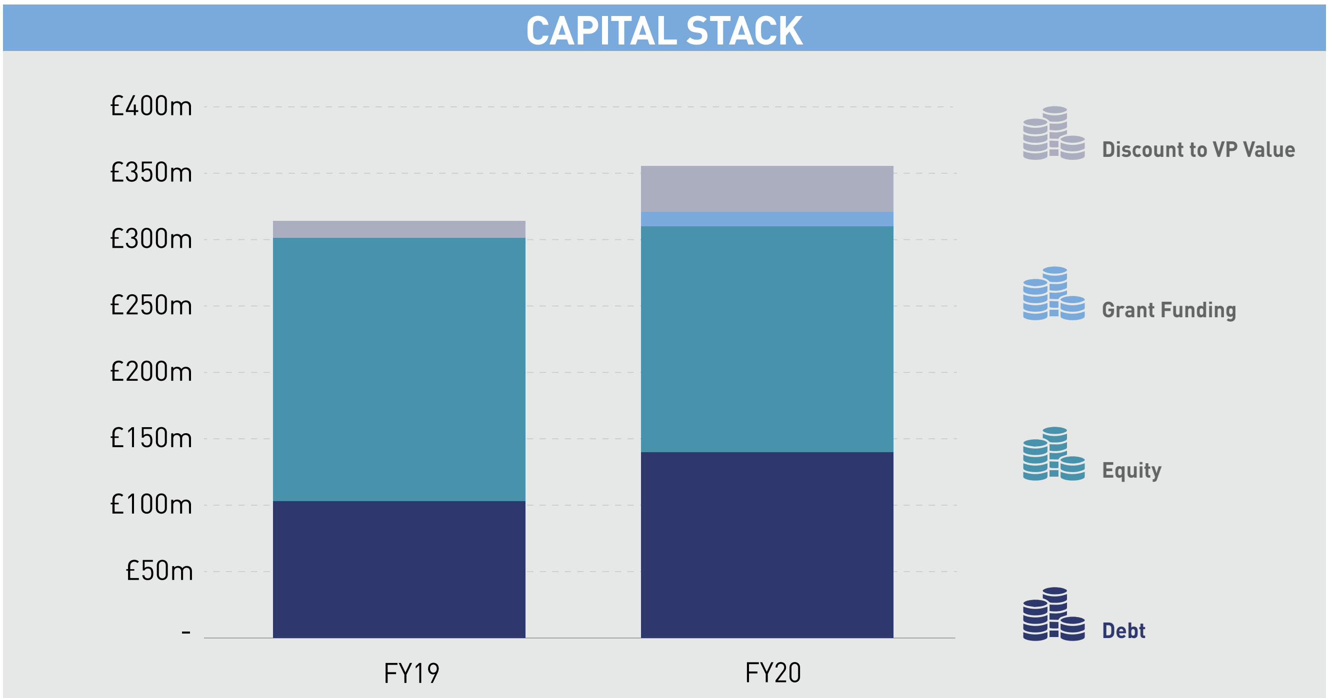
Investment grade debt ensures asset quality and provides access to low cost of funding, which expands investment opportunity to higher credit quality investments at lower yields. ReSI has used the experience of ReSI Capital Management's immediate parent company, TradeRisks Limited, to secure long-term debt to support its long-term goals.

	FY20	FY19
Total debt net of issue costs	**£141m**	£108m
GAV Leverage ratio (target 50%)	**43%**	36%
Leverage on reversion value	**39%**	33%
Weighted average cost	**2.6%**	3.3%
Weighted average maturity	**23 years**	19 years

Leverage strategy minimises traditional risks:

- **Minimises refinancing risks:** Amortising facilities limit exposure to bullet repayments
- **Minimises covenant risks:** Debt capacity based on operational cash flows rather than traditional LTV tests
- **Minimises interest rate risks:** Long-term debt matching underlying cash flows

Lender	Portfolio held against	Book value of debt	Maturity date	Annual interest rate %
Universities Superannuation Scheme	Shared ownership	£33.3m	March 2065	0.461% fixed (inflation linked)
Scottish Widows	Retirement	£95.8m	June 2043	3.46% fixed
National Westminster Bank	Local authority	£14.5m	February 2022	2.56% partially fixed
Total borrowings		**£143.6m**		



Vacant Possession ("VP") value is the value of a property that is fully vacant and not subject to restrictions on use. Shared ownership and retirement properties are valued at a discount due to below market rents and retirement use restrictions.

New Shared Ownership Debt

- First standalone investment grade financing of shared ownership.
- Successfully arranged in the midst of the COVID-19 pandemic.
- RPI linked, matching underlying shared ownership cash flows, with coupon of 0.461%.
- £300m facility drawable over the three years, supporting growth of shared ownership portfolio.
- Reduces ReSI's overall cost of debt to 2.6% from 3.3%.
- Extends ReSI's overall average debt maturity to 23 years (from 19 years).
- £2.4m of primarily legal set up costs, representing 2 basis points per annum over 45 years.
- Covenants based on cash flows rather than Loan to Value.

Universities Superannuation Scheme facility	
Outstanding debt	**£34.0m**
Fair value of debt	**£33.3m**
Facility size	**£300m**
Amortising/bullet	**Fully amortising**
Term	**45 year**
Cost	**0.46%***
LTV	**48%**
Fixed/floating	**Fixed (RPI linked with 0% floor, 5% collar)**

* RPI linked – see fixed / floating explanation above and note 21 for further details.

ACCOUNTING FOR RPI LINKED DEBT

Coupon payments RECOGNISED FINANCE COST

Movements in the fair value of debt at each reporting date are recognised in profit or loss

Debt held at fair value through profit and loss on balance sheet

FULL DEBT FACILITY SET UP COSTS are recognised on day one

Chairman's Statement

Rob Whiteman CBE
Chairman

I am pleased to present the third annual results of Residential Secure Income plc together with its subsidiaries for the twelve months to 30 September 2020.

Summary

This year has brought to everyone's attention the importance of good quality, fit for purpose, affordable housing. All of our homes have highlighted their social value for residents; be it the ability for retirees to live with peers and avoid loneliness, provide accommodation for those otherwise homeless (including working with our local authority partners to avoid rough sleeping during this year's lockdowns); or to provide spacious high quality affordable home ownership to lower and middle income households through shared ownership.

Despite the backdrop of economic uncertainty caused by COVID-19 and subsequent lockdowns, ReSI achieved a number of milestones in the year. These included securing an ultra long-term shared ownership debt facility and achieving Investment Partner Status with Homes England (through its subsidiary, ReSI Housing, a for-profit Registered Provider of social housing), both of which will support the ReSI's deployment. We have further expanded ReSI's portfolio, completing the purchase of 162 shared ownership homes, including the 132 homes at Clapham Park that we committed to purchase in FY19. We have continued to see strong demand for our high-quality affordable accommodation, particularly evidenced in the strong performance in terms of occupations and reservations in our shared ownership portfolio.

ReSI's portfolio has remained resilient, maintaining its retirement and local authority portfolio income streams. Despite an increase in the number of void properties in the retirement portfolio, caused by a lack of new lettings during lockdown, ReSI has maintained operating profit before property disposals and change in fair value versus last year. Our plan to reduce the number of void retirement properties and the continued acquisition of shared ownership homes will improve dividend coverage from FY21, and we have an exciting pipeline of assets to fully deploy our remaining capital.

We have experienced reductions in our void retirement property rates from the peak over the summer lockdown and completed on sales to thirteen shared owners in this time. While the economic climate remains volatile, ReSI's portfolio has proven itself to be of a high quality, remaining consistent during a time when the property sector has been unstable. Since ReSI's rental income is primarily supported by residents' pensions, housing welfare subsidy systems, including leases to local authorities, and shared ownership stakes, maintaining our rent collection rates of 99%.

Despite the resilience of ReSI's business model, COVID-19 has undoubtably delayed our ability to both acquire assets and fully occupy our existing homes and therefore has delayed our target of fully covering our dividend from net rental income. ReSI's focus this year has been to remain resilient despite economic turmoil, but we are looking to grow our shared ownership portfolio over coming months to fully deploy our remaining capital. The fund manager's report on page 24 provides further detail.

Since the onset of the crisis, ReSI's priority has been and remains the safety of its residents, third party supplier's staff and delivery partners. Gresham House's housing team have worked closely with ReSI's property managers and lessees across the portfolio to ensure continued provision of safe homes for our residents and shared owners. The Board has been encouraged by the integration of the fund manager into Gresham House which it considers an excellent partner and platform to deliver strong performance for ReSI.

Net Asset Value and Results

ReSI's underlying financial results for the period reflect a consistent level of underlying performance to that of the previous annual results, despite the disruption caused by COVID-19. Underlying revenue growth in our shared ownership portfolio was partially offset by worsening performance in the retirement portfolio caused by a higher number of void homes. Next year, as our shared ownership homes continue to be occupied, revenues from this part of the portfolio will continue to grow. A specialist has been engaged to work with our retirement property manager to reduce retirement portfolio voids; since September we have seen a reduction from the highest level (10%) back towards the long-term average (7%).

During the period, ReSI's portfolio produced £20.6m of gross rental income, up from £19.6m in the prior year and an operating profit before change in fair value of £9.9m, up from £9.0m in the prior year.

The adjusted earnings per share were 2.9 pence, up from 2.8 pence in FY19. After accounting for one-offs, ReSI has benefited from its rigorous and highly disciplined approach to selecting investments, producing a total return of 1.4 pence per share, which after paying out a dividend of 5 pence per share led to IFRS Net Asset Value per share decreasing by 3.3% from September 2019 to 105.0p at 30 September 2020.

A full summary of ReSI's performance and a NAV bridge is included in the performance section of the Fund Manager's Report.

Dividends

In March 2020 ReSI reiterated that, despite COVID-19, ReSI remained well placed to make dividend payments and intended to deliver on this year's target dividend of 5p per share.

For the year ended 30 September 2020, ReSI declared four equal dividends of 1.25 pence per share (in January, April, July and November 2020) totalling 5.0 pence per Ordinary Share, in line with our target at IPO and as reaffirmed in our 2019 Annual Report.

During FY21 the fund manager will be focused on driving dividend coverage and completing final deployment. Progress on dividend coverage is discussed in the performance section of the fund manager's report.

Board changes

In April 2020 we were delighted to welcome Elaine Bailey, former Chief Executive of Hyde Group, the G15 housing association with over 50,000 properties providing housing to 100,000 residents, as a non-executive director. Elaine has already added significant value and input to our board meetings. In April 2020 Mike Emmerich stepped down as non-executive director. On behalf of the Board, I would like to thank Mike for his time and energy during his tenure.

Annual General Meeting

Due to the exceptional circumstances of the COVID-19 pandemic the arrangements for the Annual General Meeting (AGM) have been reconsidered. The Board welcomes full dialogue with shareholders and will arrange for a virtual presentation where questions from shareholders are encouraged. The AGM will be virtual, and shareholders are encouraged to vote online or by proxy. The arrangements for the AGM can be found on page 116.

Outlook

Regardless of the implications of the COVID-19 outbreak, the country will still have a significant shortfall of housing and even more so affordable housing. The past twelve months has highlighted the need for new investment by long-term investors into this sector, particularly given the need of housing associations to invest huge sums into ensuring their existing stock is both safe and energy efficient reducing their ability to provide new affordable homes.

ReSI has a defensive portfolio, which is positioned to weather economic stress, as illustrated by 99% of rent collected consistently throughout the year to 30 September 2020, despite the impact of COVID-19 on the economy.

Despite the challenges posed by COVID-19 in the financial year, 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 will provide a strong basis for growth moving forward.

The fund manager continues to have available, through its relationships and contractual agreements, a pipeline of high quality investments that meet ReSI's investment criteria and return thresholds to support ReSI's further growth. When coupled with the quality of our existing portfolio and the underlying fundamentals supporting our rental income, this gives me every confidence in the Company's ability to continue to perform well throughout the current crisis and grow thereafter.

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

Rob Whiteman

Rob Whiteman
Chairman
Residential Secure Income plc
1 December 2020

Fund Manager's Report

Alex Pilato

Chief Executive, ReSI Capital Management

In the year to 30 September 2020, ReSI's focus has been to protect our residents, staff and delivery partners throughout the COVID-19 pandemic, while continuing to move our investment portfolio towards full income generation.

Despite a difficult environment, good progress has been made during the year, including entering into an ultra long-term £300m debt facility with USS to provide financing for our continued move into shared ownership, completing on the development of our Clapham Park assets, and increasing the occupancy rate of our shared ownership portfolio to 85% (including acquisitions of 30 immediately income generating shared ownership homes and homes that are reserved and moving towards completion).

People have spent a great deal more time in their homes in 2020 due to the lockdown. This has inevitably led many to re-examine their surroundings and look to make positive changes to their living conditions. Our portfolio has been designed to help make people's aspirations achievable. Whether it is a retired person looking to move to dedicated accommodation to combat loneliness, local authorities looking to house people during the pandemic, or someone that has dreamed of purchasing a property for their family but has found it to be unaffordable, ReSI's portfolio caters for under-represented groups. This is reflected in the resilience of our portfolio during this difficult year and strengthens our confidence in the assets in which we invest.

Sustainable Investment

ReSI has made huge strides during the year to formalise and document our existing approach to sustainable investment following the appointment of Rebecca Craddock-Taylor as Director of Sustainable Investment at Gresham House. We are proud to be an early adopter of The Good Economy's Sustainable Reporting Standard for social housing, which encourages best practice environmental, social and governance ("ESG") reporting and look forward to releasing our results later in the year.

During the year we have formalised our Housing Sustainable Investment Framework and worked with The Good Economy to independently assess the social impact that ReSI's portfolio has on its stakeholders – the results of which are shown on pages 36 to 41. We also used the Impact Management Project to better understand and assess the impact that ReSI's portfolio can have.

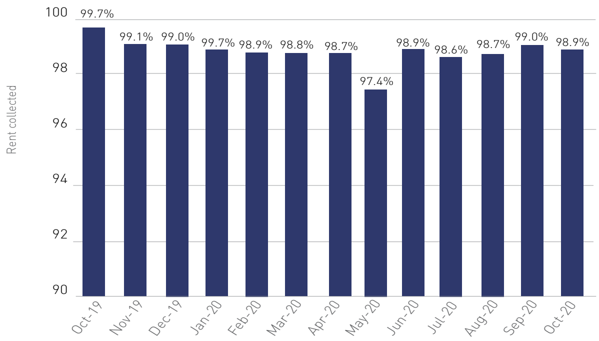
To differentiate our shared ownership strategy from other providers, we have developed a Shared Ownership Customer Charter and a Shared Ownership Environmental Charter. These documents are unique in their intention to improve practices across the shared ownership sector while providing benefits to both shared owners and our investors.

We have set out the impact that our governance structure (please see page 41) has on our residents' welfare and to explain the environmental benefits of our homes (please see pages 31 to 35).

Performance

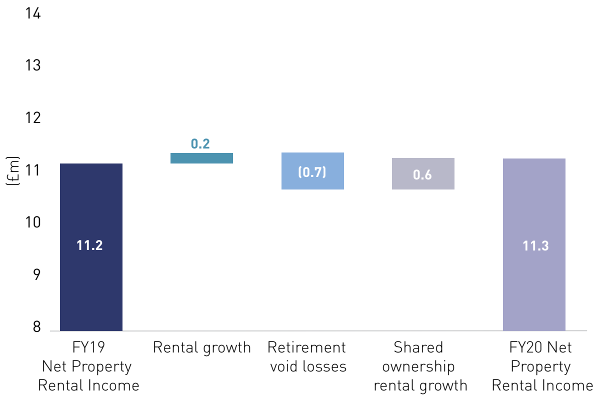
ReSI's portfolio consists of 2,708 homes, all with secure income, positioned to survive through economic stress. ReSI's rental income is underpinned by pensions, housing welfare, below market rents and shared owner stakes. The defensiveness of our portfolio has been evidenced this year through strong rent collection of 99% and steady valuations throughout the period, with only a 0.3% like-for-like valuation decline since September 2019.

Robust rent collection rate through COVID-19



Adjusted Earnings per Share of 2.9 pence were up 4% on FY19.

Year on year change in rent



Total return in the year was 1.4 pence per share (£2.4m); 4.9 pence of recurring income and 3.5 pence of one-off reduction to NAV.

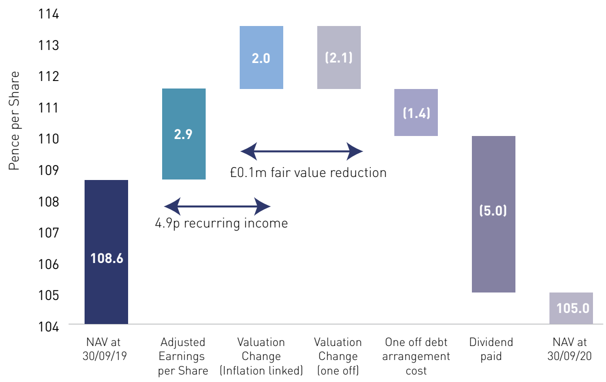
The 4.9 pence of recurring income comprised of:

- 2.9 pence of recurring earnings (see note 14 – adjusted earnings per share), with recurring income of £4.9m from regular recurring cash flows; and
- 2.0 pence of inflation linked valuation gain (£3.4m) as a result of RPI inflationary increases on retirement portfolio rent.

The 3.5 pence per share reduction to NAV comprised of:

- 2.1 pence of one-off valuation reduction (£3.5m), predominantly caused by COVID-19's impact on retirement voids and an increase in costs due to the previously announced change of VAT treatment of parts of service charges. This was partially offset by a £4.2m valuation increase in the value of the shared ownership portfolio as it moved towards full income generation; and
- 1.4 pence of one-off primarily legal shared ownership facility set up costs (£2.4m, equivalent to 2 basis points over 45 years), fully expensed in the year as a result of the election to hold the debt at fair value through profit and loss on the balance sheet to match the inflation linked interest costs against its future inflation linked rents. See below and page 20 for further information.

Net Asset Value



ReSI paid dividends in the year of 5.0 pence per share, resulting in a full year NAV reduction 3.6 pence.

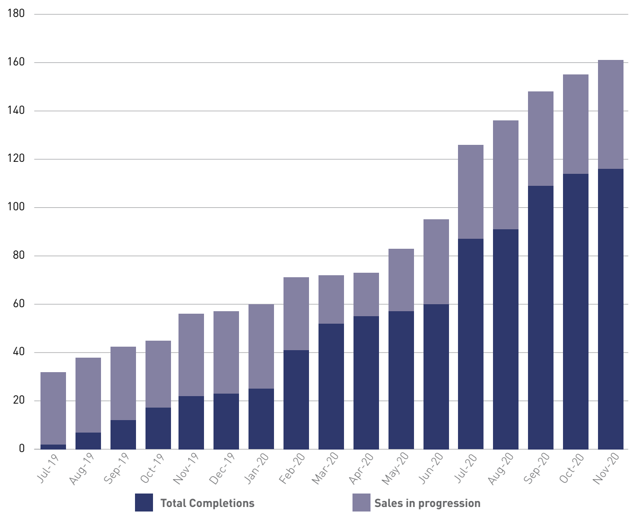
While COVID-19 has delayed deployment, restricting the ability for ReSI to generate additional net income in the year to September 2020, a strong platform has been built for future growth, with our shared ownership portfolio due to deliver an additional £1.6m of net rental income once fully occupied.

ReSI completed on all acquisitions agreed in FY19, ensuring that ReSI's shared ownership portfolio continued to grow and move towards full income generation, despite construction taking longer than anticipated at Clapham Park and delays in securing ReSI's debt funding during very difficult debt capital markets conditions due to COVID-19. In January 2020 ReSI completed the acquisition of 59 homes at Clapham Park from Metropolitan Thames Valley Housing ("MTVH"),and subsequently completed on a second group of 73 homes in July 2020. ReSI also completed on acquisitions of 30 homes in Cheshire, West Yorkshire, Greater Manchester, Lancashire and Cambridgeshire.

First tranche shared ownership sales have remained strong at all schemes, with 85% of our shared ownership homes occupied or reserved as the date of signing this report. Each shared ownership home occupied brings a 10% valuation gain and is subject to a 130 year RPI inflating shared ownership lease. This is a strong result given the uncertainty caused by the general election and Brexit in the first half of the year, and the lockdown and related closure of sales suites in the second half, reflecting the strengths of our shared ownership offering and of our agents moving quickly to virtual viewings.

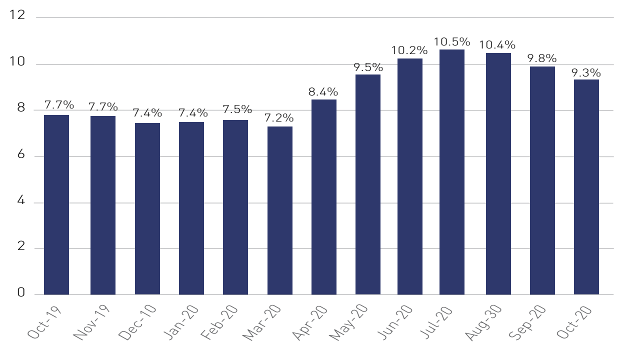
Fund Manager's Report

Successfully delivering shared ownership home



Retirement suffered from an increase in void rates from 7% in March to almost 11% in July, as the almost complete freeze in new tenancies during the lockdown was only partially offset by a reduction in voluntary terminations. To swiftly combat the increase in the number of voids we have engaged a specialist to work with ReSI's property manager on improving the portfolio's performance through void reduction and resolving associated issues, and have seen this investment begin to pay off, with voids back down to 9% in October.

Retirement voids reducing from July peak



Our local authority portfolio remained resilient with net rent in line with the prior year. We were especially proud to work with Luton Borough Council to avoid rough sleeping in their borough during lockdown.

Operating cash flows before working capital movements increased in line (up 10% on FY19 to £10.4m) with the growth in operating profit before changes in fair value. Working capital increased due to an increase in inventories as a result of purchasing shared ownership stock that is in the process of being occupied by shared owners.

To match the shared ownership inflation linked interest costs against its future inflation linked rents, an election was made to hold the new shared ownership debt on ReSI's balance sheet at Fair Value through Profit and Loss, leading to set up costs of the whole £300m facility being fully expensed in the current year, rather than spread over the term of the facility. These £2.4m of primarily legal costs reflect the complexity of the facility structure that enables other lenders on a non-recourse basis and the difficult debt capital market conditions during which this facility was agreed. These set up costs are equivalent to just 2 basis points per annum over 45 years and will result in substantial ongoing savings.

Finance costs grew by £533k in the year to £4,977k as a result of the growing leverage ratio and annualisation of the costs of borrowing from FY19. This is the expected result of our strategy to increase the fund's leverage towards 50% as we complete deployment.

ReSI's ongoing expense ratio (based on average NAV) was 1.6% (year to 30 September 2019: 1.6%). Total administrative expenses were marginally down, from £3,100k in FY19 to £3,009k in FY20. Over the past six months we have agreed reductions in costs with most of ReSI's primary service providers. In some cases, to secure further reductions, we have made the decision to change provider. The full benefit of these cost savings will be realised in the next financial year.

Strong Foundations for Growth

Our deployment focus is now on shared ownership. Utilising the investments that we have made since IPO and completed this year means that ReSI offers 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 permits it to offer shared ownership homes with the use of government grant (see below) and benefit from best in class governance, 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.

Our proven ability to purchase through ReSI Housing as our for-profit Registered Provider has been important in continuing to grow the pipeline of potential future investments, particularly by allowing engagement with private developers to acquire their stock and deliver it as shared ownership using government grant. The main limitation on developers in delivering new homes is absorption (take-up) rates for developments, and because shared ownership widens the pool of people who can buy a home, selling to ReSI to deliver as shared ownership allows accelerated rates of development, which supports return on capital and housing volume for developers, while providing an attractive investment profile for ReSI shareholders.

As a result, we have continued to generate a strong pipeline of potential investments for ReSI. We have remained highly disciplined in selecting the transactions that we are prepared to undertake and believe that this is fundamental to delivering the long-term secure returns expected by ReSI's shareholders.

2) Investment Partner Status

Our shared ownership acquisitions at Clapham Park, Totteridge and Brampton Park have been supported by £6.3m of government grant. Registered Provider status allows access to otherwise restricted assets or grant funding opportunities, including becoming an investment partner of the Greater London Authority through its ''Homes for Londoners'' programme.

ReSI Housing was awarded Investment Partner status by Homes England in March 2020, building on its Investment Partner status provided by the Greater London Authority in January 2019. The status allows ReSI to access Homes England's £4.7bn shared ownership and Affordable Homes Programme 'SOAHP' 2016-21 and a further £12bn of grant funding to be allocated from 2021-22, with half of the new homes delivered under the new programme to be made available for home ownership. Investment Partner status with Homes England extends ReSI Housing's ability to access grant funding to include schemes outside of London and bring forward much needed additional affordable housing at national level. Both the Homes England and the GLA programmes provide government grant funding as a capital contribution towards new sub-market rented housing such as shared ownership, affordable rent and social rent.

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

In July 2020, we were pleased to announce that ReSI Housing had entered into a new £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, and provides the foundations for future growth in ReSI's shared ownership portfolio. With a coupon of 0.46%, the facility 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 initially drew down £34 million of the facility to finance the final 73 homes at Clapham Park, and we expect to make further drawdowns as we to continue to grow our shared ownership portfolio. 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.

4) Benefits of joining Gresham House

In March 2020 Gresham House acquired TradeRisks Limited, ReSI Capital Management's parent company. While ReSI Capital Management continues as the alternative investment fund manager of ReSI and the day-to-day operations and strategic direction remain unchanged under the current team, ReSI has already begun to benefit from Gresham House's robust central platform including compliance, legal, reporting and risk capabilities. This allows the team to focus on origination, delivering full occupancy on the shared ownership portfolio, reducing voids in our retirement portfolio and delivering significant social value.

Since March 2020, Gresham House have undertaken a review of ReSI's cost base and a number of cost savings have been secured, with some changes to suppliers now scheduled as a result in the next financial year. This will result in a reduction to fund operating expenses and hence reduce the Company's Ongoing Charges Ratio in the next financial year.

We have also made a significant investment into our originations team, with two new partnerships directors hired to focus on acquiring shared ownership schemes.

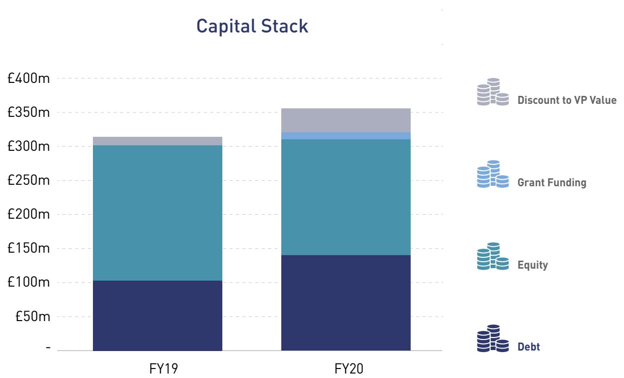
Fund Manager's Report

Financing and Capital Structure

ReSI now has in place £143.6m (book value) of fixed rate and inflation linked debt, with a weighted average cost of 2.6%, the vast majority of which is long-term partially or fully amortising debt an average maturity of 23 years. The exception is £14.5m debt secured against our local authority housing portfolio, which matures in January 2022. This will be refinanced with long-term debt in combination with other assets or pending an extension of the term of the underlying leases.

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. We regularly stress test debt covenants, with a recent focus on any impact from COVID-19, which has shown a large amount of headroom on all covenants due to the long-term nature of the ReSI's assets and strong cash flows.

	FY20	FY19
Total debt (net of issue costs)	**£141m**	£108m
LTV (target 50%)	**43%**	36%
Leverage on reversion vale	**39%**	33%
Weighted average cost	**2.6%**	3.3%
Weighted average maturity	**23 years**	19 years



Outlook

As we look forward, the focus is on deploying a further £33m into shared ownership to bring us to our target leverage of 50%, occupy the 41 reserved and remaining 30 available shared ownership homes, and address the retirement voids that increased in the year as a result of long periods of lockdown where no new tenants were able to move into our accommodation. We have plans in place for each of these actions and look forward to sharing these through further announcements in the financial year as we move towards fully covering our dividend from net rental income.

Alex Pilato
Managing Director, Housing & Capital Markets
1 December 2020

Environmental & Social Impact

Environmental and Social Impact

ReSI's approach to Social and Environmental Impact

This section covers some of the key areas of implementation and other ongoing social impact and environmental initiatives during the year. There is also further detail relating to the impact of the Company on its major stakeholders in the Section 172 statement on page 42.

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 and engagement with companies.

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, which were traditionally not part of financial analysis, 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 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.

Alignment with UN Sustainable Development Goals

We believe that ReSI's investments support the following UN Sustainable Development Goals by providing more affordable access to safe, healthy, quality and energy efficient homes that contribute to local sustainable communities and support their occupants to enjoy economic and social inclusion.

Environment		Social		Governance	
Carbon, emissions and pollution	*Energy efficient housing; renewable energy where possible, access to public transport where available*	**Employment health, safety and well-being**	*Safety and well-being of residents a priority; application of best practice standards; quality employment*	**Governance and ethics**	*Good practice governance, strong business ethics management and culture*
Natural resources management	*Water saving measures where possible; regeneration of brownfield sites*	**Marketplace responsibility**	*Affordability and quality in all tenure types, widening access to home ownership; proactive protection of residents' interests and customer charters*	**Risk and compliance**	*Robust risk and compliance management; monitoring of regulatory and policy change*
Waste management	*Where feasible sustainable management of waste arising from refurbishment, maintenance and management of the portfolio*	**Supply chain sustainability**	*Sourcing policy ensures management teams have required knowledge of local areas and meet regulatory requirements*	**Commitment to sustainability**	*Clear objectives for positive social and/or environmental outcome delivery alongside robust financial returns*
		Community care and engagement	*Contributing to community stability and environmental quality; housing that is accessible to jobs and amenities*		

Source: Gresham House

Core SDG

Secondary SDGs

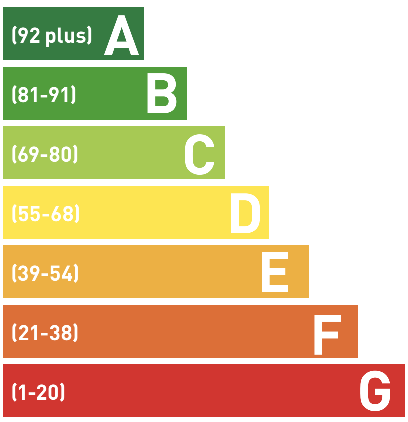
Environmental Impact

Measuring and reducing the environmental impact of ReSI's operations, whilst addressing the risks posed by climate change, is essential in enabling ReSI to reach its long-term financial objectives. In order to improve our environmental understanding, ReSI partnered with consultancy Suss Housing in 2020 to report on its carbon emissions for the first time, and to explore opportunities to reduce its environmental impact.

Currently the most effective method of measuring and reporting a property's environmental impact is using information gathered from property level Energy Performance Certificates ("EPC"). EPC ratings are a measure of a property's energy efficiency, assigning a Standard Assessment Procedure ("SAP") rating of 1 to 100 (higher indicates a more environmentally friendly building) and a corresponding letter grade between A and G. EPC assessments are performed by third party assessors and therefore provide an externally-verified method of quantifying the energy efficiency of each home. Factors such as thermal transmittance of walls, air permeability and heating sources can influence the EPC rating assigned to a property. EPC ratings are obtained on a property-by-property basis upon acquisition and are refreshed at set intervals. In the UK it is a legal requirement that all rented properties must have an EPC rating of at least E.

EPC Rating	SAP Score
A	92 to 100 points
B	81 to 91 points
C	69 to 80 points
D	55 to 68 points
E (current minimum requirement for rental property)	39 to 54 points
F	21 to 38 points
G	1 to 20 points

VERY ENERGY EFFICIENT - LOWER RUNNING COST



NOT ENERGY EFFICIENT - HIGHER RUNNING COST

The potential impact of climate change on ReSI and mitigation methods

The Board is mindful of the risk posed by climate change, notably in the following areas:

- **Regulatory risk:** changes are anticipated that will prevent homes below a certain efficiency standard, or EPC rating, from being let. Currently just 44 of our 2,708 homes have been assigned the minimum required to rent out a property (an E EPC rating), with all others rated higher than minimum requirements, therefore in the short-term ReSI is well placed to manage small changes in legislation. ReSI is committed to ensuring that all its homes have been assigned a minimum EPC rating of D and is currently examining the steps that need to be taken to bring the minimum rating of its properties to a D. Longer term, ReSI must also be ready to ensure that it is able to withstand regulatory changes requiring a minimum EPC rating of C; it has been previously indicated by government that this requirement may be enforced for some homes between 2030 and 2035. ReSI's policy is that new shared ownership home acquisitions should be at least B rated.
- **Overheating risk:** rising average temperatures combined with a greater quantity and quality of property insulation could result in homes becoming too hot in the summer months. ReSI is aware of this risk and will balance the need to insulate its homes with the risk of 'over-insulating' them by making property-by-property assessments as required.
- **Flood risk:** rising sea levels could increase the chance of flooding in homes built near rivers and other bodies of water. ReSI's investment criteria for new homes requires that acquisitions are not built in medium / high risk flood areas without appropriate mitigants in place.

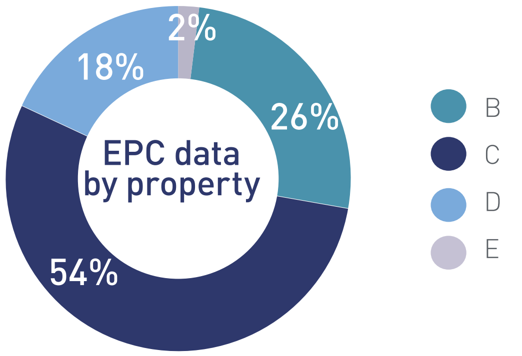
Calculating ReSI's environmental impact: energy efficiency ratings (EPCs)

As of 30 September 2020, 80% of ReSI's portfolio was rated C or higher. This is higher than the UK average of D, and underlines ReSI's commitment to sustainable investment. While we are pleased with progress in this area, we also recognise that there is more work to be done.

	Average EPC Score
EPC rating of ReSI's Homes*	C
National Housing Association	D
UK rating	D
Minimum rating legally required to let out property	E

Source: Suss Housing
* Representative sample of all properties assessed – 68%.

Environmental Impact



The average EPC issued in England since 2010 is a D rating, with just 0.3% of properties assessed considered efficient enough to achieve the A rating. 80% of ReSI's portfolio has an EPC rating of C or higher, compared to just 34% of homes in England (English Housing Survey, 2018). ReSI's portfolio is above the industry benchmark and ensures that we have minimal exposure to potential future legislation around minimum EPC requirements.

Planning for the future:

Residential buildings are significant carbon emitters, and to meet climate related targets the UK Government is likely to take action to prevent homes with poor energy efficiency ratings from being rented.

To mitigate this risk ReSI is committed to identify potential methods of improving its E rated homes to at least a D rating. Some of the potential measures will be:

– upgrading existing homes to the relevant standard; and
– acquiring homes with a minimum EPC of D.

The improvement of the energy efficiency of our homes will not only reduce ReSI's risk exposure but make the properties more attractive to potential residents.

In some cases the fund manager may decide to sell a property if they are unable to improve its energy efficiency to protect the long-term interests of shareholders. It recognises that in these situations, the sale of the property will improve the overall energy efficiency of the portfolio but will not contribute to wider environmental objectives of the UK, so will always first seek to make improvements before deciding to sell.

Calculating ReSI's environmental impact: carbon emissions

Suss Housing have calculated ReSI's carbon emissions using data extracted from Energy Performance Certificates.

Emissions are broken down into three categories by the Greenhouse Gas Protocol:

- **Scope 1 –** All direct emissions from the activities of the Company or under its control. This includes fuel combustion on site such as gas boilers and air-conditioning leaks.
- **Scope 2 –** Indirect emissions from electricity purchased and used by the Company. Emissions are created during the production of the energy and eventually used by the Company.
- **Scope 3 –** All other indirect emissions from activities of the Company, occurring from sources that it does not own or control.

Scope 1 and 2 emissions

The Company does not produce Scope 1 or 2 carbon emissions as it does not itself directly or indirectly create carbon emissions by generating or purchasing electricity for its own use. ReSI does not maintain any communal areas resulting in direct emissions, nor does it have any office premises of its own. The Company's operations are performed by the fund manager, which is part of Gresham House, and other third parties as necessary.

Scope 3 emissions – third party providers

ReSI is responsible for indirect emissions through its service contracts with third party providers. The emissions of the fund manager will be reported as part of Gresham House's reporting, that is likely to commence in 2021. ReSI aims to increase the amount of information available on its third party providers' emissions in future reporting, but for this Annual Report has concentrated on the indirect emissions generated from its property portfolio from which the majority of ReSI's emission are generated.

Scope 3 emissions – residents and shared owners

ReSI's operating activities are classified as Scope 3 carbon emissions, given that they are indirectly generated by residents and shared owners while occupying its properties.

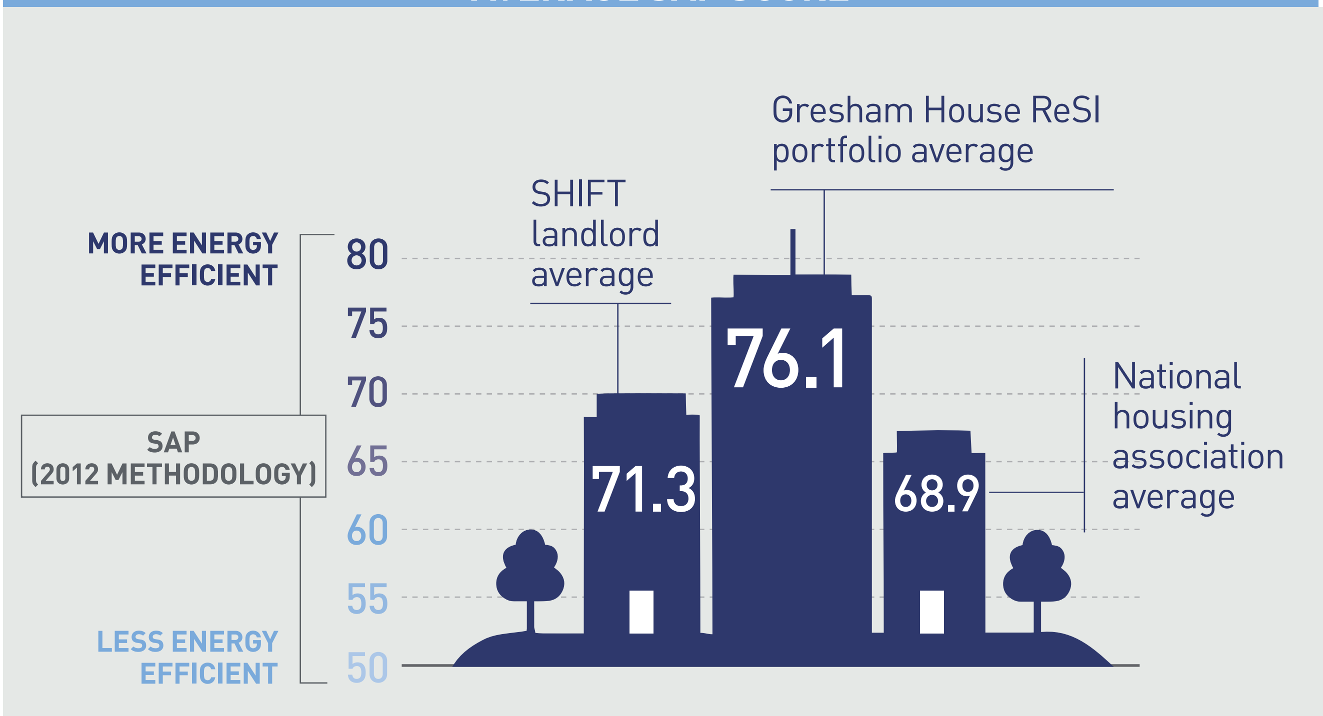
Current emissions from ReSI's housing stock have been calculated in line with best practice standards, using DEFRA 2020 conversion factors (methodology available on request). These values are presented for ReSI's portfolio as at 30 September 2020 on an annualised basis, regardless of whether ReSI owned the home for the entire period, and no adjustment is made for property void periods.

Emissions per annum	Electricity Usage (kWh)	Gas Usage per annum (kWh)	Total (kWh) per annum	Tonnes CO_2 Emissions (and equivalents) per annum	Average Tonnes CO_2 per property per annum
ReSI's portfolio (2,708 homes)	33,555,891	1,104,011	34,659,901	8,699	3.21

Understanding the portfolio's carbon emissions enables benchmarking against peers. Below we have outlined where ReSI sits within comparative benchmarks.

"The calculations show that ReSI's average SAP of an impressive 76.12 is higher than our social landlord average as well as the national housing association average"
Suss Housing, 2020.

AVERAGE SAP SCORE



Environmental Impact

ReSI ranks well compared to the UK average housing association. Suss Housing have also benchmarked ReSI's performance against its database of landlords (the 'SHIFT Landlord average'), where ReSI performed well. Despite these good results, ReSI will continue to push forward on its sustainable investment strategy.

ReSI's approach to sustainable investing

From August 2020, Gresham House's Sustainable Investment Framework has been adopted to proactively manage a full range of risks and to seek to make a positive environmental impact while delivering strong financial returns. Sustainability and environmental metrics are now integrated into ReSI's acquisition appraisal process. This is illustrated by our recent shared ownership acquisitions, as significant consideration was placed on their environmental impact, with our investment criteria being to acquire shared ownership properties with an EPC rating of B or above, going beyond current regulatory requirements and protecting against future changes in legislation.

All of ReSI's new build properties will meet the Future Homes Standard and new properties purchased after 2025 will aim to be Carbon Neutral to support the UK's target to bring all greenhouse gas emissions to net zero by 2050.

ReSI does not take development risk, and therefore purchases (including forward purchases and/or forward funding) either new homes from developers, or existing homes on the open market. The energy efficiency of acquired homes is considered and where a potential acquisition's environmental credentials do not meet our investment criteria, such properties are either not purchased or plans are put in place to bring such properties up to standard shortly after purchase.

ReSI regularly reviews the EPC ratings of its property portfolio to manage and improve the efficiency of properties.

ReSI's preference is to acquire properties developed on brownfield sites in order to provide affordable housing while preserving biodiversity and enhancing green spaces. As previously explained, ReSI is also committed to not investing in newly developed properties in medium/high flood areas without appropriate mitigation in place.

Next steps

In the last year, we have enacted a sustainable investment policy[1], reduced printing by going 'electronic-first' with our financial reporting distributions and acquired 192 B rated shared ownership homes. Over the next few years, we will commit to doing the following:

- Reducing the number of our homes, which have an EPC rating below D
- Further embed ESG into our investment criteria by adopting an ESG decision tool, building on the work already done by Gresham House
- Increase the amount of environmental reporting on our investments

Gresham House

In August 2020 Gresham House published its Housing Sustainable Investment Framework (available on its website) which states how it plans to meet its sustainable investment commitments within the Housing Strategy. Gresham House is also a signatory of the Principles for Responsible Investment (PRI) and has received the Green Economy Mark from the London Stock Exchange.

Signatory of:
PRI Principles for Responsible Investment

GREEN ECONOMY LONDON STOCK EXCHANGE

1 https://greshamhouse.com/wp-content/uploads/2020/09/Housing-Sustainable-Investment-Policy-160920.pdf

Case Study: 2020 shared ownership acquisition - Clapham Park

During the year, 132 homes at Clapham Park were purchased through ReSI's Registered Provider of social housing, ReSI Housing, adding to ReSI's existing portfolio of shared ownership homes. Each of the shared ownership homes are EPC rated B or above. In addition each property has:

- **Full double-glazed windows throughout:** ensuring heat leakage is minimised, reducing carbon usage and shared owner energy bills.
- **Low-energy downlights:** reducing electricity usage, carbon and shared owner energy bills.
- **Cycle storage provided for all residents:** providing shared owners a secure place to store their bicycles, enabling and encouraging the switch from motor vehicles to cycling - a low environmental impact method of transport.
- **Maintained communal gardens:** increasing quality of life for shared owners though dedicated green space.
- **Outdoor (balcony) space:** increasing quality of life for shared owners through private outdoor space.
- **COVID-19 friendly workspaces:** we provide new homes with room that can be used as a home working space if required. This is increasingly important in the current working environment post COVID-19.

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. ReSI has worked with The Good Economy to quantify its social impact. Here we summarise the findings; the entire report is available on ReSI's website.

Social outcomes

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	OUTPUTS THE DIRECT RESULT OF THE ACTIONS OF THE RESI REIT	OUTCOMES THE CHANGES THAT DIRECTLY IMPACT PEOPLE'S LIVES
• 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 - SHARED OWNERSHIP** • Door opened to home ownership • More affordable housing brought into the market • Households have lifetime security of tenure	**OUTCOMES - SHARED OWNERSHIP** • Improved stability through security of tenure for those who cannot afford to buy in the open market • Change in household expenditure
	OUTPUTS - LOCAL AUTHORITY HOUSING • Fewer people rough sleeping • Greater stability of accommodation • Reduction in local authority use of emergency hotels	**OUTCOMES - LOCAL AUTHORITY HOUSING** • Improved tenant wellbeing • Value for money for the public purse • Independent living skills for tenants
	OUTPUTS - RETIREMENT RENTAL • Retired households living with peers and with onsite support • Retired households housed with long term security of tenure	**OUTCOMES - RETIREMENT RENTAL** • Supporting independent living • Alleviation of loneliness • Equity released for other needs

Source: The Good Economy
The impact of each of ReSI's portfolios is discussed on more detail on the following pages.

Shared Ownership

ReSI offers affordable home ownership through a part buy, part rent model where shared owners purchase a minimum 25% stake in a property and pay a below market rent on the remaining unsold equity.

Why is shared ownership needed?

The undersupply of housing and decreasing affordability pushes home ownership beyond the reach of many.

Mortgage providers typically offer a maximum loan of 4.5 times earnings and, as a result, there are now only 17 local authorities in the UK where the average earner could afford to buy the average property with a 10% deposit (those with house price to earnings ratios below 5.0 times).

How does ReSI deliver a best in class shared ownership product?

ReSI is committed to working alongside its partners to deliver shared ownership as a best in class product, driving an improvement in standards across the sector. We do this in innovative ways, for example by offering SO+ leases which enable shared owners to staircase in smaller 1% increments at a pre-agreed price while avoiding costly fees. We are encouraged that the government has announced that it intends to implement a similar scheme across all shared ownership from April 2021.

Our Shared Ownership Environmental Charter and Shared Ownership Customer Charter set out our commitments to shared owners in areas where many criticisms of shared ownership are focused, such as service charges, stair-casing, lease extensions and build quality. We believe that the commitments we make in these charters reduce risk and volatility for investors and protect long-term value by ensuring that we provide homes that are financially, environmentally and socially sustainable for their residents.

Average age of shared owner

29k	32%	34	9.1x
Grant per income	First Tranche Sold	Average age	Average house price / earnings multiple

Impact Management Project

The table below outlines the impact of ReSI's shared ownership homes using the Impact Management Project (source: The Good Economy):

IMP dimension	Definition	Improved stability through security of tenure	Change in household expenditure
WHAT impact is ReSI having?	The outcome experienced by the stakeholder when engaging with the enterprise	Resident moving from rented to owned accommodation	Lower monthly expenditure and increased equity
WHO is experiencing the impact?	The type of stakeholder experiencing the outcome	Those previously renting	Those currently paying open market rental prices
HOW MUCH impact is ReSI creating?	The scale, depth, or duration of the outcome	Through lifetime tenure, this impact will last for as long as the resident owns the property	Dependent on individual circumstances
How much **CONTRIBUTION** is ReSI making towards this impact?	The additional outcomes that will be experienced because of ReSI	ReSI's high additionality is bringing homes into affordable ownership that would otherwise be on the open market	ReSI delivers a discount on the rented portion but mortgage payments are outside its control
What is the **RISK** of the impact not happening?	The indicators of risk that may undermine the delivery of the outcome	Property being out of reach in the local market context	Renting may become cheaper if market rents grow at less than the RPI+0.5% shared ownership rent

Retirement Rental

ReSI's retirement rental homes provide fit for purpose homes for the over 55s, primarily through assured tenancy agreements, allowing residents to maintain their independence with a secure tenure.

Research shows loneliness is associated with poorer physical and mental health among older people[1] and that social isolation often leads to loneliness[2]. By providing specialist retirement accommodation, where people can live amongst their peers, social isolation can be reduced through communal activities including coffee mornings, quiz nights and day trips.

These specialist properties also often have in-house caretakers and emergency alarms enabling retirees who do not require high levels of care to live independently for longer, therefore reducing the need for care homes and other more intensive care facilities.

Social benefits of a retirement rental home:

- Living with peers helps address loneliness, the largest health problem for the elderly population.
- Supports independent living for longer.
- Frees up larger homes for families.
- Renting avoids the burdens and transaction costs of home ownership.

76%	74%	87%	88%
Agreed an Assured Tenancy gives the same service	Said they benfitted from not having worry	Said they had made new friends in the development	Were happier since moving into their retirement home

Source: Tenant survey performed by Girlings Retirement Rentals. 369 respondents

The table below outlines the impact of ReSI's retirement homes using the Impact Management Project (source: the Good Economy):

IMP dimension	Definition	Supported independent living	Alleviation of loneliness	Equity released for other needs
WHAT impact is ReSI having?	The outcome experienced by the stakeholder when engaging with the enterprise	Onsite caretaker and emergency alarms	Living among peers	Money tied up in property is released
WHO is experiencing the impact?	The type of stakeholder experiencing the outcome	Elderly residents with low care needs	Those who would otherwise be in social isolation	Those moving from owned to rented accommodation
HOW MUCH impact is ReSI creating?	The scale, depth, or duration of the outcome	Long-term tenancies allow residents to stay for as long as needed	Significant factor for residents	Low financial barriers to new lets
How much CONTRIBUTION is ReSI making towards this impact?	The additional outcomes that will be experienced because of ReSI	Limited contribution as freeholder	Limited contribution as freeholder	Significant contribution through direct leases with residents
What is the RISK of the impact not happening?	The indicators of risk that may undermine the delivery of the outcome	Appropriate support not given	Requires active participation	Those with poor financial history not being able to evidence history of paying their commitments, preventing them from renting

1 Care Connect – Age UK, Testing Promising Approaches to Reducing Loneliness, 2016
2 Care Connect – Age UK, Loneliness Research Briefing, February 2018

Social Impact

Local Authority Housing

ReSI provides homes to those who are homeless or at risk of homelessness by leasing accommodation to local authorities for use as temporary accommodation.

Local housing authorities in England have a duty to secure accommodation for unintentionally homeless households in priority need under Part 7 of the Housing Act 1996. While applications are being assessed, or until suitable secure housing becomes available, temporary accommodation may be provided. This can be in the form of property leased from the private sector; local authority or Registered Social Landlord housing stock; hostels/women's refuges; other private sector accommodation; or bed and breakfast (B&B) accommodation. The use of B&Bs is the most controversial, being the least suitable and often most expensive option. However, the number of families with dependent children placed in B&B-style accommodation increased by 146% between March 2010 and March 2020[1].

Social benefits of local authority homes:

– Provide homes to those who are homeless or at risk of homelessness.

– Provide savings to local authorities versus hostels and B&Bs.

– ReSI acts as an institutional landlord, ensuring adequate standards of accommodation.

Luton Borough Council

1 in 52	1,293	2,146	289
People are homeless in the Borough	Households in temporary accommodation	Children in temporary accommodation	Homes in Luton provided by ReSI

Source: Shelter "Far from Alone"; MHCLG Live tables on homelessness

The table below outlines the impact of ReSI's local authority housing using the Impact Management Project (source: the Good Economy):

IMP dimension	Definition	Improved tenant wellbeing	Value for money	Independent living skills
WHAT impact is ReSI having?	The outcome experienced by the stakeholder when engaging with the enterprise	Safe accommodation for at risk groups	Savings compared to the use of other forms of accommodation	Support and courses delivered to residents
WHO is experiencing the impact?	The type of stakeholder experiencing the outcome	Those at risk of homelessness	Local authority	Those previously struggling to live independently
HOW MUCH impact is ReSI creating?	The scale, depth, or duration of the outcome	Fulfilment of basic needs of shelter	Savings to the local authority over 7 year lease	Good uptake and range of support and courses
How much CONTRIBUTION is ReSI making towards this impact?	The additional outcomes that will be experienced because of ReSI	Indirect contribution through partnerships	Significant contribution through lease	Most contribution attributable to ReSI's partners
What is the RISK of the impact not happening?	The indicators of risk that may undermine the delivery of the outcome	Accommodation poorly managed or not of good quality	Long-term lease not in place or cost not fixed	Workshops offered not meeting needs of resident

1 Wendy Wilson & Cassie Barton, Briefing Paper Number 02110 – Households in temporary accommodation (England), October 2020

Governance

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.

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.

More information on the ReSI Housing board can be found on page 56.

Regulator of Social Housing

Risk and compliance

ReSI has robust risk and compliance management policies and procedures, as outlined in the risk management and governance sections on pages 47 to 78.

Commitment to sustainability

ReSI is committed to investing in a sustainable manner in order to generate long-term returns. We have this year worked with The Good Economy and Suss Housing to quantify our impact (see pages 30 to 40). By managing activities in line with Gresham House's sustainability investment framework, ReSI seeks to consider all stakeholders in its decision-making process.

Section 172 Statement and Stakeholder Engagement

This section of the Annual Report covers the Board's considerations and activities in discharging their duties under s.172(1) of the Companies Act 2006, in promoting the success of the Company for the benefit of members as a whole.

This statement includes consideration of the likely consequences of the decisions of the Board in the longer term and how the Board has taken wider stakeholders' needs into account.

The Board is ultimately responsible for all stakeholder engagement, however as an externally managed investment company, ReSI does not have any employees, rather it employs external suppliers to fulfil a range of functions, including investment management, secretarial, administration, broking, depositary and banking services. All these service providers help the Board to fulfil its responsibility to engage with stakeholders and it should be noted are also, in-turn, stakeholders themselves.

The Board has identified the major stakeholders in the Company's business. On an ongoing basis the Board monitors both potential and actual impacts of the decisions it makes in respect of the Company upon those major stakeholders identified.

Stakeholder	Why is it important to engage?	How have the directors and fund manager engaged?
Shareholders	As a public company listed on the London Stock Exchange, the Company is subject to the Listing Rules and the Disclosure Guidance and Transparency Rules. The Listing Rules include a listing principle that a listed company must ensure that it treats all holders of the same class of shares that are in the same position equally in respect of the rights attaching to such shares. With the assistance of regular discussions with and the formal advice of the Company's legal counsel, secretary and corporate broker, the Board abides by the Listing Rules at all times. For information on shareholder engagement please see the Governance section of this report which contains further information on shareholder engagement.	The fund manager along with the Company's corporate broker regularly meets with the Company's shareholders to provide Company updates and to foster regular dialogue. The Board encourages shareholders to attend and participate in the Company's Annual General Meeting ("AGM"). This year the AGM will be held by video conferencing. The Company values any feedback and questions it may receive from shareholders ahead of and during the AGM. The Company's Annual and Interim reports are made available on the Company's website and then are circulated to shareholders as requested, providing shareholders with an in depth understanding of the Company's financial position and portfolio.

Stakeholder	Why is it important to engage?	How have the directors and fund manager engaged?
Residents	Residents and shared owners are integral to ReSI's business model. The importance of engaging with residents cannot be understated; strong relationships have been shown to improve tenant retention, rent collection rates and overall tenant satisfaction. The Company is committed to accelerating the development of socially and economically beneficial new housing to make a meaningful contribution to the UK housing shortage. ReSI's homes deliver a social benefit through providing wellbeing improvements to residents (e.g. by providing the security of a home for life), fiscal savings (e.g. lower costs for housing those at risk of homelessness and savings to the NHS), and wider economic benefits (e.g. by enabling people to live and find work in otherwise unaffordable parts of the country). The social impact delivered by the Company is reported on page 36.	The Company works with trusted partners to manage its relationships with residents and shared owners. Its third party managers regularly make contact, and residents and shared owners are also provided with contact details and are able to contact dedicated teams to discuss any problem that they might have. The fund manager performs detailed affordability assessments before a tenant / shared owner is selected, and throughout the lease term a close relationship is maintained through ongoing engagement. The safety and wellbeing of residents is of the highest priority and when making an investment the fund manager is rigorous in using the skills and expertise of its property team to provide high quality homes and identify and mitigate all risks to residents. The fund manager considers residents' changing needs and uses their expertise to assist them. The Company's lifecycle plans for accommodation includes a conservative approach to the long-term costs of ownership to ensure that the standard of quality is maintained or improved throughout the life of the property. At the same time, the fund manager only works with well-regarded partners to ensure all routine and other maintenance is undertaken promptly and properly.
Fund Manager	The most significant service provider for the Company's long-term success is the fund manager, who has been engaged as the Company's alternative investment fund manager, in compliance with the provisions of the Alternative Investment Fund Managers Directive ("AIFMD"), pursuant to the Fund Management Agreement, for the purpose of providing investment advisory services to the Company.	The Board regularly monitors the Company's investment performance in relation to its objectives and investment policy and strategy. The Board receives and reviews regular reports and presentations from the fund manager and seeks to maintain regular contact to maintain a constructive working relationship.

Section 172 Statement and Stakeholder Engagement

Stakeholder	Why is it important to engage?	How have the directors and fund manager engaged?
Third Party Property Managers & Developers	ReSI works with third party property managers who are experienced in managing tenants' needs to ensure a good quality of service and to ensure that the regulatory risk is minimised. Strong developer relationships enable ReSI to secure a pipeline of assets for investment. Experienced development partners ensure that ReSI acquires high quality homes to lease to its residents, improving quality of life for residents. By supporting development partners, the Company aims to benefit local communities by increasing the provision of affordable housing. Through ReSI Housing the Company is able to keep assets within the social housing regulatory environment, which emphasises good governance and financial viability.	The Company always seeks to work with well-regarded partners to ensure that its homes are fit for purpose and maintained at a high standard in order to meet the needs of lessees and occupiers, as well as sustaining value over the long-term. The fund manager has regular contact with property managers and developers and takes a proactive approach to working with third parties. Detailed property due diligence is performed on all acquisitions to minimise fire and other risks to residents and provide safe and secure accommodation.
Key Service Providers	A list of the Company's key service providers can be found on page 115 of the Report. As an externally managed investment trust, the Company conducts all its business through key service providers.	Before the engagement of a service provider, the Board ensures that the Company's business outlook as well as values are similar. On an annual basis the Board reviews the continuing appointment of each service provider to ensure re-appointment is in the best interests of the Company's shareholders. The Board has strong working relationships with the fund manager, broker, company secretary, administrator and depositary and receives reports on the performance of the key service providers by the fund manager and company secretary. Separately, the auditor is invited to attend the Audit Committee meeting at least once per year. The Audit Committee Chair maintains regular contact with the audit partner to ensure the audit process is undertaken effectively.
Regulator of Social Housing	ReSI Housing Limited is regulated by the Regulator of Social Housing. As a regulated entity, ReSI Housing is able to offer shared ownership properties, which is core to its future investment strategy.	ReSI Housing's board maintains strong lines of communication with the regulator and is transparent in all dealings. Laven Partners has conducted an audit of ReSI Housing and its investment processes. Altair has advised the fund manager on all aspects of compliance with the regulatory guidelines and the fund manager has implemented its recommendations.
Greater London Authority ("GLA") / Homes England	To enable delivery of shared ownership homes, ReSI Housing utilises grant funding from the GLA and Homes England.	The Company engages third parties to ensure compliance with grant requirements from the GLA and Homes England. Any correspondence from the GLA or Homes England is responded to promptly. ReSI Housing's compliance with grant requirements on Totteridge Place has been audited by Trimmer CS Ltd and the fund manager has implemented its recommendations.

Stakeholder	Why is it important to engage?	How have the directors and fund manager engaged?
HMRC	If ReSI fails to remain qualified as a REIT, its rental income and gains will be subject to UK corporation tax.	The Company corresponds with its contacts at HMRC regularly, and is transparent in all dealings. The Company has recently taken part in the HMRC's routine Business Risk Review Plus process, taking the opportunity to actively engage with many different stakeholders at HMRC. The Directors and the fund manager will at all times conduct the affairs of ReSI so as to enable it to remain qualified as a REIT for the purposes of Part 12 of the CTA 2010.
Lenders	ReSI has raised debt against its property assets, to enable leveraged returns. Each facility entered contains covenants that must be complied with. Proactive correspondence with the lenders helps ensure covenant compliance and aides the Company maintain its ability to raise further debt in the future.	The Company reports to each of its lenders in line with the covenants entered into. Changing market conditions (such as COVID-19) are discussed with dedicated contacts at each lender.

Principal Decisions

Principal decisions are defined as those that have a material impact on the Company and its key stakeholders. In taking these decisions, the Board considered their duties under section 172 of the Act.

Entering into the USS facility agreement on the shared ownership portfolio	In the year the Company incurred £2.4m of set up costs, equivalent to 2 basis points per annum over 45 years to secure an ultra long-term £300m USS facility for its shared ownership portfolio in very difficult debt capital market conditions caused by COVID-19. Given the quantum of the fees and the long-term nature of the debt, a great deal of thought was given to the terms available. Debt funding was required to complete the Company's agreed property acquisitions during difficult market conditions and the nature of this facility, that will secure and hedge inflation linked returns in the long-term, resulted in the decision that it would provide a strong foundation for growth of the shared ownership portfolio in coming years. The legal documentation of the facility was particularly complex as it was designed to enable ReSI Housing to borrow on a non-recourse basis from multiple debt providers, thus enabling future competing debt funding offers. It was considered to be in the interests of shareholders to complete this facility with USS.
Acquisitions	Given the volatility of the property market caused by COVID-19, the Board assessed the strategy of continuing to acquire stock in the short-term. Given the demand for affordable accommodation, at a time when demand was higher than ever, it was considered to be in shareholders' best interests to proceed. The social benefit provided by new high quality affordable housing was considered and deemed to have a positive impact on the local community by providing affordable housing in an area where average house prices make home ownership unaffordable for most people. The project was also deemed environmentally friendly as all homes were given an EPC rating of 'B' (see case study on page 35).

In summary, the Directors are cognisant of their duties under section 172 and decisions made by the Board take into account the interests of all the Company's key stakeholders and reflect the Board's belief that the long-term sustainable success of the Company is linked directly to its key stakeholders.

Risk Management

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.	125 of ReSI's 196 shared ownership homes were sold to shared owners as of 30 September 2020, equivalent to 63.8% (30 September 2019: 12 of 34 (35.3%)).
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 30 September 2020 was 9.9% (30 September 2019 7.8%).
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.	£302.5m deployed by 30 September 2020 (30 September 2019: £240m), with a further £1.2m committed for further shared ownership acquisitions. £32m of levered equity to deploy remaining.
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 105.0p per share (30 September 2019: 108.6p). Please see note 31 on page 101.
Dividend per share	Targeting 5.0p per share in respect of the annual period to 30 September 2020, 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: four equal dividends declared of 1.25p per share (declared in February, May, August and December 2020) totalling 5.0p per Ordinary Share (2019: 5.0p).
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.	1.60% (FY19: 1.56%), from 1 October 2019 to 30 September 2020, of which 1.0% relates to the Fund Management fee, with the remainder being general and administrative expenses. Please note that the prior year comparative has been updated to an average NAV calculation, per the current year. Please see note 8 on page 90 for further information.

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 Interim 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	Increased	Moderate

Risk	Risk mitigation	Party responsible	Party responsible for monitoring	Change in risk since 2020 Interim 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 • ReSI appointed Laven Partners to conduct an audit of its investment processes in the prior year, and has implemented its recommendations	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	New	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 • 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	Reduced	Minimal
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	New	None

Principal Risks and Uncertainties

Risk	Risk mitigation	Party responsible	Party responsible for monitoring	Change in risk since 2020 Interim Report	Risk posed by COVID-19
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	Increased	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
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 since 1 April 2020, despite the COVID-19 lockdown	Fund manager	Board	No change	Minimal

Risk	Risk mitigation	Party responsible	Party responsible for monitoring	Change in risk since 2020 Interim Report	Risk posed by COVID-19
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) 2,413,517 Ordinary Shares in ReSI and the fund manager holds 878,978 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
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

Going Concern and Viability Statement

Going Concern

The Board monitors the Company's ability to continue as a going concern. The following is a summary of the Director's assessment of the going concern status of the Group and Company, which should be read in conjunction with the viability statement.

The Directors have considered the Group's cash position, income and expense flows. In addition, as at 30 September 2020 the Group's net assets were £179.6m and the Group held cash and cash equivalents of £10.4m. Net rental income for the year ended 30 September 2020 was £12.9m, which is expected to increase as the Group's shared ownership investments become fully income producing. The total ongoing operating expenses (excluding finance costs, taxation and aborted acquisition costs) for the period ended 30 September 2020 were £2.9m. Therefore the Group has substantial operating expenses cover.

Due to the resilience of ReSI's tenants' incomes (being predominantly from pensions / savings or local authorities) and shared owners' incomes (having been very recently checked for affordability and with rents below market), ReSI has high-quality cash flows that are resilient to economic downturns. ReSI also has a great deal of headroom in its loan covenants, and could withstand a prolonged drop in net income without breaching.

As the property investment values of ReSI's retirement and local authority are primarily calculated with reference to future cash flows, not house prices, volatility in house prices does not have a substantial impact on the value of its property assets. Recent house price forecasts for FY21 and beyond are broadly consistent, showing no growth in 2021, with growth predicted in future years. Sensitivity analysis shows that even a 15% fall in the value of ReSI's assets would not result in a loan covenant breach.

Based on the above information, the Board has made an assessment and are satisfied that there are no material uncertainties in relation to the Group and Company's ability to continue in business for the foreseeable future, being at least 12 months from the date of approval of the financial statements, and therefore has adopted the going concern basis in preparation of the financial statements.

Viability Statement

In accordance with the UK Corporate Governance Code the Board has assessed the viability of the Group over a longer period than the 12 months required by the 'Going Concern' provision. The Board has conducted this review for the five years to 30 September 2025. The Board considers that five years is the maximum period for which the degree of uncertainty relating to factors outside of the Board's control is low enough to make a reasonable expectation in respect of the Group's longer-term viability.

Five years was considered appropriate given the Company's long-term investment objective. The Board has considered each of the principal risks and uncertainties set out above and the liquidity and solvency of the Company.

Having considered the matters above, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five year period of its assessment.

The Chairman's Statement and Fund Manager's Report present the positive long-term investment case for acquiring high quality residential assets which also underpins the Group's viability for the period.

Approval

The Strategic report was approved by the Board of Directors on 1 December 2020.

Rob Whiteman

Rob Whiteman
Chairman of the Board of Directors
1 December 2020

Governance

Board of Directors

Appointed
9 June 2017

Rob Whiteman

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.
- 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).
- Trustee of Greenslade Family Foundation.
- Trustee of Catch 22.
- Trustee of Community Links.

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.

Changes to the Board

- On 27 April 2020, Mike Emmerich stepped down as non-executive director. Elaine Bailey joined ReSI's Board as a non-executive director on the same date.

ReSI Housing Non-Executive Directors

ReSI owns ReSI Housing Limited, a for-profit registered provider of social housing. The 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.

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 15 years' industry experience, with nine years social housing experience since joining TradeRisks in 2011.
- Ben qualified as a chartered accountant with Deloitte and is a member 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' 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.

Investment Team

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' 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' 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.

Directors' Report

The Directors present their report and accounts for the year ended 30 September 2020.

Residential Secure Income plc (the "Company") is a real estate investment trust ("REIT") listed on the premium segment of the Main Market of the London Stock Exchange, with the objective of delivering secure inflation linked returns by investing in affordable shared ownership, retirement and local authority housing throughout the UK.

The Board is responsible for all aspects of the Company's affairs, including setting the parameters for monitoring the investment strategy and the review of investment performance and policy. The Board also has responsibility for all strategic policy issues, the timing, price and volume of any buybacks of Ordinary Shares, corporate governance matters and dividends.

Further information on the Board's role is provided in the Corporate Governance Report beginning on page 64, which forms part of the Directors' report.

Results

The Group's IFRS profit for the year was £2.4m and the IFRS earnings per share were 1.4 pence.

The results for the year are shown in the financial statements. Commentary on the results, future developments and post balance sheet events can be found in the Strategic Report, Chairman's Statement and Fund Manager's Report.

Investment property

A summary of the Group's investment property portfolio is included on page 6. A full portfolio listing can be made available on request.

Dividend policy

The Company is targeting, on a fully invested and geared basis, a dividend yield of 5% per annum based on the issue price of £1 per Ordinary Share, which the Company then expects to increase broadly in line with inflation. It is the Company's intention to pay dividends to shareholders on a quarterly basis and in accordance with the REIT Regime.

Over time, the Company expects its dividends to increase broadly in line with inflation, targeting a total return in excess of 8% per annum.

As a REIT, the Company is required to meet a minimum distribution test for each accounting period that it is a REIT. This minimum distribution test requires the Company to distribute a minimum of 90% of its Property Rental Business income profits for each accounting period, as adjusted for tax purposes.

When the Company pays a dividend, that dividend is a Property Income Distribution ("PID") to the extent necessary to satisfy the 90% distribution condition. If the dividend exceeds the amount required to satisfy that test, then depending on the circumstances the REIT may determine that all or part of the balance is a non-PID dividend. Subject to certain exceptions, PIDs will be subject to withholding tax at the basic rate of income tax (currently 20%).

If the Company ceases to be a REIT, dividends paid by the Company may nevertheless be PIDs to the extent they are paid in respect of profits and gains of the Property Rental Business whilst the Company was within the REIT Regime.

Dividends paid in the year ended 30 September 2020

In line with the Company's dividend policy, three interim dividends totalling 3.75 pence per Ordinary Share were paid during the year, of which 1.60 pence was paid as PID and 2.15 pence was paid as non-PID.

The Board declared a fourth interim dividend in respect of the quarter to 30 September 2020 of 1.25 pence per Ordinary Share, which will be payable on 8 January 2020 to shareholders on the register at the close of business on 11 December 2020. The ex-dividend date is 10 December 2020 and 0.60 pence per Ordinary Share will be paid as PID and 0.65 pence per Ordinary Share will be paid as non-PID.

Including this interim dividend, the Company will have paid total dividends of 5.0 pence per Ordinary Share during the year, in line with its target dividends.

Management – fund manager

ReSI Capital Management Limited (part of Gresham House) has been engaged as the Company's alternative investment fund manager (the "fund manager"), in compliance with the provisions of the Alternative Investment Fund Managers Directive ("AIFMD"), pursuant to the Fund Management Agreement, to advise the Company and provide certain management services in respect of the Portfolio. ReSI Capital Management Limited is regulated by the Financial Conduct Authority. The fund manager is, for the purposes of the AIFMD and the rules of the FCA, a 'full scope' UK alternative investment fund manager with a Part 4A permission for managing AIFs, such as the Company.

On 5 March 2020, TradeRisks Limited ("TradeRisks"), the parent company of ReSI Capital Management Limited, was acquired by Gresham House plc, the specialist alternative asset management business which is listed on

Directors' Report

the London Stock Exchange and has £3.3 billion of assets under management. Under the terms of the acquisition, ReSI Capital Management Limited will continue as the alternative investment fund manager of ReSI, with the day-to-day operations and strategic direction remaining unchanged under the current team.

The fund manager is appointed under a contract subject to twelve months' written notice with such notice not to expire prior to the fifth anniversary of first admission of the Ordinary Shares to trading on the London Stock Exchange.

The fund manager is entitled to remuneration calculated in respect of each quarter, based upon the Net Asset Value, at a rate equivalent to 1% (if under £250m), 0.9% (if over £250m), 0.8% (if over £500m) or 0.7% (if over £1bn). The Fund Management Fee shall be paid quarterly in advance, with 75% of the total Fund Management Fee payable in cash and 25% of the total Fund Management Fee (net of any applicable tax) payable in the form of Ordinary Shares.

The fund manager is also entitled to a debt arrangement fee in respect of debt arranged by the fund manager for ReSI or its subsidiaries. The debt arrangement fee is equal to 0.04% p.a. levied on the notional amount outstanding of any bond or private placement financing. There is no debt arrangement fee payable in respect of any bank debt financing the fund manager may arrange for the Group.

Appointment of the fund manager

The Board has discretion to monitor the performance of the fund manager and, from the date falling five years after entry into the Fund Management Agreement, to appoint a replacement fund manager. The continuing appointment of the fund manager is considered by the Board to be in the best interests of shareholders as a whole.

Depositary

Thompson Taraz Depositary Limited has been appointed as depositary to provide cash monitoring, safekeeping and asset verification and oversight functions as prescribed by the AIFMD.

Company secretary

PraxisIFM Fund Services (UK) Limited has been appointed as the company secretary of the Company and provides company secretarial services and a registered office to the Company.

Administrator

MGR Weston Kay LLP has been appointed as administrator to the Company. The administration of the Company is delegated and performed in consultation with the AIFM and the fund manager. Financial information of the Company is prepared by the administrator and is reported to the Board.

Share capital

As at 30 September 2020 the Company's issued share capital comprised 180,324,377 Ordinary Shares, each of 1p nominal value, including 9,304,729 Ordinary Shares held in Treasury. Treasury shares do not hold any voting rights. The Company's total voting rights, excluding treasury shares is 171,019,648. Each Ordinary Share held entitles the holder to one vote. All shares, excluding those held in Treasury, carry equal voting rights and there are no restrictions on those voting rights. Voting deadlines are stated in the Notice of Meeting and Form of Proxy and are in accordance with the Companies Act 2006.

No shares were issued during the year under review.

There are no restrictions on the transfer of Ordinary Shares, nor are there any limitations or special rights associated with the Ordinary Shares.

The forthcoming Annual General Meeting will consider the authority given to Directors to allot further shares in the capital of the Company under section 551 of the Companies Act 2006.

The authority to issue new shares granted at the AGM held on 15 January 2020 will expire at the conclusion of the forthcoming AGM.

The Board recommends that the Company be granted a new authority to issue up to a maximum of 17,101,964 Ordinary Shares representing 10% of the Company's Ordinary Shares in issue, for cash at a price above prevailing Net Asset Value per share and to disapply pre-emption rights when issuing those Ordinary Shares. Resolutions to this effect will be put to shareholders at the AGM. The maximum number of Ordinary Shares which can be admitted to trading on the London Stock Exchange without the publication of a prospectus is 20% of the Ordinary Share Capital on a rolling previous 12 month basis at the time of admission of the shares. The Board does not have any immediate plans to issue shares under this authority.

Discount management

The Board makes use of its share buyback powers as a means of correcting any imbalance between supply of and demand for the Ordinary Shares.

In deciding whether to make any such repurchases, including the timing, volume and price of such repurchases of Ordinary Shares, the Directors have regard to the Company's REIT status and what they believe to be in the best interests of shareholders as a whole and in compliance with the Articles, the Listing Rules, Companies Act 2006 and all other applicable legal and regulatory requirements.

During the year ended 30 September 2020 the Company did not purchase any of its own Ordinary Shares for holding in treasury.

The timing, price and volume of any buybacks of Ordinary Shares will be at the discretion of the Directors and is subject to the working capital requirements of the Company and the Company having sufficient surplus cash resources available. Directors will only buyback shares at a discount to the then prevailing net asset value of the shares.

Under the Listing Rules, the maximum price (exclusive of expenses) which may be paid for an Ordinary Share must not be more than the higher of: (i) 5 per cent above the average of the mid-market values of the Ordinary Shares for the five Business Days before the repurchase is made; or (ii) the higher of the price of the last independent trade and the highest current independent bid for Ordinary Shares.

The authority for the Company to purchase its own shares granted by the Annual General Meeting held on 15 January 2020 will expire at the conclusion of the forthcoming Annual General Meeting. The Directors recommend that a new authority to purchase up to 14.99% of the Ordinary Shares in issue (subject to the condition that not more than 14.99% of the Ordinary Shares in issue, excluding treasury shares, at the date of the Annual General Meeting are purchased) is granted and a resolution to that effect will be put to the Annual General Meeting to be held on 20 January 2021. Any Ordinary Shares purchased will either be cancelled or, if the Directors so determine, held in Treasury.

Treasury shares

The Company is permitted to hold Ordinary Shares acquired by way of market purchase in treasury, rather than having to cancel them. Such Ordinary Shares may be subsequently cancelled or sold for cash. Holding Ordinary Shares in treasury enables the Company to sell Ordinary Shares from treasury quickly and in a cost efficient manner, and provides the Company with additional flexibility in the management of its capital base.

Unless authorised by shareholders, Ordinary Shares held in treasury will not be sold at less than Net Asset Value per Share unless they are first offered pro rata to existing shareholders. The Company will not hold treasury shares in excess of 10% of the Ordinary Share capital of the Company from time to time.

Appointment and replacement of directors

In accordance with the Company's Articles of Association, Directors may be appointed by the Board to fill a vacancy following which they will be elected by shareholders by ordinary resolution at an Annual General Meeting or General Meeting of the Company.

Articles of Association

The Company's Articles of Association can only be amended by Special Resolution at a shareholders meeting.

Continuation vote

The Directors are required to propose an ordinary resolution at the Annual General Meeting following the fifth anniversary from its initial public offering that the Company should continue as presently constituted and at every fifth Annual General Meeting thereafter.

In the event that a continuation resolution is not passed, the Directors would be required to formulate proposals for the voluntary liquidation, unitisation, reorganisation or reconstruction of the Company for consideration by shareholders at a general meeting to be convened by the Board for a date not more than six months after the date of the meeting at which such continuation resolution was not passed.

Significant shareholders

The Directors have been notified as at 30 September 2020 of the following shareholdings comprising 3% or more of the issued share capital (excluding treasury shares) of the Company:

Shareholders	Holding	%
Close Asset Management Limited	18,818,332	11.00
Schroders plc	16,648,405	9.73
CG Asset Management Limited	14,000,000	8.19
Standard Life Aberdeen plc	9,972,480	5.83
VT Gravis Funds ICVC	9,049,470	5.29
Premier Fund Managers Limited	7,699,945	4.50

There are no significant changes since the year end of which the Board is aware.

Directors' Report

Settlement of ordinary share transactions

Ordinary share transactions in the Company are settled by the CREST share settlement system.

Anti-bribery and corruption

It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The Company's policy and the procedures that implement it are designed to support that commitment. There were no legal actions, fines or sanctions relating to anti-corruption, anti-bribery, anti-competitive behaviour or anti-trust or monopoly laws or regulations in the year to 30 September 2020.

Environmental, social and governance ('ESG') matters

To fulfil our long-term financial objectives it is essential that we incorporate environmental and social considerations into our business model. The Company always seeks to work with well-regarded partners to ensure that our investments are fit for purpose and maintained at a high standard in order to meet the needs of our lessees and occupiers as well as sustaining their value over the long-term.

There were no legal actions, fines or sanctions relating to environmental, social or governance matters in the year to 30 September 2020.

Through ReSI Housing we are able to keep assets within the social housing regulatory environment, which emphasises good governance and financial viability.

For more information on our environmental and social impact, please see pages 30 to 45.

Employees

The Company has no employees and no share schemes. The Company does not therefore calculate or disclose employee turnover rates, its share of temporary staff or employee training hours.

The Board's policy on diversity is contained in the Corporate Governance Report (see page 64).

Social, community and human rights issues

The Company aims to deliver a positive impact on social, community and human rights issues through its investment in the UK Housing Sector. The Company's approach to measuring social impact is discussed on page 36.

Modern Slavery Act 2015, Bribery Act 2010 and Criminal Finances Act 2017

The Directors are satisfied that, to the best of their knowledge, the Company's principal suppliers, as listed in the Directors' report on page 59, comply with the provisions of Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017.

Annual General Meeting

The Annual General Meeting ('AGM') of the Company will be held on 20 January 2021 at 11 a.m. The Notice convening the AGM is contained in this Annual Report and can be found on the Company's website at https://www.resi-reit.com/ The Directors consider that all of the resolutions to be proposed are in the best interests of the Company and it is their recommendation that shareholders support these proposals as they intend to do so in respect of their own shareholdings.

Political donations

The Company's policy is to make no direct or indirect political donations. No political donations were made during the year under review and no political donations will be paid during the forthcoming year.

Outlook

The outlook for the Company is discussed in the Chairman's Statement on page 22.

Independent auditor

BDO LLP have expressed their willingness to continue in office as Independent Auditor and a resolution to re-appoint them will be put to shareholders at the AGM.

Disclosure of information to the independent auditor

Each of the Directors at the date of the approval of this report confirms that:

(i) so far as the Directors are aware, there is no relevant audit information of which the Company's independent auditor is unaware; and

(ii) the Directors have taken all steps that ought to have been taken as Directors to make themselves aware of any relevant information and to establish that the Company's Independent Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006. In accordance with Section 489 of the Companies Act 2006, a resolution to re-appoint BDO LLP as the Company's Independent Auditor will be put forward at the forthcoming Annual General Meeting.

Regulatory Disclosures – information to be disclosed in accordance with Listing Rule 9.8.4

The disclosures below are made in compliance with the requirements of Listing Rule 9.8.4.

9.8.4(1) The company has not capitalised any interest in the year under review.

9.8.4(2) The company published its Half Yearly Financial Report on 18 May 2020 which contained unaudited financial information.

9.8.4(3) The company has no incentive schemes in operation.

9.8.4(4) and (5) No director of the Company has waived or agreed to waive any current or future emoluments from the Company.

9.8.4(6), (7) and (8) The company has not allotted any equity securities during the year under review within the meaning of Listing Rule 9.8.4(6), (7) and (8).

9.8.4(9) During the year under review, there were no contracts of significance subsisting to which the Company is a party and in which a director of the Company is or was materially interested; or between the Company and a controlling shareholder.

9.8.4(10) This provision is not applicable to the Company.

9.8.4(11) and (12) During the year under review, there were no arrangements under which a shareholder has waived or agreed to waive any dividends or future dividends.

9.8.4(13) This provision is not applicable to the Company.

By order of the Board

For and on behalf of
PraxisIFM Fund Services (UK) Limited
Company Secretary
1 December 2020

Corporate governance statement

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 financial year ended 30 September 2020, 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 54 and 55.

The Board of Directors

Composition

At the date of this report, the Board 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 year except for Elaine Bailey, who was appointed on 27 April 2020.

The Board believes that during the year ended 30 September 2020 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. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board will take into account the requirements of the AIC Code. The Board has adopted corporate governance best practice and has a succession plan in place, which promotes regular refreshment and diversity, whilst maintaining stability and continuity of skills and knowledge on the Board. No Director of the Company has served for nine years or more and all Directors remain independent of the Company's fund manager.

Following the decision of Mike Emmerich to step down from his position as non-executive director of the Company due to other commitments and responsibilities, the Company placed an open advertisement on the Company's website. Following several interviews and after due process, Elaine Bailey was appointed as an independent non-executive director of the Company.

Elaine is the former 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 she 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. She is actively involved in the government's Building Safety Programme, including as a member of the Industry Safety Standards Working Group.

In accordance with the Company's Articles of Association, Directors may be appointed by the Company by ordinary resolution or by the Board. If appointed by the Board, a Director shall hold office only until the next AGM and shall not be taken into account in determining the number of Directors who are to retire by rotation. In line with best practice, all the Directors will stand for annual re-election and the performance of each Director will be appraised by the Board annually, prior to the Annual General Meeting.

The Directors have appointment letters which do not provide for any specific term. Copies of the Directors' appointment letters are available on request from the company secretary. Upon joining the Board, any new Directors receive an induction and relevant training is available to Directors on an ongoing basis.

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. A report of the Audit Committee is included in this Annual Report as set out on page 68.

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.

Meeting attendance

Directors	Board Meeting	Audit Committee
Rob Whiteman	5	4
Robert Gray	5	4
John Carleton	5	4
Elaine Bailey*	2	2

*Appointed on 27 April 2020, and attended all meetings and committees since appointment.

There were five board meetings, four audit committees and also a number of other Board and committee meetings to deal with administrative matters and approval of documentation.

Board diversity

The Board considers diversity and the Company's policy is that the Board should have an appropriate level of diversity in the boardroom, taking into account relevant skills, gender, social and ethnic backgrounds, cognitive and personal strengths. Consideration is given to the recommendations of the AIC Code and the Company supports the recommendations of the Hampton-Alexander Review as well as the Parker review, but does not consider it appropriate to establish targets or quotas in these regards.

The Board appraises its collective set of cognitive and personal strengths, independence and diversity on an annual basis, and especially during the recruitment process, so as to ensure it is aligned with the Company's strategic priorities. The overriding aim of the policy is to ensure that the Board is composed of a combination of people with a range of business, financial or asset management skills and experience relevant to the direction and control of the Company for ensuring effective oversight of the Company and constructive support and challenge to the fund manager. The Board is satisfied with its current composition. However, should the strategic priorities change, the Board will review and adjust its composition. One director (25%) of the ReSI plc Board, Elaine Bailey, is female. One Non-Executive Director (50%) of the ReSI Housing Board, Gillian Rowley, is female.

Corporate Governance Statement

Performance appraisal

A formal annual performance appraisal process is performed each year on the Board, the committees, the individual Directors and the Company's main service providers.

A programme consisting of open and closed ended questions was used as the basis for the appraisal. The evaluation included strategic issues, management of risk, quality of meetings and composition of the Board, in terms of qualification, skills, diversity and experience, relationships, engagement with the fund manager, governance matters, the performance of the Chairman and the Committee. The results were reviewed by the Chairman and discussed with the Board. A separate appraisal of the Chairman has been carried out by the other members of the Board and the results reported back to the Chairman. The results of the performance evaluation were positive and demonstrated that the Directors showed the necessary commitment and expertise for the fulfilment of their duties.

The Board monitors the performance of the fund manager and believes the continuing appointment of the fund manager to be in the best interests of shareholders as a whole (see page 60).

Internal control

The AIC Code requires the Board to review the effectiveness of the Company's system of internal controls. The Board recognises its ultimate responsibility for the Company's system of internal controls and for monitoring its effectiveness. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can provide only reasonable internal assurance against material misstatement or loss. The Board has undertaken a review of the Company's internal controls framework. The Board believes that the existing arrangements represent an appropriate framework to meet the control requirements. By these procedures the Directors have kept under review the effectiveness of the internal control system throughout the year and up to the date of this report. The monitoring and review include all material controls, covering financial, operational and compliance. The Board has concluded that the Company's risk management and internal control system are adequate to meet the needs of the Company.

Financial aspects of internal control

The Directors are responsible for the internal financial control systems of the Company and for reviewing their effectiveness. These aim to ensure the maintenance of proper accounting records, the reliability of the financial information upon which business decisions are made and which is used for publication and that the assets of the Company are safeguarded. As stated above, the Board has contractually delegated to external agencies the services the Company requires, but it is fully informed of the internal control framework established by the AIFM, the fund manager, the administrator and the Company's depositary to provide reasonable assurance on the effectiveness of internal financial controls.

The key procedures include review of management accounts, monitoring of performance at quarterly Board meetings, segregation of the administrative function from investment management, maintenance of appropriate insurance and adherence to physical and computer security procedures.

The Statement of Directors' Responsibilities in respect of the accounts is on page 72 and the Going Concern and Viability Statement is on page 52. The Independent Auditor's Report is on pages 74 to 78.

Other aspects of internal control

The Board holds quarterly meetings, plus additional meetings as required. Between these meetings there is regular contact with the fund manager and other service providers.

The Board has agreed policies on key operational issues. The Company's key service providers report to the Board on operational and compliance issues. The fund manager and the depositary provide reports, which are reviewed by the Board.

The administrator prepares management accounts, which enable the Board to assess the financial position of the Company. Additional ad hoc reports are received as required and Directors have access at all times to the advice and services of the corporate company secretary, which is responsible to the Board for ensuring that Board procedures are followed.

This contact with the key service providers enables the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved.

The effectiveness of the Company's risk management and internal controls systems is monitored and a formal review has been completed. There are no significant findings to report from the review.

A typical agenda of a formal Board meeting includes a review of the financial and portfolio performance in that period, distributable income and dividend yield compared to forecast, an update regarding the investment pipeline, statutory and regulatory matters and governance obligations. The Directors are independent of the fund manager. The Board review investment activity and performance and exercise appropriate control and supervision to ensure acquisitions are made in accordance with agreed investment parameters. The fund manager has been given 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.

Matters reserved for the Board and delegated authorities

To retain control of key decisions and ensure there is a clear division of responsibilities between the running of the Board and the running of the business, the Board has identified 'reserved matters' that only it can approve. The Board has delegated a number of responsibilities and authorities to the fund manager. These responsibilities include the level of borrowing, which is based on the characteristics of the relevant property and asset class and identifying new investment opportunities for the Company, performing due diligence in relation to potential investments, approving and executing such investments and monitoring existing investments. The fund manager presents potential transactions to the Board at regular Board meetings. The Board and the Committee receive sufficient, reliable and timely information in advance of meetings and are provided with or given access to all necessary resources and expertise to enable them to fulfil their responsibilities and undertake their duties in an effective manner.

Principal risks

The Directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its position, business model, future performance, solvency or liquidity. The principal risks and how they are being managed is set out in the Strategic Report. As part of its risk process, the Board seeks to identify emerging risks to ensure that they are effectively managed as they develop and recorded in the risk matrix.

Annual General Meeting

At least twenty-one days' notice shall be given to all the members and to the auditors of an Annual General Meeting. All other general meetings shall also be convened by not less than twenty-one days' notice to all those members and to the auditors unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than fourteen days prior to the general meeting, in which case a general meeting may be convened by not less than fourteen days' notice in writing. A special resolution will be proposed at the Annual General Meeting to reduce the period of notice for general meetings, other than the Annual General Meeting, to not less than fourteen days.

Shareholder relations

The Company encourages all shareholders to attend the Annual General Meeting and seeks to provide a minimum of twenty working days' notice of that meeting. The Notice of Meeting sets out the business of the AGM and any item not of an entirely routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue. The fund manager has a programme of meetings with shareholders and reports back to the Board on its findings. The Chairman and the Board welcome direct feedback from shareholders.

Exercise of voting powers and stewardship code

The principles of best practice of the Stewardship Code are not applicable to the Company's operations, being a REIT that does not hold the shares of other companies.

Social and environmental policy

Please see the Environmental and Social Impact report on pages 30 to 45 for details.

Report of the Audit Committee

Role of the Audit Committee

The AIC Code of Corporate Governance (the "Code") recommends that Boards should establish audit committees consisting of at least three, or in the case of smaller companies, two independent non-executive directors. The Board is required to satisfy itself that the Audit Committee has recent and relevant experience. The main role and responsibilities of the Audit Committee should be set out in written terms of reference covering certain matters described in the UK Code. The terms of reference of the Audit Committee can be found on the Company's website at https://www.resi-reit.com/

The Audit Committee meets formally at least twice a year for the purpose, amongst other things, of considering the appointment, independence and objectivity, and remuneration of the auditor and to review the annual accounts and half-yearly financial report. The Audit Committee also reviews the Company's internal financial controls and its internal control and risk management systems.

Composition

All of the independent Directors of the Company are members of the Audit Committee. The Audit Committee as a whole has recent and relevant financial experience. The Audit Committee has considered the need for an internal audit function and considers that this is not appropriate given the nature and circumstances of the Company. The Audit Committee keeps the needs for an internal audit function under periodic review. The Chairman of the Company is a member of the Audit Committee. The Board and the Audit Committee believe that this is appropriate as he has recent and relevant financial experience and he is independent.

Meetings

There have been four Audit Committee meetings during the year ended 30 September 2020. Attendance is included in the Corporate Governance Statement.

Financial statements and significant accounting matters

The Audit Committee considered the following significant accounting issues in relation to the Company's Financial Statements for the year ended 30 September 2020.

Investment property valuation

The valuation of investment property is the most material matter in the production of the financial statements. Savills Advisory Services Limited has been appointed to value the Company's property investments in accordance with the RICS requirements on a quarterly basis. The Audit Committee reviewed a copy of the valuation report once it had been completed and has received a presentation from the valuer. Investment properties are valued at their fair value in accordance with IFRS 13 and IAS 40, which recognises a variety of fair value inputs depending upon the nature of the investment. The Audit Committee has reviewed the assumptions underlying the property valuations and concluded that the valuation at the Company's year end is appropriate.

Fair value of debt (debt held at fair value through profit and loss)

The Group's debt held at fair value through profit or loss is fair valued as of the year end based on the relevant gilt rate and discounted cash flows. The Audit Committee has reviewed the assumptions underlying the debt valuations and concluded that the valuation at the Company's year end is appropriate.

Revenue recognition

There is a risk that the Group's rental income may not be accounted for correctly in accordance with accounting standards. The Audit Committee has reviewed the Company's procedures in place for revenue recognition and has concluded that revenue has been appropriately recognised.

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 within 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 valuations for the investment property element is valued by Savills as part of the investment property valuation process and the inventory element is held at cost (defined as the lower of net realisable value or cost). The Audit Committee has reviewed the Savills valuation report for the relevant period, the Company's assessment of the split of investment property and inventory, and the Company's procedures in place for the valuation of shared ownership and has concluded that it has been appropriately recognised.

Audit tenure

BDO LLP has been appointed as the Company's auditor since the Company's launch, following a competitive process and review of the auditor's credentials. The appointment of the external auditor is reviewed annually by the Audit Committee and the Board and is subject to approval by shareholders. The current appointment of BDO LLP is compliant with all existing regulations and the Board and the Audit Committee agree that the auditor remains independent. However, the Board and the Audit Committee are considering conducting an audit tender in the new year in respect of the audit services for the year ending 30 September 2021.

Effectiveness of external audit

The Audit Committee is responsible for reviewing the effectiveness of the external audit process. The Audit Committee received a presentation of the audit plan from the external auditor prior to the commencement of the audit and a presentation of the results of the audit following completion of the main audit testing. The Audit Committee performed a review of the external auditor following the presentation of the results of the audit. The review included a discussion of the audit process and the ability of the external auditor to fulfil its role. Following the above review, the Audit Committee has agreed that the re-appointment of the auditors should be recommended to the Board and the shareholders of the Company.

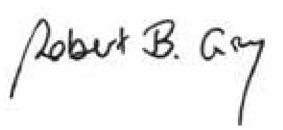
Provision of non-audit services

The Audit Committee has put a policy in place on the supply of any non-audit services provided by the external auditor. Such services are considered on a case-by-case basis and may only be provided to the Company if the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the auditor from remaining objective and independent.

BDO LLP were paid fees of £31,000 in respect of non-audit services in the year to 30 September 2020. These services were in respect of the interim review of the Interim Report for the period ended 31 March 2020 and this service is typically performed by a company's auditor. The Audit Committee has considered the non-audit work of the auditor during the year ended 30 September 2020 and does not consider that this compromises its independence.

Conclusion with respect to the Annual Report and financial statements - fair, balanced and understandable financial statements

The Audit Committee has concluded that the Annual Report for the year ended 30 September 2020, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Audit Committee has reported its conclusions to the Board of Directors. The Audit Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the Annual Report.



Robert Gray
Chairman of the Audit Committee

1 December 2020

Directors' Remuneration Implementation Report

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. An ordinary resolution for the approval of this report will be put forward at the forthcoming Annual General Meeting.

Remuneration Policy

The provisions of the policy which was approved at the AGM on 15 January 2020 have continued to apply. A copy of the policy is included in the Company's Annual Report for the period from 12 July 2017 to 30 September 2018.

The Directors' Remuneration Policy was last put forward at the Annual General Meeting held on 15 January 2020. The resolution was passed with proxies representing 99.99% of the shares voted being in favour of the resolution. The Directors' Remuneration Policy will next be put forward for approval at the Annual General Meeting to be held in 2022.

Directors' Remuneration Implementation Report

The Directors' Remuneration Implementation Report is put forward for approval by shareholders on an annual basis. The result of the shareholder resolution on the Implementation Report is non-binding on the Company, although it gives shareholders an opportunity to express their views, which will be taken into account by the Board.

The law requires the Company's auditor to audit certain disclosures provided in the Directors' Remuneration Implementation Report. Where disclosures are audited they are indicated as such. The auditor's opinion is on page 74.

Remuneration

The Company currently has four non-executive directors.

Directors are entitled to receive a fee linked to the Net Asset Value of the Company in respect of their position as a director of the Company. Fees are currently payable at the rates set out in the remuneration policy.

The Board believes that these fees appropriately reflect prevailing market rates for the Company's complexity and size, and will also enable the Company to attract appropriately experienced additional Directors in the future.

The Board reviews the fees payable to the Directors on an annual basis.

Directors' service contracts

The Directors do not have service contracts with the Company. The Directors are not entitled to compensation on loss of office. The Directors have appointment letters which do not provide for any specific term but are subject to re-election by shareholders at a maximum interval of three years. However, in line with best practice, all the Directors have agreed to retire and stand for re-election on a voluntary basis at the Annual General Meeting in January 2021.

There are no restrictions on transfers of the Company's shares held by the Directors or any special rights attached to such shares.

Director search and selection fees

No Director search and selection fees were incurred during the year ended 30 September 2020.

Directors' emoluments for the year ended 30 September 2020 (audited)

The Directors who served during the year received the following remuneration for qualifying services.

	Fees from 1 October 2019 to 30 September 2020 £'000	Fees from 1 October 2018 to 30 September 2019 £'000
Robert Whiteman	50	50
Robert Blackburn Gray	35	35
John Carleton	35	35
Mike Emmerich*	21	35
Elaine Bailey**	15	-
	156	155

*Resigned on 27 April 2020

**Appointed on 27 April 2020

There are no other taxable benefits payable by the Company other than certain expenses which may be deemed to be taxable. None of the above fees were paid to third parties.

A non-binding ordinary resolution to approve the Directors' Remuneration Implementation Report contained in the Annual Report for the period ended 30 September 2019 was put forward at the Annual General Meeting held on 15 January 2020. The resolution was passed with proxies representing 99.97% of the shares voted being in favour of the resolution.

Relative importance of spend on pay

The following table sets out the total level of Directors' remuneration compared to Net Property Income, Directors' fees, Operating expenses, and Dividends paid and payable to shareholders.

	2020 £'000	2019 £'000
Net Property Income	12,889	12,059
Directors' fees	156	155
Operating expenses	3,009	3,100
Dividends paid and payable to shareholders	8,547	8,551

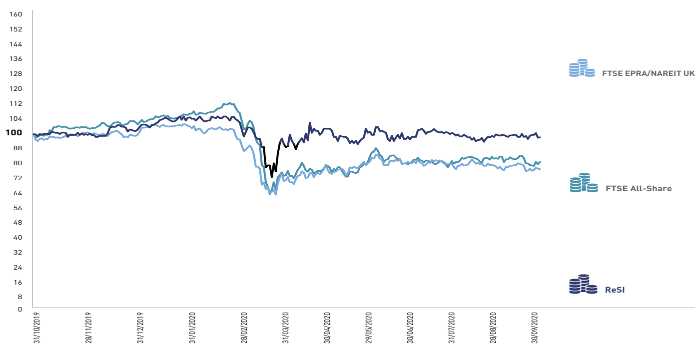
Performance

The following chart shows the performance of the Company's share price by comparison to the principal relevant indices. The Board believes that these indices are the most representative comparator for the Company, given the Company's investment objective.

Directors' holdings (audited)

There are no requirements pursuant to the Company's Articles of Association for the Directors to own shares in the Company. The Directors' beneficial shareholdings are detailed below:

	2020	2019
Robert Whiteman	50,000	5,000
Robert Blackburn Gray	108,552	75,000
John Carleton	4,850	4,850
Elaine Bailey	5,000	–



The shareholdings of the Directors are not significant and therefore do not compromise their independence as non-executive directors.

Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Policy and Remuneration Implementation summarises, as applicable, for the financial year ended 30 September 2020:

(a) the major decisions on Directors' remuneration;

(b) any substantial changes relating to Directors' remuneration made during the financial year ended 30 September 2020; and

(c) the context in which the changes occurred and decisions have been taken.

Rob Whiteman

Rob Whiteman
Chairman of the Board of Directors

1 December 2020

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. The Group financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and the Company financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"), subject to any material departures disclosed and explained in the Company financial statements; and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the Group's and Company's profit or loss for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that its financial statements comply with the Companies Act 2006 and as regards the Group financial statements, Article 4 of the IAS Regulation.

They are responsible for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Implementation Report and Corporate Governance Statement that complies with that law and those regulations. These can be found on pages 22, 59, 64 and 70 respectively.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors are responsible for ensuring that the Annual Report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Article 4 of the IAS Regulation and, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the financial position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

For and on behalf of the Board

Rob Whiteman
Chairman
1 December 2020

Independent Auditor's Report to the members of Residential Secure Income plc

Opinion

We have audited the financial statements of Residential Secure Income plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 30 September 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Company Statement of Financial Position, the Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including *Financial Reporting Standard 101 Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs UK) require us to report to you whether we have anything material to add or draw attention to:

- the directors' confirmation set out on page 67 in the annual report that they have carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the directors' statement set out on page 52 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 52 in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How we addressed the key audit matter in the audit
Valuation of investment properties Refer to page 68 (Report of the Audit Committee), note 4 (significant accounting judgements and estimates) and note 16 to the Group financial statements. Investment properties are held at fair value in the Group's financial statements. The valuation of the Group's investment property is the key component of net asset value and underpins the Group's result for the year. The valuation of investment property requires significant judgement and estimates by management with the involvement of their independent valuer. It is therefore considered a key audit matter due to the subjective nature of certain assumptions inherent in each valuation such as capitalisation yields and estimated vacant possession value. There is also a risk that management may influence the significant judgements and estimates in respect of property valuations in order to achieve performance targets to meet market expectations.	*Experience of Valuer and relevance of their work* We read the Valuer's report and agreed that the approaches used were consistent with the requirements of IFRSs as adopted by the European Union. We assessed the Valuer's competence and capabilities and read their terms of engagement with the Group, determining that there were no matters that affected their independence and objectivity or imposed scope limitations upon them. *Data provided to the Valuer* We checked the data provided to the Valuer by management and found that it was consistent with the information we audited. This data included inputs such as current rent and lease term, which we have agreed on a sample basis to executed lease agreements as part of our audit work. *Assumptions and estimates used by the Valuer* We met with the Valuer and gained an understanding of the valuation methods and assumptions used. With the assistance of our own property valuation specialist we challenged and considered the assumptions utilised by the Valuer within the valuation. We benchmarked the valuation to our expectations developed using independently obtained data in relation to capitalisation yields and comparable market transactions. *Key observation* Based on the procedures performed, we found the estimates and assumptions used appropriate in the context of the Group's property portfolio.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on the audit and in forming our audit opinion. Materiality is assessed on both quantitative and qualitative grounds.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate could reasonably be expected to influence the economic decisions of the users of the financial statements.

We determined that total assets would be the most appropriate basis for determining overall materiality as we consider it to be one of the principal considerations for members of the parent company in assessing the financial performance of the Group. We determined materiality for the Group financial statements as a whole to be £3,550,000 (2019 - £3,200,000), which was set at 1% of Group total assets. This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.

We determined that for other account balances, classes of transactions and disclosures that impact adjusted earnings (as defined in note 14 of the Group financial statements) a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of users. We concluded that a specific materiality for these areas should be £250,000 (2019 - £230,000), which was set at 5% of adjusted earnings. Adjusted earnings excludes the impact of the fair value movements and shared ownership facility set up costs.

We determined for the Parent Company that is was appropriate to use the same asset measure as the Group and the materiality applied was £1,770,000 (2019 - £2,180,000). The specific materiality applied to the Parent Company was £189,000 (2019 - £230,000) respectively, calculated as a proportion of the Group materiality.

Component materiality has been set on a similar basis for the Group with individual component materiality not exceeding the Group's and are in the range £128,000 to £2,466,000.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment together with the Group's overall control environment, our judgement was that performance materiality should be 75% (2019 – 75%) of materiality. As such, overall performance materiality

Independent Auditor's Report to the members of Residential Secure Income plc

was set at £2,662,500 (2019 - £2,400,000) and £187,500 (2019 - £172,500) for specific performance materiality.

We determined that the same measures as the Group were appropriate for the Parent Company, and the performance materiality and specific performance materiality applied were £1,327,500 (2019 - £1,635,000) and £141,750 (2019 - £172,500). Component performance materiality has been set on the same basis as for the Group.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £25,000 (2019 - £25,000). We also agreed to report any other differences that, in our view, warranted reporting on qualitative grounds.

We determined that the same measure as the Group was appropriate for the Parent Company and the areas subject to specific materiality. Accordingly the Parent Company reporting threshold and specific reporting threshold applied was £25,000 (2019 - £25,000).

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

An overview of the scope of our audit

Our audit of the Group was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, applicable legal and regulatory framework and the industry in which it operates, and assessing the risks of material misstatement at the Group level. This included consideration of the risk that the Group was acting contrary to applicable laws and regulations, including fraud.

We designed our audit by determining materiality and assessing the risk of material misstatements in the financial statements. In particular, we looked at where the Directors make subjective judgements.

The Group operates solely in the United Kingdom and through one segment, investment property. The Group audit team audits each of the four significant components of the Group using the materiality level set out above. The Group audit team performed all the work necessary to issue the Group and Parent Company audit opinion, including undertaking all of the audit work on the key audit matter.

Extent to which the audit was capable of detecting irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations. We focused on laws and regulations that could give rise to a material misstatement in the Group and parent company financial statements, including, but not limited to, the Companies Act 2006, the UK Listing Rules, compliance with the REIT taxation requirement of the Corporation Tax Act 2010 and legislation relevant to the rental of properties. Our work included, but was not limited to, review of correspondence with the Group's advisors, enquiries of management and agreement of the financial statement disclosures to underlying supporting documentation.

We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud. Our work included reviewing journals posted for evidence of the override of controls.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 69** – the statement given by the directors that they consider the annual report and financial statements taken as a whole are fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model, strategy and performance, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting set out on pages 68 and 69** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 64** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on pages 72 and 73, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report to the members of Residential Secure Income plc

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Directors on 20 September 2017 to audit the financial statements for the period ended 11 July 2017 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the period ended 11 July 2017 and the periods ending 30 September 2018 to 2020.

Non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Geraint Jones (Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor
London
United Kingdom

1 December 2020

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

Financials

Consolidated Statement of Comprehensive Income

For the year to 30 September 2020

	Note	2020 £'000	2019 £'000
Income	6	**32,204**	21,621
Cost of sales	6	**(19,315)**	(9,562)
Net income		**12,889**	12,059
Administrative expenses			
Fund management fee	7	**(1,837)**	(1,843)
General and administrative expenses	8	**(1,093)**	(1,030)
Costs of aborted property purchases and contracts		**(79)**	(227)
Total administrative expenses		**(3,009)**	(3,100)
Operating profit before property disposals and change in fair value		**9,880**	8,959
(Loss)/profit on disposal of investment properties		**(16)**	56
Change in fair value of investment properties	11	**(759)**	8,656
Change in fair value of borrowings	11	**718**	–
One-off shared ownership facility set up costs	11	**(2,418)**	–
Operating profit		**7,405**	17,671
Finance income	12	**36**	98
Finance costs	12	**(4,977)**	(4,444)
Change in fair value of interest rate swap derivative contracts	12	**(15)**	(89)
Profit for the period before taxation		**2,449**	13,236
Taxation	13	**–**	–
Profit for the period after taxation		**2,449**	13,236
Other comprehensive income		**–**	–
Total comprehensive income for the period attributable to the shareholders of the Company		**2,449**	13,236
Earnings per share - basic and diluted - (pence)	14	**1.4**	7.7

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

The notes on pages 84 to 104 form part of these financial statements.

Alternative Presentation

	Note	2020 £'000	2019 £'000
Operating profit before property disposals and change in fair value		**9,880**	8,959
Finance costs	12	**(4,956)**	(4,435)
Recurring profit before change in fair value and property disposals		**4,924**	4,524
One-off shared ownership facility set up costs	11	**(2,418)**	–
(Loss)/profit on disposal of investment properties		**(16)**	56
Change in fair value of investment properties	11	**(759)**	8,656
Change in fair value of borrowings	11	**718**	–
Profit for the period before taxation		**2,449**	13,236

Consolidated Statement at Financial Position

As at 30 September 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Investment properties	16	**331,782**	290,162
Total non-current assets		**331,782**	290,162
Current assets			
Inventories - properties available for sale	15	**10,421**	2,633
Trade and other receivables	17	**3,586**	2,652
Deposits paid for acquisition	18	**126**	6,334
Cash and cash equivalents	19	**10,365**	26,205
Total current assets		**24,498**	37,824
Total assets		**356,280**	327,986
Current liabilities			
Trade and other payables	20	**5,887**	4,459
Borrowings	21	**388**	373
Interest rate swap derivative contracts	22	**–**	–
Lease liabilities	30	**936**	934
Total current liabilities		**7,211**	5,766
Non-current Liabilities			
Borrowings	21	**140,713**	107,819
Interest rate swap derivative contracts	22	**104**	89
Lease liabilities	30	**28,640**	28,598
Total non-current liabilities		**169,457**	136,506
Total liabilities		**176,668**	142,272
Net assets		**179,612**	185,714
Equity			
Share capital	23	**1,803**	1,803
Share premium	24	**108**	108
Own shares reserve	25	**(8,626)**	(8,622)
Retained earnings	26	**186,327**	192,425
Total interests		**179,612**	185,714
Total equity		**179,612**	185,714
Net asset value per share - basic and diluted (pence)	31	**105.0**	108.6

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

Rob Whiteman
Chairman

1 December 2020

The notes on pages 84 to 104 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year to 30 September 2020

	Note	2020 £'000	2019 £'000
Cash flow from operating activities			
Profit for the period		**2,449**	13,236
Adjustments for items that are not operating in nature:			
Loss/(gain) in fair value of investment properties	16	**759**	(8,656)
Loss in fair value of interest rate swap	12	**15**	89
Change in fair value of borrowings	11	**(718)**	–
Loss/(profit) on disposal of investment properties		**16**	(56)
Shares issued in lieu of management fees		**458**	461
Finance income	12	**(36)**	(98)
Finance costs	12	**4,977**	4,444
One-off shared ownership facility set up costs	11	**2,418**	–
Operating result before working capital changes		**10,338**	9,420
Changes in working capital			
(Increase)/decrease in trade and other receivables		**(935)**	94
Increase in inventories		**(7,788)**	(2,633)
Increase/(decrease) in trade and other payables		**1,439**	(344)
Net cash flow generated from operating activities		**3,054**	6,537
Cash flow from investing activities			
Purchase of investment properties	16	**(41,621)**	(28,536)
Grant received	16	**5,286**	952
Disposal of investment properties		**317**	826
Deposits paid for acquisition	18	**(126)**	(6,334)
Interest received	12	**36**	98
Amounts transferred into restricted cash deposits	19	**(660)**	(63)
Net cash flow from investing activities		**(36,768)**	(33,057)
Cash flow from financing activities			
Purchase of own shares	25	**(462)**	(3,884)
New borrowings raised (net of expenses)	21	**31,582**	56,972
Loans repaid	21	**(590)**	(504)
Finance costs	12	**(4,769)**	(4,020)
Dividend paid	29	**(8,547)**	(7,698)
Net cash flow generated from financing activities		**17,214**	40,866
Net increase in cash and cash equivalents		**(16,500)**	14,346
Cash and cash equivalents at the beginning of the period	19	**25,032**	10,686
Cash and cash equivalents at the end of the period	19	**8,532**	25,032

The notes on pages 84 to 104 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year to 30 September 2020

	Share capital £'000s	Share premium £'000s	Own shares reserve £'000s	Retained earnings £'000s	Total equity £'000s
Balance at 30 September 2018	1,803	108	(5,199)	186,887	**183,599**
Profit for the period	–	–	–	13,236	**13,236**
Other comprehensive income	–	–	–	–	**–**
Total comprehensive income	**–**	**–**	**–**	13,236	**13,236**
Contributions by and distributions to shareholders					
Issue of management shares	–	–	461	(461)	**–**
Share based payment charge				461	**461**
Purchase of own shares	–	–	(3,884)	–	**(3,884)**
Dividends paid	–	–	–	(7,698)	**(7,698)**
Balance at 30 September 2019	1,803	108	(8,622)	192,425	**185,714**
Profit for the period	–	–	–	2,449	**2,449**
Other comprehensive income	–	–	–	–	**–**
Total comprehensive income	**–**	**–**	**–**	2,449	**2,449**
Contributions by and distributions to shareholders					
Issue of management shares	–	–	458	(458)	**–**
Share based payment charge	–	–	–	458	**458**
Purchase of own shares	–	–	(462)	–	**(462)**
Dividends paid	–	–	–	(8,547)	**(8,547)**
Balance at 30 September 2020	1,803	108	(8,626)	186,327	**179,612**

The notes on pages 84 to 104 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year to 30 September 2020

1. General information

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 1st Floor, Senator House, 85 Queen Victoria Street, London, England, EC4V 4AB.

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 financial statements for the year ended 30 September 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the International Accounting Standards Board ("IASB") as adopted by the European Union and in accordance with the Companies Act 2006.

The 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 comparatives presented are for the year ended 30 September 2019.

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

a) Going concern

The Directors have assessed 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. 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 financial statements, the UK Government has enacted emergency 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 24 provides further information on ReSI's response to COVID-19.

ReSI is subject to covenants on debt secured on its shared ownership, retirement and local authority portfolios (see note 21 on page 95). Sensitivity analysis has been performed, showing a large amount of headroom on all covenants, including all debt servicing and valuation metrics.

Due to the resilience of our residents' incomes (being predominantly from pensions / savings or local authorities) and shared owners' incomes (having been very recently checked for affordability), ReSI has high-quality cash flows that are resilient to economic downturns. ReSI also has a great deal of headroom in its loan covenants, and could withstand a prolonged drop in net income without breaching.

As the property's investment values of ReSI's retirement and local authority portfolios are primarily calculated with reference to future cash flows, not house prices, volatility in house prices does not have a substantial impact on the value of its property assets. Recent house price forecasts for FY21 and beyond are broadly consistent showing no growth in house prices in 2021, with growth predicted in future years. Sensitivity analysis shows that even a 15% fall in the value of ReSI's assets would not result in a loan covenant breach.

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 adopted during the year

The following new accounting standards, interpretations and amendments, endorsed by the EU, were effective for the first time for the Group's 30 September 2020 year end and had no material impact on the financial statements:

- As of 1 October 2019, the Group adopted IFRS 16 Leases. As the Group already accounted for ground rent liabilities under head leases as finance leases, the adoption of IFRS 16 has had no material impact on the Group's financial statements. Accordingly, no transition note has been presented.

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 October 2020 and whilst the Directors are considering these, initial indications are that these changes will have no material impact on the Group's financial statements.

Notes to the Consolidated Financial Statements

For the year to 30 September 2020

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 homes 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, they 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

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at the investment property element of 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 residents 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 is recognised in profit and loss as it accrues, 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.

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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 cash flows 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 30 September 2020 the Group had the following financial assets 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 loans 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 amortised cost, 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.

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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 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 11) or in the finance income or expense line (note 12), except where the movement relates to a change in own credit risk which is recognised in other comprehensive income.

At 30 September 2020 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

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.

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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 16.

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 in 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 16.

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 (the 'fair value hierarchy'). 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 21.

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 21.

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 30 September 2020 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.

Notes to the Consolidated Financial Statements

For the year to 30 September 2020

6. Income less cost of sales

	Net property income £'000	First tranche sales £'000	**2020 Total £'000**	2019 Total £'000
Gross Rental income	20,625	–	**20,625**	19,621
First tranche property sales	–	11,579	**11,579**	2,000
Total income	20,625	11,579	**32,204**	21,621
Service charge expenses	(4,703)	–	**(4,703)**	(4,253)
Property operating expenses	(3,526)	–	**(3,526)**	(3,249)
Impairment of receivables	(16)	–	**(16)**	(2)
First tranche cost of sales	–	(11,070)	**(11,070)**	(2,058)
Total cost of sales	(8,245)	(11,070)	**(19,315)**	(9,562)
Gross profit before ground rents	12,380	509	**12,889**	12,059
Ground rents disclosed as lease interest	(1,036)	–	**(1,036)**	(883)
Gross profit after ground rents disclosed as lease asset	11,344	509	**11,853**	11,176

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

	2020 £'000	2019 £'000
Cash portion	**1,379**	1,382
Equity	**458**	461
	1,837	1,843

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 £250 million and including £500 million, 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 £500 million and up to and including £1,000 million, 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 £1,000 million, 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.

8. General and administrative expenses

	2020 £'000	2019 £'000
Professional fees	**625**	640
Directors' fees and expenses (note 9)	**225**	222
Fees paid to the Company's auditor (note 10)	**169**	158
Other expenses	**74**	10
	1,093	1,030
Total expenses ratio		
Management fee	**1,837**	1,843
General and administrative expenses	**1,093**	1,030
Total Expenses	**2,930**	2,873
Average Net Asset Valuation*	**182,663**	184,656
Annualised total expenses ratio	**1.60%**	1.56%

* The average Net Asset Valuation is calculated as the average of the opening and closing NAV for the financial year.

Notes to the Consolidated Financial Statements

For the year to 30 September 2020

9. Directors' fees and expenses

	2020 £'000	2019 £'000
Fees	156	155
Taxes	20	14
Expenses	3	1
	179	170
Fees paid to directors of subsidiaries	46	52
	225	222

The Group had no employees during the year (2019: Nil) 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 to £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 to £200,000,000	£35,000
Thereafter	£40,000

None of the Directors received any advances or credits from any Group entity during the year (2019: Nil).

10. Fees paid to the Company's auditor

	2020 £'000	2019 £'000
Audit fees		
Parent and consolidated financial statements	42	42
Audit of subsidiary undertakings	90	80
Total audit fees	132	122
Audit related services		
Review of interim report	37	36
Total fees	169	158

11. Change in fair value

	2020 £'000	2019 £'000
(Loss)/gain on fair value adjustment of investment properties (note 16)	(487)	8,656
Adjustments for lease incentive assets and rent straight line assets recognised		
Start of the year	–	–
End of the year	(272)	–
	(759)	8,656
Gain on fair value adjustment of borrowings (note 21)	718	–
One-off shared ownership facility set up costs	(2,418)	–
	(2,459)	8,656

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.

The shared ownership facility primarily legal set up costs of £2.4m (equivalent to 2 basis points per annum over 45 years) were incurred arranging 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. These costs are therefore deemed to be one-off expenses.

Notes to the Consolidated Financial Statements

For the year to 30 September 2020

12. Net finance costs

	2020 £'000	2019 £'000
Finance income		
Interest income	**36**	98
	36	98
Finance expense		
Interest payable on borrowings	**(3,720)**	(3,394)
Other interest	**–**	(3)
Amortisation of loan costs	**(217)**	(164)
Debt programme costs	**(4)**	–
Lease interest	**(1,036)**	(883)
	(4,977)	(4,444)
Movement in fair value of derivative contracts		
Interest rate swaps	**(15)**	(89)
Net finance costs	**(4,956)**	(4,435)

The Group's interest income during the year 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.

13. Taxation

	2020 £'000	2019 £'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:

	2020 £'000	2019 £'000
Profit before tax	**2,449**	13,236
Tax at the UK corporation tax rate of 19% (2019: 19%)	**465**	2,532
Tax effect of:		
UK tax not payable due to REIT exemption	**(753)**	(1,008)
Investment property revaluation not taxable	**120**	(1,645)
Expenses that are not deductible in taxable profit	**168**	121
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 be kept at 19% for the foreseeable future.

14. Earnings per share

	2020 £'000	2019 £'000
Profit attributable to Ordinary shareholders	**2,449**	13,236
Deduction of fair value movement on investment properties and borrowings	**41**	(8,656)
Deduction of one-off shared ownership facility set up costs	**2,418**	–
Deduction of aborted acquisition costs	**79**	227
Loss/(profit) on property disposals	**16**	(56)
Adjusted earnings	**5,003**	4,751
Weighted average number of ordinary shares (thousands)	**171,020**	171,320
Basic earnings per share (pence)		
- 2020 (pence)	**1.43**	
- 2019 (pence		7.73
Adjusted earnings per share (pence)		
- 2020 (pence)	**2.93**	
- 2019 (pence)		2.77

Notes to the Consolidated Financial Statements

For the year to 30 September 2020

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.

15. Inventories – properties available for sale

	2020 £'000	2019 £'000
Shared ownership properties	**10,421**	2,633
	10,421	2,633

16. Investment properties

	2020 £'000	2019 £'000
At beginning of period	**290,162**	252,875
Property acquisitions at cost	**47,657**	27,941
Grant receivable	**(5,286)**	(952)
Capital expenditure	**298**	595
Property disposals	**(334)**	(770)
Movement in head lease gross up	**44**	1,817
Adjustments for lease incentive assets and rent straight line assets recognised	**(272)**	–
Change in fair value during the period	**(487)**	8,656
At end of period	**331,782**	290,162
Valuation provided by Savills	**302,478**	260,630
Adjustment to fair value - finance lease asset	**29,576**	29,532
Adjustments for lease incentive assets and rent straight line assets recognised	**(272)**	–
Total investment properties	**331,782**	290,162

The investment properties are divided into:

	2020 £'000	2019 £'000
Leasehold properties	**260,199**	218,215
Freehold properties*	**42,279**	42,415
Head lease gross up	**29,576**	29,532
Adjustments for lease incentive assets and rent straight line assets recognised	**(272)**	–
Total investment properties	**331,782**	290,162

*Includes Feuhold properties, the Scottish equivalent of Freehold.

The historical cost of investment properties at 30 September 2020 was £279,434,155 (2019: £237,090,923).

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 30 September 2020 agree to the valuations reported by external valuers, except that the valuations have been:

a) Decreased by £272,321 (£nil at 30 September 2019) 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 of £29,576,691 (£29,532,243 at 30 September 2019), representing the present value of ground rents payable for the properties held by the Group under leasehold – further information is provided in note 30. 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.

'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.

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For the year to 30 September 2020

The Group has pledged all of its investment properties (including inventory) to secure loan facilities granted to the Group (see note 21).

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 30 September 2020 is categorised as Level 3.

ReSI's shared ownership properties are valued by Savills using a discounted cash flow methodology applying a discount rate to estimated future cash flows. 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 cash flows as compared to rental cash flows. 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.

17. Trade and other receivables

	2020 £'000	2019 £'000
Trade debtors	**926**	283
Prepayments	**2,239**	2,321
Other debtors	**421**	48
	3,586	2,652

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.

18. Deposits paid for acquisitions

	2020 £'000	2019 £'000
Deposit paid for acquisitions	**126**	6,334
	126	6,334

The deposit as at 30 September 2020 relates to the acquisition of shared ownership homes in Cheshire, West Yorkshire, Greater Manchester and Lancashire in which ReSI exchanged contracts to acquire 39 homes for a total acquisition cost of £3.3 million. £2.0 million of the acquisition completed in the period and ReSI expects to complete on the remaining £1.2 million acquisition in Q4 2020.

In the prior year, the deposit related to the Clapham Park development in which ReSI exchanged contracts to acquire 132 new build apartments, in the London Borough of Lambeth, for a total acquisition cost of £60.6 million. This acquisition completed in the period.

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For the year to 30 September 2020

19. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank	8,530	25,030
Cash held as investment deposit	2	2
	8,532	25,032
Restricted cash	1,833	1,173
	10,365	26,205

Included within cash at the period end was an amount totalling £1,832.545 (2019: £1,172,990) held in separate bank accounts to which the Group has restricted access.

£1,172,285 (2019: £1,172,990) was held by the managing agent of the RHP 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 RHP Portfolio due on 1 October 2020.

£660,260 (2019: £nil) was held by US Bank in respect of funds required as a debt service reserve for the shared ownership debt.

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 £23.6 billion AUM, hence the Group's investment deposit represents an immaterial proportion of the fund.

20. Trade and other payables

	2020 £'000	2019 £'000
Trade payables	1,651	1,475
Accruals	2,290	1,109
VAT payable	3	3
Deferred income	770	699
Other creditors	1,173	1,173
	5,887	4,459

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.

21. Borrowings

	2020 £'000	2019 £'000
Loans	143,560	110,868
Unamortised borrowing costs	(2,459)	(2,676)
	141,101	108,192
Current liability	388	373
Non-current liability	140,713	107,819
	141,101	108,192
The loans are repayable as follows:		
Within one year	388	373
Between one and two years	14,924	388
Between three and five years	4,258	15,831
Over five years *	121,531	91,600
	141,101	108,192

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

Movements in borrowings are analysed as follows:

	2020 £'000	2019 £'000
At beginning of period	108,192	51,560
Drawdown of facility	34,000	58,450
Loan costs	–	(1,478)
Amortisation of loan costs	217	164
Fair value movement	(718)	–
Repayment of borrowings	(590)	(504)
At end of period	141,101	108,192

Notes to the Consolidated Financial Statements

For the year to 30 September 2020

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	53,000	52,290	Jun-43	3.4507 Fixed
Scottish Widows Ltd	40,000	39,575	Jun-43	3.4877 Fixed
Scottish Widows Ltd	4,000	3,963	Jun-43	3.2872 Fixed
National Westminster Bank plc	14,450	14,450	Feb-22	1.50 over 3 month LIBOR
	111,450	**110,278**		
Held at fair value				
Universities Superannuation Scheme	34,000	33,282	Mar-65	0.461%*
Total borrowings	**145,450**	**143,560**		

*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 30 September 2020 was £34.0 million.

The Universities Superannuation Scheme borrowings have been fair valued by calculating the present value of future cash flows, using the relevant inflation linked gilt rate at the date of valuation. The inflation linked gilt rate used for the valuation as at 30 September 2020 was 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 30 September 2020 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 £666k.

The fair value of borrowings held at amortised cost at 30 September 2020 was £126.9m (2019: £124.9m).

The Scottish Widows facility is secured by a first charge over retirement properties with a fair value of £211.1m.

The NatWest facility is secured by a first charge over local authority housing properties with a fair value of £33.7m.

The Universities Superannuation Scheme facility is secured by a first charge over shared ownership properties with a fair value of £56.7m.

22. Derivative financial instruments

	2020 £'000	2019 £'000
Interest rate swap derivative contracts	**104**	89

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.

23. Share capital account

	Number of Ordinary 1p shares	£'000
At 30 September 2019 and 30 September 2020	**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.

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24. Share premium account

	£'000
At 30 September 2019 and 30 September 2020	**108**

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

25. Own shares reserve

	£'000
At 30 September 2019	(8,622)
Purchase of own shares	(462)
Transferred as part of Fund Management fee	458
At 30 September 2020	**(8,626)**

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

During the year ended 30 September 2020, the Company purchased 506,355 of its own 1p ordinary shares at a total gross cost of £461,241 (£458,250 cost of shares and £2,991 associated costs).

During the year, 506,355 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 30 September 2020, 9,304,729 (2019: 9,304,729) 1p Ordinary Shares are held by the Company.

26. Retained earnings

	£'000
At 30 September 2019	192,425
Profit for the period	2,449
Share based payment charge	458
Issue of management shares	(458)
Dividends	(8,547)
At 30 September 2020	**186,327**

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

27. 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
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

*Indirectly held

Name of entity	Registered address
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

ReSI Retirement Rentals Limited was dissolved on 22 September 2020.

On 9 October 2020, ReSI Portfolio Holdings Limited was incorporated. The company is a 100% subsidiary of Residential Secure Income plc. The purpose of the Company is to act as a holding company for each of ReSI's property-owning subsidiaries.

All group entities are UK tax resident.

Notes to the Consolidated Financial Statements

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28. Notes to the cash flow statement

The liabilities arising from financing activities are reconciled below:

	Borrowings due within one year (note 21) £'000	Borrowings due in more than one year (note 21) £'000	Fair value of interest rate swaps (note 22) £'000	Lease liabilities (note 30) £'000	Total £'000
At 1 October 2019	373	107,819	89	29,532	**137,813**
Cash flows					
Borrowings advanced	605	33,395	–	–	**34,000**
Borrowings repaid	(590)	–	–	–	**(590)**
Debt arrangement fees paid	–	–	–	–	**–**
Ground rent paid	–	–	–	(1,036)	**(1,036)**
Non-cash flows					
Amortisation of debt set up fees	–	217	–	–	**217**
Change in fair value of borrowings	–	(718)	–	–	**(718)**
Change in fair value of interest rate swaps	–	–	15	–	**15**
Recognition of headlease liabilities acquired	–	–	–	1,080	**1,080**
At 30 September 2020	388	140,713	104	29,576	**170,781**

	Borrowings due within one year (note 21) £'000	Borrowings due in more than one year (note 21) £'000	Fair value of interest rate swaps (note 22) £'000	Lease liabilities (note 30) £'000	Total £'000
At 1 October 2018	257	51,303	–	27,715	**79,275**
Cash flows					
Borrowings advanced	783	57,668	–	–	**58,451**
Borrowings repaid	(504)	–	–	–	**(504)**
Debt arrangement fees paid	(163)	(1,316)	–	–	**(1,479)**
Ground rent paid	–	–	–	(883)	**(883)**
Non-cash flows					
Amortisation of debt set up fees	–	164	–	–	**164**
Change in fair value of interest rate swaps	–	–	89	–	**89**
Recognition of headlease liabilities acquired	–	–	–	2,700	**2,700**
At 30 September 2019	373	107,819	89	29,532	**137,813**

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For the year to 30 September 2020

29. Dividends

	2020 £'000	2019 £'000
Amounts recognised as distributions to shareholders in the period:		
4th interim dividend for the year ended 30 September 2018 of 0.75p per share	–	1,284
1st interim dividend for the year ended 30 September 2019 of 1.25p per share	–	2,138
2nd interim dividend for the year ended 30 September 2019 of 1.25p per share	–	2,138
3rd interim dividend for the year ended 30 September 2019 of 1.25p per share	–	2,138
4th interim dividend for the year ended 30 September 2019 of 1.25p per share	**2,138**	–
1st interim dividend for the year ended 30 September 2020 of 1.25p per share	**2,138**	–
2nd interim dividend for the year ended 30 September 2020 of 1.25p per share	**2,133**	–
3rd interim dividend for the year ended 30 September 2020 of 1.25p per share	**2,138**	–
	8,547	7,698
Amounts not recognised as distributions to shareholders in the period:		
4th interim dividend for the year ended 30 September 2019 of 1.25p per share	–	2,138
4th interim dividend for the year ended 30 September 2020 of 1.25p per share	**2,138**	–
Categorisation of dividends for UK tax purposes:		
Amounts recognised as distributions to shareholders in the period:		
Property Income Distribution (PID)	**3,590**	4,810
Non-PID	**4,957**	2,888
	8,547	7,698

On 21 November 2019, the Company declared fourth interim dividend of 1.25 pence per share for the period 1 July 2019 to 30 September 2019.

On 31 January 2020, the Company declared its first interim dividend of 1.25 pence per share for the period 1 October 2019 to 31 December 2019.

On 29 April 2020, the Company declared its second interim dividend of 1.25 pence per share for the period 1 January 2020 to 31 March 2020.

On 29 July 2020, the Company declared its third interim dividend of 1.25 pence per share for the period 1 April 2020 to 30 June 2020.

On 2 December 2020, the Company announced the declaration of a fourth interim dividend of 1.25 pence per share for the period 1 July 2020 to 30 September 2020 which will be payable on 8 January 2021 to shareholders on the register at the close of business on 11 December 2020.

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.

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30. Lease arrangements

The Group as lessee

The interest expense in respect of lease liabilities for the year was £1,036,000 (2019: £883,000).

There was no expense relating to variable lease payments in the year (2019: 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 £1,036,000 (2019: £883,000).

At 30 September 2020, the Group had outstanding commitments for future minimum lease payments under non-cancellable leases, which fall due as follows:

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**

As at 30 September 2019	Less than one year £'000	Two to five years £'000	More than five years £'000	Total £'000
Minimum lease payments	934	3,736	123,432	128,102
Interest	–	(273)	(98,297)	(98,570)
Present value at 30 September 2019	934	3,463	25,135	29,532

The above commitment is in respect of ground rents payable for properties held by the Group under leasehold. There are 2,267 properties (2019: 2,189 properties) held under leasehold with an average unexpired lease term of 129 years (2019: 130 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 residents for the following future aggregate minimum rentals receivable under non-cancellable operating leases:

	2020 £'000	2019 £'000
Receivable within 1 year	**4,912**	4,039
Receivable between 1-2 years	**2,907**	2,063
Receivable between 2-3 years	**2,907**	2,063
Receivable between 3-4 years	**2,907**	2,063
Receivable between 4-5 years	**2,907**	2,063
Receivable after 5 years	**122,918**	17,404
	139,458	29,695

The total of contingent rents recognised as income during the period was £nil (2019: £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 residents 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 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.

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The table below shows our expected lease receivables, excluding future rent reviews, from existing leases based on an assumption using historical experience of when residents vacate, consistent with our assumptions for valuing the properties:

	2020 £'000	2019 £'000
Receivable within 1 year	20,775	19,893
Receivable between 1-2 years	17,528	16,624
Receivable between 2-3 years	14,865	13,987
Receivable between 3-4 years	12,716	11,858
Receivable between 4-5 years	10,980	10,137
Receivable after 5 years	169,221	65,090
	246,085	137,589

31. Net asset value per share

	2020 £'000	2019 £'000
Net assets	**179,612**	185,714
	179,612	185,714
Ordinary shares in issue at period end (excluding shares held in treasury)	**171,019,648**	171,019,648
Basic NAV per share (pence)	**105.0**	108.6

32. Contingent liabilities and commitments

ReSI has received government grant funding of £6.2 million from the Greater London Authority (GLA) to support the delivery of shared ownership homes at Totteridge Place and Clapham Park. 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 GLA.

In the year ReSI committed to the acquisition (by exchange of contracts) of 39 shared ownership homes in Cheshire, West Yorkshire, Greater Manchester and Lancashire for a total acquisition cost of £3.3 million. £2.0m of the acquisition completed in the period and ReSI expects to complete on the remaining £1.2 million acquisition in Q4 2020.

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

33. 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 year ended 30 September 2020, 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 9, 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 year ended 30 September 2020, the Company incurred £1,837,465 (2019: £1,842,505) in respect of fund management fees and no amount was outstanding as at 30 September 2020 (2019: £nil). The above fee was split between cash and equity as per the Fund Management Agreement with the cash equating to £1,379,215 (2019: £1,381,880) and the equity fee of £458,250 (2019: £460,625) being paid as 506,355 (2019: 503,814) Ordinary Shares at an average price of £0.90 per share (2019: £0.92 per share).

In addition, the fund manager was paid a fee, pursuant to the Fund Management Agreement, of £281,718 (2019: £263,024) 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 £5,708 (2019: £3,825) and £37,571 (2019: £40,217) respectively.

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For the year to 30 September 2020

34. Post balance sheet events

As of the date of signing of these financial statements, the UK Government has enacted emergency 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 24 provides further information on ReSI's response to COVID-19. Due to the long-term nature of the Company's assets and strong cash flows, the directors do not forecast a breach of any existing debt covenants.

On 9 October 2020, ReSI Portfolio Holdings Limited was incorporated. The company is a 100% subsidiary of Residential Secure Income plc. The purpose of the Company is to act as a holding company for each of ReSI's property-owning subsidiaries.

35. Financial instruments

The table below sets out the categorisation of the financial instruments held by the Group as at 30 September 2020. Borrowings held at amortised cost have a fair value of £126.9m. The carrying amount of other financial instruments approximates to their fair value.

	2020 £'000	2019 £'000
Financial assets		
Trade and other receivables	**1,347**	331
Cash and cash deposits	**10,365**	26,205
	11,712	26,536
Financial liabilities		
At amortised cost		
Lease obligations	**29,576**	29,532
Borrowings	**107,819**	108,192
Trade and other payables	**5,114**	3,757
	142,509	141,481
At fair value through profit or loss		
Interest rate swap derivative contracts	**104**	89
Borrowings	**33,282**	–
	33,386	89
	175,895	141,570

The Group's activities expose it to a variety of financial risks: market risk, interest rate and inflation risk, credit risk, liquidity risk and capital risk management.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate limits and controls, and to monitor risks and adherence to limits. When considered appropriate the Group uses derivative financial instruments to hedge certain risk exposures.

Risk management policies and systems are reviewed regularly by the Board and fund manager to reflect changes in the market conditions and the Group's activities.

The exposure to each financial risk considered potentially material to the Group, how it arises and the policy for managing the risk is summarised below:

a) Market risk

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holding of financial instruments.

The Company's activities will expose it to the market risks associated with changes in property and rental values.

Risk relating to investment in property

Investment in property is subject to varying degrees of risk. Some factors that affect the value of the investment in property include:

- changes in the general economic climate;
- changes in the general social environment;
- competition from available properties;
- obsolescence; and
- Government regulations, including planning, environmental and tax laws.

Variations in the above factors can affect the valuation of assets held by the Company and the rental values it can achieve, and as a result can influence the financial performance of the Company.

The Group mitigates these risks by entering into long-term management or rental/letting agreements to ensure any fall in the property market should not result in significant impairment to rental cash flows. In addition, the Group focuses on areas of the market with limited and ideally countercyclical exposure to the wider property market.

As the Group operates only in the United Kingdom it is not exposed to currency risk.

b) Interest rate and inflation risks

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The interest rate exposure profile of the Group's financial assets and liabilities as at 30 September 2020 and 30 September 2019 were:

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	Nil rate assets and liabilities £'000	Floating rate assets £'000	Fixed rate liability £'000	Floating rate liability £'000	Total £'000
2020					
Trade and other receivables	1,347	–	–	–	1,347
Cash and cash equivalents	–	10,365	–	–	10,365
Trade and other payables	(5,114)	–	–	–	(5,114)
Interest rate swap derivative contracts	–	–	(104)	–	(104)
Bank borrowings	–	–	(93,644)	(47,457)	(141,101)
Lease obligations	–	–	(29,576)	–	(29,576)
	(3,767)	**10,365**	**(123,324)**	**(47,457)**	**(164,183)**
2019					
Trade and other receivables	331	–	–	–	331
Cash and cash equivalents	–	26,205	–	–	26,205
Trade and other payables	(3,757)	–	–	–	(3,757)
Interest rate swap derivative contracts	–	–	(89)	–	(89)
Bank borrowings	–	–	(94,018)	(14,175)	(108,193)
Lease obligations	–	–	(29,532)	–	(29,532)
	(3,426)	26,205	(123,639)	(14,175)	(115,035)

The Group has primarily financed its activities with fixed rate debt, which reduces the Group's exposure to changes in market interest rates. If market interest rates increased by 1% the Group's finance costs for existing debt facilities would increase by £49,130. Conversely, if market interest rates decreased by 1% the Group's finance costs for existing debt facilities would decrease by £49,130.

The Group intends to finance its activities with fixed, floating rate or inflation-linked debt. Changes in the general level of interest rates and inflation can affect the Group's profitability by affecting the spread between, amongst other things, the income on its assets and the expense of its interest-bearing liabilities, the value of its interest-earning assets and its ability to realise gains from the sale of assets should this be desirable.

The fund manager intends to match debt cash flows to those of the underlying assets and therefore does not expect to utilise derivatives. However, to the extent this is not possible, the Group may utilise derivatives for full or partial inflation or interest rate hedging or otherwise seek to mitigate the risk of inflation or interest rate movements. The Group will closely manage any derivatives, in particular with regard to liquidity and counterparty risks. The Group will only use derivatives for risk management and not for speculative purposes.

c) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations and arises principally from the Group's residents (in respect of trade receivables arising under operating leases), banks and money market funds (as holders of the Group's cash deposits).

Exposure to credit risk

	2020 £'000	2019 £'000
Trade and other receivables	**1,347**	331
Cash and cash equivalents	**10,365**	26,205
	11,712	26,536

The Group engages third parties to provide day-to-day management of its properties including letting and collection of underlying rent from residents or shared owners. The Group mitigates void risk by acquiring residential asset classes with a demonstrable strong demand or the residents are part owners of the properties (as exhibited by retirement, sub-market rental assets or shared ownership properties).

The credit risk of cash and cash equivalents is limited due to cash being held at banks or money market funds considered credit worthy by the Group's fund manager, with high credit ratings assigned by international credit rating agencies.

Note 30 details the Group's exposure as a lessor in respect of future minimum rentals receivable.

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group manages its liquidity and funding risks by considering cash flow forecasts and ensuring sufficient cash balances are held within the Group to meet future needs. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of financing through appropriate and adequate credit lines, and the ability of customers to settle obligations within normal terms of credit. The Company ensures, through forecasting of capital requirements, that adequate cash is available.

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The following table details the Group's remaining contractual maturing for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities, including future interest payments, based on the earliest date on which the Group can be required to pay.

	Less than one year £'000	Two to five years £'000	More than five years £'000	Total £'000
2020				
Borrowings	388	19,182	121,531	141,101
Interest on borrowings	3,783	13,745	55,198	72,726
Lease obligations	936	3,743	123,461	128,140
Payables and accruals	5,114	–	–	5,114
	10,221	**36,670**	**300,190**	**347,081**
2019				
Borrowings	373	16,219	91,600	108,192
Interest on borrowings	3,691	13,453	55,964	73,108
Lease obligations	934	3,736	123,432	128,102
Payables and accruals	4,459	–	–	4,459
	9,457	33,408	270,996	313,861

e) Capital risk management

The Group manages its capital to ensure the entities in the Group will be able to continue as a going concern whilst maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt (note 21), cash and cash equivalents (note 19) and equity attributable to the shareholders of the Company (comprising share capital, retained earnings and the other reserves as referred in notes 23 to 26).

The Group is not subject to externally imposed capital requirements under the AIFMD regime.

The Group's management reviews the capital structure on a regular basis in conjunction with the Board. As part of this review management considers the cost of capital, risks associated with each class of capital and debt and the amount of any dividends to shareholders.

	2020 £'000	2019 £'000
Lease obligations	**29,576**	29,532
Borrowings	**141,101**	108,192
Cash and cash equivalents	**(10,365)**	(26,205)
Net debt	**160,312**	111,519
Equity attributable equity holders	**179,612**	185,714
Net debt to equity ratio	**0.89**	0.60
Borrowings excluding finance lease liability	**141,101**	108,192
Total assets less finance lease gross up	**326,704**	298,454
GAV leverage ratio	**0.43**	0.36

The GAV leverage ratio has been presented to enable a comparison of the Group's borrowings as a proportion of Gross Assets as at 30 September 2020 to its medium term target GAV leverage ratio of 0.50.

36. 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.

	2020 £'000	2019 £'000
Annualised net rental income at balance sheet date	**11.8**	11.2
Historical cost of investment property	**279.4**	237.1
Historical cost of investments not yet income producing	**(40.4)**	(11.4)
Historical cost of income producing investment properties	**239.0**	225.7
Net yield	**4.9%**	5.0%

Company Statement of Financial Position

As of 30 September 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Investment in subsidiary undertakings	8	**171,865**	170,586
Total non-current assets		**171,865**	170,586
Current assets			
Trade and other receivables	9	**3,586**	26,043
Cash and cash equivalents	10	**1,644**	21,491
Total current assets		**5,230**	47,534
Total assets		**177,095**	218,120
Current liabilities			
Trade and other payables	11	**243**	36,497
Total current liabilities		**243**	36,497
Net assets		**176,852**	181,623
Equity			
Share capital	12	**1,803**	1,803
Share premium	13	**108**	108
Own shares reserve	14	**(8,626)**	(8,622)
Retained earnings		**183,567**	188,334
Total interests		**176,852**	181,623
Total equity		**176,852**	181,623

The notes on pages 107 to 111 form part of these financial statements.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit attributable to the Parent Company for the year ended 30 September 2020 amounted to £3.8 million (2019: £12.8 million).

These financial statements were approved and authorised for issue by the Board of Directors on 1 December 2020 and signed on its behalf by:

Rob Whiteman

Rob Whiteman
Chairman

1 December 2020

Company Statement of Changes in Equity

For the year ended 30 September 2020

	Share capital £'000	Share premium £'000	Own shares reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 30 September 2018	1,803	108	(5,199)	183,218	**179,930**
Profit for the period	–	–	–	12,814	**12,814**
Other comprehensive income	–	–	–	–	**–**
Total comprehensive income	–	–	–	12,814	**12,814**
Contributions by and distributions to shareholders					
Issue of management shares	–	–	461	(461)	**–**
Share based payment charge				461	**461**
Purchase of own shares	–	–	(3,884)	–	**(3,884)**
Dividend paid	–	–	–	(7,698)	**(7,698)**
Balance at 30 September 2019	1,803	108	(8,622)	188,334	**181,623**
Profit for the period	–	–	–	3,780	**3,780**
Other comprehensive income	–	–	–	–	**–**
Total comprehensive income	–	–	–	3,780	**3,780**
Contributions by and distributions to shareholders					
Issue of management shares	–	–	458	(458)	**–**
Share based payment charge	–	–	–	458	**458**
Purchase of own shares	–	–	(462)	–	**(462)**
Dividends paid	–	–	–	(8,547)	**(8,547)**
Balance at 30 September 2020	1,803	108	(8,626)	183,567	**176,852**

The notes on pages 107 to 111 form part of these financial statements.

Notes to the Company Accounts

For the year ended 30 September 2020

1. Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

2. Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- Certain comparative information as otherwise required by EU endorsed IFRS;
- Certain disclosures regarding the Company's capital;
- A statement of cash flows;
- The effect of future accounting standards not yet adopted;
- The disclosure of the remuneration of key management personnel; and
- Disclosure of related party transactions with other wholly owned members of Residential Secure Income plc.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the Company's consolidated financial statements. These financial statements do not include certain disclosures in respect of:

- Financial instruments; and
- Fair value measurement other than certain disclosures required as a result of recording financial instruments at fair value.

3. Changes to accounting standards and interpretations

New standards adopted during the year

The following new accounting standards, interpretations and amendments, endorsed by the EU were effective for the first time for the Company's 30 September 2020 year end and had no material impact on the financial statements:

- As of 1 October 2019 IFRS 16 Leases came into effect. This has no impact on the Company's financial statements.

4. 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 accounting

These financial statements have been presented as required by the Companies Act 2006 and have been prepared under the historical cost convention and in accordance with applicable Accounting Standards and policies in the United Kingdom ("UK GAAP").

b) Currency

The Company financial information is presented in Sterling which is also the Company's functional currency and all values are rounded to the nearest million (£m), except where otherwise indicated.

c) Investments in subsidiary undertakings in the Company Financial Statements

Investments in subsidiary undertakings are stated at cost less any provision for impairment in value.

d) 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.

e) Finance income

Finance income comprises interest receivable on funds invested and is recognised in profit and loss as it accrues, using the effective interest method.

f) Taxation

Taxation on the profit or loss for the period not exempt under UK REIT regulations would comprise of current and deferred tax. Tax would be 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.

g) 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.

Notes to the Company Accounts

For the year ended 30 September 2020

h) Financial instruments

Financial assets

Recognition of financial assets

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

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 cash flows 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 30 September 2020 the Company had the following non-derivative financial assets which are classified as financial assets 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.

Impairment of financial assets

The Company 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 Company 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 Company 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 Company 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 Company 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.

Notes to the Company Accounts

For the year ended 30 September 2020

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 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). 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 in the finance income or expense line.

At 30 September 2020 the Company 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.

De-recognition of financial liabilities

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

5. Significant accounting judgements and estimates

The preparation of financial statements requires the Directors of the Company 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.

Impairment of fixed asset investments

After assessing the carrying amounts of the Company's investments, it was determined that impairment indicators existed at the year-end for some of the investments and an impairment loss should be recognised.

6. Fees paid to the Company's auditor

	2020 £'000	2019 £'000
Audit fees	**42**	42
Audit related services	**38**	36
Total fees	**80**	78

7. Dividends paid

	2020 £'000	2019 £'000
Amounts recognised as distributions to shareholders in the period:		
4th interim dividend for the year ended 30 September 2018 of 0.75p per share	**–**	1,284
1st interim dividend for the year ended 30 September 2019 of 1.25p per share	**–**	2,138
2nd interim dividend for the year ended 30 September 2019 of 1.25p per share	**–**	2,138
3rd interim dividend for the year ended 30 September 2019 of 1.25p per share	**–**	2,138
4th interim dividend for the year ended 30 September 2019 of 1.25p per share	**2,138**	–
1st interim dividend for the year ended 30 September 2020 of 1.25p per share	**2,138**	–
2nd interim dividend for the year ended 30 September 2020 of 1.25p per share	**2,133**	–
3rd interim dividend for the year ended 30 September 2020 of 1.25p per share	**2,138**	–
	8,547	7,698
Amounts not recognised as distributions to shareholders in the period:		
4th interim dividend for the year ended 30 September 2019 of 1.25p per share	**–**	2,138
4th interim dividend for the year ended 30 September 2020 of 1.25p per share	**2,138**	–
Categorisation of dividends for UK tax purposes:		
Amounts recognised as distributions to shareholders in the period:		
Property Income Distribution (PID)	**3,590**	4,810
Non-PID	**4,957**	2,888
	8,547	7,698

On 21 November 2019, the Company declared fourth interim dividend of 1.25 pence per share for the period 1 July 2019 to 30 September 2019.

On 31 January 2020, the Company declared its first interim dividend of 1.25 pence per share for the period 1 October 2019 to 31 December 2019.

On 29 April 2020, the Company declared its second interim dividend of 1.25 pence per share for the period 1 January 2020 to 31 March 2020.

Notes to the Company Accounts

For the year ended 30 September 2020

On 29 July 2020, the Company declared its third interim dividend of 1.25 pence per share for the period 1 April 2020 to 30 June 2020.

On 2 December 2020, the Company announced the declaration of a fourth interim dividend of 1.25 pence per share for the period 1 July 2020 to 30 September 2020 which will be payable on 8 January 2021 to shareholders on the register at the close of business on 8 December 2020.

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.

8. Investments

	2020 £'000	2019 £'000
At beginning of period	**170,586**	133,420
Additions	**33,504**	35,218
(Impairment) / impairment reversal	**(32,225)**	1,948
At end of period	**171,865**	170,586

Investments represent investments in subsidiary undertakings and are subject to annual review for impairment indicators.

The impairment loss is included in administrative expenses in the Company's statement of comprehensive income.

The impairment of the Company's investments in subsidiary undertakings has been determined by comparing the Company's cost of investment in each subsidiary with the fair value of each subsidiaries' assets and liabilities. The investments are categorised as Level 3 in the fair value hierarchy.

The impairment has arisen due to a reduction in underlying property values of subsidiary entities and a distribution by a subsidiary.

The reversal of impairment charge in 2019 is due to profits made by the subsidiary entities during the year and the resultant increase in the underlying net assets of the subsidiary entities.

Investments are subject to annual review for impairment indicators.

The Company had the following subsidiary undertakings at 30 September 2020:

Name of entity	Percent-age of ownership	Country of incorpo-ration	Principal place of business	Principal activity
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

*Indirectly held

Name of entity	Registered address
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

ReSI Retirement Rentals Limited was dissolved on 22 September 2020.

All Group entities are UK tax resident.

9. Trade and other receivables

	2020 £'000	2019 £'000
Amounts due from group undertakings	**3,529**	19,521
Prepayments	**35**	154
Other debtors	**22**	6,368
	3,586	26,043

Amounts due from subsidiary undertakings are unsecured, interest free and repayable on demand.

All amounts fall due for repayment within one year.

Notes to the Company Accounts

For the year ended 30 September 2020

10. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank	1,642	21,489
Cash held as investment deposit	2	2
	1,644	21,491

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 £23.6 billion AUM, hence the Group's investment deposit represents an immaterial proportion of the fund.

11. Trade and other payables

	2020 £'000	2019 £'000
Amounts due to group undertakings	28	36,150
Trade payables	5	157
Accruals	210	190
	243	36,497

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

12. Share capital

	Number of Ordinary 1p shares	£'000
At 30 September 2019 and 30 September 2020	**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.

13. Share premium

	£'000
At 30 September 2019 and 30 September 2020	**108**

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

14. Own share reserve

	£'000
At 30 September 2019	(8,622)
Purchase of own shares	(462)
Transferred as part of Fund Management fee	458
At 30 September 2020	**(8,626)**

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

During the year ended 30 September 2020, the Company purchased 506,355 of its own 1p ordinary shares at a total gross cost of £461,241 (£458,250 cost of shares and £2,991 associated costs).

During the year, 506,355 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 30 September 2020, 9,304,729 (2019: 9,304,729) 1p Ordinary Shares are held by the Company.

15. Related party transactions

The Company has taken advantage of the exemption not to disclose transactions with other members of the Group as the Company's own financial statements are presented together with its consolidated financial statements. For all other related party transactions please make reference to note 33 of the Group accounts

Glossary

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 / ReSI	Residential Secure Income plc
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 Homes 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.
Group	Residential Secure Income plc and its subsidiary companies.
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.

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.
Market Rental Home	Means both a Unit of residential accommodation and an accommodation block comprising multiple Homes 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.

Glossary

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.
Year	12 months to 30 September 2020

Company Information

Directors
Robert Whiteman (Non-executive Chairman)
Robert Gray (Non-executive Director)
John Carleton (Non-executive Director)
Elaine Bailey (Non-executive Director)
(appointed 27 April 2020)

Registered Office
Mermaid House
Puddle Dock
London
ECV4 3DB

Company Information
Company Registration Number: 10683026
Incorporated in the United Kingdom

Fund Manager
ReSI Capital Management Limited
5 New Street Square
London
England
EC4A 3TW

Corporate Broker
Jefferies International Limited
Vintners Place
68 Upper Thames Street
London
EC4V 3BJ

Legal and Tax Adviser
Cadwalader, Wickersham & Taft LLP
Dashwood House
69 Old Broad Street
London EC2M 1QS

Tax Adviser
Smith & Williamson
Portwall Place
Portwall Lane
Bristol
BS1 6NA

Depositary
Thompson Taraz LLP
4th Floor, Stanhope House
47 Park Lane
Mayfair
London
W1K 1PR

Administrator
MGR Weston Kay LLP
55 Loudoun Road
St John's Wood
London
NW8 0DL

Company Secretary
PraxisIFM Fund Services (UK) Limited
1st Floor, Senator House
85 Queen Victoria Street
London
EC4V 4AB

Registrar
Link Market Services Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Auditors
BDO LLP
55 Baker Street
London
W1U 7EU

Public Relations Adviser
FTI Consulting
200 Aldersgate
Aldersgate Street
London
EC1A 4HD

Valuers
Savills (UK) Limited
33 Margaret Street
London
W1G 0JD

Notice of Annual General Meeting

Annual General Meeting

In line with the requirements of the Companies Act 2006, the Company will hold an Annual General Meeting ("AGM") of shareholders to consider the resolutions laid out in the Notice of Meeting below.

The well-being and safety of shareholders and service providers is a primary concern for the Directors of the Company and under the regulations and guidance issued by the UK Government relating to the Coronavirus (COVID-19) the Directors have (pursuant to powers granted to them by the Company's Articles of Association) determined that shareholders should not attend the AGM in person. Shareholders attempting to attend the AGM in person will be refused entry.

In light of these measures, the AGM will be held virtually via videoconference and shareholders will be able to attend the meeting virtually. Shareholders should monitor London Stock Exchange announcements for arrangements regarding the virtual AGM.

Should a shareholder have a question that they would like to raise at the AGM, either of the Board or the Fund Manager, the Board would ask that they either ask the question in advance of the AGM by sending it by email to resiplc@greshamhouse.com by the 13 of January 2021 or attend the AGM virtually and asking the question at the meeting at the appropriate time. Answers to all questions will be published on the Company's website after the AGM.

AGM voting

Shareholders are requested to vote by proxy. Given the restrictions on attendance, shareholders are encouraged to appoint the "Chairman of the Meeting" as their proxy rather than another person who will not be permitted to attend the meeting. Details of how to vote, either electronically, by proxy form or through CREST, can be found in the Notes to the Notice of AGM on pages 116 to 117.

The outcome of the resolutions will as usual be determined by shareholder vote based on the proxy votes received. All valid proxy appointments (whether submitted electronically or in hard copy form) will be included. The results of the AGM will be announced to the London Stock Exchange and placed on the Company's website, as soon as practicable after the conclusion of the AGM.

This situation is constantly evolving, and the UK Government may change the current restrictions or implement further measures during the affected period. Shareholders should monitor the Company's website at https://www.resi-reit.com/ and London Stock Exchange announcements for any updates regarding the AGM.

Alternatively, shareholders can contact the Registrar, Link Asset Services, for updated information (please see Notes to the Notice of AGM for the Registrar's contact details).

The Board would like to thank all shareholders for their continued support and understanding in this extraordinary times.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Residential Secure Income PLC will be held at the offices of ReSI Capital Management, 21-26 Garlick Hill, London EC4V 2AU on 20 January 2021 at 11.00 a.m. for the following purposes:

To consider and if thought fit pass the following resolutions of which resolutions 1 to 10 will be proposed as ordinary resolutions and resolutions 11 to 13 will be proposed as special resolutions.

Ordinary Resolutions

1. To receive the Company's Annual Report and Accounts for the year ended 30 September 2020, with the reports of the Directors and Auditor thereon.
2. To approve the Directors' Remuneration Implementation Report included in the Annual Report for the year ended 30 September 2020.
3. To re-elect Robert Whiteman as a Director of the Company.
4. To re-elect Robert Gray as a Director of the Company.
5. To re-elect John Carleton as a Director of the Company.
6. To elect Elaine Bailey as a Director of the Company.
7. To re-appoint BDO LLP as Auditor to the Company.
8. To authorise the Directors to fix the remuneration of the Auditor until the conclusion of the next Annual General Meeting of the Company.
9. To approve the Company's policy of paying quarterly interim dividends.
10. That the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (in substitution for all subsisting authorities to the extent unused) to exercise all the powers of the Company to allot up to 17,101,964 Ordinary Shares (excluding shares held in Treasury) in the capital of the Company (equivalent to 10% of the Ordinary Shares in issue at the date of the notice of this meeting), such authority to expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the Annual General

Meeting of the Company to be held in 2022 or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of shares in pursuance of such an offer or agreement as if such authority had not expired

Special Resolutions

11. That, subject to the passing of resolution 10, in substitution for any existing power under sections 570 and 573 of the Companies Act 2006 but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered (pursuant to sections 570 and 573 of the Companies Act 2006) to allot Ordinary Shares and to sell Ordinary Shares from treasury for cash at a price above prevailing Net Asset Value per share, pursuant to the authority referred to in Resolution 10 above as if section 561 of the Act did not apply to any such allotment or sale, such power to expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2022 or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require equity securities to be allotted or sold from treasury after the expiry of such power, and the Directors may allot or sell from treasury equity securities in pursuance of such an offer or an agreement as if such power had not expired

12. That the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of section 693(4) of the Act) of its Ordinary Shares of 1p each, provided that:

    (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 25,635,845 (representing 14.99% of the Company's issued Ordinary Share capital (excluding shares held in Treasury) at the date of the notice of this meeting);

    (b) the minimum price (exclusive of any expenses) which may be paid for an Ordinary Share is 1p;

    (c) the maximum price (excluding expenses) which may be paid for an Ordinary Share is not more than the higher of:

        (i) 5% above the average of the middle market quotations for the Ordinary Shares for the five business days immediately before the day on which it purchases that share; and

        (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares;

    (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2022 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and

    (e) the Company may make a contract to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

13. That a general meeting of the Company other than an Annual General Meeting may be called on not less than 14 clear days' notice, provided that this authority shall expire at the conclusion of the Company's next Annual General Meeting after the date of the passing of this resolution.

Registered office
1st Floor, Senator House,
85 Queen Victoria Street,
London,
EC4V 4AB

By order of the Board
For and on behalf of PraxisIFM Fund Services (UK) Limited
Company Secretary

1 December 2020

Notes to the Notice of AGM

Website address

1. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, is available from https://www.resireit.com/.

Entitlement to attend and vote

2. Only those holders of Ordinary Shares registered on the Company's register of members at 6.00 p.m. on 18 January 2021 or, if this meeting is adjourned, at close of business on the day two days prior to the adjourned meeting, shall be entitled to vote at the meeting.

Appointment of Proxies

3. Members entitled to vote at the meeting (in accordance with Note 2 above) are entitled to appoint a proxy to vote in their place. If you wish to appoint a proxy please follow the instructions at note 6 below if you wish to appoint a proxy through the CREST electronic proxy appointment service. In the case of joint members, only one need sign the Form of Proxy. The vote of the senior joint member will be accepted to the exclusion of the votes of the other joint members. For this purpose, seniority will be determined by the order in which the names of the members appear in the register of members in respect of the joint shareholding.
4. You can appoint the Chairman of the Meeting as your proxy using the voting methods in notes 6 and 7.
5. You can instruct your proxy how to vote on each resolution by marking the resolutions For and Against using the voting methods stated in notes 6 and 7. If you wish to abstain from voting on any resolution please mark these resolutions withheld. It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution. If you do not indicate how your proxy should vote, he/she can exercise his/her discretion as to whether, and if how so how, he/she votes on each resolution, as he/she will do in respect of any other business (including amendments to resolutions) which may properly be conducted at the meeting.

Appointment of proxy

6. You can vote either:

- by logging on to www.signalshares.com and following the instructions;
- You may request a hard copy form of proxy directly from the registrars, Link Asset Services on Tel:0371 664 0300. Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales; or
- in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Asset Services at 34 Beckenham Road, Beckenham, Kent, BR3 4TU by 11.00 a.m. 18 January 2021.

Appointment of a proxy through CREST

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy's appointee through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions.

   It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be lodged at 11.00 a.m. on 18 January 2021 in respect of the meeting. Any such messages received before such time will be deemed to have been received at such time. In the case of an adjournment, all messages must be lodged with Link Asset Services no later than 48 hours before the rescheduled meeting.

Termination of proxy appointments

8. In order to revoke a proxy instruction you will need to inform the Company. Please send a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, BR3 4TU.

   In the case of a member which is a company, the revocation notice must be executed under its common seal or otherwise in accordance with section 44 of the Companies Act 2006 or by signature on its behalf by an officer or attorney whose power of attorney or other authority should be included with the revocation notice.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified in note 2 above then, subject to the paragraph directly below, your proxy will remain valid.

   If you submit more than one valid proxy appointment in respect of the same Ordinary Shares, the appointment received last before the latest time for receipt of proxies will take precedence.

Nominated Persons

9. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights:

- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (Relevant Member) to be appointed or to have someone else appointed as a proxy for the meeting.
- If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.
- Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in the notes to the form of proxy.

Questions at the Meeting

10. Under section 319A of the Companies Act 2006, the Company must answer any question you ask relating to the business being dealt with at the meeting unless:

- answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
- the answer has already been given on a website in the form of an answer to a question; or
- it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Issued Shares and total voting rights

11. As at the date of this Notice, the total number of shares in issue is 180,324,377 Ordinary Shares of 1p each. The total number of Ordinary Shares with voting rights is 171,019,648. On a vote by a show of hands, every holder of Ordinary Shares who (being an individual) is present by a person, by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member, shall have one vote. On a poll every holder of Ordinary Shares who is present in person or by proxy shall have one vote for every Ordinary Share held by him.

Communication

12. Except as provided above, members who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted):

- calling Link Asset Services' shareholder helpline:0371 664 0300 Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales;
- in writing to Link Asset Services.

You may not use any electronic address provided either in this notice of meeting or in any related documents (including the Form of Proxy for this meeting) to communicate with the Company for any purposes other than those expressly stated.

Since 1857
Gresham House
Specialist asset management

Residential Secure Income plc
1st Floor, Senator House
85 Queen Victoria Street
London
EC4V 4AB