Residential Secure Income plc
Interim Report 2020

Since 1857
Gresham House
Specialist asset management

About Us

Residential Secure Income plc ("ReSI") 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.

ReSI targets a secure, long-dated, inflation-linked dividend yield of 5.0% p.a. (paid quarterly) and a total return in excess of 8.0% p.a. and has to date committed c.£300 million, assembling a portfolio of 2,679 properties.

ReSI aims to make a meaningful contribution to alleviating the UK housing shortage by meeting demand from housing developers (Housing Associations, Local Authorities and private developers) for long-term investment partners to accelerate the development of socially and economically beneficial new affordable housing.

ReSI's subsidiary, ReSI Housing Limited, is registered and authorised as a for-profit Registered Provider of Social Housing, and so provides a unique proposition to its housing developer partners, being a long-term private sector landlord within the social housing regulatory environment. As a Registered Provider, ReSI Housing can acquire affordable housing funded by government grant and/or subject to s106 planning restrictions.

ReSI is managed by ReSI Capital Management Limited, a wholly-owned subsidiary of TradeRisks Limited which has a 19-year track record of executing transactions within the UK social housing sector and, to date, has arranged funding of over £10 billion in the social housing, care and other specialist residential property sectors.

TradeRisks Limited and ReSI Capital Management Limited were acquired on 4 March 2020 by Gresham House plc, the specialist alternative asset management business which is listed on the London Stock Exchange and now has c.£3 billion of assets under management. Gresham House plc provides funds, direct investments and tailored investment solutions, including co-investment across a range of highly differentiated alternative investment strategies. The Group's expertise includes timber, renewable energy, housing and infrastructure, strategic public and private equity (private assets). It aims to deliver sustainable financial returns and is committed to building long-term partnerships with clients (institutions, family offices, high-net-worth individuals, charities and endowments and private individuals) to help them achieve their financial goals.

Acquisitions by ReSI are limited to homes with sufficient cashflows, counterparty credit quality and property security to be capable of supporting long-term investment grade equivalent debt.

ReSI does not manage or operate stock and uses experienced and credit-worthy third party managers.

Contents

Key Highlights
as at 31 March 2020

Financial Highlights

106.9p/-1.6%
Net Asset Value per share
IFRS Net Asset Value per share, a decrease of 1.7p (versus Net Asset Value per share of 108.6p at 30 September 2019)

£182.8m/-1.56%
Net Asset Value
IFRS Net Asset Value, a decrease of £2.9m versus Net Asset Value of £185.7m as at 30 September 2019

£146.1m
Market Capitalisation
Market Capitalisation of equity at 31 March 2020 (30 September 2019: £155.6m)

1.3p
Adjusted earnings per share
Profit after tax per share excluding revaluations based on IFRS NAV (31 March 2019: 1.2p) (See note 11 on page 47)

£311m
Value of Investment Property
Fair Value of investment property at 31 March 2020, excluding adjustment to fair value for the finance lease asset, plus committed properties with purchase contracts exchanged (30 September 2019: £321m) (see note 13 on page 47). £10m reduction primarily due to sale of shared ownership first tranche

£108.0m
Debt Outstanding
(30 September 2019: £108.2m) The debt has a weighted average remaining life of 19.3 years (see note 18 on page 49)

5.0p
Dividend per share
Annualised dividends declared for the year to 31 March 2020 in line with target & affirmation of 5p per share target for year to 30 September 2020

£1.0m/-0.4%
Valuation decline
Reduction in the value of investment property in the six months to 31 March 2020 (31 March 2019: £5.2m uplift), despite COVID-19 (see note 13 on page 47)

36.4%
GAV Leverage Ratio
Ratio of total debt outstanding against Gross Asset Value (excluding adjustment for finance lease asset) (30 September 2019: 36.3%)

£302m
Capital deployed
Total invested in acquiring properties up to 31 March 2020 inclusive of £34m committed on the second block at Clapham Park (30 September 2019: £302m)

1.5%
Ongoing charges ratio
Ongoing charges ratio based on 31 March 2020 NAV, including 1.0% for the Fund Manager's fee (31 March 2019: 1.5%) (calculated using the October 2015 AIC methodology)

3.0m
Shares
Held by the Fund Manager, directors of the Fund Manager, and Directors of ReSI plc. equal to 1.8% of the total number of shares outstanding as at 31 March 2020 (30 September 2019: 2.8m)

Operational Highlights

2,679
Homes acquired
2,606 homes acquired spread across the UK as at 31 March 2020 with a further 73 assets subject to contract (30 September 2019: 2,677, including 132 assets subject to contract)

£4.27
Social impact per share
£731m total social impact over 25 years (30 September 2019: £731m), or £2.49 for every £1 invested in ReSI's properties (30 September 2019: £2.49) (see page 12)

Over 82%
Of homes located in Southern England
Percentage of the total portfolio located in Southern England, defined as the South East, South West, East Anglia and Greater London (30 September 2019: over 80%)

£11.7m
Annualised net rental income
Net rental income (net property income less ground rents disclosed as finance lease interests) to 31 March 2020, annualised, for all acquisitions completed before 31 March 2020 (31 March 2019: £11.2m) (see note 33 on page 55)

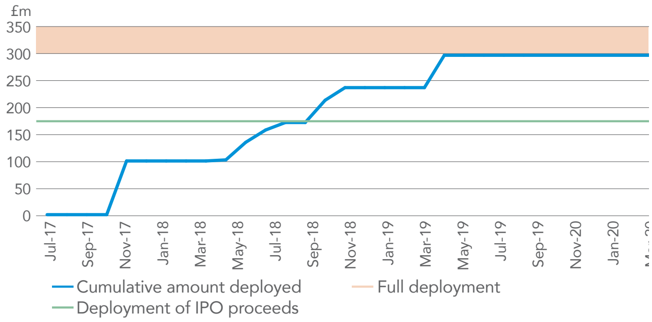
5.0%
Annualised net yield
Net rental income divided by capital deployed to income-producing assets (31 March 2019: 5.1%) (see note 33 on page 56)

656
Locations
Number of unique locations where properties are owned across the United Kingdom (30 September 2019: 655)

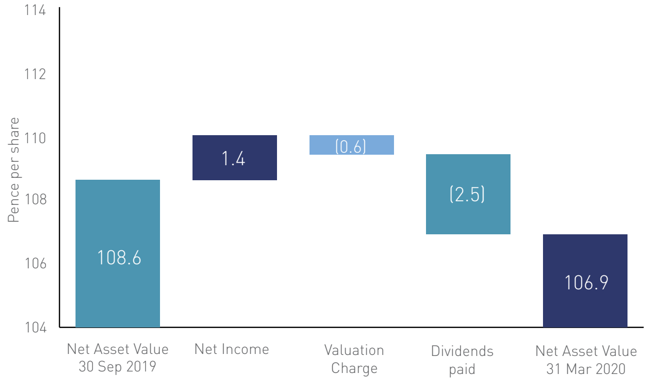
Comparatives
Unless otherwise stated, Balance Sheet metrics are reported against 30 September 2019, Statement of Comprehensive Income metrics are reported against 31 March 2019.

Portfolio Summary

Deployment Timeline



NAV per share



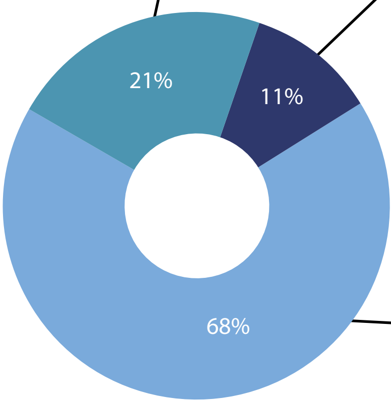
Portfolio allocations by value

Shared Ownership Homes

£65m – 166 units – 21%

Local Authority Housing

£35m – 289 units – 11%



Retirement Rental Homes

£211m – 2,224 units – 68%

Investment Strategy

ReSI seeks to provide its shareholders with income and capital appreciation in excess of inflation by acquiring and holding residential social housing assets including affordable shared ownership, retirement and Local Authority housing.

ReSI's Investment Strategy

- ReSI's investment strategy is to deliver a secure income stream from a residential social housing portfolio benefiting from:
  - below market rents ensuring on-going tenant demand;
  - diverse income stream from less economically sensitive tenants; and/or
  - strong counterparty covenants and managers – shared equity tenants, Local Authorities, large credit-worthy Housing Associations
- Acquisitions are fundamentally limited to homes with sufficient cashflows, counterparty credit quality and property security to be capable of supporting long-term investment grade equivalent debt (at 50% target leverage on average). Seeks to deliver an inflation-linked dividend yield of 5% p.a. and total return in excess of 8% p.a.
- Seeks to deliver an inflation-linked target of 5% p.a. dividend and total return in excess of 8% p.a.

Key Investment Themes

1. Reduced government grant and other financial constraints are causing Housing Associations to seek third party equity capital
2. Similarly, government initiatives are encouraging Local Authorities to bring in third party capital
3. UK housebuilders and developers are under pressure to deleverage and reduce their balance sheets
4. Demographic trends and a historical undersupply are driving growing demand for UK housing

- This environment has created a highly scalable, long-term investment opportunity to generate secure, long term, inflation-linked returns
- ReSI was created to meet demands from housing developers (Housing Associations, Local Authorities and private developers) for:
  - alternative equity like financing routes to support their development ambitions
  - investment partners to facilitate their provision of housing

ReSI offers a highly scalable, long-term investment opportunity generating secure, inflation-linked returns from a defensive asset class that is supported by strong demographic and structural drivers.

ReSI's long-term economic objectives make it an attractive partner for Housing Associations, Local Authorities and private developers who favour partners with business models to invest and hold assets over the long term.

ReSI's subsidiary ReSI Housing Limited became a Registered Provider of social housing in July 2018 and was awarded Investment Partner Status by the Greater London Authority in January 2019 and Homes England in March 2020; it is therefore able to acquire properties designated as affordable and which are funded by government grant, expanding ReSI's pool of potential investments to include those developed by the private sector.

ReSI has a fully independent board of experienced non-executive directors.

In addition, ReSI Housing Limited, the Group's for-profit Registered Provider of social housing, has its own board with experienced non-executive directors that include David Orr, former chief executive of the National Housing Federation, and Gillian Rowley, former Head of Private Finance at the Homes & Community Agency.

ReSI Capital Management Limited, now part of the Gresham House group since the acquisition of its parent Group, TradeRisks Limited, on 5 March 2020, is ReSI's Alternative Investment Fund Manager.

Gresham House plc, is a specialist alternative asset management business which is listed on the London Stock Exchange's Alternative Investment Market (AIM) and now has c.£3 billion of assets under management. Gresham House plc's expertise includes timber, renewable energy, housing, infrastructure, strategic public and private equity (private assets). It aims to deliver sustainable financial returns in an ethical and sustainable manner.

ReSI Capital Management's core management team comprises two former Housing Association chief executives and four social housing advisors to the social housing sector with 139 years of combined experience. ReSI Capital Management's parent company, TradeRisks Limited, is a FCA regulated specialist provider of debt structuring and advisory services to the housing and social infrastructure sectors, which has arranged over £11bn of funding for specialist residential property since 2001, working with counterparties that account for c.43% (by volume of homes owned) of the UK social housing sector.

ReSI uses TradeRisks' significant debt financing expertise to lock in returns on assets at the point of acquisition, by arranging long-term investment grade debt which matches asset cashflows.

Investment Team

Ben Fry

Managing Director, ReSI Capital Management

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 9 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

Chief Executive, ReSI Capital Management

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.

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.

Mark Rogers

Managing Director, ReSI Capital 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 Ltd in 2013 and has 46 years' experience in residential portfolio management, having been Chief Executive of Notting Hill Housing Group and Chief Officer at two London Boroughs.

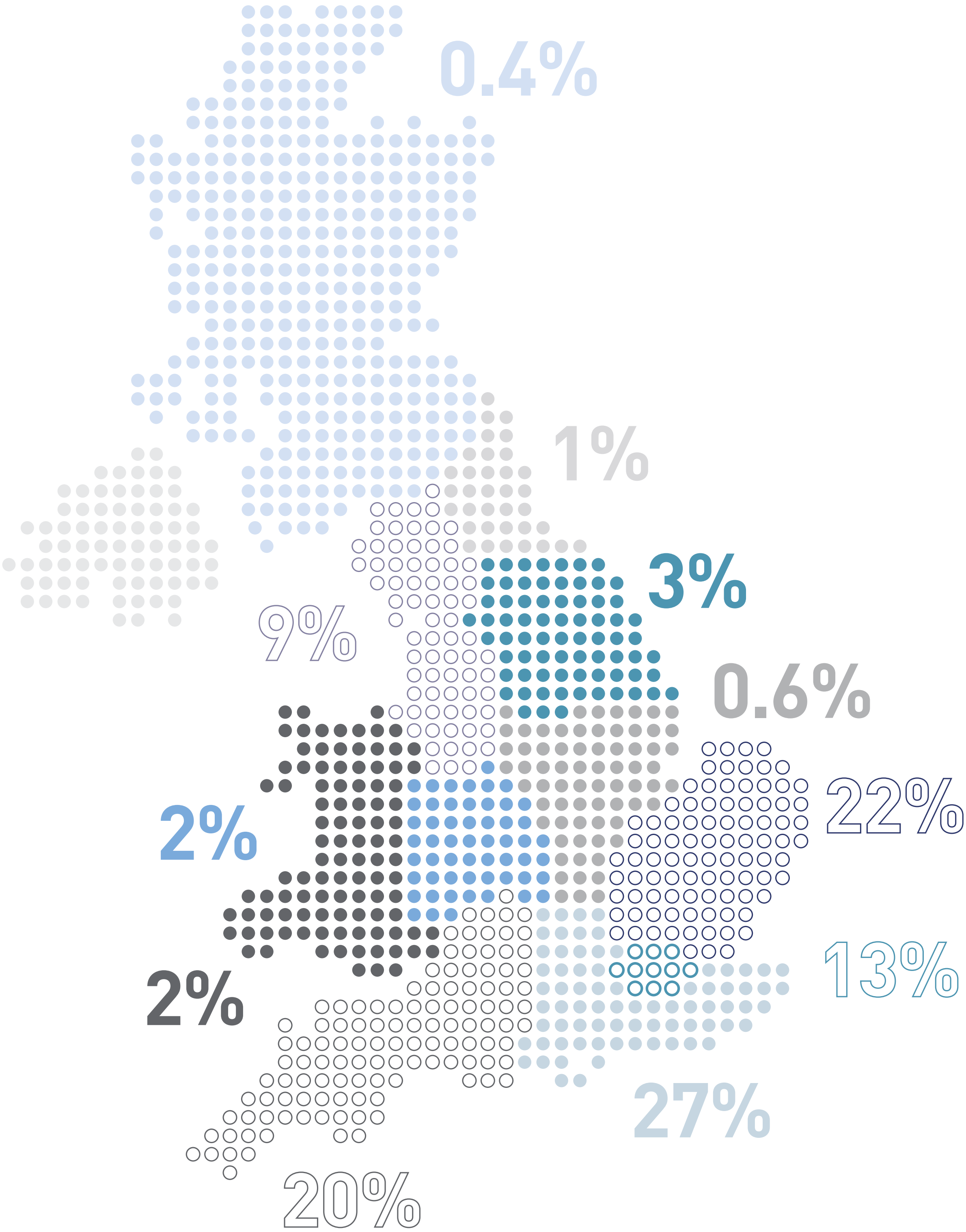
Pete has been advisor to the Greater London Authority, to Scottish Government, and was a member of the team that won the Wolfson Economics Prize in 2014 on housing supply.

Pete studied Engineering and then Philosophy at the University of Cambridge, is an Alumni of London Business School, and is an Honorary Fellow of the Royal Institute of British Architects.

Pete Redman

Head of Housing Management

Since IPO, ReSI has assembled a portfolio of 2,679 homes comprising: 166 (21% by value) shared ownership homes, 289 (11% by value) Local Authority housing units and 2,224 (68.0% by value) Retirement Rental homes.



Shared ownership housing

Shared ownership housing

- Shared ownership will be the predominant focus of ReSI's ongoing investment.
- Shared ownership allows households earning up to £90,000 per annum in London and £80,000 in the rest of England to buy an initial stake of at least 25% in a property and pay a below market rent on the remaining part.
- 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.

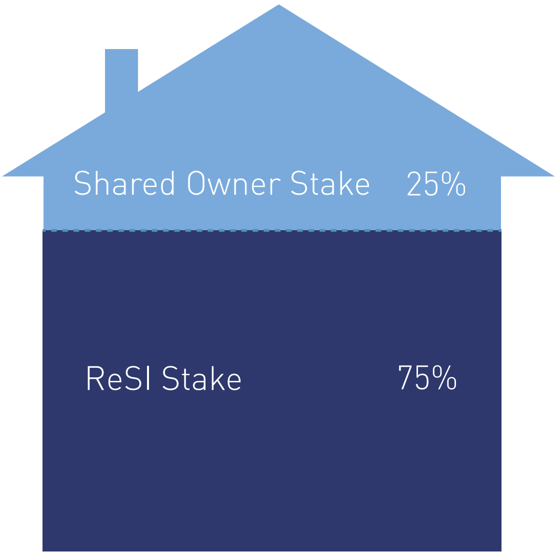
Social impact

- 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.

Shared ownership portfolio at a glance

- ReSI's portfolio consists of 166 new build apartments, purchased for £77m (including £34m committed with purchase contracts exchanged for a second block at Clapham Park). The apartments were originally intended for private sale and ReSI will use grant funding of £6m from the Greater London Authority's "Homes for Londoners" programme to deliver these as shared ownership.
- Shared owners at these schemes require a starting deposit of £9,800.
- 132 homes are part of Metropolitan Thames Valley Housing's ("MTVH") Clapham Park regeneration site and 34 homes are part of Crest Nicholson's Totteridge Place development.
- The Clapham Park portfolio is situated between Clapham, Brixton, Streatham and Balham, and forms part of MTVH's regeneration project on the Clapham Park estate.
- The regeneration will deliver 2,500 new homes, a community hub, a new community centre and new shops – all of which are designed to underpin the long-term prospects for the area.
- The shared ownership acquisitions have been well received by shared owners. The first Clapham Park block was purchased in January 2020, adding to ReSI's existing portfolio of shared ownership homes at Totteridge Place. As of the date of this report 88% of ReSI's shared ownership homes are either occupied or reserved and moving to completion. The second block at Clapham Park is expected to complete in Q2 2020 after some delays due to the COVID-19 pandemic.
- Managed by MTVH, one of the largest Housing Associations and a recognised leader in shared ownership delivering c.500 new shared ownership homes each year.
- There are c. 200,000 shared ownership homes across England, and a total of 11,447 new shared ownership sales were made by Registered Providers/Local Authorities in 2018/9 (Housing Statistical Data Release: October 2019).
- Shared ownership homes are held through ReSI Housing Limited – registered as a for-profit Registered Provider of social housing since 5 July 2018.
- ReSI Housing was awarded Investment Partner Status by the Greater London Authority in January 2019 and was awarded Investment Partner status by Homes England, the U.K. government public body that funds new affordable housing in England in March 2020. The new status allows ReSI to access Homes England's £4.7 billion shared ownership and Affordable Homes Programme "SOAHP" 2016-21. The March 2020 budget announced a further £13bn of grant funding to be allocated from 2021-22.

Shared Ownership Overview



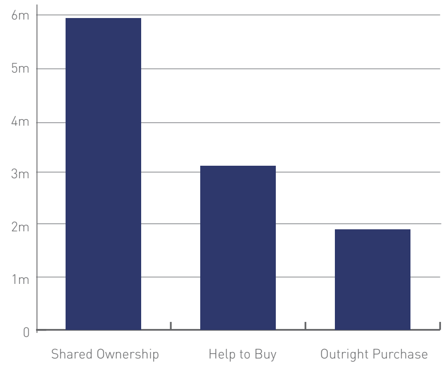
Shared Ownership is a **part buy, part rent** product that allows **people to get on the housing ladder**

The Shared Owner:

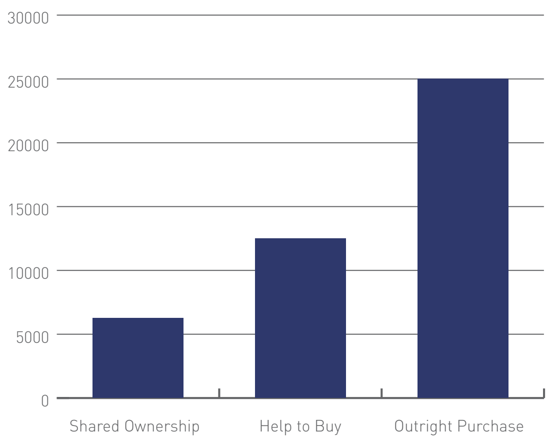
- Purchases an initial equity stake in their new home at open market value. This is known as the first tranche sale, typically 25%
- Pays a below market rent on the remaining unsold equity held by ReSI
- Has the option to staircase their home by purchasing additional shares in their home at the prevailing open market value

Shared Ownership makes property affordable to middle earners

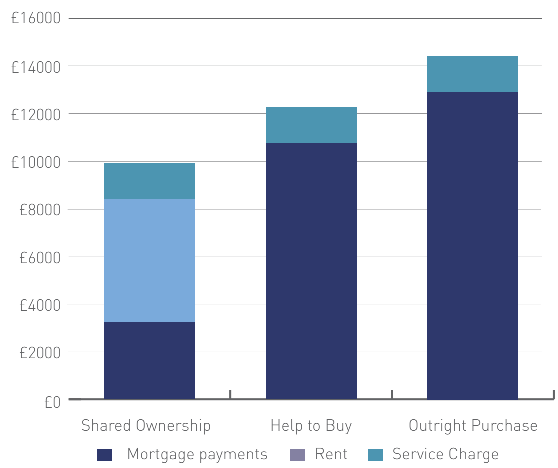
4 million more people meet the income requirements for purchasing a £250,000 home through Shared Ownership than an outright purchase



Smaller deposit requirements than Help to Buy or Outright Purchase



And lower annual payments



Assumptions: £250,000 home purchase; mortgage rate 3%; mortgage term 25 years; deposit requirement 10% (5% for Help to Buy); Shared Ownership rent 2.75%; service charge £1,500; Help to Buy equity loan 25%; 1st tranche Shared Ownership sale 25%; maximum housing costs 40% of post tax income

Local Authority housing

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 to minimise downside risk if the Local Authority does not renew a lease.

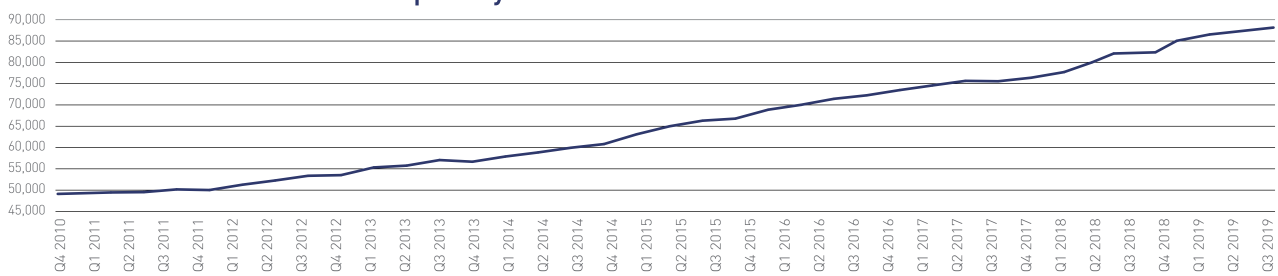
Social impact

- The UK is facing significant demand for short term council housing nationally – there were 87,410 households in temporary accommodation as at September 2019, an increase of 82% from December 2010.
- New legislation introduced under the Homelessness Reduction Act 2017 places 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 111% in the 5 years to March 2019, 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 £845m on temporary accommodation in 2018/19, a 78% increase in from 2013/14. Councils are meeting an estimated £280m per annum of this cost from their general fund.
- 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 (used to house 33% of households in temporary accommodation).
- ReSI provides Local Authorities with 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 (September 2019: 289) in five freehold buildings
- Let to Luton Borough Council on leases with a weighted average remaining term of 7 years with no void risk
- Refurbished in 2016 and 2017
- Managed and maintained by Luton Borough Council and Mears.
- Annualised net rent of £1.8m (2019: £1.8m)
- Financed by £14.5m of 3-year debt partially fixed at a coupon of 2.56%

Number of households in temporary accommodation



Independent retirement rental housing

Independent retirement rental housing

Retirement Housing provides fit for purpose homes for retired people, allowing them to maintain their independence for longer, whilst offering a remedy to loneliness problems and freeing up larger homes for families.

- ReSI's rental income is delinked to the economy as tenants primarily pay their rent from pensions and housing benefits where applicable, rather than employment income.
- Almost 25% (by net operating income) of the portfolio is used to house the individual managing the retirement home 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 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 60's 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. Nearly half of older people in the UK (49% of over 65's) 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.
- Residents are able to rent a retirement property through an assured tenancy, providing lifetime security of tenure without the burdens of home ownership, which can expose the resident to significant transaction costs on entry and on departure.

Retirement rental portfolio at a glance

- 2,224 retirement rental homes within 652 purpose-built retirement housing blocks (September 2019: 2,222 homes)
- Includes 314 licensed rental homes used to house property manager within the accommodation they manage
- Over 78% of the portfolio located in Southern England
- 10-year management and maintenance agreement signed in May 2019 with Places for People group.
- Since acquisition, ReSI has extended the head lease term on 1,282 properties to 150 years
- Annualised net rent, after ground rents, of £9.6m (2019: £9.4m)
- Financed by £96m of 25 year partially amortising fixed rate debt at a coupon of 3.46%

Quantifying Social Impact

ReSI 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 tenants (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 ReSI is readily quantifiable using methodologies accredited by Social Value UK and Social Value International.

ReSI's existing property portfolio delivers a total social benefit of £731m over 25 years, or £4.27 per share.

Social Benefits of Different Types of Ownership within ReSI's portfolio

Social Tenancy Overall	Local Authority Housing	Retirement Rental	Shared Ownership
Financial wellbeing – lower rents and less punitive approach to arrears. Increased ability to find, retain and travel to work	Provides homes to those who are homeless or at risk of homelessness	Living with peers helps address loneliness, the largest health problem for the elderly population	Opens the door to home ownership
Physical wellbeing – positive health outcomes from provision of homes to the Decent Homes Standard	Provides savings to Local Authorities vs. hotels and Bed & Breakfasts of £200 per week per unit	Supports independent living for longer	Provides lifetime security of tenure and greater security of future housing costs compared to renting privately or purchasing a home through Help to Buy
Mental wellbeing – positive mental outcomes due to stable and secure housing	Provides institutional landlord to ensure adequate standards of accommodation	Frees up larger homes for families	Creates additional sub-market rental homes
Value for money for ten-ants and capped and regulated rent levels	Good quality accommodation	Renting avoids the burdens and transaction costs of home ownership	Delivers social dividend through rental discount

Overall impact of ReSI's Investment in Affordable Social Housing

	Investment	Social Impact over 25 years	Social Impact Ratio over 25 years
Shared Ownership	£77m	£209m	£2.71
Local Authority Housing	£34m	£168m	£4.94
Retirement Rental	£183m	£354m	£1.93
Overall Impact	**£294m**	**£731m**	**£2.49**

(Source: Social Profit Calculator September 2019)

Rob Whiteman CBE
Chairman

Introduction

I am pleased to present the interim results of Residential Secure Income plc for the six months to 31 March 2020, which build on the significant progress made by the Company during 2019 and see ReSI continue to move towards full income generation and dividend cover. We have further expanded the Company's portfolio, completing on a development in the shared ownership sector, and achieved consistent operating results despite the backdrop of economic uncertainty, while at the same time building a secure rental income stream that will be capable of supporting the dividend in the future.

This report is released at a time of great uncertainty in the markets. The wide-reaching consequences of COVID-19 are unprecedented in modern times, and will likely impact the UK economy for the foreseeable future. Since the onset of the crisis, ReSI's overriding priority has been and remains the safety of its residents, staff and delivery partners. ReSI Capital Management's property team have worked closely with ReSI's property managers and lessees across the portfolio to ensure we continue to provide safe homes for our residents and shared owners.

Overall, ReSI has a defensive portfolio which has been positioned to survive through economic stress. Since ReSI's rental income is primarily supported by residents' pensions or housing welfare subsidy systems, including leases to local authorities, the Company believes that increased unemployment is unlikely to have a material impact on performance. ReSI anticipates that the main impact of the COVID-19 crisis will be a delay in further expanding its income generating portfolio and an increase in void levels within the retirement portfolio. The Fund Manager's report on page 18 provides further detail.

As a reminder, ReSI's objective is to deliver secure, long-dated, inflation-linked income and capital returns through investment in UK social housing. It aims to meet demand from housing developers (Housing Associations, Local Authorities and private developers) for long-term investment partners to accelerate the development of socially and economically beneficial new housing, so making a meaningful contribution to alleviating the UK housing shortage.

ReSI's acquisitions are selected to have sufficient cashflows, counterparty credit quality and property security to allow them to support long-term investment grade equivalent debt (at a target average leverage of 50%).

We are a long-term holder of our assets and seek to provide additional stock to the existing social housing sector, for example by using grant to deliver - as new shared ownership - properties that would otherwise be sold in the open market. The positive social impact of our investments, of which we are very proud, is highlighted in the previous section of this interim report.

Having completed on another shared ownership investment in January 2020, we are especially enthusiastic about the opportunities this sector presents. Shared ownership is increasingly being seen as an effective solution to lack of affordability across a range of value points, and is an efficient way for government grant funding to be used, as the grant translates directly into a subsidised level of rent. Shared ownership presents a very scalable investment opportunity, and we expect to focus our future deployment in this area.

The property portfolio

During 2020 we have primarily focused on accelerating the income generation of ReSI's portfolio, after substantially completing deployment of available capital from the IPO and borrowings in 2019. Our portfolio consists of 2,679 properties valued at £311m serving shared ownership tenants, Local Authority housing needs and the retirement sector.

ReSI's shared ownership portfolio continues to grow and move towards full income generation. In January 2020 ReSI completed the acquisition of the first block at Clapham Park (59 units) from Metropolitan Thames Valley Housing ("MTVH"), building on our first shared ownership transaction of 34 new build homes located in the London Borough of Barnet in October 2018. As of the date of this report 88% of our shared ownership homes are either occupied or reserved and moving to completion. The second block at Clapham Park was delayed due to the outbreak of COVID-19; ReSI intends to complete the acquisition in Q2 2020, however will continue to monitor market conditions to ensure maximum benefit to shareholders. We have continued to see sales progression and new reservations during this time, and 12% of the homes at the second block of Clapham Park are already reserved.

ReSI has utilised £4m of grant funding from the Greater London Authority's Homes for Londoners programme to deliver these as shared ownership providing much needed affordable homes in London. In March we were pleased to announce that ReSI had become an investment partner of Homes England, allowing it to access grant funding to support expansion of its shared ownership portfolio outside of London.

Our shared ownership portfolio is held by ReSI Housing, ReSI's Registered Provider of Social Housing. Having a Registered Provider enables the acquisition of properties that are designated as affordable accommodation under planning requirements and allows access to government grant programmes. This greatly expanding the range of opportunities available to ReSI and also providing all stakeholders with assurance that the properties will be kept within the social housing regulatory environment.

The shared ownership portfolios are managed by MTVH, continuing our successful relationship with one of the UK's largest Housing Associations who is a specialist in providing and managing shared ownership properties.

ReSI's independent retirement rental portfolio is largely unchanged from September 2019, however ReSI takes opportunities to actively manage its portfolio, selling poorly performing units and reinvesting in better opportunities. Three units have been sold (at 6% above book value, excluding costs) and 5 purchased as replacements since September 2019. As a result, the retirement portfolio consists of 2,224 residential units, including licensed house manager flats, located across England, Wales and Scotland, and is valued at £211m.

The retirement apartments are used to provide age-restricted independent retirement housing or are licensed for use by the scheme house managers.

They are managed on behalf of ReSI by Places for People, one of the largest UK housing groups. The vast majority of the units are long leasehold properties, with a weighted average unexpired lease term which has increased to around 132 years after ReSI extended the term in a value-enhancing transaction announced in September 2019.

The previously announced £97m of 25-year fixed rate debt at a weighted average cost of 3.46%, secured against ReSI's retirement home portfolio and £14.5m of debt secured on the Local Authority housing portfolio continues to improve ReSI's total return.

Financial results

ReSI's underlying financial results for the period reflect a consistent level of performance to that seen at the time of the annual results but with some further growth in the Company's annualised rental income, despite the disruption caused by COVID-19, reflecting that ReSI's initial capital is now substantially deployed and that the property portfolio is performing well, as further described in the Fund Manager's report.

The Company maintained its rigorous and highly disciplined approach to selecting investments and benefitted from past acquisitions at attractive levels, reflected in ReSI's relatively stable Net Asset Value, despite the impact of COVID-19. During the period, ReSI's portfolio produced £10.2m of gross rental income, up from £9.6m in same period in the prior year, and as at 31 March 2020 its valuation, assessed by Savills, experienced strong valuation gains of £2.7m (10%) on its shared ownership stock as it progressed towards full income generation. The impact of COVID-19 on the net present value of cashflows of the independent retirement rental portfolio combined with the industry-wide clarification from HMRC that from 1 November 2018 VAT became chargeable on property managers' salaries resulted in a £3.3m (1.5%) reduction in valuation.

We remain fully confident in our overall investment strategy and our ability to continue to make dividend payments in line with the target dividend of 5p per share.

In light of current market uncertainty created by COVID-19, valuations have been reported on the basis of 'material valuation uncertainty' in line with recent RICS guidance. Full wording can be found in note 4 of the accounts.

The Net Asset Value per share decreased by 1.6% from September 2019 to 106.9p at 31 March 2020, representing a 9.0% increase from the 98.0p Net Asset Value per share immediately after IPO. ReSI quotes Net Asset Value on a basis that is consistent with the IFRS valuation methodology used in its accounts.

	£m	pence per share*
Net Asset Value as at 30 September 2019	**185.7**	108.6
Net Income for period	**2.4**	1.3
Valuation change	**(1.0)**	(0.6)
Dividend paid	**(4.3)**	(2.5)
Net Asset Value as at 31 March 2020	**182.8**	106.9

*Please note that values do not sum to total due to rounding differences

For the period from 1 October 2019 to 31 March 2020 ReSI recorded a net income of £2.4m excluding revaluations. Total profit attributable to shareholders was £1.4m resulting in net earnings per share of 0.7p, comprising operating income of 1.3p and valuation reduction of 0.6p per share.

Dividends

In November 2019, ReSI declared its fourth dividend of 1.25p per Ordinary Share relating to the previous financial year ending 30 September 2019, thus meeting its IPO target of paying a total of 5.0p in dividends per Ordinary Share with respect to that year.

With the publication of its 30 September 2019 Annual Report, ReSI reaffirmed its target dividend of 5.0p for the year commencing 1 October 2019.

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.

In line with this target, ReSI has declared two equal quarterly dividends of 1.25p per Ordinary Share for the current half-year period (declared in January and April 2020).

ReSI is targeting a dividend increase in line with inflation over time, and a total return, including NAV growth, of in excess of 8% per annum. The Company intends to pay dividends to shareholders on a quarterly basis and in accordance with the REIT regime.

Board changes

We are 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, who joined ReSI's Board as a Non-Executive Director on 27 April 2020. On the same date 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.

Acquisition of ReSI Capital Management by Gresham House

The Board of ReSI supported the decision of its fund manager group to be acquired by Gresham House on 5 March 2020. We consider Gresham House an excellent partner and platform to enable ReSI Capital Management to continue delivering strong performance on behalf of ReSI plc.

Outlook

Regardless of the unfortunate implications of the COVID-19 outbreak, the country will still have a significant shortfall of housing and this supply demand gap will most likely become more acute through a countrywide lockdown causing reductions in earnings and housing delivery (caused by construction sites closing and financial pressures on housing developers), which will likely increase the demand for social housing.

ReSI has a defensive portfolio, which is positioned to weather economic stress, as illustrated by 99% of rent collected in April 2020.

ReSI has clearly demonstrated its ability, through ReSI Housing, our Registered Provider of social housing, to acquire properties designated as affordable accommodation, or those that are funded by government grant, including shared ownership. We continue to expect this route to be key to the future growth of our property portfolio.

ReSI is focused on delivering fully income-producing shared ownership homes and expects to shortly put in place debt on this portfolio and reinvest the proceeds in further shared ownership homes to complete our deployment.

The Fund Manager continues to have available, through its relationships and through contractual agreements, a pipeline of high quality investments that meet ReSI's investment criteria and return thresholds and which could support ReSI's further growth. This coupled with the quality of our existing portfolio and the underlying fundamentals supporting our rental income give me every confidence in the company's ability to continue to perform well throughout the current crisis.

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

Rob Whiteman
Chairman
Residential Secure Income plc

15 May 2020

Strategic Report

Alex Pilato

In the half-year to 31 March 2020, ReSI's focus has been on growing and moving towards full income generation on its shared ownership portfolio, and as of the date of this report 88% of our acquired portfolio of 93 shared ownership homes are either occupied or reserved and moving to completion following the acquisition of the first 59 units at Clapham Park for £27m in January 2020.

ReSI has now amassed a property portfolio valued at £311m (including £34m of committed acquisitions at Clapham Park), consisting of 2,679 properties serving the retirement sector, Local Authority housing needs and shared ownership tenants. Additionally, ReSI is in an advanced documentation stage with a large institutional lender to put in place further investment grade debt against its shared ownership portfolio, and expects to shortly close this debt. The proceeds will be reinvested in our pipeline of further shared ownership homes to complete our deployment.

From the onset of the COVID-19 pandemic we moved swiftly to protect our residents, staff and delivery partners, whilst safeguarding shareholder value. ReSI is well placed to handle this crisis, having a defensive portfolio that has been positioned to survive through economic stress. ReSI's rental income is primarily supported by residents' pensions or housing welfare subsidy systems, including leases to local authorities. While growth in unemployment and an economic slowdown caused by COVID-19 are unlikely to materially impact performance, the Company expects some increase in void levels within the retirement portfolio and a delay in further expanding its shared ownership portfolio.

While the situation is still ongoing, early signs are that our expectations are accurate and portfolio rent continues to be secure, with 99% of April rent collected. First tranche sales within ReSI's shared ownership portfolio progressed well throughout the second quarter with reservations and completions continuing to be transacted in April and May. As of the date of this report, ReSI has 93 completed shared ownership homes with 55 occupied, 24 reserved and moving to completion and 14 currently available. A summary of the impact so far and expected ongoing impact on the ReSI's individual portfolios by asset class is provided later in this report.

Social impact

The social impact of ReSI's investments is extremely important to us, particularly in relation to the delivery of new social and affordable housing which in turn makes ReSI an attractive partner to Housing Associations, Local Authorities and private developers. ReSI incorporates the social impact of investments into both our investment decision making and our continued performance management. We also focus on the impact cost of investment over the life of the asset and take this into account in addition to the impact benefits.

TradeRisks has been a long-standing promoter of the concept of "social economic value", which quantifies the benefits that affordable housing provides, focusing on the value of below market rents and the social benefits of a long term, secure, fit-for purpose and well-maintained homes.

This can be through providing a lifetime home to shared owners with subsidised rents, or to those who are homeless or at risk of homelessness and the ability for elderly populations to live with peers supporting their independent living for longer.

We engaged the Social Profit Calculator to externally quantify this social impact in our 2019 Annual Report, in the same way that Savills do for our portfolio valuation. For our 2020 Annual Report we are committed to providing further transparency regarding this important metric, expanding on this work to provide transparent reporting of the calculations used to generate our impact.

Acquisition of ReSI Capital Management by Gresham House

The acquisition of TradeRisks Limited and ReSI Capital Management by Gresham House presents several opportunities for ReSI. ReSI Capital Management will continue as the alternative investment fund manager of ReSI, and while the day-to-day operations and strategic direction will remain unchanged under the current team, the Company will benefit from Gresham House's robust central platform that includes distribution, investor relations, compliance, reporting and risk capabilities. This will allow the team to focus on origination, delivering full occupancy on the shared ownership portfolio and putting low cost long term debt in place to support returns and reach full deployment, producing high-quality and sustainable income for ReSI's shareholders and delivering significant social value.

Jon Slater retired simultaneously with the acquisition and I formally took over his role as Chief Executive of ReSI Capital Management on 5 March 2020. As TradeRisks' founder and group Chief Executive, I have been closely involved in all aspects of ReSI's business since the IPO in 2017 and increasingly so since Jon's move overseas in 2018.

Longer-term, ReSI is expected to benefit from the strength of Gresham House's institutional relationships, bringing new investors into ReSI and shared ownership. At the same time, there is a clear alignment between the two businesses in terms of their focus on those sectors that are both supported by permanent societal shifts, and which can deliver financial and social impact.

In the short term ReSI is looking to leverage the buying power of Gresham House to reduce certain fund operating expenses and hence reduce the Company's total expense ratio.

Investment Partner Status and the benefits of being a Registered Provider

Our shared ownership acquisitions at Clapham Park and Totteridge have been supported by £6m of government grant and rely on the legal and regulatory structure put in place during the previous financial year when ReSI's subsidiary, ReSI Housing, became a Registered Provider. 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 £13bn of grant funding to be allocated from 2021-22. 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.

Our proven ability to purchase through ReSI Housing as a 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 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, and 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.

The Chairman has already covered the fact that the COVID-19 outbreak is likely to accentuate the supply demand gap for all forms of housing further, not least through the closure and subsequent restricted working practices on construction sites, the financial pressures on housing developers as well as, most unfortunately, the likelihood of an increase in the number of people requiring government assistance with their housing needs. We have already seen a dramatic increase in the appetite from housing associations, local authorities and private developers for new sources of capital to invest in housing, allowing us to be very selective on new opportunities.

Opportunities and investment focus

ReSI can invest across the range of types of residential housing typically owned by Housing Associations and Local Authorities. This allows the management team to optimise the portfolio amongst the available opportunities considering prospective returns, security of those returns and diversification within the portfolio. We can either buy existing social housing stock or, through our for-profit Registered Provider, ReSI Housing, unrestricted stock and use government grant to convert their use to affordable housing.

We have built a performing portfolio that can continue to perform well over the long term and that is focused on three areas, shared ownership, local authority housing and retirement rental housing, all of which are supported by strong underlying demographic trends and the lack of availability of affordable accommodation for first-time buyers, homeless and the elderly population. We expect ReSI's future investment capacity to be focussed predominantly on shared ownership.

The safety and wellbeing of our tenants is one of our highest priority and when making an investment we are rigorous in using the skills and expertise of our property team to provide high quality product and identify and mitigate all risks to tenants. Our lifecycle plans for accommodation take a conservative approach to the long-term costs of property ownership to ensure that the standard of quality is maintained or improved throughout the life of the property. At the same time, we only work with well-regarded partners to ensure all routine and other maintenance is undertaken promptly and properly.

Shared Ownership

For the full year 2019, shared ownership did not contribute materially to the Company's net leveraged rental income, however is increasing becoming a larger part of ReSI's net rental income due to continued sales at Totteridge and Clapham.

The case for raising equity-like capital within the social housing sector has increased since our IPO, with the main Housing Association developers responding to government calls to increase the supply of housing. Under current arrangements this leads to increasing indebtedness, with a number of Housing Associations nearing their debt capacity. The annual publication by the Regulator of Social Housing (2019 Global Accounts of Registered Providers, December 2019) continues to show a slow but steady growth in debt as a proportion of net book value of properties. A survey by Savills (The Savills Housing Sector Survey June 2018 in association with the Social Housing magazine) demonstrates that in terms of financing additional supply, the most quoted barrier within the business is gearing capacity. In order to increase supply, Housing Associations need to overcome several barriers, ranging from access to land, financial constraints and increases in planning obligations for affordable housing. The growing trend for equity-like capital to fund new social housing is becoming more prevalent and is the only way that long-term capacity to develop can be assured.

We continue to work with the leading Housing Associations and private developers to both invest in their existing stock and forward-fund new properties in order to accelerate their development programmes. These discussions are primarily around multi-year programmes to become the equity funding partner of developers (both private and Housing Associations) and facilitate acceleration of development plans without using the developer's capital. Examples include our purchases from Crest Nicolson and MTVH.

We were particularly excited by our Shared Ownership acquisition at Clapham Park, which has provided the opportunity to partner with a well-regarded Housing Association in a landmark redevelopment project. We completed our acquisition of 59 homes at Clapham for £26m in January 2020, delayed from September 2019 due to construction delays and clearing all legal documentation requirements. We are working toward completing the acquisition of the other 73 homes, for £34m in Q2 2020, despite some delays due to COVID-19.

MTVH's regeneration of the Clapham Park estate will deliver 2,500 new homes, a community hub, a new community centre and new shops – all of which are designed to underpin the long-term prospects for the area. The acquisition will directly enable MTVH to recycle their sales proceeds into the delivery of further new homes.

We have not seen an impact of COVID-19 on the occupied shared ownership portfolio to date and do not currently anticipate any major impact on rent collection as we have recently assessed our shared owners' affordability and financial security, each of whom has ownership interests in their home, and with rent underpinned by their mortgage providers. We anticipate limited staircasing in the current environment, which will reduce our need to recycle staircasing proceeds and therefore enhance our income stability.

All stages of the tenanting process continue to progress, with the sales team undertaking virtual viewings, mortgage banks utilising automated valuation models to continue to provide shared ownership mortgages with LTVs of up to 95% and completions continuing to occur. The government has continued to allow shared owners to move into vacant properties, such as ours, through the COVID-19 lockdown.

Virtual viewings of properties have proved very popular and sales have remained robust to date, with three shared ownership completions and four reservations transacting after the end of March. This follows an initial slowing of activity as the country began to prepare for and subsequently entered lockdown followed by a gradual reversal of this trend from mid-April. Moves to simplify the sales process and allow some physical viewings from the 13th May will continue to support and drive sales.

ReSI does not anticipate a long term impact on shared ownership returns from COVID-19 since, in addition to increasing supply demand pressure, as previously mentioned, the asset class becomes a more attractive product in an economic downturn given it is the most affordable method of home ownership (with lowest deposit requirements and ongoing costs).

Local Authority housing

The local authority housing portfolio accounted for 18% of the Company's net leveraged rental income in the year to September 2019.

In recent years, many Local Authorities, especially those in South East England, have experienced significant increases in households presenting as homeless. This is primarily a result of the critical shortage of both affordable and market housing, exacerbated by reforms to the Local Housing Allowance. Together these factors have left Local Authorities with a statutory duty to find housing for increasing numbers of households but without the permanent homes to do so. The recently enacted Homelessness Reduction Act has further added to the pressure on Local Authorities to find housing solutions in order to prevent homelessness building upon the Housing Act 1996, as amended by the Homelessness Act 2002, which places a duty on Local Authorities to secure accommodation for unintentionally homeless people who are in priority need. According to recently published ONS statistics, England had 87,410 households in temporary accommodation at the end of September 2019, with 68% of these households containing dependent children. Demand for temporary accommodation has grown by over 79% since December 2010.

As such, we are working with a number of Local Authorities to provide good quality buildings as accommodation for vulnerable single people and families without relying on expensive and short-tenure solutions such as hotels or hostels. ReSI provides Local Authorities with 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.

This portfolio is fully leased to Luton Borough Council, which has as AA equivalent credit rating, and therefore no financial impact from COVID-19 has been experienced to date or is expected.

Independent Retirement rental housing

The independent retirement rental portfolio is ReSI's largest portfolio by asset class, comprising 82% of net leveraged rental income in the year to September 2019.

The UK population continues to age, with opportunities for downsizing for over 60's historically limited to renting sheltered accommodation owned by charities and Local Authorities, or buying into age-restricted accommodation blocks, which can expose the resident to significant transaction costs on entry and on departure. Surveys indicate that 25% of UK over 55's would like to buy or rent in a retirement village. However, the market is faced with a lack of supply of specialised retirement living options. We see significant opportunity to deliver an affordable good quality rental offering to provide accommodation that is fit for purpose without the burdens and transaction costs of ownership.

ReSI's retirement rental model provides retirees with an alternative to having to commit capital and costs to the purchase of a leasehold retirement flat and offers them lifetime security of tenure at a known, RPI-linked, rent.

We expect that while COVID-19 will lead to a reduction in tenants starting new leases, this will be offset by a reduction in voluntary terminations of leases and those entering care homes. Early indications from April 2020 show this to be substantiated, with tenant departures at 19 compared to a normal monthly average of 32, and new tenancies at 2 compared to a normal monthly average of 33, leading to a 0.8% increase in void rates, and a loss of £20,400 of monthly rent.

While retirement portfolio residents do not generally have material underlying health conditions, their age profile does present a risk that if COVID-19 accelerates it could cause voids to increase. Furthermore, the time taken to recover occupancy would also increase, given the anticipated difficulty in attracting new tenants during a countrywide lockdown. The longer the crisis continues, the higher the chance that empty units will impact on the performance of this portfolio; as soon as it is possible for new potential tenants to view properties, this risk will subside.

For 2020 any increase in voids is expected to be largely offset by a reduction in transaction costs associated with tenant turnover (e.g. letting fees for new tenants, cleaning and repair of flats between tenants). We broadly expect the time taken to return to pre-COVID performance to be equal to the time taken to return to normal from the start of social distancing in mid-March 2020.

Performance

The portfolio has generated net income slightly behind expectations due to the extended timeframe in progressing the acquisition of Clapham Park. The £26m acquisition of the first 59 homes was delayed from September 2019 to January 2020 due to delays with construction and clearing of legal documentation requirements, with the final £34m acquisition of 73 homes then further delayed by COVID-19.

Total return has been impacted by a 1.5% (£3.3m) downward valuation in the retirement portfolio, caused by lower net present value of cashflows due to COVID-19 and a previously announced reduction in net rents due to change of VAT treatment of parts of service charges. In the absence of changes to property valuation yields or other factors, increases in service charges offset the impact of rent increases, reducing the automatic capital accretion usually seen when the portfolio is revalued each quarter to take account of rental inflation. Despite this, total return has been supported by a 10% or £2.7m valuation gain in the shared ownership portfolio as it progresses towards full income generation.

We have also been active in optimising the characteristics of the retirement rentals portfolio, leading to the sale of three properties, which realised gross proceeds on average 6% above their book valuation (excluding costs of sale).

In light of current market uncertainty created by COVID-19, the valuations have been reported on the basis of 'material valuation uncertainty' in line with recent RICS guidance – although we understand from brokers and valuers that transactions of stock typically held by Registered Providers has continued and at previous levels.

Despite the impact of COVID-19 on valuations, the NAV Total Return (combining NAV growth and dividends) is 15.9p since IPO.

ReSI's completed income-producing acquisitions to 31 March 2020 deliver an unlevered yield of 5.0%. The retirement rental portfolio, with debt in place, delivers a leveraged yield of 6.9%. The Local Authority housing portfolio, which is also now leveraged, produces a leveraged yield of 7.2%. Both portfolios deliver the income performance required to support our 5% per annum dividend target after fund costs.

In the shared ownership portfolio, ReSI has, through its agent MTVH, marketed and completed first tranche sales, leading to shared owners moving into 55 of the 93 homes. In addition, a further 25 other homes have been reserved and are moving towards completion, resulting in 88% of this block's units now being tenanted or in progress. Marketing of the second block at Clapham Park that ReSI has exchanged on and is due to complete next quarter has begun with a 'soft launch', with 12% of units now reserved despite the lockdown and no physical viewings having occurred.

ReSI's on-going expense ratio (annualised and based on closing NAV) is in line with our revised expectation of 1.5%. With the assistance of Gresham House, we will be undertaking a review of all on-going expenses over the next quarter to reduce these expenses.

Borrowing

ReSI has in place £111m of fixed rate debt with a weighted average cost of 3.3%, the vast majority of which is long term partially amortising debt with £78m not due for repayment until 2043. The exception is £14.5m debt secured against our Local Authority 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 long-term funding, which, together, enhance the returns to equity available to ReSI shareholders and minimise exposure to interest rate and refinancing 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.

ReSI is in advanced documentation stage with a large institutional lender to put in place further investment grade debt against our shared ownership portfolio, and expects to shortly close this debt to allow reinvesting of the proceeds in further shared ownership homes to complete our deployment.

Alex Pilato
Chief Executive
ReSI Capital Management Limited
15 May 2020

Key Performance Indicators

Measure	Explanation	Relevance to Strategy	Result
Capital deployed	ReSI measures the rate 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.	£268m deployed by 31 March 2020, with a further £34m committed for the shared ownership acquisition at Clapham Park.
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 106.9p per share, including a cumulative £19.1m capital appreciation on investments.
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.	Dividend of 1.25p per share paid for the year to date, and a second quarterly dividend of 1.25p per share declared on 30 April 2020, thereby achieving the target dividend rate.
Ongoing charges ratio	Ongoing charges express the ratio of annualised ongoing expenses to Net Asset Value at the end of 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.	1.5% annualised, from 1 October 2019 to 31 March 2020, of which 1.0% relates to the Fund Management fee, with the remainder being general and administrative expenses. This is in line with our stated target of 1.5% however a review of all operating expenses is underway with view to reduce these; please see the fund manager's statement for more detail.

Principal Risks and Uncertainties

Risk	Risk Mitigation
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
ReSI may be unable to make acquisitions on its targeted timeline	• ReSI has a detailed Investment Policy that describes target assets and the process for acquiring such assets • TradeRisks has long-term relationships with leading UK Housing Associations and Local Authorities • Registration of ReSI Housing as a 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 • TradeRisks has extended its origination and relationship network by bringing in additional experienced professionals with backgrounds working for housing associations, Local Authorities and property developers
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 inhouse experienced accountants • TradeRisks 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 the majority of its recommendations
COVID-19 has a material impact on ReSI's long-term cashflows (New Risk)	• ReSI has a defensive portfolio, with a large proportion of rental income from tenants 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 if extreme assumptions are used • 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
COVID-19 closes access to debt markets resulting in ReSI being unable to grow the portfolio in line with its strategy (New Risk)	• Since the end of March four housing associations have raised a total consideration of £825m in the debt capital markets • ReSI is in advanced documentation stage with a large institutional lender to put in place further investment grade debt against our shared ownership portfolio, and expects to shortly close this transaction • ReSI has a range of other debt offers available from both short and long term debt funders
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 • 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 cashflows • ReSI focuses on areas of the market with limited and ideally countercyclical exposure to the wider property market
Retaining and procuring appropriate tenants	• The Fund Manager engages third parties to provide the day-to-day management of a home and letting 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 tenants are part owners of the properties (as exhibited by retirement, sub-market rental assets or shared ownership properties)

Risk	Risk Mitigation
Lack of demand for shared ownership	• RCM 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 • RCM'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 • RCM 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 1st April, despite the COVID-19 lockdown
Service providers	
ReSI is dependent on the expertise of the Fund Manager and TradeRisks and their 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 and TradeRisks 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 • The 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 628,262 Ordinary Shares
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
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

Governance

Rob Whiteman CBE

Non-executive Chairman

Appointed

9 June 2017

Skills, competence and experience

- Significant knowledge of public service finances and reform and a strong background in public financial management and governance
- Previously Chief Executive of UK Border Agency and led the Improvement and Development Agency. Rob was Chief Executive of London Borough of Barking and Dagenham from 2005-2010 and has held various positions in London Borough of Lewisham from 1996-2005, latterly as Director of Resources and Deputy Chief Executive
- Educated at the University of Essex where he gained a BA (Hons) in Economics and Government

Other roles

- Chief Executive of the Chartered Institute of Public Finance & Accountancy (CIPFA)
- Chairman of East London Health & Care Partnership
- Chairman of Barking & Dagenham College
- Technical adviser to the International Federation of Accountants (IFAC) in New York

Elaine Bailey

Non-executive Director

Appointed

27 April 2020

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

Appointed

9 June 2017

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 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

Other roles

- Executive Director of property investment at Orbit Group
- Director of Places for People Leisure Partnerships

John Carleton

Non-executive Director

Appointed

9 June 2017

Skills, competence and experience

- Extensive business experience, including experience in debt finance and capital markets
- Robert has held roles at HSBC Markets Limited and HSBC Investment Bank in London working initially as Managing Director for 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 the 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 Police 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 Arab British Chamber of Commerce
- Trustee, Allia Limited

Robert Gray

Non-executive Director and Chairman of the Audit Committee

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.

Board of Directors
Corporate Governance Statement

The Board of the Company has considered the Principles and Provisions of The AIC Code of Corporate Governance ("AIC Code"). The AIC Code addresses the Principles and Provisions set out in the UK Corporate Governance Code 2018 ("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.

The Company has complied with the Principles and Provisions of the AIC Code.

The AIC Code is available on the AIC 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 period ended 31 March 2020, the Company has complied with the recommendations of the AIC Code and the relevant provisions of The UK Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

UK Code provision	Explanation
Remuneration of executive Directors	As an externally managed investment company, the Board does not include any executive Directors. As such, the UK Code's principles in respect of executive Directors' remuneration are not applicable and the Board therefore does not have a Remuneration Committee.
The role of the chief executive	As an externally managed investment company, the Board does not include any executive Directors. As such, the UK Code's principles in respect of the role of the chief executive are not applicable.
The need for an internal audit function	This provision is not considered to be appropriate given the nature and circumstances of the Company. The Audit Committee keeps the needs for an internal function under periodic review.

The Board considers that these provisions are not relevant to the size and position of the Company, being an externally managed investment company with no executive Directors; therefore the Company does not comply with 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 28 to 29.

Board composition

At the date of this report, the Board consists of four non-executive Directors including the Chairman, of whom three are male and one female. On 27 April 2020 Mike Emmerich resigned from the Board of Directors and Elaine Bailey was appointed to the Board.

The Board believes that its composition is appropriate for an investment company of the Company's nature and size. All 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 Report.

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

Audit Committee

The AIC Code of Corporate Governance 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 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 and consists of all the Directors. The Audit Committee meets formally at least twice a year for the purpose of performing its main role of ensuring that the Company maintains the highest standards of integrity in financial reporting and internal controls.

Other Committees

The Board additionally fulfils the responsibilities of the nomination committee, remuneration committee and management engagement committee. It has not been considered necessary to establish separate nomination or remuneration committees given the size and nature of the Company.

In addition, the Board as a whole fulfils the functions of a Management Engagement Committee, reviewing the continuing performance and appointment of principal professional advisers of the Company on an annual basis to ensure that their continuing appointments are in the best interest of shareholders.

Directors' Responsibilities in Respect of the Interim Accounts

from 1 October 2019 to 31 March 2020

The Directors confirm that to the best of their knowledge this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union and that the Company Overview on pages 2 to 12, Principal Risks and Uncertainties on page 23 to 24 and the Related Party Disclosure on page 55 (note 30) include a fair review of the information required by DTR 4.2.7 and DTR 4.2.8 of the Disclosure and Transparency rules of the United Kingdom's Financial Conduct Authority namely:

- An indication of important events that have occurred during the first 6 months since 1 October 2019 and their impact on the condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- disclosure of any material related party transactions in the period are included in note 30 to the condensed consolidated financial statements.

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

A list of Directors is shown on pages 28 to 29.

For and on behalf of the Board

Rob Whiteman
Chairman

15 May 2020

Independent Review Report
to Residential Secure Income plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2020 which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Cash Flow Statement, the Condensed Consolidated Statement of Changes in Equity and related notes.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Emphasis of Matter: Property valuations

We draw attention to note 4, which explains that as a result of the impact of the outbreak of the Novel Coronavirus (COVID-19) on the market, the Company's property valuer has advised that less certainty, and a higher degree of caution, should be attached to their valuation than would normally be the case. Our opinion is not modified in respect of this matter.

Use of our report

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

BDO LLP

BDO LLP
Chartered Accountants
London

15 May 2020

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

Financials

Condensed Consolidated Statement of Comprehensive Income

for the Period 1 October 2019 to 31 March 2020

	Note	Unaudited 6 months to 31 March 2020 £'000	Unaudited 6 months to 31 March 2019 (As restated) £'000
Income	6	16,373	9,637
Cost of sales	6	(10,049)	(3,947)
Net income		6,324	5,690
Operating expenses			
Fund management fee	7	(927)	(926)
General and administrative expenses		(603)	(480)
Aborted acquisition costs		-	(187)
Total operating expenses		(1,530)	(1,593)
Operating profit before property disposals and change in fair value		4,794	4,097
(Loss)/profit on disposal of investment properties		(7)	35
Change in fair value of investment properties	13	(1,021)	5,239
Operating profit before finance costs		3,766	9,371
Finance income	9	35	24
Finance costs	9	(2,444)	(2,077)
Change in fair value of interest rate swap derivative contracts	9	(6)	(46)
Profit for the period before taxation		1,351	7,272
Taxation	10	-	–
Profit for the period after taxation		1,351	7,272
Other comprehensive income:		-	–
Total comprehensive income for the period attributable to the shareholders of the Company		1,351	7,272
Earnings per share - basic and diluted - pence	11	0.8	4.2

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

The notes on pages 40 to 56 form part of these financial statements.

Condensed Consolidated Statement of Financial Position

as at 31 March 2020

	Note	Unaudited 31 March 2020 £'000	Audited 30 September 2019 £'000
Non-current assets			
Investment properties	13	**306,434**	290,162
Total non-current assets		**306,434**	290,162
Current assets			
Inventories - properties available for sale	12	**4,960**	2,633
Trade and other receivables	14	**3,833**	2,652
Deposits paid for acquisition	15	**3,404**	6,334
Cash and cash equivalents	16	**6,752**	26,205
Total current assets		**18,949**	37,824
Total assets		**325,383**	327,986
Current liabilities			
Trade and other payables	17	**4,910**	4,459
Borrowings	18	**381**	373
Interest rate swap derivative contracts	19	**-**	-
Lease Liabilities	27	**936**	934
Total current liabilities		**6,227**	5,766
Non-current Liabilities			
Borrowings	18	**107,627**	107,819
Interest rate swap derivative contracts	19	**95**	89
Lease Liabilities	27	**28,648**	28,598
Total non-current liabilities		**136,370**	136,506
Total liabilities		**142,597**	142,272
Net assets		**182,786**	185,714
Equity			
Share capital	20	**1,803**	1,803
Share premium	21	**108**	108
Own shares reserve	22	**(8,625)**	(8,622)
Retained earnings	23	**189,500**	192,425
Total interests		**182,786**	185,714
Total equity		**182,786**	185,714
Net asset value per share - basic and diluted (pence)	28	**106.9**	108.6

The condensed consolidated financial statements were approved by the Board of Directors on and signed on its behalf by:

Rob Whiteman
Chairman

Date

The notes on pages 40 to 56 form part of these financial statements.

Condensed Consolidated Statement of Cash Flows

for the Period 1 October 2019 to 31 March 2020

	Note	**Unaudited 6 months to 31 March 2020 £'000**	Unaudited 6 months to 31 March 2019 (As restated) £'000
Cash flows from operating activities			
Profit for the period		**1,351**	7,272
Adjustments for items that are not operating in nature:			
Loss/(gain) in fair value of investment properties	**13**	**1,021**	(5,239)
Write down to net realisable value - inventories		**-**	76
Loss in fair value of interest rate swap	**9**	**6**	46
Loss/(profit) on disposal of investment properties		**7**	(35)
Shares issued in lieu of management fees		**231**	231
Finance income	**9**	**(35)**	(24)
Finance costs	**9**	**2,444**	2,077
Operating result before working capital changes		**5,025**	4,404
Changes in working capital			
(Increase)/decrease in trade and other receivables		**(1,182)**	621
Increase in inventories		**(2,327)**	(4,197)
Increase in trade and other payables		**480**	151
Net cash flow generated from operating activities		**1,996**	979
Cash flow from investing activities			
Purchase of investment properties	**13**	**(16,803)**	(27,677)
Grant received	**13**	**2,242**	-
Disposal of investment properties	**13**	**243**	585
Deposits paid for acquisitions	**15**	**-**	(6,271)
Interest received	**9**	**35**	24
Amounts transferred into restricted cash deposits	**16**	**(20)**	(52)
Net cash flow utilised in investing activities		**(14,303)**	(33,391)
Cash flow from financing activities			
Purchase of own shares	**22**	**(234)**	(3,653)
New borrowings raised (net of expenses)	**18**	**-**	53,156
Bank loans repaid	**18**	**(292)**	(215)
Finance costs	**9**	**(2,364)**	(2,020)
Dividend paid	**26**	**(4,276)**	(3,419)
Net cash flow (utilised in)/generated from financing activities		**(7,166)**	43,849
Net increase in cash and cash equivalents		**(19,473)**	11,437
Cash and cash equivalents at the beginning of the period	**16**	**25,032**	10,686
Cash and cash equivalents at the end of the period	**16**	**5,559**	22,123

The notes on pages 40 to 56 form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

for the Period 1 October 2019 to 31 March 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 (as restated)	–	–	–	7,272	7,272
Other comprehensive income	–	–	–	-	-
Total comprehensive income	**–**	**–**	**–**	**7,272**	**7,272**
Contributions by and distributions to shareholders					
Issue of management shares	–	–	231	(231)	-
Share based payments charge	–	–	–	231	231
Purchase of own shares	–	–	(3,653)	–	(3,653)
Dividends paid	–	–	–	(3,419)	(3,419)
Balance at 31 March 2019 (as restated)	**1,803**	**108**	**(8,621)**	**190,740**	**184,030**
Profit for the period	–	–	–	5,964	5,964
Other comprehensive income	–	–	–	-	-
Total comprehensive income	**–**	**–**	**–**	**5,964**	**5,964**
Contributions by and distributions to shareholders					
Issue of management shares	–	–	230	(230)	-
Share based payment charge			-	230	230
Purchase of own shares	–	–	(231)	-	(231)
Dividends paid	–	–	-	(4,279)	(4,279)
Balance at 30 September 2019	**1,803**	**108**	**(8,622)**	**192,425**	**185,714**
Profit for the period	–	–	–	1,351	1,351
Other comprehensive income	–	–	–	-	-
Total comprehensive income	–	–	–	1,351	1,351
Contributions by and distributions to shareholders					
Issue of management shares	–	–	231	(231)	-
Share based payment charge	–	–	-	231	231
Purchase of own shares	–	–	(234)	-	(234)
Dividends paid	–	–	-	(4,276)	(4,276)
Balance at 31 March 2020	**1,803**	**108**	**(8,625)**	**189,500**	**182,786**

The notes on pages 40 to 56 form part of these financial statements.

1. General information

The financial information set out in this report covers the six months to 31 March 2020 and includes the results and net assets of the Company and its subsidiaries. The comparatives presented for the Statement of Comprehensive Income and Statement of Cash Flows are for the six months to 31 March 2019. The comparatives presented for the Statement of Financial Position are as at 30 September 2019.

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

Residential Secure Income plc ("the Company") was incorporated in England and Wales under the Companies Act 2006 as a public company limited by shares on 21 March 2017. The Company's registration number is 10683026. The registered office of the Company is located at Mermaid House, Puddle Dock, London EC4V 3DB.

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

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

2. Basis of preparation

These condensed financial statements for the period ended 31 March 2020 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. The interim report should be read in conjunction with the annual Financial Statements for the period ended 30 September 2019, which have been prepared in accordance with IFRSs as adopted by the European Union.

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

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

The condensed financial statements for the period are unaudited and do not constitute statutory accounts for the purposes of the Companies Act 2006. The annual report and financial statements for the period ended 30 September 2019 have been filed at Companies House. The independent auditor's report on the annual report and financial statements for the period ended 30 September 2019 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under sections 498 (2) or 498 (3) of the Companies Act 2006.

a) Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern and are satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

As of the date of signing of these interim financial statements, the UK 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 18 provides further information on ReSI's response to COVID-19. ReSI is subject to covenants on debt secured on its retirement and Local Authority portfolios (see note 18 on page 49). Sensitivity analysis has been performed, showing a large amount of headroom on all covenants, including all debt servicing and valuation metrics. Due to the long-term nature of the company's assets and strong cash flows, the Directors do not forecast a breach of any debt covenants.

b) Changes to accounting standards and interpretations

New standards adopted during the period

The following new accounting standards, interpretations and amendments, endorsed by the EU were effective for the first time for the Group's 31 March 2020 period 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.

c) Restatement of prior year comparative

The comparative figures for the 6 months ended 31 March 2019 have been re-stated for an adjustment to the carrying value of prepaid service charges and ground rents at 31 March 2019. This adjustment has increased service charge expenses and finance costs for the period ended 31 March 2019 by £380,000 and £66,000 respectively and reduced net assets at 31 March 2019 by £446,000. There is no impact on net assets at 30 September 2019 or full year net income in the year to 30 September 2019 audited accounts.

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 13.

d) Inventories

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

e) Shared ownership

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

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

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

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

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

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

f) Share issue costs

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

g) Revenue

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

Gross rental income – Gross rental income is 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. 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.

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

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

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

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, amortisation of loan fees and the reclassification of amounts to profit or loss from the cash flow hedge.

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

k) Taxation

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

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

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

l) Dividend payable to shareholders

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

Interim dividends are recognised when paid.

m) Financial instruments

Financial assets

Recognition of financial assets

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

Initial measurement and classification of financial assets

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

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

Fair value through profit or loss

This category comprises in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value (see "Financial liabilities" section for out-of-money derivatives classified as liabilities). 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 31 March 2020 the Group had the following non-derivative financial assets which are held at amortised cost:

Cash and cash equivalents

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

Trade and other receivables

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

Impairment of financial assets

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

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

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

Stage 1

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

Stage 2

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

Stage 3

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

De-recognition of financial assets

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

Financial liabilities

Recognition of financial liabilities

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

Initial measurement and classification of financial liabilities

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

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

Fair value through profit or loss

This category comprises 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 31 March 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 recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowing costs are 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.

De-recognition of financial liabilities

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

n) Derivative instrument and hedge accounting

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

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is recycled through Other Comprehensive Income.

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.

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 13.

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. Please see the section below on the impact of COVID-19 on the valuation of investment property.

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 13.

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

Specifically:

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

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

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

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

Impact of COVID-19 on Investment Property Valuations

Due to COVID-19, March 2020 valuations have been issued by Savills subject to a material uncertainty disclosure, as follows:

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors and at the valuation date we do not consider that we can rely upon previous market evidence to fully inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation(s) is / are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market we recommend that you keep the valuation of this property under frequent review.

Shared Ownership Properties

First Tranche Sales

The Group estimates the proportion of shared ownership properties that will be sold as First Tranche sales and therefore classified as inventory rather than investment property, the assumptions on which the proportion has been based include, but are not limited to, matters such as the affordability of the shared ownership properties, local demand for shared ownership properties, and general experience of First Tranche shared ownership sales in the social housing sector. The first tranche sales percentage used is consistent with values used by the valuers. As at 31 March 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.

6. Income less cost of sales

	Net property income £'000	First tranche sales £'000	**Unaudited 6 months to 31 March 2020 Total £'000**	Unaudited 6 months to 31 March 2019 (As restated) Total £'000
Gross Rental income	10,226	-	**10,226**	9,637
First tranche property sales	-	6,147	**6,147**	-
Total income	10,226	6,147	**16,373**	9,637
Service charge expenses	(2,322)	-	**(2,322)**	(2,043)
Property operating expenses	(1,732)	-	**(1,732)**	(1,834)
Impairment of receivables	(5)	-	**(5)**	6
First tranche cost of sales	-	(5,990)	**(5,990)**	(76)
Total cost of sales	(4,059)	(5,990)	**(10,049)**	(3,947)
Gross profit before ground rents	6,167	157	**6,324**	5,690
Ground rents disclosed as lease interest	(488)	-	**(488)**	(469)
Gross profit after ground rents disclosed as lease asset	5,679	157	**5,836**	5,221

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.

7. Fund management fee

	Unaudited 6 months to 31 March 2020 £'000	Unaudited 6 months to 31 March 2019 £'000
Cash portion	**696**	695
Equity	**231**	231
	927	926

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

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

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

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

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

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

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

8. Directors' fees and expenses

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

	Unaudited 6 months to 31 March 2020 £'000	Unaudited 6 months to 31 March 2019 £'000
Fees	**77**	79
Taxes	**14**	8
Expenses	**3**	-
	94	87
Fees paid to directors of subsidiaries	**23**	24
	117	111

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

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

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

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

None of the Directors received any advances or credits from any Group entity during the period.

9. Net finance costs

	Unaudited 6 months to 31 March 2020 £'000	Unaudited 6 months to 31 March 2019 (as restated) £'000
Finance income		
Interest income	**35**	24
	35	24
Finance expense		
Interest payable on borrowings	**(1,848)**	(1,552)
Amortisation of loan costs	**(108)**	(56)
Lease interest	**(488)**	(469)
	(2,444)	(2,077)
Movement in fair value of derivative contracts		
Interest rate swaps	**(6)**	(46)
Net finance costs	**(2,415)**	(2,099)

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

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

Movement in fair value of derivative contracts arises from interest rate swaps entered into in February 2019 to partially fix the £14m of debt secured in the Local Authority portfolio.

10. Taxation

	Unaudited 6 months to 31 March 2020 £'000	Unaudited 6 months to 31 March 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:

	Unaudited 6 months to 31 March 2020 £'000	Unaudited 6 months to 31 March 2019 (as restated) £'000
Profit before tax	**1,351**	7,272
Tax at the UK corporation tax rate of 19% (2019: 19%)	**257**	1,382
Tax effect of:		
UK tax not payable due to REIT exemption	**(415)**	(394)
Investment property revaluation not taxable	**194**	(1,006)
Expenses that are not deductible in taxable profit	**-**	18
Utilisation of brought forward losses	**(36)**	-
Tax charge for the period	**-**	-

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

The Government has announced that the corporation tax standard rate is to remain at 19% for the foreseeable future.

11. Earnings per share

	Unaudited 6 months to 31 March 2020 £'000	Unaudited 6 months to 31 March 2019 (as restated) £'000
Profit attributable to Ordinary shareholders	**1,351**	7,272
Add back fair value reduction / (increase) on investment properties and interest rate swap unwinding cost	**1,027**	(5,193)
Deduction of first tranche sales & cost of sales	**(157)**	76
Add back loss/(profit) on disposal of investment properties	**7**	(35)
Adjusted earnings	**2,228**	2,120
Weighted average number of ordinary shares (thousands)	**171,020**	171,623
Basic earnings per share (pence)		
- 2020 (pence)	**0.79**	
- 2019 (pence)		4.24
Adjusted earnings per share (pence)		
- 2020 (pence)	**1.30**	
- 2019 (pence)		1.24

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 underlying 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.

12. Inventories – properties available for sale

	Unaudited 31 March 2020 £'000	Audited 30 September 2019 £'000
Shared ownership properties	**4,960**	2,633
	4,960	2,633

13. Investment properties

	Unaudited 31 March 2020 £'000	Audited 30 September 2019 £'000
At beginning of period	**290,162**	252,875
Property acquisitions at cost	**19,616**	27,941
Grant receivable	**(2,242)**	(952)
Capital expenditure	**117**	595
Property disposals	**(250)**	(770)
Lease asset movement	**52**	1,817
Change in fair value during the period	**(1,021)**	8,656
At end of period	**306,434**	290,162
Valuation provided by Savills	**276,850**	260,630
Adjustment to fair value – lease asset	**29,584**	29,532
Total investment properties	**306,434**	290,162

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

	Unaudited 31 March 2020 £'000	Audited 30 September 2019 £'000
Total investment properties	**306,434**	290,162
Adjustment to fair value – finance lease asset	**(29,584)**	(29,532)
Committed properties with purchase contracts exchanged	**34,038**	60,600
Total investment properties including committed properties with purchase contracts exchanged	**310,888**	321,230

The investment properties are divided into:

	Unaudited 31 March 2020 £'000	Audited 30 September 2019 £'000
Leasehold properties	**234,571**	218,215
Freehold properties *	**42,279**	42,415
Lease asset	**29,584**	29,532
Total investment properties	**306,434**	290,162

*Includes Feuhold properties, the Scottish equivalent of Freehold.

The historical cost of investment properties at 31 March 2020 was £254,332,954 (30 September 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 31 March 2020 agree to the valuations reported by external valuers, except that the valuations have been increased by the amount of lease liabilities recognised in respect of investment properties held under leases £29,583,997 (£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 27. 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.

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

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

The Group has pledged certain of its investment properties to secure loan facilities granted to the Group (see note 18).

In accordance with IFRS 13, the Group's investment property has been assigned a valuation level in the fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The Group's investment property as at 31 March 2020 is categorised as Level 3.

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

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

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

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

14. Trade and other receivables

	Unaudited 31 March 2020 £'000	Audited 30 September 2019 £'000
Rent receivable	**683**	283
Prepayments	**2,998**	2,321
Other debtors	**152**	48
	3,833	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.

15. Deposits paid for acquisitions

	Unaudited 31 March 2020 £'000	Audited 30 September 2019 £'000
Deposit paid for acquisitions	**3,404**	6,334
	3,404	6,334

The deposit relates 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. The apartments are being purchased from Metropolitan Thames Valley Housing, one of the UK's largest Housing Associations, who will retain management of the apartments. £26.6 million of the acquisition completed in the period and ReSI expects to complete on the remaining £34.0 million acquisition in Q2 2020.

As of the date of signing, COVID-19 has delayed completion of the remaining 73 homes in Clapham Park. Whilst these are still expected to go ahead, the Fund Manager is prudently considering all possible options in light of current market conditions and expected first tranche sales rates against other opportunities that have arisen.

16. Cash and cash equivalents

	Unaudited 31 March 2020 £'000	Audited 30 September 2019 £'000
Cash at bank	**5,557**	25,030
Cash held as investment deposit	**2**	2
	5,559	25,032
Restricted cash	**1,193**	1,173
	6,752	26,205

Included within cash at the period end was an amount totalling £1,192,087 (£1,172,990 at 30 September 2019) held by the managing agent of the independent retirement rental portfolio in respect of tenancy rental deposits. The cash was placed in a separate bank account to which the Group has restricted access. 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 April 2020.

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 £30.6 billion AUM, hence the Group's investment deposit represents an immaterial proportion of the fund.

17. Trade and other payables

	Unaudited 31 March 2020 £'000	Audited 30 September 2019 £'000
Trade payables	**1,290**	1,475
Accruals	**1,709**	1,109
VAT payable	**-**	3
Deferred income	**719**	699
Other creditors	**1,192**	1,173
	4,910	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.

18. Borrowings

	Unaudited 31 March 2020 £'000	Audited 30 September 2019 £'000
Loans	**110,575**	110,868
Unamortised borrowing costs	**(2,567)**	(2,676)
	108,008	108,192
Current liability	**381**	373
Non-current liability	**107,627**	107,819
	108,008	108,192
The loans are repayable as follows:		
Within one year	**381**	373
Between one and two years	**14,859**	388
Between three and five years	**1,627**	15,831
Over five years *	**91,141**	91,600
	108,008	108,192

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

Movements in borrowings are analysed as follows:

	Unaudited 31 March 2020 £'000	Audited 30 September 2019 £'000
At beginning of period	**108,192**	51,560
Drawdown of facility	**-**	58,450
Loan costs	**-**	(1,478)
Amortisation of loan costs	**108**	164
Repayment of borrowings	**(292)**	(504)
At end of period	**108,008**	108,192

The table below lists the Group's borrowings:

Lender	Original facility £'000	Outstanding debt £'000	Maturity date	Annual interest rate %
Scottish Widows Ltd	53,000	52,451	Jun-43	3.4507 Fixed
Scottish Widows Ltd	40,000	39,698	Jun-43	3.4877 Fixed
Scottish Widows Ltd	4,000	3,976	Jun-43	3.2872 Fixed
National Westminster Bank Plc	14,450	14,450	Feb-22	1.50 over 3 month £ LIBOR
	111,450	110,575		

The Scottish Widows facility is secured by a first charge over retirement properties with a fair value of £210.8m.

The NatWest facility is secured by a first charge over Local Authority Housing properties with a fair value of £34.7m.

The fair value of borrowings held at amortised cost at 31 March 2020 was £125.5m (£124.9m at 30 September 2019).

19. Derivative financial instruments

	Unaudited 31 March 2020 £'000	Audited 30 September 2019 £'000
Interest rate swap derivative contracts	**95**	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.

20. Share capital account

	Number of Ordinary 1 p shares	£'000
At 31 March 2019, 30 September 2019 and 31 March 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.

21. Share premium account

	£'000
At 31 March 2019, 30 September 2019 and 31 March 2020	108

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

22. Own shares reserve

	£'000
At 31 March 2019	(8,621)
Purchase of own shares	(231)
Transferred as part of Fund Management fee	230
At 30 September 2019	(8,622)
Purchase of own shares	(234)
Transferred as part of Fund Management fee	231
At 31 March 2020	(8,625)

The own shares reserve relates to the value of shares purchased by the Company in excess of nominal value. As at 31 March 2020, 9,304,729 (30 September 2019: 9,304,729) 1p Ordinary Shares are held by the Company.

During the period ended 31 March 2020, the Company purchased 242,752 of its own 1p ordinary shares at a total gross cost of £233,008 (£231,494 cost of shares and £1,514 associated costs).

During the period, 242,752 1p Ordinary Shares were transferred from its own shares reserve to the Fund Manager, in lieu of the management fee in accordance with the Fund Management Agreement.

As at 31 March 2020, 9,304,729 (30 September 2019: 9,304,729) 1p Ordinary Shares are held by the Company.

23. Retained earnings

	£'000 (As restated)
At 31 March 2019	190,740
Profit for the period	5,964
Share based payment charge	230
Issue of management shares	(230)
Dividends	(4,279)
At 30 September 2019	192,425
Profit for the period	1,351
Share based payment charge	231
Issue of management shares	(231)
Dividends	(4,276)
At 31 March 2020	189,500

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

24. Group entities

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

Name of entity	Percent-age of ownership	Country of Incorp-oration	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 Retirement Rentals Limited	100%	UK	UK	Property investment
ReSi Housing Limited	100%	UK	UK	Social housing Registered Provider
Wesley House (Freehold) Limited	100%	UK	UK	Property investment
Eaton Green (Freehold) Limited	100%	UK	UK	Property investment

Name of entity	Registered address
RHP Holdings Limited	21-26 Garlick Hill, London, EC4V 2AU
The Retirement Housing Limited Partnership	Glanville House, Frobisher Way, Taunton, Somerset, TA2 6BB
ReSi Retirement Rentals Limited	21-26 Garlick Hill, London, EC4V 2AU
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 is in the process of being struck off.

All group entities are UK tax resident.

25. Notes to the cash flow statement

	Borrowings due within one year (note 18) £'000	Borrowings due in more than one year (note 18) £'000	Fair value of interest rate swaps (note 19) £'000	Lease liabilities (note 27) £'000	Total £000s
At 1 October 2018	257	51,303	-	27,715	79,275
Cash flows					
Borrowings advanced	462	53,989	-	-	54,451
Borrowings repaid	(215)	-	-	-	(215)
Loan arrangement fees paid	(156)	(1,139)	-	-	(1,295)
Ground rent paid	-	-	-	(469)	(469)
Non-cash flows					
Amortisation of loan arrangement fees	-	56	-	-	56
Change in fair value of interest rate swaps	-	-	(46)	-	(46)
Recognition of head lease liabilities acquired	-	-	-	2,076	2,076
At 31 March 2019	**348**	**104,209**	**(46)**	**29,322**	**133,833**

	Borrowings due within one year (note 18) £'000	Borrowings due in more than one year (note 18) £'000	Fair value of interest rate swaps (note 19) £'000	Lease liabilities (note 27) £'000	Total £000s
At 1 October 2019	373	107,819	(89)	29,532	137,635
Cash flows					
Borrowings advanced	300	(300)	-	-	-
Borrowings repaid	(292)	-	-	-	(292)
Ground rent paid	-	-	-	(488)	(488)
Non-cash flows					
Amortisation of loan arrangement fees	-	108	-	-	108
Change in fair value of interest rate swaps	-	-	(6)	-	(6)
Recognition of headlease liabilities acquired	-	-	-	540	540
At 31 March 2020	**381**	**107,627**	**(95)**	**29,584**	**137,497**

26. Dividends

	Unaudited 6 months to 31 March 2020 £'000	Unaudited 6 months to 31 March 2019 £'000	Audited 6 months to 30 September 2019 £'000
Amounts recognised as distributions to shareholders in the period to 31 March 2020:			
4th interim dividend for the year ended 30 September 2019 of 1.25p per share (2018 0.75p)	**2,138**	1,281	
1st interim dividend for the year ended 30 September 2020 of 1.25p per share (2019 1.25p)	**2,138**	2,138	
	4,276	3,419	
Categorisation of dividends for UK tax purposes:			
Amounts recognised as distributions to shareholders in the period:			
Property Income Distribution (PID)	**1,710**	2,885	
Non-PID	**2,566**	534	
	4,276	3,419	
Amounts not recognised as distributions to shareholders in the period:			
2nd interim dividend for the year ended 30 September 2019 of 1.25p per share (2018 0.75p)			2,138
3rd interim dividend for the year ended 30 September 2019 of 1.25p per share (2018 0.75p)			2,138
			4,276

On 30 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.

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.

27. Lease arrangements

The Group as lessee

At 31 March 2020, the Group had outstanding commitments for future minimum lease payments under non-cancellable leases, which fall due as follows:

As at 31 March 2020	Less than one year £000s	Two to five years £000s	More than five years £000s	Total £000s
Minimum lease payments	936	3,744	123,510	128,190
Interest	–	(273)	(98,333)	(98,606)
Present value at 31 March 2020	936	3,471	25,177	29,584

As at 30 September 2019	Less than one year £000s	Two to five years £000s	More than five years £000s	Total £000s
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 2103 (30 September 2019: 2,101) properties held under leasehold with an average unexpired lease term of 130 years (30 September 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 tenants for the following future aggregate minimum rentals receivable under non-cancellable operating leases:

	Unaudited 31 March 2020 £'000	Audited 30 September 2019 £'000
Receivable within 1 year	**4,407**	4,039
Receivable between 1-2 years	**2,413**	2,063
Receivable between 2-3 years	**2,413**	2,063
Receivable between 3-4 years	**2,413**	2,063
Receivable between 4-5 years	**2,413**	2,063
Receivable after 5 years	**59,872**	17,404
	73,931	29,695

The total of contingent rents recognised as income during the period was £nil (31 March 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 tenants terminate their leases at the earliest opportunity. However, assured tenancies are long-term agreements providing lifetime security of tenure to residents.

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

The Group's shared ownership properties are let to Shared Owners on leases with an initial 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.

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

	Unaudited 31 March 2020 £'000	Audited 30 September 2019 £'000
Receivable within 1 year	**20,177**	19,893
Receivable between 1-2 years	**16,897**	16,624
Receivable between 2-3 years	**14,254**	13,987
Receivable between 3-4 years	**12,123**	11,858
Receivable between 4-5 years	**10,400**	10,137
Receivable after 5 years	**106,006**	65,090
	179,857	137,589

28. Net asset value per share

	Unaudited 31 March 2020 £'000	Audited 30 September 2019 £'000
Net assets	**182,786**	185,714
	182,786	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)	**106.9**	108.6

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

29. Contingent liabilities and commitments

On 30 March 2019, ReSI exchanged contracts to acquire 132 new build apartments, located at Clapham Park, in the London Borough of Lambeth, for a total acquisition cost of £60 million. The apartments are being purchased from Metropolitan Thames Valley Housing, one of the UK's largest Housing Associations, who will retain management of the apartments. £26.6 million of the acquisition completed in the period and ReSI expects to complete on the remaining acquisition in Q2 2020.

ReSI has received government grant funding of £3.2 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.

30. Related party disclosure

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

For the period ended 31 March 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 8, Directors' fees and expenses.

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

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

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

For the period ended 31 March 2020, the Company incurred £926,504 (period ended 31 March 2019: £925,979) in respect of fund management fees and no amount was outstanding as at 31 March 2020 (31 March 2019: £nil). The above fee was split between cash and equity as per the Fund Management Agreement with the cash equating to £695,010 (31 March 2019: £694,485) and the equity fee of £231,494 (31 March 2019: £231,494) being paid as 242,752 (31 March 2019: 257,180) Ordinary Shares at an average price of £0.95 per share (31 March 2019: £0.90 per share).

In addition, the Fund Manager was paid a fee, pursuant to the Fund Management Agreement, of £nil (31 March 2019: £238,952) 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 £2,121 (31 March 2019: £1,700) and £34,406 (31 March 2019: £8,882) respectively.

31. 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 18 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.

32. Financial instruments

The table below sets out the categorisation of the financial instruments held by the Group as at 31 March 2020. Borrowings held at amortised cost have a fair value of £125.5m. The carrying amount of other financial instruments approximates to their fair value.

	Unaudited 31 March 2020 £'000	Audited 30 September 2019 £'000
Financial assets		
Trade and other receivables	**835**	331
Cash and cash deposits	**6,752**	26,205
	7,587	26,536
Financial liabilities		
At amortised cost		
Lease liabilities	**29,584**	29,532
Borrowings	**108,008**	108,192
Trade and other payables	**4,191**	3,757
	141,783	141,481
At fair value through profit or loss		
Interest rate swap derivative contracts	**95**	89
	141,878	141,570

33. Supplemental financial information

Annualised net rental income

The annualised net rental income represents the gross profit after ground rents disclosed as a lease asset grossed up from 6 months to an annual period.

	March 2020 £'m	September 2019 £'m
Gross profit after ground rents disclosed as lease asset (note 6)	**5,836**	11,176
Annualisation (6 months)	**5,836**	-
Historical cost of income producing investment properties	**11,672**	11,176

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 (annualised) £'m	2019 (Actual) £'m
Annualised net rental income at balance sheet date	**11.7**	11.2
Historical cost of investment property	**254.3**	237.1
Historical cost of investments not yet income producing	**(19.9)**	(11.4)
Historical cost of income producing investment properties	**234.4**	225.7
Net yield	**5.0%**	5.0%

Administrator	The Company's administrator from time to time, the current such administrator being MGR Weston Kay LLP.
AIC	Association of Investment Companies.
Alternative Investment Fund or "AIF"	An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.
Alternative Investment Fund Managers Directive or "AIFMD"	A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.
Annual General Meeting or "AGM"	A meeting held once a year which shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask directors questions about the company in which they are invested.
Articles or Articles of Association	Means the articles of association of the Company.
Company Secretary	The Company's company secretary from time to time, the current such company secretary being PraxisIFM Fund Services (UK) Limited.
Discount	The amount, expressed as a percentage, by which the share price is less than the net asset value per share.
Depositary	Certain AIFs must appoint depositaries under the requirements of AIFMD. A depositary's duties include, inter alia, safekeeping of assets, oversight and cash monitoring. The Company's current depositary is Thompson Taraz Depositary Limited.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders.
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
Functional Home	Means both a Unit and an aggregation of multiple Units offering elderly care facilities, assisted living facilities, sheltered housing or supported housing that are made available, by a Tenant, Occupant or Nominator (as the case may be) to a Resident/Residents.
Fund Manager	Means ReSI Capital Management Limited, a company incorporated in England and Wales with company number 07588964 in its capacity as Fund Manager to the Company.
Gearing	A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.
Housing Association	Means a regulated independent society, body of trustees or company established for the purpose of providing social housing.
Investment company	A company formed to invest in a diversified portfolio of assets.
Issue Price	100 pence per Ordinary Share.
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 Units facilities that is/are made available, by a Tenant, Occupant or Nominator, to a Resident/Residents at a market rent.
Net assets	Means the net asset value of the Company as a whole on the relevant date calculated in accordance with the Company's normal accounting policies.
Net asset value (NAV) per Ordinary Share	Means the net asset value of the Company on the relevant date calculated in accordance with the Company's normal accounting policies divided by the total number of Ordinary Shares then in issue.
Non PID dividend	Means a dividend paid by the Company that is not a PID.
Ongoing charges	A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company.
Ordinary Shares	The Company's Ordinary Shares of 1p each.
PID	Means a distribution referred to in section 548(1) or 548(3) of the CTA 2010, being a dividend or distribution paid by the Company in respect of profits or gains of the Property Rental Business of the Group (other than gains arising to non-UK resident Group companies) arising at a time when the Group is a REIT insofar as they derive from the Group's Property Rental Business.
Portfolio	A collection of different investments held in order to deliver returns to shareholders and to spread risk.
Premium	The amount, expressed as a percentage, by which the share price is more than the net asset value per share.
Property Rental Business	Means a Property Rental Business fulfilling the conditions in section 529 of the CTA 2010.
REIT	Real estate investment trust.
Rental Agreement	comprise Leases, Occupancy Agreements and Nominations Agreements.
Reputable Care Provider	Means a Statutory Registered Provider or other private entity in the business of building, managing and/or operating Functional Homes in the United Kingdom that the Fund Manager considers reputable in light of its investment grade equivalent debt strategy.
Share buyback	A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.
Share price	The price of a share as determined by a relevant stock market.
Shared Owner	Means the part owner of a shared ownership home that occupies such shared ownership home in return for the payment of rent to the co-owner.
Social impact per share	The social, economic and environmental impact and value of investments calculated using two key analysis frameworks, Social Return on Investment (SROI) and Economic Impact, divided by the number of shares outstanding.
Sub-Market Rental Home	Means a Unit of residential accommodation that is made available, by a Tenant, Occupant or Nominator, to a Resident to rent at a level below the local market rent.
Total return	A measure of performance that takes into account both income and capital returns.
Treasury shares	A company's own shares which are available to be sold by a company to raise funds.

Company Information

Shareholder Information

Directors

Robert Whiteman (Non-executive Chairman)

Robert Blackburn Gray (Non-executive Director)

John Carleton (Non-executive Director)

Elaine Bailey (Non-executive Director)
(appointed 27 April 2020)

Registered Office

Mermaid House
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EC4V 3DB

Company Information

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Incorporated in the United Kingdom

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ReSI Capital Management Limited
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Tax Adviser

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Depositary

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Company Secretary

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Administrator

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