Residential Secure Income plc

Interim Report 2018

About Us

Residential Secure Income plc ("ReSI" or "the Company") is the first real estate investment trust able to invest in all residential asset classes that comprise the stock of registered UK social housing providers, Housing Associations and Local Authorities across the United Kingdom.

ReSI is managed by ReSI Capital Management Limited (the "Fund Manager"), a wholly-owned and separately regulated subsidiary of TradeRisks Limited ("TradeRisks") – a financing adviser and debt arranger with an 17-year track record in the social housing sector.

ReSI was admitted to the premium listing segment of the Main Market of the London Stock Exchange in July 2017, raising £180m in its IPO.

As at 31 March 2018, ReSI had acquired 1,341 retirement residential units located in 254 developments across England, Scotland and Wales, and managed by one of the largest UK Housing Associations.

Further acquisitions have been made after the period end. In May 2018, ReSI acquired for around £31m a portfolio comprising 277 properties that house the retirement property managers for many of the buildings referred to above. The properties in this acquisition are licensed to First Port, the UK's largest residential property management group. Also, in June 2018, ReSI acquired for around £21m, a freehold residential building containing 134 self-contained flats, benefiting from leases to the Local Authority and used to provide housing under the Local Authority's statutory obligations.

Including these acquisitions ReSI has invested around £155m of the proceeds raised at its IPO in assembling a portfolio which now comprises 1,772 residential units.

ReSI's objective is to deliver long-term stable inflation-linked returns to its shareholders by acquiring high quality residential assets which comprise the stock of UK social housing providers. The target is to deliver an inflation linked 5% p.a. dividend and total return in excess of 8% p.a.

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Key Highlights
as at 31 March 2018

Financial Highlights

98.8p

Net Asset Value per share

IFRS Net Asset Value per share, an increase of 0.8p or 0.8% (versus Net Asset Value per share immediately following Admission of 98.0p)

1.8p

Earnings per share

Profit after tax per share including revaluations based on IFRS NAV

1.50p

Dividend per share

Dividends declared for the period to 31 March; targeting 3p per share for the period to 30 September 2018 and 5p per share annually thereafter increasing in line with inflation

£178.1m

Net Asset Value

IFRS Net Asset Value, an increase of £1.7m (versus Net Asset Value immediately following Admission of £176.4m)

Operational Highlights

1,341

Units acquired

1,341 units acquired spread across 254 locations in the UK as at 31 March 2018

£5.1m

Annualised net rental income

Net rental income (net property income less ground rents disclosed as finance costs) from acquisition of the RHP Portfolio to 31 March 2018, annualised for a full calendar year)

£101.8m

Capital deployed

Total consideration on the acquisition of properties up to 31 March 2018

5.0%

Annualised net yield on capital deployed

Annualised net rental income divided by capital deployed

ReSI seeks to provide its shareholders with income and capital appreciation linked to inflation by acquiring and holding residential assets which comprise the stock of UK social housing providers. ReSI's financial model looks only to rent to make projected dividend payments and does not rely on making returns from trading its investments.

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

ReSI has a fully independent board of experienced non-executive directors and has appointed ReSI Capital Management Limited, a wholly-owned and separately regulated subsidiary of TradeRisks Limited, to act as its alternative investment fund manager. TradeRisks is a risk advisory firm and financing arranger focused on social housing and other specialist residential property and social infrastructure sectors.

TradeRisks has advised on and arranged funding of over £10bn for social housing and other specialist residential property. It has advisory or transactional relationships with many of the larger UK housing associations, together representing c.1.2m units of housing stock.

Investment Opportunity

- 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 seeks to meet the needs of Statutory Registered Providers of housing for equity financing partners, following the significant reduction of UK Government grant;
- TradeRisks' team has an extensive track record of executing transactions within the social housing sector and strong alignment of interest with ReSI's shareholders;
- TradeRisks will use its 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;
- ReSI has a robust corporate governance framework with oversight provided by an experienced, fully independent board.

Investment Strategy

- Select counterparties with strong credit covenants – larger, well established Housing Associations, Local Authorities, leading private operators or shared equity tenants;
- Acquire modern properties on a predominantly freehold or long leasehold (e.g. 100 years) basis;
- Responsibility for operations and maintenance with operators or tenants;
- Target standing investments and forward funded opportunities (avoid development risk);
- Apply long-term investment grade equivalent debt, targeting 50% leverage (debt/gross assets). ReSI aims to have indicative terms in place prior to asset acquisition, mitigating interest rate exposure and validating underlying asset quality;
- The investment strategy 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 UK Government grant and other financial constraints are causing Housing Associations to seek third party equity capital
2. Similarly, Local Authorities are setting up housing companies to develop housing outside the core "Housing Revenue Account" and bring in third party capital
3. Demographic trends and a historical undersupply are driving growing demand for UK housing

1. This environment has created a highly scalable, long-term investment opportunity to generate secure, inflation-linked returns
2. ReSI was created to meet demands from Housing Associations and Local Authorities for:

- Alternative equity like financing routes to support their development ambitions
- Investment partners to facilitate their provision of housing

Investment Portfolio

as at 31 March 2018

Key Financial Metrics

- ReSI announced the acquisition on 24 November 2017 of an age-restricted rental portfolio comprising 1,341 retirement properties for a total consideration of approximately £100m ("the RHP Portfolio").
- Annualised net rent of £5.1m (net property income, less ground rents).
- As at 31 March 2018, heads of terms had been agreed for approximately £53m of investment grade equivalent debt secured against the RHP Portfolio, with drawdown deferred to mitigate cost-of-carry. This debt was completed on 28 June 2018.
- ReSI made further acquisitions after the period end. In May 2018, ReSI acquired a portfolio of Licensed Rental house managers' flats comprising 277 properties for around £31m, and has completed other small additions to the RHP portfolio. In June 2018, ReSI acquired, for around £21m, a freehold residential building benefiting from a lease to the Local Authority and used to provide housing under the Local Authority's statutory obligations.
- Including these subsequent acquisitions, ReSI's total portfolio comprises 1,772 units.

The RHP Portfolio

The RHP Portfolio consists of 1,341 units spread across 254 purpose-built retirement housing developments within 48 counties across the UK. Around 58% of the portfolio is in southern England, including 33.6% in the South East. Properties are predominantly 1 or 2 bed flats within purpose-built schemes, constructed by specialist retirement developers and restricted to residents over 60 years of age.

The RHP Portfolio is operated by a subsidiary of one of the largest UK Housing Associations. The operator is responsible for property management, rent collection and maintenance.

The RHP Portfolio consists of freehold and long leasehold interests in retirement homes. The average unexpired lease term of the 1,225 long leasehold units at acquisition was around 82 years. After the period end, in June 2018, ReSI extended to 150 years the lease term of 1,003 of properties in the RHP Portfolio, to increase the average unexpired lease length of the 1,225 long leasehold units to 140 years. The remaining assets in the Portfolio comprise 86 freehold and feuhold properties. The lease extensions are expected to enhance the value of the RHP Portfolio.

The building fabric and services in the RHP Portfolio are the responsibility of the freeholder and their estate manager. ReSI uses its position as a service charge payer (sometimes the majority payer in a development) to ensure high standards are maintained and that sinking funds for future repairs are at a prudent level.

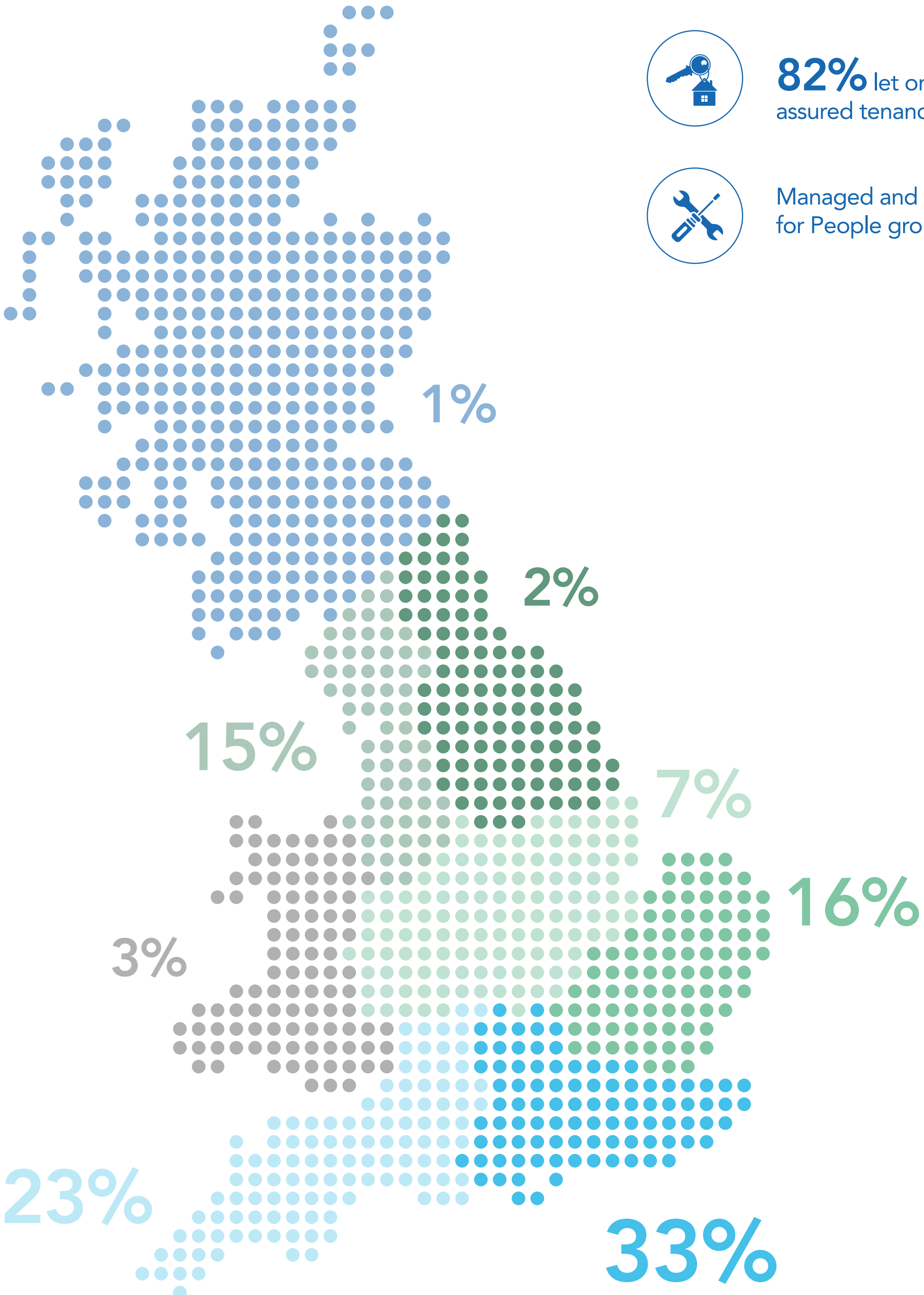
The majority of properties are let on Assured Tenancies to retirement-aged residents, offering them lifetime security of tenure. All tenancy rent reviews are annual and RPI linked, capped at 6.0% per annum.

25-year fixed rate partially amortising debt was secured against the RHP Portfolio on 28 June 2018. TradeRisks has performed a shadow credit rating incorporating the debt gearing, debt service cover ratios and strength of the operator. This analysis shows the debt structure secured on the portfolio is equivalent to investment grade.

The subsequent acquisition of the retirement property managers' portfolio overlaps with the RHP Portfolio and will allow for operational synergies.

250+ Locations across the UK

As at 31 March 2018



1,341 units in **254**
Purpose-built retirement housing blocks

Over **59%** of the Portfolio located in Southern England

82% let on RPI-linked assured tenancies

Managed and maintained by Places for People group

Chairman's Statement

Robert Whiteman
Chairman

Introduction

I am pleased to present ReSI's interim results which cover an extended period from 12 July 2017 to 31 March 2018. These are the first published results since ReSI's IPO, which raised gross proceeds of £180m and resulted in ReSI's Ordinary Shares being admitted to trading on the Main Market of the London Stock Exchange.

ReSI's objective is to deliver long-term stable income and capital appreciation linked to inflation for its shareholders by making high quality residential investments in asset classes owned by the UK Statutory Registered Provider sector.

Investments are selected with the requirement that the strength of the assets, the counterparty and the income stream can support investment grade equivalent debt financing, emphasising the strength of our counterparties and the quality of our assets.

The RHP Portfolio

In the period under review we acquired 1,341 residential units located across England, Wales and Scotland. We were delighted to have completed the acquisition of such a strong portfolio of properties serving the retirement sector, an important and growing segment of demand.

All of these units are used to provide age-restricted retirement housing and are managed by a specialised subsidiary of one of the largest UK Housing Associations. The vast majority of these units are long-leasehold properties, with a weighted average unexpired lease term at acquisition of around 81 years. Subsequently, we have extended the term of a majority of the leases to 150 years, which will enhance the value of these assets.

The acquisition also enabled ReSI to enter into the REIT regime.

Financial results

The financial results of ReSI reflect the fact that deployment of the IPO proceeds has been slower than anticipated, as further described in the Fund Manager's report, and that therefore only part of the proceeds have so far been deployed into assets generating rental income. We remain fully confident in our overall investment strategy and our target dividend and return expectations are unchanged from those set out at the time of our IPO. We believe it is in the long-term interests of our shareholders to maintain our stringent investment criteria even if that means some delay in deploying funds.

The assets in ReSI's portfolio have performed well. At 31 March 2018, the RHP Portfolio had produced income in line with expectations and its valuation, performed by Savills, had increased by 3% over its purchase price. This valuation increase is reflected in ReSI's Net Asset Value and Earnings for the period.

The Net Asset Value per share at 31 March 2018 was 98.8p which represents a 0.8% 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.

For the period from Admission to 31 March 2018 ReSI recorded an operating profit of £88,677 excluding revaluations for the period. Total profit attributable to shareholders was £3,319,369 implying net earnings per share for the period of 1.8p.

Dividends

On 8 February 2018, ReSI declared its maiden interim dividend of 0.75p per share for the initial period from the date of Admission to 31 December 2017, and on 9 May 2018 declared a second dividend of 0.75p per share (for the quarter ended 31 March 2018). ReSI is targeting dividends of 3.0p per Ordinary Share for the first financial period from the date of Admission to 30 September 2018. We intend to pay dividends to shareholders on a quarterly basis and in accordance with the REIT regime.

On a fully invested and geared basis, ReSI is targeting a dividend yield of 5% per annum based on the issue price of 100p per Ordinary Share, which we expect to increase broadly in line with inflation, and a total return in excess of 8% per annum.

Progress since the end of March 2018

We are pleased that ReSI has continued to build and execute on a strong pipeline of investment opportunities including Local Authority-leased accommodation and licensed retirement properties, and that ReSI is making good progress to fully commit its current capital to high quality investments. This progress is more fully described in the Fund Manager's report.

On 9 April 2018 ReSI announced that it would commence a share buyback programme in response to weakness in ReSI's share price. The programme allowed ReSI to invest in its own shares at attractive prices without compromising its ability to execute on its investment pipeline. To date, ReSI has purchased just under 3.4m shares at an average price of 89.3p which is accretive to New Asset Value for shareholders. These shares are held in Treasury and are not expected to be sold except at prices above prevailing Net Asset Value per share.

ReSI has also completed its first debt transaction as described further in the Fund Manager's report.

Board changes

We were all shocked by the news of the sudden death of our Chairman, The Rt Hon Baroness Dean of Thornton-le-Fylde, on 13 March 2018. It was a great privilege to know Brenda personally and to work alongside her and she is very much missed. After Brenda's death, I agreed to assume the role of acting Chairman and have now accepted the role on a permanent basis.

Outlook

There continues to be a shortage of housing in many parts of the United Kingdom, resulting in high levels of demand, and ReSI has seen strong appetite from Housing Associations and Local Authorities for new sources of capital to invest in these areas. We continue to develop a pipeline of high quality investments that meet our investment criteria.

We will continue to be highly selective in choosing opportunities and apply rigorous due diligence, consistent with requiring acquisitions to be capable of supporting investment grade equivalent debt.

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

Rob Whiteman

Robert Whiteman
Chairman
Residential Secure Income plc

Management Report

Fund Manager's Report

Jon Slater
Chief Executive
ReSI Capital Management Ltd

During the reporting period, ReSI acquired a substantial portfolio of 1,341 retirement properties, managed by one of the largest UK Housing Associations (the "RHP Portfolio").

Notwithstanding this investment, capital deployment was slower than anticipated at IPO. A number of purchases of Shared Ownership portfolios that we originally expected to close before 31 March 2018, have been postponed; including due to merger activity and senior management changes within our Housing Association partners. We still view Shared Ownership portfolios as attractive investments for ReSI and expect these and other similar opportunities will be available in the future.

In spite of this, we have continued to generate a strong pipeline of potential investments which are rigorously filtered before choosing to begin execution. We have remained highly disciplined in selecting the transactions we are prepared to undertake and believe that this is fundamental to delivering the long term secure returns expected by ReSI's shareholders.

As a result of this pipeline, since the period end we have acquired for around £31m a further portfolio of 277 Licensed Rental Homes, and for around £21m we have acquired a freehold residential building in Luton leased to the Local Authority.

The portfolio of Licensed Rental Homes is highly complementary to the RHP Portfolio, and is licensed to FirstPort, the UK's largest residential property management group. The portfolio is used by FirstPort to house the retirement property managers within the retirement developments in which they work.

The property in Luton consists of 134 self-contained residential units and is used by the Local Authority to provide housing for local people under their statutory obligations.

In addition, since 31 March 2018, ReSI has agreed heads of terms with two separate vendors to acquire a further £54m of property. These transactions are subject to exclusivity and are currently undergoing detailed legal and property due diligence with a view to closing in July and August respectively.

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 management to optimise the portfolio amongst the available opportunities taking into account prospective returns, security of those returns and diversification within the portfolio.

The sad events of Grenfell have reinforced the need to ensure that residential accommodation is fit for purpose and we perform detailed property due diligence on our acquisitions, through our property team, to ensure we minimise fire and other risks to our tenants as much as possible. Our lifecycle plans for accommodation take a conservative approach to the long term costs of property ownership to ensure that our accommodation remains at this same standard, or better, throughout its life and we work with well-regarded partners to ensure these lifecycle and other maintenance is undertaken promptly and properly.

Since IPO we have analysed and turned down over £3bn of investment opportunities that we believe either do not provide a secure long-term rental stream or present risks to the tenants living within those properties.

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 supply. Under current arrangements this leads to increasing indebtedness with a number of Housing Associations reaching their debt capacity. The annual publication by the then Homes and Communities Agency (Global Accounts of Registered Providers, Dec 2017) shows a slow but steady growth in debt as a proportion of net book value of properties. A recent survey by Savills (The Savills Housing Sector Survey June 2018 in association with the Social Housing magazine) shows that, in terms of financing additional supply, the most quoted barrier is gearing capacity within the business. In order to increase supply, Housing Associations need to overcome several barriers, for example access to land, and on the financial front they need increased grant from government, increases in planning obligations for affordable housing, increased cross subsidy, as well as increased debt and equity like capital injections. Every channel will be needed, but the growing trend to reduce existing debt at the same time as receiving proceeds from equity-like capital will become prevalent and is the only way that long-term capacity to develop can be assured.

We continue to work with the leading Housing Association developers to 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 Housing Associations through their development plans. Whilst these discussions are taking longer to come to fruition than initially expected the level of interest from sector executives, board members, regulatory bodies and the Government support the investment opportunity for ReSI.

Many Local Authorities, especially those in South East England, have in recent years 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 published reports, England had 78,930 households in Temporary Accommodation at the end of 2017, and the total amount included 120,510 children. Demand for Temporary Accommodation has grown by over 60% since March 2011.

As such, we are working with a number of Local Authorities to provide good quality buildings to provide 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.

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 entering and leaving the accommodation. 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.

As such our investment focus is currently three-fold:

- Within Local Authority housing: acquiring property subject to long-term leases to Local Authorities who manage and use the property to accommodate those local residents they have a statutory duty to house;
- Adding to ReSI's existing age-restricted retirement rental housing portfolio; and
- Acquiring existing, or forward funding, affordable accommodation, primarily shared ownership and other forms of affordable housing.

Performance

The RHP Portfolio has performed in line with expectations in terms of net income generation and, as noted above, generated an above expectations increase in valuation since purchase. As at 31 March 2018, the Net Asset Value included a 3% gain in the valuation of the RHP portfolio.

Subsequent to the period end, and as envisaged at acquisition, ReSI has extended the terms of the majority of the leases within the RHP Portfolio to 150 years. We expect this will drive some further enhancement in the value of the RHP Portfolio.

ReSI's expenses ratio of 1.5% has been 0.2% higher than anticipated due to the legal and other costs of setting up ReSI Housing Limited, which is due for a decision on registered provider status in the coming months. Registration would allow ReSI to acquire properties that have been funded by government grant and so would expand the range of opportunities available to ReSI.

Borrowing

On 28 June 2018, ReSI completed a £53m fixed rate debt financing with Scottish Widows Limited, with a term of 25 years, representing leverage of around 50% (loan / gross assets) secured against the RHP Portfolio. The rate on the financing was partially pre-hedged to mitigate interest rate exposure before completion using an interest rate swap. The swap was unwound at the pricing date of the financing, and the resulting cash flow hedge reserve will be released over the 25-year life of the debt.

The swap mark-to-market was negative as at 31 March 2018, and therefore was a reduction to ReSI's Net Asset Value. However, as is the intention of hedging, this is compensated for by a lower future interest cost than would have otherwise been achieved if the debt had been fixed at the time of hedging.

This debt financing forms 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.

Since 31 March 2018 ReSI has continued to work with institutional investors and is in discussion with debt providers to put in place long-term investment grade equivalent debt against our recent and current acquisitions.

We look forward to continued progress over the forthcoming months.

Jon Slater
Chief Executive
ReSI Capital Management Limited

Investment Strategy

Investment objective

The Investment objective of ReSI is to provide shareholders with an attractive level of income, together with capital growth from investing in a portfolio of residential housing typically owned by Housing Associations and Local Authorities, with a combination of high quality properties, strong counterparties and secure income streams. The target is to deliver an inflation-linked 5% p.a. dividend and total return in excess of 8% p.a.

Background to the sector

The background to the need for additional affordable housing across the UK is well attested:

- significant growth in household numbers and constrained supply have led to poor affordability of houses; and
- tighter financial regulation that restricts access to mortgages is further driving demand for rental homes.

On average, people in work could expect to pay around 7.6 times their annual earnings to purchase a home in England and Wales in 2016, up from 3.6 times in 1997. The median price paid for residential property in England and Wales increased by 259% between 1997 and 2016, compared to a 68% increase in median individual annual earnings in the same period. No recent government has seen enough homes built to keep up with demand (Source: ONS, March 2017).

The housebuilding industry is producing 210,000 new homes per year in England, more than at any time since the global financial crisis in 2007. However, this is still less than both the Government's own assessment, which sets the annual housing need in England at 266,000, and the House of Lords Economic Affairs Committee which suggests over 300,000 new homes are needed each year to have any impact on affordability. The 2017 housing white paper explicitly identifies slow delivery as one of the major difficulties facing the housing market (Source: Savills Residential Property Forecasts, Autumn 2017). This is creating demand for new investment in housing, whether in social or private renting.

Housing Associations and Local Authorities

Housing Associations and Local Authorities are increasingly seen as key in meeting the need to increase the supply of affordable housing and are seeking ways to access private sector capital to enable this supply. They are increasingly using different types of tenancy such as shared ownership to address affordability and to provide access to the housing ladder.

These factors produce demand for private sector investment into residential housing, and provide a highly scalable, long-term investment opportunity to generate secure, inflation-linked returns. ReSI was created to meet demand from Housing Associations and Local Authorities for alternative equity like financing routes to support their development ambitions by recycling their capital; and for investment partners to facilitate their provision of housing.

Transaction types

ReSI can invest across the range of types of residential housing typically owned by Housing Associations and Local Authorities and seeks to optimise the portfolio amongst the available opportunities taking into account prospective returns, security of those returns and diversification within the portfolio. ReSI applies the fundamental constraint that acquisitions should be able to support investment-grade equivalent debt. This ensures that each acquisition has the relevant combination of high quality properties, strong counterparties and secure income streams, and that it can be funded efficiently.
We categorise the investment areas as follows:

Rental Housing

- **Functional Homes**

Functional Homes are properties equipped to provide elderly care facilities, assisted living facilities, supported housing or sheltered housing to Residents.

In order to provide security of income, and to allow long-term debt funding, of investment grade equivalent credit strength to be put in place, ReSI would enter into Rental Agreements in respect of Functional Homes with Statutory Registered Providers and Reputable Care Providers. The Statutory Registered Providers and/or Reputable Care Providers may also be providing care services.

- **Sub-Market Rental Homes**

Sub-Market Rental Homes are properties made available to Residents for rent at a level below the local market rent.

ReSI anticipates entering into Rental Agreements in respect of Sub-Market Rental Homes with Statutory Registered Providers to provide long-term income streams.

- **Market Rental Homes**

Market Rental Homes are properties being made available to Residents at a market rent.

ReSI anticipates entering into Rental Agreements in respect of Market Rental Homes with Statutory Registered Providers, Universities and Reputable Private Landlords to provide long-term income streams.

Shared Ownership Homes

Shared Ownership Homes are properties where the beneficial interest is held in part by the Shared Owner and part held by ReSI, and the Shared Owner has sole use of the property in return for a rent payable to ReSI for its beneficial interest. The Shared Owner has the right to acquire a further portion of ReSI's retained beneficial (or heritable) interest (known as "staircasing") at market value.

ReSI will enter into a fully repairing and insuring Shared Ownership Lease with the Shared Owner, typically for a term of 99 years or over, and a Rent Collection and Management Agreement with a Statutory Registered Provider acting as Rent Collector and Manager.

Key Performance Indicators

Measure	Explanation	Relevance to Strategy	Result
Capital deployed	ReSI measures the rate at which it has deployed capital since IPO since 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.	£102m deployed by 31 March 2018, and a further £53m subsequently. Heads of terms agreed to deploy another £54m.
IFRS NAV	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 98.8p per share, including a 3% gain on RHP portfolio.
Dividend per share	Targeting 3p per share in the period from IPO to 30 September 2018; 5p per share per annum thereafter, 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 0.75p per share declared for the period from IPO to 31 March 2018; and second subsequent dividend declared. Target dividends expected to be achieved.
Ongoing charges ratio	Ongoing charges express the ratio of annualised ongoing expenses to average net asset value from IPO to the end of the period.	ReSI measures the ongoing charges ratio to demonstrate that the running costs of the fund are kept to a minimum without impacting on performance. A lower ongoing charges ratio will improve ReSI's financial performance.	1.5%, from Admission to 31 March 2018, of which 1.0% relates to Fund Manager fees and the remainder being general and administrative expenses, including the set up costs for ReSI Housing Limited.

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 • TradeRisks has extended its origination and relationship network by bringing in additional experienced professionals with backgrounds working for housing associations, Local Authorities and property brokers
ReSI's due diligence may not identify all risks and liabilities in respect of an acquisition	• The Fund Manager engages established law firms to carry out legal DD managed by in-house counsel • Property DD carried out by reputable real estate surveyors and managed by in-house property experts • Financial DD carried out by major accounting firms and managed by in-house ex big-4 accountants • TradeRisks performs shadow credit ratings utilising published credit rating methodologies • TradeRisks has strengthened its finance team through the recruitment of a Chief Financial Officer with an extensive real estate fund accounting and administration background.
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 the tenants are part owners of the properties (as exhibited by shared ownership or sub-market rental assets)

Risk	Risk Mitigation
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) 1,355,000 Ordinary Shares in ReSI
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

Board of Directors

Robert Whiteman

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

Robert Gray

Non-executive Director and Audit Committee Chairman

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 TheCityUK Robert served as financial services sector adviser to the UK Minister for Trade & Investment. He was Chairman of the International Primary Market Association and Vice Chairman and Chairman of the Regulatory Policy Committee of the International Capital Market Association
- Educated at Sherborne School and St. John's College, Cambridge University where he gained a MA (Hons) in History

Other roles

- Director and Chair of the Audit Committee of the Arab British Chamber of Commerce

John Carleton

Non-executive Director

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

Changes to the Board

Rt Hon Baroness Dean of Thornton-le-Fylde ceased to be Chairman of the Company on 13 March 2018 following her death. Robert Whiteman replaced Rt Hon Baroness Dean of Thornton-le-Fylde as interim non-executive Chairman on the 14 March 2018 and stepped down from his role as Chairman of the Audit Committee, which was subsequently assumed by Robert Gray. Robert Whiteman has now accepted the role as non-executive Chairman on a permanent basis.

Corporate Governance

Corporate governance framework

The Company has a robust corporate governance framework with oversight provided by a highly experienced, fully independent Board. The Board is currently composed of three non-executive Directors who are collectively responsible for determining the Investment Policy and strategy, and who have overall responsibility for the Company's activities.

The Directors are independent of the Fund Manager. The Board review investment activity and performance and exercise appropriate control and supervision to ensure acquisitions are made in accordance with agreed investment parameters. The Fund Manager has been given responsibility for the day-to-day management of the Company's assets in accordance with the Investment Policy subject to the control and directions of the Board.

The Board consider the principles and recommendations of the AIC Code of Corporate Governance (AIC Code) which provides a framework of best practice for listed investment companies and the AIC Corporate Governance Guide for Investment Companies (AIC Guide) which complements the AIC Code by demonstrating best practice corporate governance with principles and recommendations suitable to the unique nature of investment companies. The Board considers that reporting against the AIC Code will provide better information to shareholders and will do so in the Company's next Annual Report.

The Board and Committees

Attendance at Board Meetings

Directors	Board meetings eligible to attend in the period	Board meetings attended
Rob Whiteman	10	9
Robert Gray	10	10
John Carleton	10	9
Rt Hon Baroness Dean of Thornton-le-Fylde	9	9

The Board meet formally at least quarterly with additional ad hoc calls when appropriate. A typical agenda of a formal Board meeting includes a review of the financial and portfolio performance in that period, distributable income and dividend yield compared to forecast, an update regarding the investment pipeline, statutory and regulatory matters (including ongoing compliance with the REIT Regime) and governance obligations.

The Fund Manager attends Board meetings together with representatives from the Company Secretary and other advisers as required from time to time.

The Board will additionally fulfil the responsibilities of the nomination committee, remuneration committee and management engagement committee. It has not been considered necessary to establish a separate remuneration or nomination committee given the size and nature of the Company. In addition, the Board as a whole will fulfil the functions of a Management Engagement Committee to review the actions and judgements of management in relation to the interim and annual financial statements and the Company's compliance with statutory and regulatory matters. In addition, in this capacity, the Board will review the terms of the Fund Management Agreement and examine the effectiveness of the Company's internal control systems and the performance of the Fund Manager, Depositary, Administrator, Company Secretary and the Registrar.

The Board delegates certain responsibilities and functions to the Audit Committee as set out in its written terms of reference. The Audit Committee is comprised of all of the Directors with Robert Gray now acting as Chairman of the Audit Committee. The Committee will meet at least twice a year to review the interim and annual financial statements. The Committee will also review the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors, including the provision of non-audit services.

Directors' Responsibilities
for the Interim Financial Statements

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 operating and financial review on pages 2 to 15 includes 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 9 months since Admission on 12 July 2017 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
- Material related party transactions since Admission on 12 July 2017.

A list of Directors is shown on pages 18 to 19.

For and on behalf of the Board

Robert Whiteman
Chairman

Financials

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 interim financial report for the period from 12 July 2017 to 31 March 2018 which comprises the Condensed Group Statement of Comprehensive Income, the Condensed Group Statement of Financial Position, the Condensed Group Cash Flow Statement, the Condensed Group Statement of Changes in Equity and related notes.

We have read the other information contained in the interim 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 interim financial report is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the interim 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 will be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this interim 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 interim financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of interim 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.

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 interim financial report for the period from 12 July 2017 to 31 March 2018 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.

BDO LLP
Chartered Accountants
London
28 June 2018

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

Condensed Group Statement of Comprehensive Income

for the period 12 July 2017 to 31 March 2018

	Note	12 July 2017 to 31 March 2018	21 March 2017 to 11 July 2017
Gross rental income	3	3,778,689	–
Property operating expenses		(1,830,240)	–
Net property income		1,948,449	–
Operating expenses			
Fund management fee	4	(1,271,175)	
General and administrative expenses		(588,597)	(27,986)
Operating profit/(loss) before change in fair value		88,677	(27,986)
Changes in fair value of investment properties	5	3,241,589	–
Operating profit/(loss)		3,330,266	(27,986)
Finance income	7	149,769	–
Finance costs	8	(160,667)	–
Profit before taxation		3,319,369	(27,986)
Tax on profit for the period	9	–	–
Profit/(loss) for the period (attributable to the Shareholders)		3,319,369	(27,986)
Other comprehensive loss:			
Cash flow hedge	10	(542,705)	–
Total other comprehensive loss for the period		(542,705)	–
Total comprehensive profit/(loss) for the period (attributable to the Shareholders)		2,776,663	(27,986)
Earnings per share	20	1.84p	–

All items in the above statement derive from continuing operations.

The notes on pages 29 to 35 form part of these financial statements.

Condensed Group Statement of Financial Position

as at 31 March 2018

	Note	31 March 2018 £	11 July 2017 £
Assets			
Non-current assets			
Investment properties	11	139,073,279	–
Total non-current assets		139,073,279	–
Current assets			
Trade and other receivables	12	1,332,419	50,001
Cash and cash equivalents	13	76,618,217	–
Total current assets		77,950,636	50,001
Total assets		217,023,915	50,001
Liabilities			
Current liabilities			
Trade and other payables	14	2,760,289	77,986
Deferred consideration	9	1,976,697	
Derivative financial instruments	10	542,705	–
Total current liabilities		5,279,692	77,986
Non-current liabilities			
Finance lease	11	33,630,089	–
Total non-current liabilities		33,630,089	–
Total liabilities		38,909,782	77,986
Total net assets/(liabilities)		178,114,133	(27,985)
Capital and Reserves			
Share capital	15	1,803,244	1
Share premium account	16	107,757	–
Capital reduction reserve	17	174,806,888	–
Cash flow hedging reserve	10	(542,705)	–
Retained earnings	18	1,938,949	(27,986)
Total equity		178,114,133	(27,985)
Net asset value per share – basic and diluted	20	98.8p	(279.9) p

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

Robert Whiteman
Chairman

The notes on pages 29 to 35 form part of these financial statements.

Condensed Group Cash Flow Statement

as at 31 March 2018

	Note	12 July 2017 to 31 March 2018 £	21 March 2017 to 11 July 2017 £
Cash flows from operating activities			
Profit/(loss) after income tax		3,319,369	(27,986)
Adjustments for:			
Gain on fair value adjustment investment properties	5	(3,241,589)	–
Finance income	7	(149,769)	–
Finance costs	8	160,667	–
Shares issued in lieu of management fees	15, 16	317,887	–
Operating results before working capital changes		406,565	(27,986)
(Increase) in trade and other receivables	12	(1,282,418)	(50,001)
Increase in trade and other payables	14	2,682,303	77,986
Adjustment for current portion of capitalised ground rents	20	(448,190)	
Net cash flow generated from operating activities		1,358,262	(1)
Cash flow from investing activities			
Purchase of investment properties	11	(99,776,714)	–
Interest received		149,769	
Net cash flow from financing activities		(99,626,945)	–
Cash flow from financing activities			
Proceeds from issue of ordinary shares at a premium	15, 16	180,000,000	1
Share issue costs capitalised	16	(3,600,000)	–
Dividends paid		(1,352,434)	–
Ground rents paid		(160,667)	–
Net cash flow generated from financing activities		174,886,899	1
Net increase in cash and cash equivalents		76,618,217	–
Cash and cash equivalents at the beginning of the period		–	–
Cash and cash equivalents at the end of the period	13	76,618,217	–

The notes on pages 29 to 35 form part of these financial statements.

Condensed Group Statement of Changes in Equity

for the period ended 31 March 2018

	Share capital	Share premium	Cash flow hedging reserve	Capital reduction reserve	Retained earnings	Total equity
Balance as at 21 March 2017	–	–	–	–	–	–
Ordinary shares issued	1	–	–	–	–	1
Loss for the period	–	–	–	–	(27,986)	(27,986)
Balance at 11 July 2017	**1**	**–**	**–**	**–**	**(27,986)**	**(27,985)**
Profits for the period			–		3,319,369	3,319,369
Contributions by and distributions to members						
Ordinary shares issued	1,803,243	178,514,645	–	–	–	180,317,888
Share issue costs capitalised	–	(3,600,000)	–	–	–	(3,600,000)
Cancellation of share premium	–	(174,806,888)	–	174,806,888	–	–
Change in fair value of financial instruments	–	–	(542,705)	–	–	(542,705)
Interim dividend paid	–	–	–	–	(1,352,434)	(1,352,434)
	1,803,243	**107,757**	(542,705)	174,806,888	(1,352,434)	174,822,749
Balance at 31 March 2018	**1,803,244**	**107,757**	(542,705)	174,806,888	1,938,950	178,114,133

The notes on pages 29 to 35 form part of these financial statements.

1. General information

Residential Secure Income plc ("the Company") was incorporated in England and Wales under the Companies Act 2006 as a public company limited by shares on 21 March 2017. The Company's registration number is 10683026. The registered office of the Company is located at 5 Old Bailey, London, EC4M 7BA.

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. Accounting policies

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

2.1. Basis of preparation of financial statements

These interim financial statements for the period ended 31 March 2018 have been prepared in accordance with the Companies Act 2007, the Disclosure and Transparency Rules of the Financial Conduct Authority and with EU endorsed International Financial Reporting Standards, including IAS 34 Interim Financial Reporting. There was no comparable interim period in the prior year and therefore comparatives presented are for the period from incorporation to 11 July 2017.

These interim financial statements for the period ended 31 March 2018 have been reviewed by the Company's Auditor, BDO LLP, in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. The interim financial statements are unaudited and the financial information contained therein for the period ended 11 July 2017 do not constitute statutory financial statements for the purposes of the Companies Act 2006.

The Company's Annual Report and Financial Statements for the period to 11 July 2017 have been delivered to the Registrar of Companies. The independent auditor's report on those accounts was unqualified, did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

The financial information has been prepared on a historical cost basis, except for investment properties and derivatives which have been measured at fair value.

The financial statements are presented in Sterling and all values are rounded to the nearest pound (£), except when otherwise indicated.

Changes to accounting standards and interpretations

The following new accounting standards, interpretations and amendments, which are not yet effective and have not been early adopted in this financial information, that will or may have an effect on the Group's future financial statements:

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018).
- IFRS 15 Revenue From Contracts With Customers (effective for annual periods beginning on or after 1 January 2018).
- IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019).

The Directors are currently assessing the impact on the financial statements of the standards listed above; however at present they do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application, other than on presentation and disclosure.

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.

2.2. Significant accounting judgements and estimates

The preparation of financial statements in accordance with the principles of IFRS requires 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 valuation is based upon assumptions including future rental income and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. Further information is provided in note 11.

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

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 – External inputs are "unobservable". Value is the Director's best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and a determination of which assumptions should be applied in valuing such assets and with particular focus on the specific attributes of the investments themselves.

Given the bespoke nature of each of the Group's investments, all of the Group's investment properties are included in Level 3.

Judgements:
Business Combination

The Directors are required to assess whether each acquisition constitutes an asset acquisition or a business combination. After assessing the nature of the Company's investments the Directors have determined that each acquisition should be treated as an asset acquisition.

2.3. Summary of significant accounting policies

The principal accounting policies applied in the presentation of these financial statements are set out below.

a) Basis of consolidation

The financial statements comprise the financial information of the Group as 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) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is 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.

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 disposal. 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 3.

c) Presentation currency

The primary objective of the Group is to generate returns in Sterling, its capital-raising currency. The Group's performance is evaluated in Sterling. Therefore, the Directors consider Sterling as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions and it has therefore adopted as the presentation currency.

d) Finance income and expense

Finance income comprises interest receivable on funds invested. Financing expenses comprise interest payable.

Interest income and interest payable is recognised in profit and loss as it accrues, using the effective interest method.

e) 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.

f) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

g) Receivables and prepayments

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. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

h) Other payables and accrued expenses

Other payables and accrued expenses are initially recognised at fair value and subsequently held at amortised cost.

i) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event that can be reliably measured and is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

j) Dividend payable to shareholders

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

k) Share issue costs

The costs of issuing or reacquiring equity instruments (other than in a business combination) are accounted for as a deduction from equity.

l) Taxation

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

m) Derivative instruments and hedge accounting

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

The Group has designated such interest rate swaps as hedging Instruments against highly probable future floating rate debt, which will be fixed upon drawdown of the debt. At the pricing date the Group will simultaneously unwind the derivative hedging instrument at fair value and lock the fixed interest rate on the debt for the term of the facility. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any movements in fair value relating to ineffectiveness other than the Group's own or counterparty credit risk are recognised in income and expenditure.

3. Rental income

	12 July to 31 March 2018 £	21 March to 11 July 2017 £
	3,778,689	–
Rental income	**3,778,689**	–

4. Fund management fee

	12 July to 31 March 2018 £	21 March to 11 July 2017 £
	1,271,175	–
Management fees	**1,271,175**	–

On 16 June 2017 the Board appointed ReSI Capital Management Limited to act 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 Management 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 up to 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 shall be paid quarterly in advance. 75% of the total Fund Management Fee will be payable in cash and 25% of the total Fund Management Fee (net of any applicable tax) will be payable in the form of Ordinary Shares rather than cash.

5. Changes in fair value of investment properties

	12 July to 31 March 2018 £	21 March to 11 July 2017 £
Gain on fair value adjustment of investment properties	3,241,589	–
	3,241,589	–

6. Director's remuneration

	12 July to 31 March 2018 £	21 March to 11 July 2017 £
	140,995	10,849
Directors' fees	**140,995**	10,849

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

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

Net Asset Value	Annual fee
Up to £100,000,000	£30,000
£100,000,000 to £200,000,000	£35,000
thereafter	£40,000

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

Net Asset Value	Annual fee
Up to £100,000,000	£40,000
£100,000,000 to £200,000,000	£50,000
£200,000,000 to £350,000,000	£60,000
thereafter	£70,000

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

7. Finance income

The Group received interest income of £149,769 during the period relating to cash invested in Standard Life Investments Liquidity Fund, which is invested in short-term AAA rated Sterling instruments. Net asset value of the Sterling Life Investments Liquidity Fund remains static at £1.00 per share.

8. Finance costs

Finance costs of £160,667 relate wholly to ground rents paid in respect of leasehold properties during the period recognised as a finance cost under IAS 17 "Leases".

9. Taxation

	12 July to 31 March 2018 £	21 March to 11 July 2017 £
Current tax	–	–
Corporation tax charge for the year	–	–
Total current income tax charge in the profit or loss	–	–

The tax charge for the period is less than the standard rate of corporation tax in the UK of 19%. The differences are explained below.

	12 July to 31 March 2018 £	21 March to 11 July 2017 £
Profit/(loss) before tax	3,319,369	(27,986)
Tax at UK corporation tax standard rate of 19%	630,680	(5,317)
Change in fair value adjustments	–	–
Unutilised current period tax losses carried forward	630,680	5,317
	–	–

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

The Government has announced that the corporation tax standard rate is to be reduced from 19% to 17% with effective date from 1 April 2020.

10. Cash flow hedge

	12 July to 31 March 2018 £	21 March to 11 July 2017 £
Loss on fair value adjustment of interest rate derivative contracts	542,705	–
	542,705	–

The Group entered into an interest rate swap to economically pre-hedge the risk of interest rate increases prior to locking in the fixed rate on investment grade equivalent debt secured against the RHP Portfolio. The Group entered into an interest rate swap to partially hedge the RHP Portfolio's interest rate risk exposure. As at 31 March 2018 the fair value of the swap was £542,705 out of-the-money in light of a fall in swap rates from inception of the hedge.

At the pricing date of the debt the Group will simultaneously unwind the interest rate swap at fair value and lock the fixed interest rate on the debt secured against the RHP Portfolio for the term of the facility. Should fair value of the interest rate swap be negative at the pricing date the Group will benefit from a lower cost of debt and vice versa should fair value of the interest rate swap be positive at the pricing date the Group will be compensated through a cash receipt that would partially offset a higher cost of debt.

As the hedged instrument will remain in place until the pricing date the accumulated balance in the cash flow hedge reserve will be released over the remaining life of the hedged instrument.

11. Investment properties

	31 March 2018 £
Balance at beginning of period	–
Property acquisitions at cost	101,753,411
Capitalised ground rent	34,078,279
Change in fair value during the period	3,241,589
Balance at end of period	139,073,279
Valuation provided by Savills	104,995,000
Adjustment to fair value – ground rent	34,078,279
Total investment properties per Statement of Financial Position	139,073,279
The investment properties are divided into:	
Leasehold properties	96,993,000
Freehold properties	6,873,000
Fuehold properties	1,129,000
Total investment properties per valuation	104,995,000

Deferred consideration of £1,976,697 is included in property acquisitions at cost relating to SDLT payable in respect of the RHP Portfolio. The deferred consideration will be paid in the second half of 2018.

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

The carrying values of investment property as at 31 March 2018 agree to the valuations reported by external valuers, except that the valuations have been increased by the amount of finance lease liabilities recognised in respect of investment properties held under leases (£34,078,279 at 31 March 2018), representing ground rents payable for properties held by the Group under leasehold – further information is provided in note 22. 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 finance leases. The related finance lease liabilities are presented separately on the Group 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.

12. Trade and other receivables

	As at 31 March 2018 £	As at 11 July 2017 £
Rent receivables	**254**	–
Prepayments	**1,295,228**	–
Other receivables	**36,937**	–
Amounts due from shareholders	**–**	50,001
	1,332,419	50,001

13. Cash and cash equivalents

	As at 31 March 2018 £	As at 11 July 2017 £
Cash at bank	**9,060,604**	–
Cash held as investment deposit	**67,557,613**	–
	76,618,217	–

Included within cash at bank at the period end was an amount totalling £2,257,370 held by the managing agent of the RHP Portfolio, of which £788,381 is in respect of tenancy rental deposits with the remainder held in an operating account to pay service charges in respect of the RHP Portfolio due on 1 April 2018. The cash was placed in separate bank accounts to which the Group has restricted access.

Cash held as investment deposit relates to cash invested in Standard Life Investments Liquidity Fund, which is invested in short-term AAA rated Sterling instruments. Net asset value of the Sterling Life Investments Liquidity Fund remains static at £1.00 per share.

14. Trade and other payables

	As at 31 March 2018 £	As at 11 July 2017 £
Trade Payables	**1,079,950**	–
Accruals	**441,823**	27,986
Redeemable preference shares	**–**	50,000
Deferred income	**1,947**	–
Other creditors	**788,381**	–
Finance lease	**448,190**	–
	2,760,290	77,986

The Directors consider that the carrying value of trade and other payables approximate their fair value. All amounts are due for payment within one year from the reporting date.

15. Share capital account

	£
At 21 March 2017	–
Issue of Shares	1
At 11 July 2017	1
Issued on Admission to trading on London Stock Exchange on 12 July 2017	1,800,000
Further issues	3,243
At 31 March 2018	**1,803,244**

The Company achieved Admission to the premium segment of the main market of the London Stock Exchange on 12 July 2017, raising £180m. As a result of the IPO, 180,000,000 shares at 1p each were issued and fully paid.

The Company has also further issued, at market value, 324,377 shares of 1p each to the Fund Manager in lieu of the management fee in accordance with the Fund Management Agreement.

16. Share premium account

	£
At 11 July 2017	–
Issued on Admission to trading on London Stock Exchange on 12 July 2017	178,200,000
Share issue costs	(3,600,000)
Issue of shares in lieu of management fees	314,645
Share Premium cancellation	(174,806,888)
At 31 March 2018	**107,757**

17. Capital reduction reserve

	£
At 11 July 2017	–
Transfer from share premium account	174,806,888
At 31 March 2018	**174,806,888**

In the General Meeting on 31 May 2017, a resolution was passed authorising, conditional on Admission, the amount standing to the credit of the share premium account of the Company (less any issue expenses set off against the share premium account) to be cancelled and the amount of the share premium account so cancelled be credited as a distributable reserve to be established in the Company's books of account.

In order to cancel the share premium account the Company needed to obtain a court order, which was received on 29 November 2017. The SH19 form was registered to Companies House with a copy of the court order on 30 November 2017.

18. Retained earnings

	£
At 12 July 2017	(27,986)
Profit for the period	3,319,369
Dividends	(1,352,434)
At 31 March 2018	**1,938,950**

19. Investment in subsidiaries

The Company has the following subsidiary undertakings as at 31 March 2018.

Name of Entity	Percentage of Ownership	Country of Incorporation	Principal Activity
RHP Holdings Limited	100%	UK	Holding company
ReSI Housing Limited	100%	UK	Social Housing Registered Provider**
Retirement Housing Partnership*	100%	UK	Property investment

* 100% controlled via RHP Holdings Limited
** Pending registration with the Regulator of Social Housing

20. Earnings per share and NAV per share

Profit for the period 12 July 2017 to 31 March 2018	Net Profits attributable to Ordinary Shareholders £	Weighted average number of Ordinary Shares Number	Earnings per share Pence
Basic earnings per share	3,319,369	180,225,334	1.84p
Adjustments to:			
Fair value adjustments – investment properties	(3,241,589)	180,225,334	(1.80p)
EPRA* earnings per share	77,781	180,225,334	0.04p

* European Public Real Estate Association

Net Asset Value per share	Net assets £	Shares in issue Number	NAV per share Pence
As at 31 March 2018	**178,114,113**	**180,324,377**	**98.8p**

The profit per share calculation above is for the period 12 July 2017 to 31 March 2018. From the date of incorporation of 21 March 2017 to the Initial Public Offering ("IPO") on 12 July 2017, 1 founder share was in existence.

21. Dividends

On 8 February 2018, the Company declared its maiden interim dividend of 0.75p per share for the initial period from the date of Admission to 31 December 2017.

On 9 May 2018, the Company declared an interim dividend of 0.75p per share for the period 1 January 2018 to 31 March 2018.

The dividends declared on 8 February 2018 and 9 May 2018 were both categorised as non-PID for UK tax purposes.

The Company is targeting to pay dividends of at least 3.0p per share for the first financial period from the date of Admission to 30 September 2018.

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

22. Leases (as lessee)

The Group leases a number of properties under finance leases.

At 31 March 2018, the future minimum lease payments under non-cancellable finance leases payable by the Group are as follows:

	< 1 year £	2-5 years £	> 5 years £	Total £
Minimum lease payments	**459,394**	**1,862,971**	**109,193,456**	**111,515,822**
Interest	**(11,204)**	**(153,867)**	**(77,272,471)**	**(77,437,542)**
Present value at 31 March 2018	**448,190**	**1,709,104**	**31,920,985**	**34,078,279**

The above is in respect of ground rents payable for properties held by the Group under leasehold. There are 1,255 properties held under leasehold with an average unexpired lease term of 79 years. Subsequent to the date of the financial statements 1,003 leases with an average remaining life of 74 years were extended to give the 1,255 properties an average remaining life of 140 years.

23. Contingent liabilities and commitments

There were no known material contingent liabilities or commitments at 31 March 2018.

24. 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 2018, 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 4, Directors' remuneration.

Following the Admission of the Company on the premium segment of the London Stock Exchange on 12 July 2017, the Directors purchased the following number of £0.01 nominal Ordinary Shares of £1.00 each:

- Rt Hon Baroness Dean of Thornton-le-Fylde (Chairman) – 20,000 Ordinary Shares
- Robert Whiteman (Audit Committee Chair) – 5,000 Ordinary Shares
- Robert Gray (Director) – 75,000 Ordinary Shares
- John Carleton (Director) – 5,000 Ordinary Shares

The Board appointed ReSI Capital Management Limited to act as alternative investment fund manager (the "Fund Manager"), in compliance with the provisions of the AIFMD, pursuant to the Fund Management Agreement. For the period ended 31 March 2018, the Company incurred £1,271,175 in respect of fund management fees and no amount was outstanding as at 31 March 2018. The above fee was split between cash and equity per the Fund Management Agreement with the cash fee equating to £953,288 and the equity fee of £317,887 being paid as 324,377 ordinary shares at an average price of £0.98 per share.

During the period the Directors and the Fund Manager received dividends from the Company of £788 and £2,433 respectively.

25. Post balance sheet events

Subsequent to the date of the financial statements, the Group has acquired a Licensed Rental Homes portfolio comprising 277 properties for a total consideration of approximately £31.2m, initially funded from cash resources. The Group intends to leverage the investment with long-dated investment grade equivalent debt secured on the portfolio.

The portfolio is, with minor exceptions, subject to a fully repairing and insuring perpetual licence, which provides an upwards-only RPI linked rental stream. The portfolio is concentrated in Southern England and comprises long-leasehold interests (with an average remaining term of 116 years) in primarily two bedroom modern flats. The portfolio overlaps with the retirement developments included in the Group's existing portfolio of retirement flats.

In June 2018, the Group acquired for around £21m, a freehold residential building containing 134 self-contained flats, benefiting from leases to the Local Authority with a weighted average remaining term of 7.3 years, and used to provide housing under the Local Authority's statutory obligations.

Langham Hall are being replaced as administrator and company secretary. MGR Weston Kay LLP and PraxisIFM fund Services (UK) Limited will take over the provision to the Group of administrator and company secretarial services respectively from 14 July 2018.

Company Information

Shareholder Information

Directors

Robert Whiteman (Non-executive Chairman) (appointed 9 June 2017)

Robert Blackburn Gray (Non-executive Director) (appointed 9 June 2017)

John Carleton (Non-executive Director) (appointed 9 June 2017)

Rt Hon Baroness Dean of Thornton-le-Fylde (Non-executive Chairman) (appointed 9 June 2017 to 14 March 2018)

Registered Office

5 Old Bailey
London
EC4M 7BA

Company Information

Company Registration Number: 10683026
Incorporated in the United Kingdom

Fund Manager

ReSI Capital Management Limited
21 Great Winchester Street
London
EC2N 2JA

Corporate Broker

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

Legal and Tax Adviser

Norton Rose Fulbright LLP
3 More London Riverside
London
SE1 2AQ

Tax Adviser

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Depositary

Langham Hall UK Depositary LLP
5 Old Bailey
London
EC4M 7BA

Administrator and Company Secretary

Langham Hall UK Services LLP
5 Old Bailey
London
EC4M 7BA

Registrar

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

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Public Relations Adviser

FTI Consulting
200 Aldersgate
Aldersgate Street
London
EC1A 4HD

Valuers

Savills
33 Margaret Street
London
W1G 0JD

Residential Secure Income plc
5 Old Bailey
London, EC4M 7BA
United Kingdom

phone 020 7382 0900
email resi@resicm.com
web resi-reit.com