Residential Secure Income plc

Interim Report 2019

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 2,674 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 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 subject to s106 planning restrictions and housing funded by government grant.

ReSI is managed by ReSI Capital Management Limited, a wholly-owned subsidiary of TradeRisks Limited which has an 18 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.

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 2019

Financial Highlights

107.9p/+10.1%
Net Asset Value per share
IFRS Net Asset Value per share, an increase of 9.9p or 10.1% (versus Net Asset Value per share immediately following Admission)

£184.5m/+4.6%
Net Asset Value
IFRS Net Asset Value, an increase of £8.1m or 4.6% (versus Net Asset Value immediately following Admission)

£20.1m/8.3%
Valuation uplift
Increase above purchase price in fair value of investment property to 31 March 2019

9.0p
Annualised Earnings per share
Annualised 6 month profit after tax per share including revaluations based on IFRS NAV

£321.3m
Value of Investment Property
Fair Value of investment property at 31 March 2019 (excluding adjustment for finance lease asset), plus committed properties with purchase contracts exchanged

£107.5m
Debt Raised
Including drawn and undrawn facilities

5.00p
Dividend per share
Annualised dividends declared for the period to 31 March 2019; targeting 5p per share for the year to 30 September 2019 thereafter increasing in line with inflation

£155.6m
Market Cap
Market Cap of equity at 31 March 2019

35.6%
GAV Leverage Ratio
Ratio of total debt drawn against Gross Asset Value (excluding adjustment for finance lease asset)

14.1p
Total Shareholder Return
Total return to shareholders since Admission to 31 March 2019 through increase in Net Asset Value and dividends

1.5%
Ongoing charges ratio
Annualised ongoing charges ratio based on period end NAV, including Fund Management fee

2.5m
Shares
Held by the Fund Manager, directors of the Fund Manager, and directors of ReSI. Equal to 1.5% of the total number of shares outstanding as at 31 March 2019

Operational Highlights

2,674
Units acquired
2,674 units acquired or agreed, spread across the UK as at 31 March 2019

£301.8m
Capital committed
Total consideration for the acquisition of properties up to 31 March 2019 inclusive of £60m committed at Clapham Park

Over 80%
Of units 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

£11.5m
Annualised net rental income
Net rental income after ground rent expense to 31 March 2019, annualised for a full calendar year for all acquisitions completed before 31 March 2019

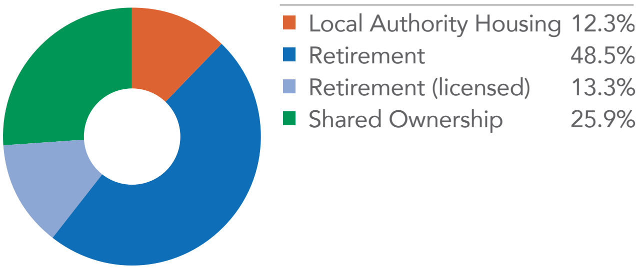
5.1%
Annualised net yield
Annualised net rental income divided by capital deployed to income-producing assets

660
Locations
Number of unique locations where properties are owned across the United Kingdom

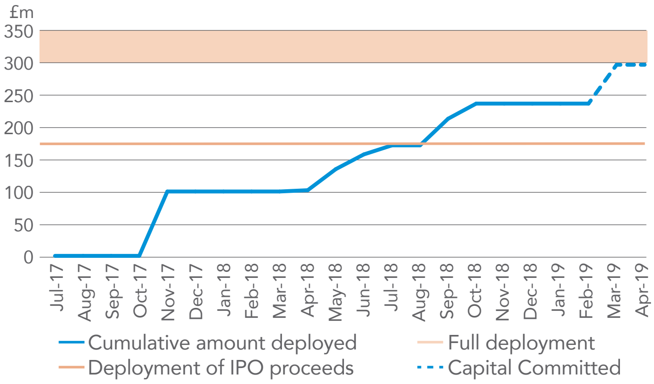
Investment Timeline

Portfolio Allocations

(by value invested)



Deployment Timeline



Date	Acquisitions	Capital	Other Announcements
July 2017		**12 July** Raised £180m at IPO	
November 2017	**24 November** £101m acquisition of retirement homes portfolio		
April 2018			**9 April** Announcement of share buyback programme
May 2018	**16 May** £32m acquisition of licensed retirement portfolio		
June 2018	**21 June** £21m acquisition of Local Authority housing	**29 June** Raised £53m 25 year fixed debt facility	**18 June** Extended lease term on 1,003 long leasehold properties
July 2018	**16 July** £13m acquisition of Local Authority housing		**9 July** Registration of ReSI Housing Limited as a for-profit Registered Provider with the Regulator of Social Housing
August 2018			**30 August** Appointment of Richard Stubbs as CFO of ReSI Capital Management
September 2018	**10 September** £41m acquisition of retirement homes portfolio		
October 2018	**19 October** £7m acquisition of licensed retirement portfolio	**26 October** Raised £40m 25 year fixed debt facility	**3 October** Appointment of David Orr as ReSI Housing chairman
	26 October £16m acquisition of new build homes for delivery as Shared Ownership		
January 2019		**29 January** Raised £14.5m debt secured on Local Authority housing	**22 January** £300m investment agreement with Morgan Sindall targeting 1500 Shared Ownership units
March 2019	**29 March** £60m acquisition of 132 apartments for delivery as Shared Ownership		**28 March** Extended to 150 years the term of the leases of 279 retirement properties
			29 March Appointment of Gillian Rowley as independent non-executive director of ReSI Housing
April 2019		**24 April** Raised £4m 25 year fixed debt facility	
May 2019			**13 May** New 10 year management agreement with Places for People for the retirement homes portfolio

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% leverage on average)
- 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 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 Capital Management Limited, a wholly-owned and separately regulated subsidiary of TradeRisks Limited, is ReSI's Alternative Investment Fund Manager.

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

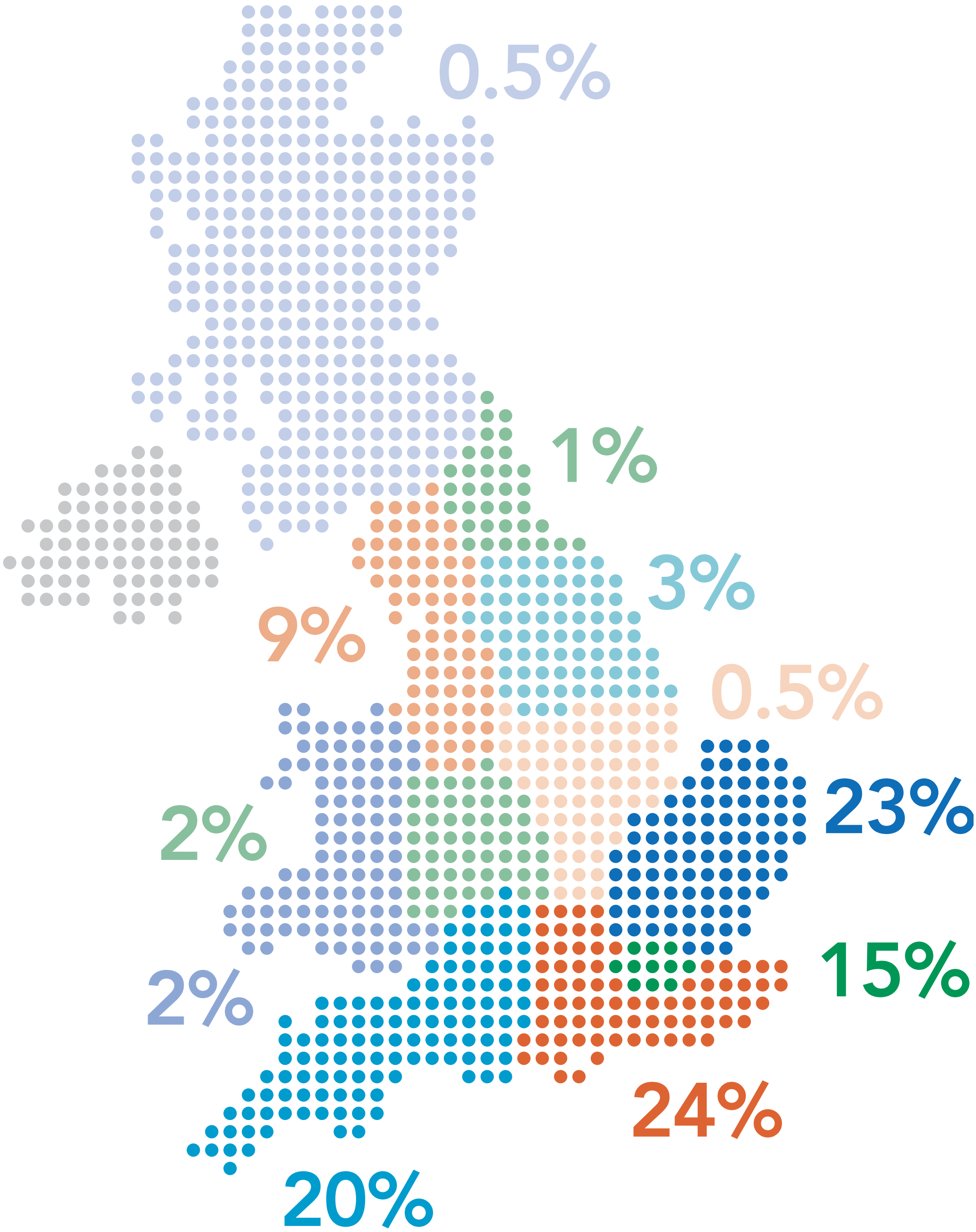
In addition ReSI Housing Limited, the Group's for profit Registered Provider of social housing, has its own board with experienced non-executive directors that include David Orr, recently retired chief executive of the National Housing Federation, and Gillian Rowley, former Head of Private Finance at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

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.

TradeRisks uses 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.

Investment Portfolio

Since IPO, ReSI has assembled a portfolio of 2,674 housing units comprising: 166 (25.9% by value) Shared Ownership Homes, 289 (12.3% by value) Local Authority housing units and 2,219 (61.8% by value) Retirement Rental homes.



Shared Ownership

Shared Ownership will be the predominant focus of ReSI's ongoing investment.

Shared Ownership is an affordable home ownership tenure helping a broader range of buyers get the security of owning a home by enabling them to purchase a share in a home. Shared Ownership requires a smaller deposit and lower annual payments than would be required under Help to Buy or an outright purchase.

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.

Shared Ownership portfolio at a glance

- ReSI's portfolio consists of 166 new build apartments, purchased for £76m. The apartments were originally intended for private sale and ReSI will use grant funding from the Greater London Authority's "Homes for Londoners" programme to deliver these as shared ownership
- 132 units are part of Metropolitan Thames Valley Housing's ("MTVH") Clapham Park regeneration site and 34 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 (of which 700 have already been delivered), a community hub, a new community centre and new shops – all of which are designed to underpin the long-term prospects for the area
- Managed by MTVH, one of the largest Housing Associations and a recognised leader in shared ownership. In the 2017/18 financial year before their merger to form MTVH, the predecessor associations sold a combined 537 Shared Ownership units
- There are c. 200,000 Shared Ownership Homes across England, and a total of 8,734 new Shared Ownership sales were made by Registered Providers/Local Authorities in 2017/8 (Housing Statistical Release: November 2018)
- Shared Ownership homes are to be held through ReSI Housing Limited – registered as a for-profit Registered Provider of social housing since 5 July 2018

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.

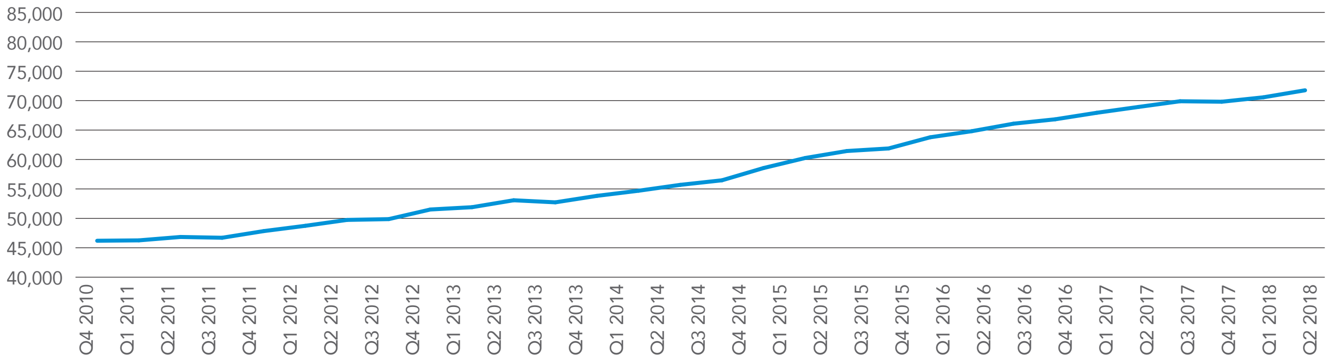
Rents, set at around long-term market rent levels, provide a cost saving to Local Authorities, who often have to rely on costly pay-nightly accommodation and B&B's (used to house 33% of households in temporary accommodation).

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 units in five freehold buildings
- Let to Luton Borough Council on leases with a weighted average remaining term of 8.0 years with no void risk
- Recently refurbished in 2016 and 2017
- Managed and maintained by Luton Borough Council and Mears
- Annualised net rent of £1.8m
- Secured £14m of 3 year debt partially fixed at a coupon of 2.56%

Number of households in temporary accommodation



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 family homes for families.

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.

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.

Retirement rental portfolio at a glance

- 1,929 retirement rental homes within 640 purpose-built retirement housing blocks
- 290 licensed rental homes used to house property manager within the accommodation they manage
- Over 80% of the portfolio located in Southern England
- New 10 year management and maintenance agreement signed in May 2019 with Places for People group
- Extended the lease term on 1,282 properties to 150 years
- Annualised net rent, after ground rents, of £9.7m
- Secured £97m of 25 year partially amortising fixed rate debt at a coupon of 3.46%

Social Impact

To fulfil our financial objective of delivering a long term stable income return it is essential that we incorporate environmental and social considerations into our business model. ReSI seeks to work with well-regarded partners to ensure that our investments are fit for purpose and maintained at a high standard in order to meet the needs of our lessees and occupiers, as well as sustaining their value over the long term. By supporting our development partners we aim to benefit local communities by increasing the provision of good quality, affordable housing.

Our investment strategy is focussed on three asset types that deliver benefits to both our tenants and to the wider community:

Shared Ownership

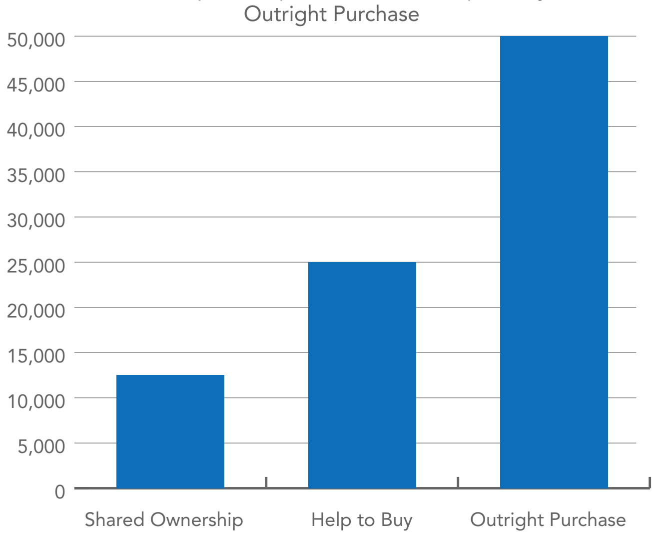
Shared Ownership opens the door to home ownership

- Shared Ownership makes home ownership possible for buyers who may not otherwise be able to afford to purchase a home by allowing them to purchase a 25-75% share in a home with a smaller deposit and mortgage than would be required for an outright purchase or Help to Buy, and discounted rents on the unsold portion.
- In order to purchase a Shared Ownership home prospective buyers must pass affordability tests demonstrating that total housing costs including rent, mortgage payments and service charges are not more than 40% of net income, ensuring that these payments are at a sustainable level.
- Shared Owners benefit from a rent subsidy with a present value of £86,000 for a £500,000 home with a 25% First Tranche sale – 1.25% discount on rent in London (2.75% of OMV compared to 4.0% for average rents) with larger discounts in some areas outside London.
- Offers security of tenure and greater certainty of future housing costs compared to renting a home privately.

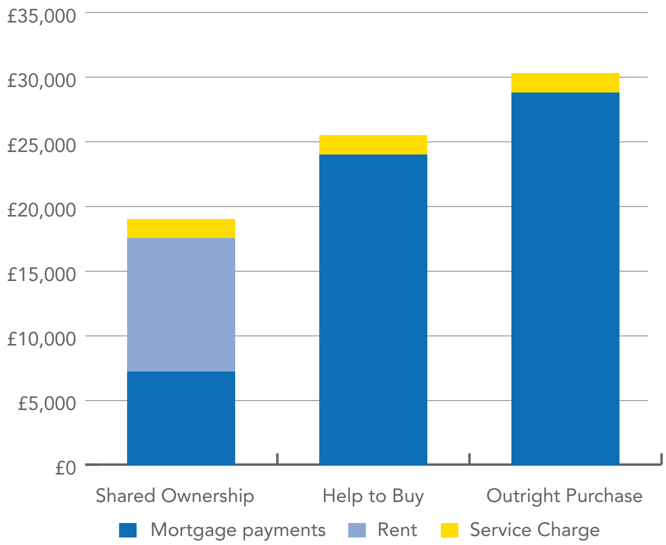
Creating additional Shared Ownership homes

- As a for-profit Registered Provider of Social Housing, ReSI Housing can purchase private market units which would not otherwise be used for social housing and convert these into Shared Ownership homes using government grant.
- The table below compares the costs of purchasing a £500,000 home through a 25% Shared Ownership stake, Help to Buy and an outright purchase.

Smaller deposit requirements than Help to Buy or Outright Purchase



And lower annual payments



Local Authority housing

Growing demand for short term housing

- The UK is facing significant demand for short term council housing nationally – there were 82,310 households in temporary accommodation as at June 2018 an increase of 71% 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.

Meeting demand is costly for Local Authorities

- Local Authorities are increasingly unable to meet demand for temporary accommodation from their own housing stock (currently used to provide housing for 19% of households in temporary accommodation), diverting resources from other core services of Local Authorities.
- There is an increasing reliance on pay-nightly privately managed accommodation (accounting for 26% of those in temporary accommodation in December 2017, up from 9% in December 2011) and B&Bs (a further 8% of households in temporary accommodation), which is 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 2015/16, a 39% increase in real terms from 2010/112. London Councils are meeting an estimated £170m per annum of this cost from their general fund.

Benefits of working with an institutional landlord

- Some private landlords exploit demand for this type of accommodation by leasing properties to Local Authorities at above market rates and providing sub-standard maintenance to save costs.
- ReSI provides Local Authorities with a long term institutional landlord to replace the numerous individual landlords that Local Authorities currently rely upon. This is both more efficient and removes the difficulties that Local Authorities have with ensuring adequate standards across their rented estates.

Retirement rental housing

Demographic changes are leading to an undersupply of retirement homes

- 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 c22 years. As a result the UK population over 65 in 2025 is expected to be 22% higher than in 2015.
- Just 1% of UK over 60s live in purpose built retirement housing, compared to 13% in Australia and 17% in the USA.
- There is a very limited pipeline of retirement developments in the UK, with only 3% of consented developments being designed specifically for the elderly.

Specialist retirement accommodation benefits tenants

- 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.

...and releases homes for families

- Home ownership is proving increasingly difficult to achieve, with the percentage of 25-34 year olds declining from 62% in 1981 to 37% in 2017.
- L&G's "Last Time Buyers" report showed that there are 5.7 million homeowners aged 55 and over with at least two unoccupied bedrooms and that over half (3.1 million) of these households would consider downsizing, potentially freeing up millions of homes for families.

Chairman's Statement

Rob Whiteman
Chairman

Introduction

I am pleased to present the interim results of Residential Secure Income plc for the six months to 31 March 2019 which build on the significant progress made by the Company during the second half of 2018 and see ReSI delivering on both the target returns and the strategy outlined at IPO. We have further expanded the Company's portfolio, most notably by entering the shared ownership sector, and achieved strong valuation growth, while at the same time building a secure rental income stream that will be capable of supporting the dividend in the future.

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 our target leverage of 50% on average). We are also pleased to be able to highlight in the prior section of this interim report the positive social impact of our investments. We are a long-term holder of our assets and seek to provide additionality 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.

Having now acquired our first Shared Ownership investments, 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 be focussing our future deployment in this area.

The property portfolio

ReSI is now well-progressed in deploying the capital available to it from its IPO and its borrowings, having assembled a portfolio consisting of 2,674 properties valued at £321m serving shared ownership tenants, Local Authority housing needs and the retirement sector.

In October 2018 we were pleased to announce ReSI's first Shared Ownership transaction, when we acquired 34 new build homes located in the London Borough of Barnet, followed in March 2019 by the acquisition for £60m of 132 units in Clapham Park, London from Metropolitan Thames Valley Housing.

ReSI is utilising 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.

Both these shared ownership transactions are to be held by ReSI Housing, ReSI's Registered Provider. 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, thus 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.

Through MTVH, ReSI has now begun the process of offering First Tranche sales under which occupiers will purchase a stake of around 25% in their property and take up a shared ownership lease.

We were pleased to announce in January 2019 that, in order to generate further pipeline of investments, ReSI Capital Management had entered into a £300m Housing Investment Partnership with Morgan Sindall Investments which gives exclusive access to invest in Morgan Sindall's conforming residential developments. The agreement will initially target 1,500 new shared ownership homes.

Where particularly good opportunities have arisen, ReSI has selectively added to its retirement homes portfolio, including a £7m purchase of 39 licensed retirement homes in October 2018. As a result, the retirement portfolio consists of 2,219 residential units, including licensed house manager flats, located across England, Wales and Scotland, and is valued at £210m.

The retirement units are used to provide age-restricted 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 131 years after

ReSI extended the term of a further 279 of the leases to 150 years, in a value-enhancing transaction which was announced previously.

During the period, ReSI raised £40.0m of 25 year fixed rate debt, secured against 823 of its retirement homes and £14.5m of debt secured on its Local Authority housing portfolio. After the period, ReSI agreed a further £4m of debt facility secured against another 102 units in its retirement housing portfolio.

Financial results

ReSI's financial results for the period are strong, 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 was able to make acquisitions at attractive levels. This is reflected in the increase in ReSI's Net Asset Value, and the fact that the assets are producing the expected income. During the period, the portfolio produced £9.6 million of gross rental income, in line with expectations, and as at 31 March 2019 its valuation, assessed by Savills, had increased by 8.3% in total over its aggregate purchase price. As a result, 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.

The Net Asset Value per share increased by 2.7% from September 2018 to 107.9p at 31 March 2019, representing a 10.1% 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 2018	**183.6**	105.1
Net Income for period	**2.6**	1.5
Valuation change	**5.1**	3.0
Dividend paid	**(3.4)**	(2.0)
Net capital reduction	**(3.4)**	(2.0)
Impact of reduction in number of shares	**–**	2.2
Net Asset Value as at 31 March 2019	**184.5**	107.9

For the period from 1 October 2018 to 31 March 2019 ReSI recorded a net income of £2.6m excluding revaluations for the period. Total profit attributable to shareholders was £7.7m resulting in net earnings per share for the period of 4.5p comprising operating income of 1.5p and valuation gain of 3.0p per share. This equates to 9% on an annualised basis, and is in excess of the Company's target to deliver a total return in excess of 8% per annum.

Dividends

In November 2018, ReSI declared its fourth dividend of 0.75p per Ordinary Share relating to the previous financial year ending 30 September 2018, thus meeting its IPO target of paying a total of 3.0p in dividends per Ordinary Share with respect to that year.

With the publication of its 30 September 2018 Annual Report, ReSI reaffirmed its target dividend of 5.0p for the year commencing 1 October 2018. 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 2019).

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.

Share buybacks

ReSI commenced a share buyback programme in April 2018 in response to the discount in its share price below Net Asset Value. 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 over 9.3m shares at an average price of 92.5p which is accretive to Net 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

In November 2018, ReSI paused its share buyback programme as it had reached the point where it needed to commit its capital resources to certain remaining shared ownership transactions in its investment pipeline which offered good return on equity and met its strategic objectives. To the extent that ReSI has surplus capital, ReSI will always consider whether shareholder returns are best served by buying back further shares if they are available at a discount to Net Asset Value.

ReSI Housing board changes

In October 2018, we were pleased to announce that ReSI Housing had appointed David Orr CBE, previously chief executive of the National Housing Federation, as independent chairman. Also, in March 2019, ReSI Housing appointed Gillian Rowley, formerly Head of Private Finance at the former social housing regulator, the Homes & Communities Agency, as independent non-executive director.

Outlook

The well-documented shortage of housing in many parts of the United Kingdom continues to drive high levels of demand, and ReSI has seen strong appetite from Housing Associations, Local Authorities and private developers for new sources of capital to invest in housing in these areas.

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 has now substantially committed the capital raised at IPO, together with leverage currently at c. 36% borrowings to GAV, and is now focussed on delivering the shared ownership part of its portfolio to becoming fully income-producing.

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.

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

Rob Whiteman
Chairman
Residential Secure Income plc

17 May 2019

Management Report

Fund Manager's Report

Jonathan Slater

In the half-year to 31 March 2019, ReSI's acquisition and origination activity has been focussed on shared ownership, and two shared ownership purchases comprising 166 units in aggregate have been announced for a total consideration of £76m.

These two purchases are both supported by government grant and rely on the legal and regulatory structure put in place during the previous financial year when ReSI's subsidiary, ReSI Housing Ltd, became a Registered Provider and so allowed 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.

With these two transactions, along with other activity in the half-year, ReSI has now amassed a property portfolio valued at £321m and consisting of 2,674 properties serving the retirement sector, Local Authority housing needs and Shared Ownership tenants.

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. This model is demonstrated by the Housing Investment Partnership agreed with Morgan Sindall in January 2019, which gives exclusive access to £300m of Morgan Sindall's development pipeline and which will initially focus on delivering 1,500 units for use as shared ownership.

As a result, we have continued to generate further strong pipeline of potential investments for ReSI. 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. The pipeline is focussed on shared ownership transactions, sourced via investment agreements and existing counterparties.

ReSI and the Fund Manager have agreed an amendment to the Fund Management Agreement that replaces the obligation on the Fund Manager to present investment opportunities to ReSI in priority to other clients with an allocation policy that provides established criteria and aims to ensure allocations of opportunities are made in a way that an allocations committee considers fair, reasonable and equitable, taking into account ReSI and any other clients of the Fund Manager.

With ReSI being now effectively fully committed, this amendment improves the ability of the Fund Manager to service its £500m and growing shared ownership pipeline, thus protecting its credibility as a reliable counterparty and therefore the integrity of the pipeline until ReSI raises further capital.

Social impact

We focus heavily on the social impact of ReSI's investments, and in particular on delivering new supply of social and affordable housing which in turn makes ReSI an attractive partner to Housing Associations, Local Authorities and private developers. 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.

Opportunities and investment focus

ReSI can invest across the range of types of residential housing 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. We can either buy existing social housing stock or, through our for-profit Registered Provider, ReSI Housing, can buy unrestricted stock and use government grant to convert their use to affordable housing.

We have built a well-performing portfolio focused on three areas, shared ownership, Local Authority housing and retirement rental housing which all focus on underlying demographic trends and 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 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

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 (2018 Global Accounts of Registered Providers, December 2018) 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) 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 allow acceleration of development plans without using the developer's capital. Examples include our purchases from Crest Nicolson and MTVH as well as our framework agreement with Morgan Sindall.

We are particularly excited by our £60m shared ownership acquisition at Clapham Park which provides the opportunity to partner with a well-regarded Housing Association in a landmark redevelopment project. MTVH's regeneration of the Clapham Park estate will deliver 2,500 new homes (of which 700 have already been delivered), 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.

Local Authority housing

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 79,880 households in temporary accommodation at the end of March 2018, and the households included 123,130 children. Demand for temporary accommodation has grown by over 70% since March 2011.

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.

Retirement rental housing

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.

Performance

The property portfolio has generated net income in line with expectations and has again delivered a total return above expectations with a valuation uplift of £5.2m. The largest contributor to the valuation increase, at £3.3m, was capital accretion due to the realisation of the contractual inflation-linked rent increases embedded in the portfolio. In the absence of changes to property valuation yields or other factors, such rent increases automatically drive capital accretion when the portfolio is revalued each quarter. One-off gains in this half-year were derived from asset management activity of £1.6m, including the negotiated lease extensions in the retirement portfolio announced in March 2019, and net gains of £0.3m on revaluation of new acquisitions made at favourable yields.

We have also been active in optimising the characteristics of the retirement rentals portfolio, leading to the sale of eight properties, which realised gross proceeds on average 9% above their book valuation.

As at 31 March 2019, the Net Asset Value incorporates a 8.3% gain in the valuation of the portfolio above its aggregate initial purchase price. The NAV Total Return (combining NAV growth and dividends) is now 14.1p since IPO.

ReSI's completed income-producing acquisitions to 31 March 2019 deliver an unlevered yield of 5.2%. The retirement rental portfolio, with leverage in place, delivers a leveraged yield of 6.8%. The Local Authority housing portfolio, which is also now leveraged, produces a leveraged yield of 6.7%. 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 begun, through its manager and agent MTVH, the marketing process of offering First Tranche sales under which new occupiers will purchase a stake in their property and take up a shared ownership lease. Under our purchase and management agreements, this marketing can take place before the properties reach practical completion and are legally transferred to ReSI Housing. Marketing is currently proceeding in line with expectations, and income from the shared ownership portfolio will ramp-up as First Tranche sales are made and when properties reach practical completion.

ReSI's on-going expense ratio (annualised and based on closing NAV) is in line with our revised expectation of 1.5%. In addition, ReSI incurred aborted transaction costs equivalent to 0.2% on the same basis during the half-year, which are included in earnings, in connection with transactions that ReSI decided not to pursue following the results of property due-diligence.

Borrowing

On 26 October 2018, ReSI completed a £40m debt financing secured on the retirement homes portfolio and siting alongside the existing £53m debt financing. The financings are both at a fixed rate for a term of 25 years and represent a leverage of around 50% on the initial acquisition cost. In April 2019, a further £4m debt facility was agreed, secured against the retirement homes portfolio.

In January 2019, ReSI completed a £14.5m debt facility secured against its Local Authority portfolio. The financing is at a fixed rate for a 3 year term, pending refinancing 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.

Jon Slater
Chief Executive
ReSI Capital Management Limited
17 May 2019

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.	£240m deployed by 31 March 2019 with a further £60m 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 107.9p per share, including a cumulative £20.1m capital appreciation on investments, £2.6m of which due to asset management lease extensions.
Dividend per share	Targeting 5.0p per share in respect of the annual period to 30 September 2019, 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 29 April 2019, 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 2018 to 31 March 2019, of which 1.0% relates to the Fund Management fee, with the remainder being general and administrative expenses. This is in line with expectations as revised in the previous annual report to reflect additional costs associated with ReSI Housing Ltd.

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 experienced accountants • TradeRisks performs shadow credit ratings utilising published credit rating methodologies • The Fund Manager 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 where the tenants are part owners of the properties (as exhibited by retirement, sub-market rental assets or Shared Ownership properties)

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, together with the Fund Manager (in aggregate) 2,477,008 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

Rob 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

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

Mike Emmerich

Non-executive Director

Appointed

13 September 2018

Skills, competence and experience

- Considerable experience in urban development, with over 20 years of experience in delivering strategies for planning, housing, environment and innovation
- Mike is founding Director of Metro Dynamics, a specialised consultancy for city authorities. Mike plays a central role on many major city projects including the devolution deals in the West Midlands and North East which give more local responsibility for housing and infrastructure. He also provides support for the Metro Mayor in Liverpool and advises the Cambridge and Peterborough Independent Economic Review. Mike has held other roles including Chief Executive of New Economy Manchester, Senior Policy Adviser on social and economic development in the Prime Minister's Policy Unit and Policy Adviser to HM Treasury

Other roles

- Director Manchester Camerata
- Trustee, the Tutor Trust

Robert Gray

Non-executive Director and Chairman of the Audit Committee

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

Directors’ Responsibilities in Respect of the Interim Accounts

from 1 October 2018 to 31 March 2019

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 10, Principal Risks and Uncertainties on page 20 to 21 and the Related Party Disclosure on page 46 note 29 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 2018 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 1 October 2018.

The Interim report has been reviewed by the Company’s auditor.

A list of Directors is shown on pages 24 to 25.

For and on behalf of the Board

Rob Whiteman
Chairman

17 May 2019

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 2019 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 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 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

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

BDO LLP

BDO LLP
Chartered Accountants
London

17 May 2019

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 2018 to 31 March 2019

	Note	Unaudited 6 months to 31 March 2019 £000s	Unaudited 12 July 2017 to 31 March 2018 £000s
Income			
Gross rental income	6	9,637	3,779
Property operating expenses	6	(3,567)	(1,830)
Net property income		6,070	1,949
Operating expenses			
Fund management fee	7	(926)	(1,271)
General and administrative expenses		(480)	(589)
Aborted acquisition costs		(187)	–
Total operating expenses		(1,593)	(1,860)
Operating profit before change in fair value		4,477	89
Profit on disposal of investment properties		35	
Change in fair value of investment properties		5,239	3,242
Operating profit before finance costs		9,751	3,331
Finance income	9	24	150
Finance costs	9	(2,011)	(161)
Movement in fair value of interest rate swap contracts	9	(46)	–
Profit for the period before taxation		7,718	3,320
Taxation	10	–	–
Profit for the period after taxation		7,718	3,320
Other comprehensive loss:			
Cashflow hedge		–	(543)
Total other comprehensive loss for the period		–	(543)
Total comprehensive income for the period attributable to the shareholders of the Company		7,718	2,777
Earnings per share – basic and diluted – pence	11	4.50	1.84

All of the activities if the Group are classified as continuing. The notes on pages 34 to 46 form part of these condensed financial statements.

Condensed Consolidated Statement of Financial Position

as at 31 March 2019

	Note	Unaudited 31 March 2019 £000s	Audited 30 September 2018 £000s
Non-current assets			
Investment properties	12	285,896	252,875
Total non-current assets		285,896	252,875
Current assets			
Inventories – properties available for sale	13	4,121	–
Trade and other receivables	14	9,794	2,747
Cash and cash equivalents	15	23,285	11,796
Total current assets		37,200	14,543
Total assets		323,096	267,418
Current liabilities			
Trade and other payables	16	4,695	4,544
Borrowings	17	348	257
Derivative financial instruments	18	–	–
Obligations under finance leases	26	927	886
Total current liabilities		5,970	5,687
Non-current liabilities			
Borrowings	17	104,209	51,303
Derivative financial instruments	18	46	–
Obligations under finance leases	26	28,395	26,829
Total non-current liabilities		132,650	78,132
Total liabilities		138,620	83,819
Net assets		184,476	183,599
Equity			
Share capital	19	1,803	1,803
Share premium	20	108	108
Own shares reserve	21	(8,621)	(5,199)
Retained earnings	22	191,186	186,887
Total equity		184,476	183,599
Net asset value per share – basic and diluted – pence	27	107.87	105.11

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

Rob Whiteman

Rob Whiteman
Chairman

17 May 2019

The notes on pages 34 to 46 form part of these condensed financial statements.

Consolidated Statement of Cash Flows

for the Period 1 October 2018 to 31 March 2019

	Note	Unaudited 6 months to 31 March 2019 £000s	Unaudited 12 July 2017 to 31 March 2018 £000s
Cash flows from operating activities			
Profit for the period		7,718	3,319
Adjustments for items that are not operating in nature:			
Gain in fair value of investment properties	12	(5,239)	(3,242)
Write down to net realisable value – inventories		76	–
Loss in fair value of interest rate swap	9	46	–
Profit on disposal of investment properties		(35)	–
Transfer of shares as equity portion of Fund Management fee		231	318
Finance income		(24)	(150)
Finance costs		2,011	161
Operating result before working capital changes		4,784	406
Changes in working capital			
Increase in trade and other receivables	14	(6,096)	(1,282)
Increase in trade and other payables		151	2,682
Purchase of housing inventory	13	(4,197)	–
Adjustment for current portion of capitalised ground rents		–	(448)
Net cash flow generated from operating activities		(5,358)	1,358
Cash flow from investing activities			
Purchase of investment properties	12	(27,677)	(99,777)
Disposal of investment properties		585	–
Interest received	9	24	150
Net cash flow from investing activities		(27,068)	(99,627)
Cash flow from financing activities			
Proceeds from shares issued in the period	19	–	180,000
Issue costs paid		–	(3,600)
Purchase of own shares		(3,653)	–
New borrowings raised (net of expenses)	17	53,156	–
Borrowings repaid		(215)	–
Finance costs	24	(1,954)	(161)
Dividend paid	25	(3,419)	(1,352)
Net cash flow generated from financing activities		43,915	174,887
Net increase in cash and cash equivalents		11,489	76,618
Cash and cash equivalents at the beginning of the period		11,796	–
Cash and cash equivalents at the end of the period		23,285	76,618

The notes on pages 34 to 46 form part of these condensed financial statements.

Condensed Consolidated Statement of Changes in Equity

for the Period 1 October 2018 to 31 March 2019

	Share capital £000s	Share premium £000s	Cash flow hedging reserve £000s	Own shares reserve £000s	Retained earnings £000s	Total equity £000s
Balance at 11 July 2017	–	–	–	–	(28)	(28)
Profit for the period	–	–	–	–	3,319	3,319
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	**–**	**–**	**–**	**–**	**3,319**	**3,319**
Contributions to and distributions to shareholders						
Ordinary shares issued on IPO	1,803	178,515	–	–	–	180,318
Share issue costs capitalised	–	(3,600)	–	–	–	(3,600)
Change in fair value of financial instruments	–	–	(543)	–	–	(543)
Cancellation of share premium	–	(174,807)		–	174,807	–
Purchase of own shares	–	–		–	–	–
Dividends paid	–	–		–	(1,352)	(1,352)
Balance at 31 March 2018	**1,803**	**108**	**(543)**	**–**	**176,746**	**178,114**
Profit for the period	–	–		–	12,792	12,792
Other comprehensive income	–	–		–	–	–
Total comprehensive income	**–**	**–**		**–**	**12,792**	**12,792**
Contributions to and distributions to shareholders						
Issue of shares as equity portion of Fund Management fee	–	–	–	222	(540)	(318)
Share based payment charge			–	–	540	540
Purchase of own shares	–	–	–	(5,421)	–	(5,421)
Recycling of cash flow hedge	–	–	543	–	–	543
Dividends paid	–	–	–	–	(2,651)	(2,651)
Balance at 30 September 2018	**1,803**	**108**	**–**	**(5,199)**	**186,887**	**183,599**
Profit for the period	–	–	–	–	7,718	7,718
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	7,718	7,718
Contributions to and distributions to shareholders						
Issue of shares as equity portion of Fund Management fee	–	–	–	231	(231)	–
Share based payment charge	–	–	–	–	231	231
Purchase of own shares	–	–	–	(3,653)	–	(3,653)
Dividends paid	–	–	–	–	(3,419)	(3,419)
Balance at 31 March 2019	**1,803**	**108**	**–**	**(8,621)**	**191,186**	**184,476**

The notes on pages 34 to 46 form part of these condensed financial statements.

1. General information

The financial information set out in this report covers the six months to 31 March 2019, 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 period 12 July 2017 to 31 March 2018. The comparatives presented for the Statement of Financial Position are as at 30 September 2018.

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 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 2019 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 2018, 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 accounting policies adopted in this report are consistent with those applied in the Group's statutory accounts for the period ended 30 September 2018, apart from:

a) the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" with effect from 1 October 2018, neither of which required any restatements to the Group's financial statements and;

b) the inclusion of policies for First Tranche Shared Ownership sales, Inventories, Shared Ownership properties and Grants.

The accounting policies are expected to be consistently applied in the financial statements for the year ended 30 September 2019.

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 2018 have been filed at Companies House. The independent auditor's report on the annual report and financial statements for the period ended 30 September 2018 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 condensed financial statements have been prepared on the going concern basis.

b) Changes to accounting standards and interpretations

The following are 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 16 Leases (effective from 1 October 2019) – the Group continues to assess the impact of IFRS 16 Leases, effective from 1 October 2019. The Group has conducted an initial impact assessment, considering a sample of leases and the associated accounting treatment and disclosure. Where the Group is a lessor there will be no material change in accounting treatment or disclosure. Where the Group is a lessee the leases will be remeasured at each reporting date based on an index at that date. The remeasurement will not have any impact on the net profit as the remeasurement will affect only the right of use assets and finance lease liabilities in the statement of financial position.

The Directors are currently assessing the impact on the Group's financial statements of the standards listed above; however at present they do not anticipate that the adoption of this standard 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.

3. Significant accounting policies

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

a) Basis of consolidation

The condensed 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.

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 12.

d) Share issue costs

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

e) 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 adjusted for tenant incentives, recognised on a straight-line basis over the term of the underlying lease. 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.

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 at the point of legal completion of the sale.

f) Cost of sales

Included within operating costs are costs relating to the First Tranche sale portion of newly acquired Shared Ownership properties incurred in the period. These costs include expenditure incurred for acquisition of those properties, direct overheads, marketing and other incidental costs incurred during the course of sale of those properties.

g) Expenses

The Group recognises expenses on an accruals basis.

h) 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 borrowing fees and the reclassification of amounts to profit or loss from the cash flow hedge.

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

i) 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.

j) 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.

k) 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 nature and purpose of the financial assets and is determined at the time of initial recognition.

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

At 31 March 2019 the Group had the following non-derivative financial assets which are classified as financial assets at amortised cost:

Cash and cash equivalents

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

Trade and other receivables

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

Impairment of financial assets

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

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 each reporting period 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.

At 31 March 2019 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.

l) 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.

m) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Leases – the Group as lessor

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.

Leases – the Group as Lessee

Where a property is held under a head lease classified as a finance lease, the head lease is initially recognised at the lower of the fair value of the property and the present value of the minimum lease payments, and a corresponding liability is recorded within borrowings. Each lease payment is allocated between repayment of the liability and a finance charge to achieve a constant interest rate on the outstanding liability.

n) 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.

o) Inventories

Inventories relate to properties being developed for conversion to Shared Ownership which allows first-time buyers to purchase a property by offering partial ownership, alongside the obligation to pay rent on the portion of the property that the individual does not own. In accordance with IAS 2 Inventories, they are held at the lower of cost and net realisable value.

p) Shared Ownership properties

The costs of shared ownership properties under construction are split proportionately between current and fixed assets; the proportion relating to expected First Tranche sales is classed as inventory and the remaining element is classed as a fixed asset which is transferred into investment properties when completed.

q) Grants

Where grant is receivable from government and other bodies as a contribution towards the capital cost of social housing property, it is recognised as a deduction from the change in value of Investment property related to transfer of the Shared Ownership asset to Investment property. Prior to satisfying any performance obligations related to grant, such grants are held as a liability on the Statement of Financial position.

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 12.

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 property valuation and has sufficient current local and national knowledge and has the skills and understanding to undertake the valuations competently.

If the assumptions upon which the external valuer has based its valuations prove to be inaccurate, this may have an impact on the value of the Group's investment properties, which could in turn have an effect on the Group's financial position and results. Further information is provided in note 12.

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.

Shared Ownership Properties

First Tranche Sales

The Group estimates the proportion of Shared Ownership properties that will be sold as First Tranche sales, 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.

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 Condensed Financial Statements.

6. Gross rental income and net property income

	Unaudited 6 months to 31 March 2019 £'000	Unaudited 12 July 2017 to 31 March 2018 £'000
Gross rental income	**9,637**	3,779
Service charge expenses	**(1,663)**	(1,007)
Property operating expenses	**(1,834)**	(818)
Impairment of receivables	**6**	(5)
Writedown to net realisable value – inventories	**(76)**	–
	(3,567)	(1,830)
Net property income	**6,070**	1,949

7. Fund management fee

	Unaudited 6 months to 31 March 2019 £'000	Unaudited 12 July 2017 to 31 March 2018 £'000
Cash portion	**695**	953
Equity portion	**231**	318
	926	1,271

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

	Unaudited 6 months to 31 March 2019 £'000	Unaudited 12 July 2017 to 31 March 2018 £'000
Fees	**102**	141
Taxes	**10**	16
Expenses	**–**	7
	112	164

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

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

Net Asset Value	Annual Fee
Up to £100,000,000	£40,000
£100,000,000 and £200,000,000	£50,000
£200,000,000 to £350,000,000	£60,000
Thereafter	£70,000

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

Net Asset Value	Annual Fee
Up to £100,000,000	£30,000
£100,000,000 and £200,000,000	£35,000
Thereafter	£40,000

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

9. Net finance costs

	Unaudited 6 months to 31 March 2019 £'000	Unaudited 12 July 2017 to 31 March 2018 £'000
Finance income		
Interest income	**24**	150
	24	150
Finance expense		
Interest payable on borrowings	**(1,552)**	–
Amortisation of borrowing costs	**(56)**	–
Finance lease costs (ground rents)	**(403)**	(161)
	(2,011)	(161)
Movement in fair value of derivative contracts:		
Interest rate swaps	**(46)**	–
Net finance costs	**(2,033)**	(11)

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 IAS 17 "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 on the Local Authority portfolio.

10. Taxation

	Unaudited 6 months to 31 March 2019 £'000	Unaudited 12 July 2017 to 31 March 2018 £'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 2019 £'000	Unaudited 12 July 2017 to 31 March 2018 £'000
Profit/(loss) before tax	**7,718**	3,320
Tax at the UK corporation tax rate of 19% (2018: 19%)	**1,466**	631
Tax effect of:		
UK tax not payable due to REIT exemption	**(478)**	(123)
Investment property revaluation not taxable	**(1,006)**	(616)
Expenses that are not deductible in taxable profit	**18**	108
Unutilised losses carried forward	**–**	–
Tax charge for the period	**–**	–

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

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

11. Earnings per share

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.

	Unaudited 6 months to 31 March 2019 £'000	Unaudited 12 July 2017 to 31 March 2018 £'000
Profit attributable to Ordinary Shareholders	**7,718**	3,320
Deduction of fair value movement on investment properties	**(5,239)**	(3,242)
Adjusted earnings	**2,479**	78
Weighted average number of ordinary shares	**171,623**	180,225
Basic earnings per share (pence)	**4.50**	1.84
Adjusted earnings per share (pence)	**1.44**	0.04

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

12. Investment properties

	Unaudited 31 March 2019 £'000	Audited 30 September 2018 £'000
At beginning of period	**252,875**	–
Property acquisitions at cost	**27,677**	210,335
Disposals in the period	**(550)**	–
Finance lease asset	**1,607**	27,715
Grant receivable	**(952)**	–
Change in fair value during the period	**5,239**	14,825
At end of period	**285,896**	252,875
Valuation provided by Savills	**256,574**	225,160
Adjustment to fair value – finance lease asset	**29,322**	27,715
Total investment properties	**285,896**	252,875

	Unaudited 31 March 2019 £'000	Audited 30 September 2018 £'000
Leasehold properties	**190,498**	182,628
Freehold properties*	**54,848**	42,532
Shared ownership properties	**11,228**	–
Finance lease asset	**29,322**	27,715
Total investment properties	**285,896**	252,875

*Includes Feuhold properties, the Scottish equivalent of Freehold.

The historical cost of investment properties at 31 March 2019 was £236,509,067 (30 September 2018: £210,334,835).

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 2019 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 £29,321,901 (£27,715,195 at 30 September 2018), representing the present value of ground rents payable for the properties held by the Group under leasehold – further information is provided in note 26. 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 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 borrowings granted to the Group (see note 17).

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 2019 is categorised as Level 3.

Investment properties are valued by Savills using a capitalisation methodology applying a yield to current and estimated rental income. 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.

13. Inventories

	Unaudited 31 March 2019 £'000	Audited 30 September 2018 £'000
Shared Ownership properties	4,121	–
	4,121	–

14. Trade and other receivables

	Unaudited 31 March 2019 £'000	Audited 30 September 2018 £'000
Rent receivable	10	86
Prepayments	2,491	1,821
Deposit paid re acquisitions	6,271	–
Grant receivable	952	–
Other debtors	70	840
	9,794	2,747

The Group has provided fully for those receivable balances that it does not expect to recover. This assessment has been undertaken by reviewing the status of all significant balances that are past due and involves assessing both the reason for non-payment and the creditworthiness of the counterparty. Trade receivables include £nil (30 September 2018: £80,417) which are past due as at 31 March 2019 for which no provision has been made because the amounts are considered recoverable.

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. Cash and cash equivalents

	Unaudited 31 March 2019 £'000	Audited 30 September 2018 £'000
Cash at bank	6,783	11,795
Cash held as investment deposit	16,502	1
	23,285	11,796

Included within cash at bank at the period end was an amount totalling £1,539,414 (30 September 2018: £1,233,352) held by the managing agent of the RHP Portfolio, of which £1,161,742 (30 September 2018: £1,110,033) 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 2019. 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 a money market fund, which is invested in high quality short-term Sterling investments and has high liquidity. The fund has £28.3billion AUM, hence the Group's investment deposit represents an immaterial proportion of the fund.

16. Trade and other payables

	Unaudited 31 March 2019 £'000	Audited 30 September 2018 £'000
Trade payables	**1,895**	1,489
Accruals	**1,229**	1,277
VAT payable	**–**	3
Corporation tax payable	**–**	185
Deferred income	**410**	454
Deferred consideration	**–**	26
Other creditors	**1,161**	1,110
	4,695	4,544

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.

Corporation tax payables relate to liabilities in respect of pre-acquisition accounting periods of entities acquired in the course of an acquisition accounted for as an asset acquisition.

17. Borrowings

	Unaudited 31 March 2019 £'000	Audited 30 September 2018 £'000
Borrowings	**107,157**	52,922
Unamortised borrowing costs	**(2,600)**	(1,362)
	104,557	51,560
Current liability	**348**	257
Non-current liability	**104,209**	51,303
	104,557	51,560

The borrowings are repayable as follows:

Within one year	**348**	257
Between one and two years	**367**	265
Between three and five years	**15,873**	844
Over five years	**87,969**	50,194
	104,557	51,560

Movements in borrowings are analysed as follows:

	Unaudited 31 March 2019 £'000	Audited 30 September 2018 £'000
At beginning of period	**51,560**	–
Drawdown of facility	**54,450**	53,000
Borrowing costs	**(1,294)**	(1,376)
Amortisation of borrowing costs	**56**	14
Repayment of borrowings	**(215)**	(78)
At end of period	**104,557**	51,560

There is no significant difference between the fair value and book value of the Group's borrowings.

18. Derivative financial instruments

	Unaudited 31 March 2019 £'000	Audited 30 September 2018 £'000
Interest rate derivative contracts:		
Current liabilities	**–**	–
Non-current liabilities	**46**	–
	46	–

The derivative contracts arise from interest rate swaps entered into in February 2019 to partially fix the £14m of debt secured on the Local Authority portfolio.

19. Share capital account

	Number of Ordinary 1p shares	£'000
At 11 July 2017	**100**	–
Issued on Admission to trading on London Stock Exchange on 12 July 2017	**180,000,000**	1,800
Issue of shares as equity portion of Fund Management fee	**324,277**	3
At 30 September 2018	**180,324,377**	1,803
Issue of shares	**–**	–
At 31 March 2019	**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.

20. Share premium account

	£'000
At 11 July 2017	–
Issued on Admission to trading on London Stock Exchange on 12 July 2017	178,200
Share issue costs	(3,600)
Issue of new shares as equity portion of Fund Management fee	315
Share premium cancellation	(174,807)
At 30 September 2018	108
Issue of new shares as equity portion of Fund Management fee	–
At 31 March 2019	108

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

21. Own shares reserve

	£'000
At 11 July 2017	–
Purchase of own shares	(5,421)
Transferred as equity portion of Fund Management fee	222
At 30 September 2018	(5,199)
Purchase of own shares	(3,653)
Transferred as equity portion of Fund Management fee	231
At 31 March 2019	(8,621)

The own shares reserve relates to the value of shares purchased by the Company in excess of nominal value. As at 31 March 2019, 9,304,729 (30 September 2018: 5,651,670) 1p Ordinary Shares are held by the Company.

22. Retained earnings

	£'000
At 11 July 2017	(28)
Profit for the period	16,111
Transfer from share premium account	174,807
Share based payment charge	540
Issue of new shares as equity portion of Fund Management fee	(540)
Dividends	(4,003)
At 30 September 2018	186,887
Profit for the period	7,718
Share based payment charge	231
Issue of new shares as equity portion of Fund Management fee	(231)
Dividends	(3,419)
At 31 March 2019	191,186

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

23. 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
Gaynes Hill Holdings Limited*	100%	BVI	UK	Property investment
Rayleigh Park Limited*	100%	BVI	UK	Property investment

All group entities are UK tax resident.

* Gaynes Hill Holdings Limited and Rayleigh Park Limited were dissolved on 5 April 2019.

24. Notes to the cash flow statement

	Borrowings due within one year £000s	Borrowings due in more than one year £000s	Interest payable and change in fair value of interest rate swaps £000s	Lease liabilities £000s	Total £000s
At 30 September 2018	257	51,303	–	27,715	79,275
Cash flows:					
Borrowings advanced	462	53,989	–	–	54,451
Borrowings repaid	(215)	–	–	–	(215)
Debt transaction fees paid	(156)	(1,139)	–	–	(1,295)
Finance lease (ground rent) paid	–	–	–	(403)	(403)
Interest paid	–	–	(1,551)	–	(1,551)
Non cash flows:					
Amortisation of borrowing arrangement fees	–	56	(56)	–	–
Change in fair value of interest rate swaps	–	–	(46)	–	(46)
Recognition of headlease liabilities acquired	–	–	–	2,010	2,010
At 31 March 2019	**348**	**104,209**	**(1,653)**	**29,322**	**132,226**

25. Dividends

	Unaudited 6 months to 31 March 2019 £'000	Unaudited 12 July 2017 to 31 March 2018 £'000	Audited 6 months to 30 September 2018 £'000
Amounts recognised as distributions to shareholders in the period to 31 March 2019:			
4th interim dividend for the year ended 30 September 2018 of 0.75p per share (2017 nil)	**1,281**	–	
1st interim dividend for the year ended 30 September 2019 of 1.25p per share (2018 0.75p)	**2,138**	1,352	
	3,419	1,352	
Categorisation of dividends for UK tax purposes:			
Amounts recognised as distributions to shareholders in the period to 31 March 2019:			
Property Income Distribution (PID)	**2,885**	–	
Non-PID	**534**	1,352	
	3,419	1,352	
Amounts not recognised as distributions to shareholders in the period to 31 March 2019:			
2nd interim dividend for the year ended 30 September 2018 of 0.75p per share (2017 nil)			1,329
3rd interim dividend for the year ended 30 September 2018 of 0.75p per share (2017 nil)			1,322

On 29 April 2019, the Company declared its second interim dividend of 1.25 pence per share for the period 1 January 2019 to 31 March 2019.

26. Lease arrangements

The Group as lessee

At 31 March 2019, the Group had outstanding commitments for future minimum lease payments under non-cancellable finance leases, which fall due as follows:

As at 31 March 2019	Less than one year £000s	Two to five years £000s	More than five years £000s	Total £000s
Minimum lease payments	927	3,707	122,821	127,455
Interest	–	(270)	(97,863)	(98,133)
Present value at 31 March 2019	927	3,437	24,958	29,322

As at 30 September 2018	Less than one year £000s	Two to five years £000s	More than five years £000s	Total £000s
Minimum lease payments	886	3,542	110,757	115,185
Interest	–	(258)	(87,212)	(87,470)
Present value at 30 September 2018	886	3,284	23,545	27,715

The above commitment is in respect of ground rents payable for properties held by the Group under leasehold. There are 2,096 (30 September 2018: 1,979) properties held under leasehold with an average unexpired lease term of 131 years (30 September 2018: 126 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:

As at 31 March 2019	£000s
Within one year	3,674
Between one and five years	7,813
More than five years	4,572
	16,059

As at 30 September 2018	£000s
Within one year	3,584
Between one and five years	7,604
More than five years	5,485
	16,673

The total of contingent rents recognised as income during the period was £nil (31 March 2018: £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.

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:

As at 31 March 2019	£000s
Within one year	17,811
Between one and five years	47,522
More than five years	49,186
	114,519

As at 30 September 2018	£000s
Within one year	16,851
Between one and five years	44,680
More than five years	44,532
	106,063

27. Net asset value per share

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.

	Unaudited 31 March 2019 £'000	Audited 30 September 2018 £'000
Net assets	**184,476**	183,599
Ordinary shares in issue at period end (Excluding shares held in treasury)	**171,019,648**	174,672,707
Basic and diluted NAV per share	**107.87**	105.11

28. 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.

There were no other known material contingent liabilities or commitments at 31 March 2019.

29. 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 2019, 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.

During the period, the Directors held the following number of £0.01 nominal Ordinary Shares of £1.00 each:

- Rob Whiteman (Audit Committee Chair)
  - 5,000 Ordinary Shares
- Robert Gray (Director)
  - 75,000 Ordinary Shares
- John Carleton (Director)
  - 5,000 Ordinary Shares

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 2023 (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 Manager's entitlement to a management fee are shown in note 7.

For the period ended 31 March 2019, the Company incurred costs of £925,979 (31 March 2018: £1,271,175) in respect of fund management fees and no amount was outstanding as at 31 March 2019 (30 September 2018: £nil). The above fee was split between cash and equity as per the Fund Management Agreement with the cash portion being £694,485 (31 March 2018: £953,288) and the equity portion being £231,494 (31 March 2018: £317,887) paid as 257,180 (31 March 2018: 324,377) Ordinary Shares at an average price of £0.90 (31 March 2018: £0.98) per share.

In addition, the Fund Manager was paid a fee, pursuant to the Fund Management Agreement, of £238,952 (31 March 2018: £320,447) 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 £1,700 (31 March 2018: £788) and £8,882 (31 March 2018: £2,433) respectively.

30. Post balance sheet events

On 23 April 2019 ReSI obtained £4.0 million of 25-year fixed rate debt secured against 102 retirement units in its portfolio.

The partially amortising financing package, which has been arranged with an insurance company, is priced at an all-in fixed rate of 3.2872%. Recognising its strong credit metrics, the debt has been classified as investment grade.

On 14 May 2019 ReSI and the Fund Manager agreed an amendment to the Fund Management Agreement that replaces the obligation on the Fund Manager to present investment opportunities to ReSI in priority to other clients with an allocation policy that provides established criteria and aims to ensure allocations of opportunities are made in a way that an allocations committee considers fair, reasonable and equitable, taking into account ReSI and any other clients of the Fund Manager.

With ReSI being now effectively fully committed, this amendment improves the ability of the Fund Manager to service its £500m and growing shared ownership pipeline, thus protecting its credibility as a reliable counterparty and therefore the integrity of the pipeline until ReSI raises further capital. The Board considered that this change to the Fund Management Agreement was in the interests of ReSI.

31. Financial instruments

The table below sets out the categorisation of the financial instruments held by the Group as at 30 September 2018. The carrying amount of all financial instruments approximates to their fair value.

	Unaudited 31 March 2019 £'000	Audited 30 September 2018 £'000
Financial assets		
Trade and other receivables	**7,303**	926
Cash and cash deposits	**23,285**	11,796
	30,588	12,722

	Unaudited 31 March 2019 £'000	Audited 30 September 2018 £'000
Financial liabilities		
At amortised cost		
Obligations under finance leases (ground rents)	**29,322**	27,715
Borrowings	**104,557**	51,560
Trade and other payables	**4,695**	4,356
	138,574	83,631
At fair value through profit or loss		
Interest rate swap derivative contracts	**46**	–
	138,620	86,631

The derivative contracts arise from interest rate swaps entered into in February 2019 to partially fix the £14m of debt secured on the Local Authority portfolio.

Glossary

Administrator	The Company's administrator from time to time, the current such administrator being MGR Weston Kay LLP.
AIC	Association of Investment Companies.
Alternative Investment Fund or "AIF"	An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.
Alternative Investment Fund Managers Directive or "AIFMD"	A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.
Annual General Meeting or "AGM"	A meeting held once a year which shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask directors questions about the company in which they are invested.
Articles or Articles of Association	Means the articles of association of the Company.
Company 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.
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 Gray (Non-executive Director)

John Carleton (Non-executive Director)

Mike Emmerich (Non-executive Director)
(appointed 13 September 2018)

Registered Office

Mermaid House
2 Puddle Dock
London
EC4V 3DB

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

Ernst & Young LLP
1 More London Riverside
London
SE1 2AF

Depositary

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

Company Secretary

PraxisIFM Fund Services (UK) Limited
Mermaid House
2 Puddle Dock
London
EC4V 3DB

Administrator

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

Registrar

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

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Public Relations Adviser

FTI Consulting
200 Aldersgate
Aldersgate Street
London
EC1A 4HD

Valuers

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

Residential Secure Income plc
Mermaid House
Puddle Dock
London
EC4Y 3DB

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