Residential Secure Income plc

Interim Report 2023

Since 1857
Gresham House
Specialist asset management

Purpose

Residential Secure Income plc (ReSI or the Company) (LSE: RESI) is a real estate investment trust (REIT) focused on delivering secure, inflation-linked returns in two sub-sectors in UK residential housing; independent retirement rentals; and shared ownership, which are underpinned by an aging demographic and untapped, strong demand for affordable homes.

Our purpose is to deliver affordable, high-quality, safe homes with great customer service and long-term stability of tenure for residents. We achieve this through 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 affordable housing.

ReSI's subsidiary, ReSI Housing Limited (ReSI Housing), 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.

Contents

01

Strategic Report

Investment case

Why ReSI?

ReSI delivers 97% inflation-linked income, which is generated from affordable and secure rents and supported by strong market drivers in shared ownership housing and independent retirement living.

Secure long-term inflation-linked income

Dividends paid quarterly

ReSI's business model is:

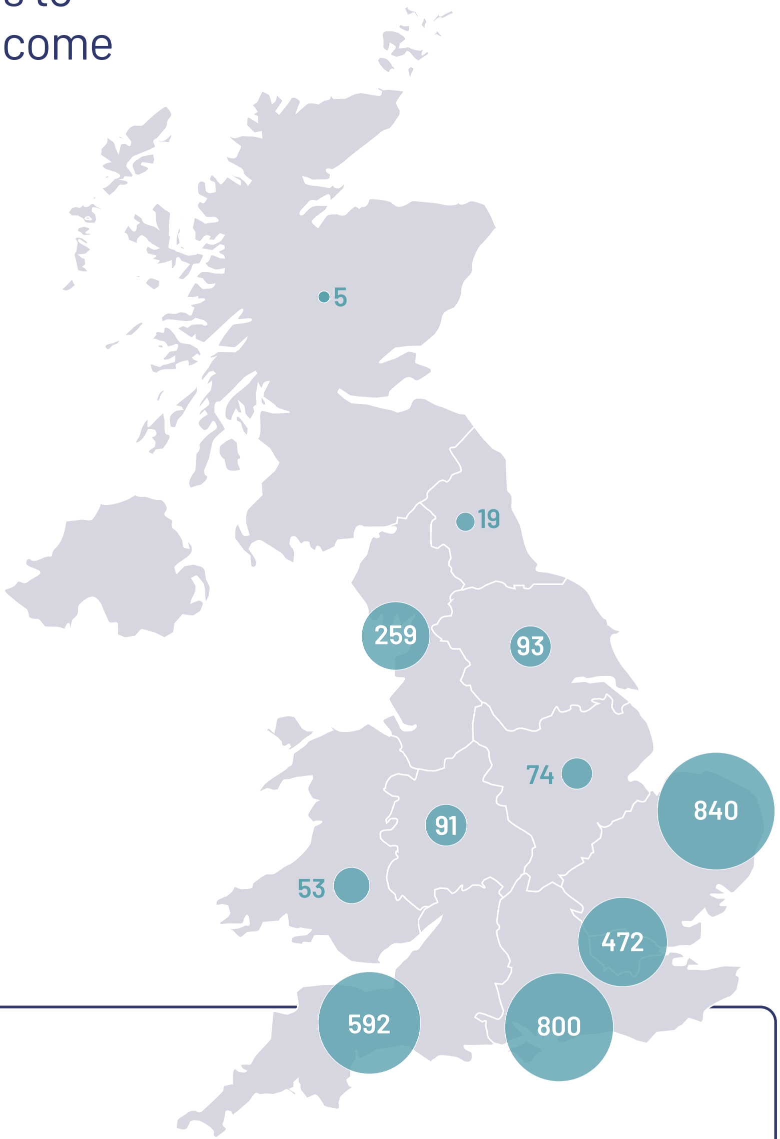
Supported by:	Creating:	Executed by:
Strong market drivers	**Measurable impact**	**An expert manager**
Ageing population, declining home affordability, supportive government policy	Providing affordable high-quality, energy efficient homes for life, and addressing elderly loneliness	c.60-person housing team with over 20-year track record in UK housing

ReSI's income is:

Diverse	**Asset-backed**	**Affordable**
3,298 households diversified across ages and stages of life	Underpinned by c.£428mn home value with 21% uplift from reversionary surplus Subsidised shared ownership rents secured by homebuyers' stake	Low retirement rents (in line with Local Housing Allowance) paid from pensions and welfare c.£15mn government grant supports subsidised rents for shared ownership

Portfolio snapshot

We invest in UK affordable homes to deliver secure, inflation-linked income



3,298

Homes

30 September 2022: 3,284

£355mn

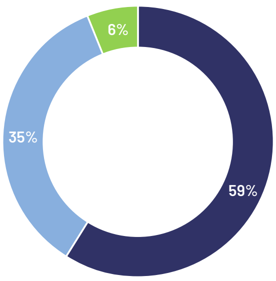
Value of investment property

30 September 2022: £383mn including £9mn committed acquisitions
See note 12 on page 43

935

Unique UK property locations

30 September 2022: 926



Portfolio split by valuation

- **£209mn** Independent Retirement Rentals
- **£125mn** Shared Ownership
- **£21mn** Local Authority

Portfolio highlights

£17.2mn

Annualised net rental income

Year to 30 September 2022: £16.5mn
See note 10 Supplementary Financial Information on page 61

4.8%

Annualised net rental yield*

30 September 2022: 4.4%
See note 10 Supplementary Financial Information on page 61

2,613

Counterparties

30 September 2022: 2,608

* Alternative performance measure

Our portfolio focus

Residential Secure Income plc (ReSI) has diversified, secure, inflation-linked income streams from residential sub-sectors with strong supply and demand imbalances and supportive property fundamentals.

	Independent Retirement Living Housing (£209mn GAV/2,240 Homes/59% of portfolio)	Shared Ownership Housing (£125mn GAV/769 Homes/35% of portfolio)
Driver	Booming and increasingly lonely older population	Huge untapped demand for affordable homeownership
Summary	Let to elderly residents with affordable rents and assured tenancies Provides fit-for-purpose homes for retired people, allowing them to maintain their independence without care provision	Homebuyers acquire, from ReSI, a share in a residential property and rent the remainder Helps house buyers acquire homes they would otherwise be unable to buy Capital grant funding from government drives a c.40% living-cost discount compared to market level rents
Rent growth	Increase with RPI each year, generally capped at 6%	Increase contractually by RPI+ 0.5% each year
Secure income	Secure rental income paid from pensions and welfare	Subsidised, below-market rents Homebuyer equity stake
ReSI origination advantages	Scale: UK's largest private independent retirement rentals business Specialist in-house 30-person team with over 20-year track record	ReSI Housing – for-profit Registered Provider of Social Housing
Average vacant possession value	c.£110,000 per home	c.£334,000 per home[6]
Net yield	5.4%	3.5%[5]
Average debt coupon	3.5%	1.1%[4]
Levered yield	6.7%	8.7%[5]
Average customer stay/length of lease[1]	6 years	249 years
Like-for-like rental reviews[2]	5.8%	7.0% applied on 1 April 2023
March 2023 occupancy	94%	99%[3]
Rent collection	100%	99%

1. Assuming no staircasing
2. Represents the rent growth for homes that were occupied and eligible for a rent review during the six months ended March 2023. Including all homes that were occupied during H1 2023, Independent Retirement Like-for-Like reviews would be 2.3%. Shared ownership rents increased on April 1 2023, after the half-year ended March 2023
3. Includes 8 homes reserved as at 6 June 2023
4. 1.1% average blended coupon over the remaining loan term, with principal increasing with RPI + 0.5% (with a 0.5% floor and 5.5% cap)
5. Based on 1 April 2023 rents
6. Shared ownership vacant possession value includes both the value of ReSI's 63% average equity position, and the 37% owned by the residents

Financial Highlights

as at 31 March 2023

Income

IFRS Earnings
(per share)

(16.2p)

Period ended 31 March 2022: 4.5p
See note 11 on page 41

Total IFRS Return
(on Opening NAV)

(14.9%)

Period ended 31 March 2022: 4.2%
See note 12 Supplementary Financial Information on page 62

EPRA Adjusted Earnings*
(per share)

2.2p

Period ended 31 March 2022: 2.4p
See note 11 on page 41

Total Return*
(on Opening NTA)

(13.7%)

Period ended 31 March 2022: 2.8%
See note 11 Supplementary Financial Information on page 62

Recurring profit*
(before change in fair value and property disposals)

£4.1mn (3%)

Period ended 31 March 2022: £4.2mn
See note 11 on page 41

Dividend
(per share)

2.6p

Period ended 31 March 2022: 2.6p

* Alternative performance measure

Capital

IFRS Net Asset Value
(per share)

90.0p -17.3%

30 September 2022: 108.8p
See note 24 on page 54

Value of investment property

£355mn

30 September 2022: £383mn inc. £9mn committed acquisitions
See note 12 on page 43

Fund Manager shareholding

3.7%

Of the total number of shares held by the Fund Manager, current and founder directors of the Fund Manager, and directors of ReSI as at the date of this report (30 September 2022: 3.3% or 6.4mn shares)

Loan-to-value Ratio (LTV)

52%

30 September 2022: 47%
See note 13 Supplementary Financial Information on page 63

Weighted Average Remaining Life of Debt

21 years

30 September 2022: 22 years

EPRA Net Tangible Asset Value (NTA)*
(per share)

89.0p -16.1%

30 September 2022: 106.1p
See note 24 on page 54

Chairman's Statement

ReSI's portfolio is handpicked to provide high-quality affordable accommodation for vastly undersupplied markets and by doing so to deliver defensive long-term income for investors and meaningful social impact. Our customer demand continues to be incredibly strong, whether providing affordable homeownership for young families and key workers through shared ownership or providing fit-for-purpose homes for independent living in retirement.

ReSI has delivered strong like-for-like rent reviews with growth of 6.2% whilst maintaining retirement occupancy at 94% and virtually fully occupying our shared ownership portfolio. Rent collection continues to exceed 99%, underpinned by direct leases with a highly diversified resident base comprising 2,613 counterparties, affordable rents, and shared ownership equity stakes averaging c.37%. Given the sharp and significant spike in inflation and interest rates, we have continued to balance rent increases with shareholder returns, in a way which is sustainable both for our residents and for our shareholders. We have aimed to support residents through a difficult period where pay increases may have lagged spiking inflation, which has in turn supported occupancy and rent collection levels.

Nevertheless, ReSI is not immune to the continuing wider economic challenges. Specifically, higher energy bills to heat and light communal areas have contributed to a 13% operating cost increase in our retirement housing portfolio, keeping retirement net income flat year on year. Together with increased interest expenses on the 10% of our debt which is floating rate, and increased overheads, Adjusted Earnings have reduced by 3%.

As a result, dividend cover declined to 86% after re-achieving full coverage in Q4 2022, which justifies the Board's decision to keep the dividend per share flat in order to absorb extraordinary cost increases.

As with all long-term income assets, our investment valuations have been impacted by rising gilt yields, but our strong rental growth has partially mitigated this with a 7.2% like-for-like decline to £355mn, taking EPRA NTA to 89.0p per share down from 106.1p at 31 September 2022. Market transactional evidence suggests that downward pressure on valuations is starting to ease, however, valuations naturally remain sensitive to movements in gilt yields which have moved out further post period end.

Rob Whiteman CBE
Chairman

“

ReSI remains well-placed, to meet continued enormous demand for affordable housing, ena-bling sustainable and growing, risk-adjusted returns over the long term.

We have continued to support residents, balancing rent increases and returns in a way which is sustainable for both residents and shareholders. This focus has been rewarded with 99% rent collection from 2,613 counterparties and resilient high-occupancy levels. These factors drive our secure income stream which has remained unaffected despite the impact of the macroeconomic environment on property valuations.

We are considering selective disposal of certain non-core assets, to reduce floating rate debt levels, and will then revisit the appropriate level of a fully covered and progressive dividend.

ReSI is now the custodian of homes for 3,298 households, and we will continue to balance returns with affordability for our residents. Our retirement portfolio leases are contractually capped at 6.0%. We have voluntarily capped our inflation-linked rent increases in shared ownership to 7.0%, as opposed to the contractual RPI+0.5%. Furthermore, ReSI continues to invest to improve our homes' energy efficiency helping to keep residents' energy bills affordable.

Market outlook

Despite recent operational challenges and macroeconomic headwinds, the fundamentals underpinning ReSI's business model, and our longer-term outlook, remain positive.

The UK's structural housing shortfall continues and most of the population lives in areas where home purchase is unaffordable for average earners, with an estimated need for £34bn[1] of annual investment over the next decade to begin addressing the shortfall. Persistent inflation, rising mortgage rates and the consistent demand for a permanent home have increased demand for shared ownership as the most affordable homeownership option (particularly in light of the Help to Buy programme's end in March 2023). The UK population demographic is rapidly aging and social isolation can have a material impact on the health of the elderly, driving demand for independent retirement accommodation.

Housing associations, who have historically been the primary investors in affordable housing, are now dealing with rent caps on their social and affordable rent portfolios in addition to allocating c.£10bn for fire safety and c.£25bn to upgrade the energy efficiency of their social rented stock by 2030. These financial pressures impact their ability to continue to fund their 43,000 homes per year development programmes, with many now looking to bring in partners to acquire some of their existing 200,000 shared ownership homes. This is continuing to drive demand and opportunity for further long-term investment into the sector – both to fund new homes and acquire existing shared ownership portfolios providing capital to housing associations to invest back into their social rented stock.

Financial outlook

As the owner of a for-profit registered provider and as the UK's largest provider of private independent retirement rental homes, and with an experienced and capable fund management team, the Board believes that ReSI remains well positioned to deliver affordable housing to residents and deliver long-term, inflation-linked returns to investors.

1. Department for Levelling Up, Housing and Communities (2021) and House of Commons Library (2022), British Property Federation, and Legal & General, 2022

It has been a stated objective of the ReSI Board to grow the Company, however, the public capital markets have changed substantially in a short amount of time, and while the Company's share price has performed better than many of its listed peers, we recognise that ReSI's shares are currently trading at a significant discount to net asset value.

This is particularly disappointing given the scale of investment opportunities now available, particularly in shared ownership, given the work by the Fund Manager to create this market, and the ability for these to enhance returns to shareholders over the medium term. The Board has considered undertaking further share buy-backs but given current cash levels, does not consider it in shareholders' best interests to increase leverage to support buy-backs.

Instead, the Fund Manager is exploring the sale of non-core assets. This would enable repayment of floating rate debt and leave ReSI with only its long-term debt that has a weighted average maturity of 21 years. While assets sales would reduce ReSI's adjusted earnings, we expect they will increase sustainability of income given the removal of exposure to interest rate moves.

The Board continues to seek to pay a progressive dividend which is more than covered. To ensure that ReSI can continue to grow sustainably despite the current economic conditions, the Board will revisit the appropriate level of dividend following any asset sales, and in the light of the then prevailing economic and market conditions. ReSI remains well-placed, to meet continued enormous demand for affordable housing, enabling sustainable and growing, risk-adjusted returns over the long term.

As always, the Board is grateful for the support of shareholders, including their 99% support at our continuation vote in January 2023.

Rob Whiteman

Rob Whiteman
Chairman
Residential Secure Income plc

6 June 2023

KPI Measures

Income returns

ReSI's key performance indicators (KPIs) are aligned to our business strategy. These measures are used by the Board and senior management to actively monitor business performance.

Adjusted EPRA earnings* (£mn)		Net rental income (£mn)		Like-for-like rental reviews (%)		EPRA cost ratio (%)*		(Loss)/Profit before tax (£mn)	
H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023
4.2	4.1	7.6	8.3	4.2	6.2	37	41	7.8	(30.0)

	Adjusted EPRA earnings* (£mn)	Net rental income (£mn)	Like-for-like rental reviews (%)	EPRA cost ratio (%)*	(Loss)/Profit before tax (£mn)
KPI definition	Adjusted EPRA earnings, excluding valuation movements on investment assets and debt, and other adjustments, that are one-off in nature, which do not form part of the ongoing revenue or costs of the business.	Gross rental income after deducting property operating expenses including ground rent paid.	Like-for-like average growth on rent reviews across the portfolio.	Administrative and operating costs (including costs of direct vacancy) divided by gross rental income.	(Loss)/Profit before tax is a statutory IFRS measure as presented in the Group's Consolidated Statement of Comprehensive Income.
Comment	H1 2023 earnings impacted by higher finance costs on floating rate debt and higher operating costs in the retirement portfolio because of increased energy costs in communal areas.	Increase of 9% delivered during the period as a result of organic growth from the portfolio due to rent increases and acquisitions in H2 2022.	6.2% like-for-like rental reviews growth achieved for properties that were eligible for rent increases during the six months ended March 2023, adjusted for shared ownership rent increases which occurred on 1 April 2023. This growth reflects the 6.0% rent increase caps on retirement leases, as well as the 7.0% cap implemented for shared ownership rent increases which took effect on 1 April, 2023.	H1 2023 cost ratio impacted by higher operating costs in the retirement portfolio because of increased energy costs in communal areas.	Decreased profit before tax driven by property valuation loss reflecting market repricing due to higher interest rates and increased valuation of debt. The repricing of real estate assets has been rapid and significantly faster than in previous property cycles. We expect the attractive characteristics of residential property assets, in conjunction with the supply/demand imbalance and lack of affordable housing, to continue to appeal to a wide range of property investors resulting in relatively resilient yields compared to other property sectors.
Notes	See note 11 to the financial statements.	See note 5 to the financial statements.	See Glossary on page 65 for definition and calculation basis.	See note 7 Supplementary Financial Information.	See Consolidated Statement of Comprehensive Income on page 31.

* Alternative performance measures

Capital returns

The following KPIs focus on ReSI's strategic priority to increase overall income returns and improve the resilience and efficiency of the business model which will support increasing dividend distributions.

EPRA NTA per share* (pence)		IFRS NAV per share (pence)		Total Return on NTA (%)*		Loan to Value (LTV) (%)		Weighted Average Remaining Life of Debt (Years)	
FY 2022	H1 2023	FY 2022	H1 2023	H1 2022	H1 2023	FY 2022	H1 2023	FY 2022	H1 2023
106.1	89.0	108.8	90.0	2.8	(13.7)	47	52	22	21

	EPRA NTA per share	IFRS NAV per share	Total Return on NTA	Loan to Value (LTV)	Weighted Average Remaining Life of Debt
KPI definition	EPRA NTA (Net Tangible Assets) is the market value of property assets, after deducting deferred tax on trading assets, and excluding intangible assets and derivatives.	IFRS NAV (Net Asset Value) per share at the balance sheet date.	Return on NTA is total return for the year, prior to payment of dividends (excluding movements in valuation of debt and derivatives), expressed as a percentage of opening NTA.	Ratio of net debt to the total assets less finance lease and cash on a consolidated Group basis.	Average remaining term to loan maturity.
Comment	16.1% reduction in the six months to 31 March 2023 driven by fair value through profit and loss movements.	Returns of minus 17 pence per share in the six-month period reflecting property valuation decline and debt valuation.	Returns of minus 13.7% in H123 reflecting property valuation decline and debt valuation.	Increase in LTV reflecting outward valuation yield shift as a result of market repricing due to higher interest rates and macro-economic environment.	21 years remaining life of debt reflecting the long-term nature of ReSI's fixed and inflation-linked debt.
Notes	See note 2 Supplementary Financial Information for reconciliation from IFRS to EPRA performance measures.	See Consolidated Statement of Financial Position.	See note 11 Supplementary Financial Information for calculation.	See note 13 Supplementary Financial Information for calculation.	See note 16 for information on the Group's Borrowings.

Fund Manager's Report

The first six months of FY23 have seen a continuation of the challenging macroeconomic environment driven by a sharp and severe increase in inflation, repeated interest rate increases and the consequential impact on the cost of living. We have sought to insulate both shareholders and residents from this environment by balancing inflation-linked rent increases with support for those residents with difficulties affording rent or mortgage bills.

There have been two consequences of significantly higher inflation and interest rates for ReSI. While we have delivered strong like-for-like rent review growth, very high occupancy and collection levels, we have also experienced higher energy bills on communal areas within our retirement portfolio. Secondly, higher interest rates have impacted both our debt costs, and the gilt yields which form a key component of valuations.

Our rent review growth has been strong at 6.2%, including 7% rent increases on the shared ownership portfolio effective from 1 April 2023. 45% of the portfolio experienced rent reviews in the first half, driving 2.9% like-for-like rental growth in the period. This rent growth reflects the underlying strong demand for our affordable homes and our decision to cap inflation-linked rental increases in order to protect affordability for our residents when their incomes are under pressures not seen in recent decades.

"Our aim remains to deliver defensive long-term income for investors and meaningful social impact by providing high-quality, secure homes for our residents – and the fundamentals for this portfolio remain robust, with customer demand incredibly strong, given the economic circumstances.

Ben Fry

Managing Director, Housing

This rental growth, combined with the full impact of previous shared ownership acquisitions, helped ReSI increase net rental income by 8% to £8.3mn, despite managing 13% higher costs in our retirement portfolio, driven by increased energy costs in the communal areas, that kept retirement net income flat.

Adjusted EPRA earnings, before valuations, reduced by 3% to £4.1mn with net rental income growth offset by increased interest expenses on our £21mn floating rate debt (10% of total debt), as well as higher professional, legal and audit fees.

As with many other REITs and investment companies, the increase in gilt yields has directly impacted our portfolio valuations, which are down 7.2% like-for-like for the half year to March 2023. This valuation reduction has driven a total EPRA return of (13.7%) taking EPRA NTA to 89.0p per share. While valuations naturally remain sensitive to moves in gilt yields, as at period end we see downward pressure on valuations starting to ease, with inflationary pressures which are hopefully nearing their peak, even if they remain stubborn.

These valuation headwinds have increased the LTV of the Company to 52%. While this is broadly in line with the Company's 50% medium-term target, it includes £21mn of floating rate debt that is no longer as accretive to the Company's returns and is not in line with our strategy to derisk the balance sheet through long term amortising debt. This debt was originally put in place to provide flexibility to the Company ahead of an intended fundraise, which is no longer possible due to market conditions which have the Company continuing to trade at a significant discount to its Net Asset Value. Our proposed sale of certain non-core assets, as referred to in the Chairman's statement, will allow ReSI to de-leverage its more expensive floating rate debt, leaving a strong balance sheet reinforced only by ultra-long debt with an average maturity of 21 years.

These sales will reduce Adjusted Earnings but should reduce volatility and increase the sustainability of our income through the removal of exposure to interest rate moves. Following any asset sales, we will work with the Board to rebase the dividend, targeting a higher level of dividend cover to support a progressive dividend that grows sustainably in line with ReSI's underlying inflation-linked rents.

Rising inflation and the cost-of-living crisis continue to impact the life of our residents, but they are relatively protected compared to their peers. The shared ownership model helps partially insulate residents from cost-of-living pressures: rents are rising less than mortgage costs; mortgage rates remain well below our portfolio stress-test levels, and our shared owners have only 37% of the exposure to mortgage rate increases compared to full-ownership mortgages.

Our retirement residents typically fund rent payments with income from an inflation-linked pension, and benefit from tailored accommodation that helps to address loneliness. Across the whole portfolio our continued efforts to improve our homes' energy efficiency is helping to reduce our residents' energy bills and we have capped rent increases in the period to protect resident's affordability.

The quality of ReSI's operational business model, with individual resident contractual relationships, very strong rent collection of almost 100%, and very high levels of occupancy, reflects our focus on the under-served markets of affordable purpose-built retirement living and providing affordable homeownership to young families and key workers. This continues to give us confidence in our portfolio of 3,298 homes. We believe that the shared ownership portfolio's investment thesis will continue to prove out as rents uplift with direct inflation-linkage and de-risk through residents staircasing and repaying mortgages over time.

Financial review

Total Return

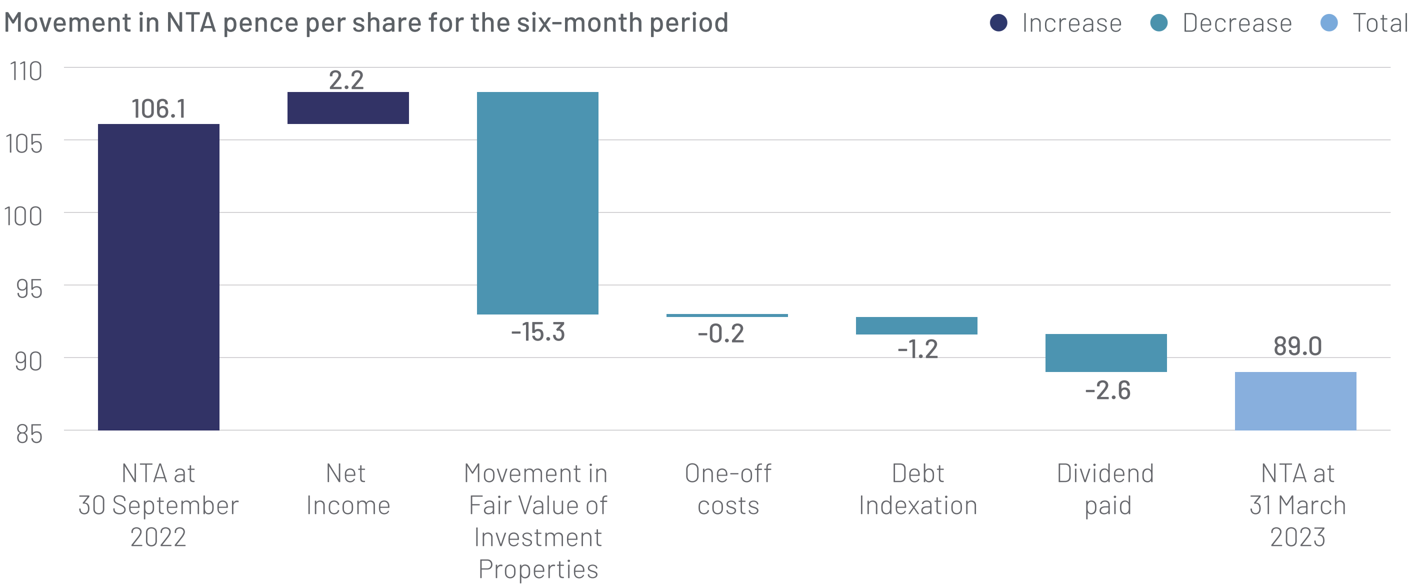
EPRA NTA total return was a negative 14.5p per share (-13.7%) for the half year, driven by a reduction in like-for-like investment property values following increases in gilt yields.

This negative 14.5 pence per share EPRA return, comprises:

- 2.2p of Adjusted EPRA earnings (see note 11 – adjusted earnings per share), with recurring income of £4.1mn; less
- 15.3p reduction in valuation on investment property as assessed by Savills representing a 7.2% decrease on a like-for-like fair value basis to a total of £355mn as at 31 March 2023. This valuation decrease was primarily driven by a c.50 bps increase (inclusive of 1 April 2023 rent reviews in shared ownership) in the weighted average valuation yield since September 2022; and
- 1.2p impact of USS debt indexation (£2.2mn), reflecting the index linked nature of the debt which follows the increase in shared ownership rent reviews up to a cap of 5.5%; less
- 0.2p one-off costs (c.£400k), attributable to aborting fundraising in Autumn 2022, following the Company's share price moving from a premium to substantial discount in NAV rendering equity raising dilutive to shareholders.

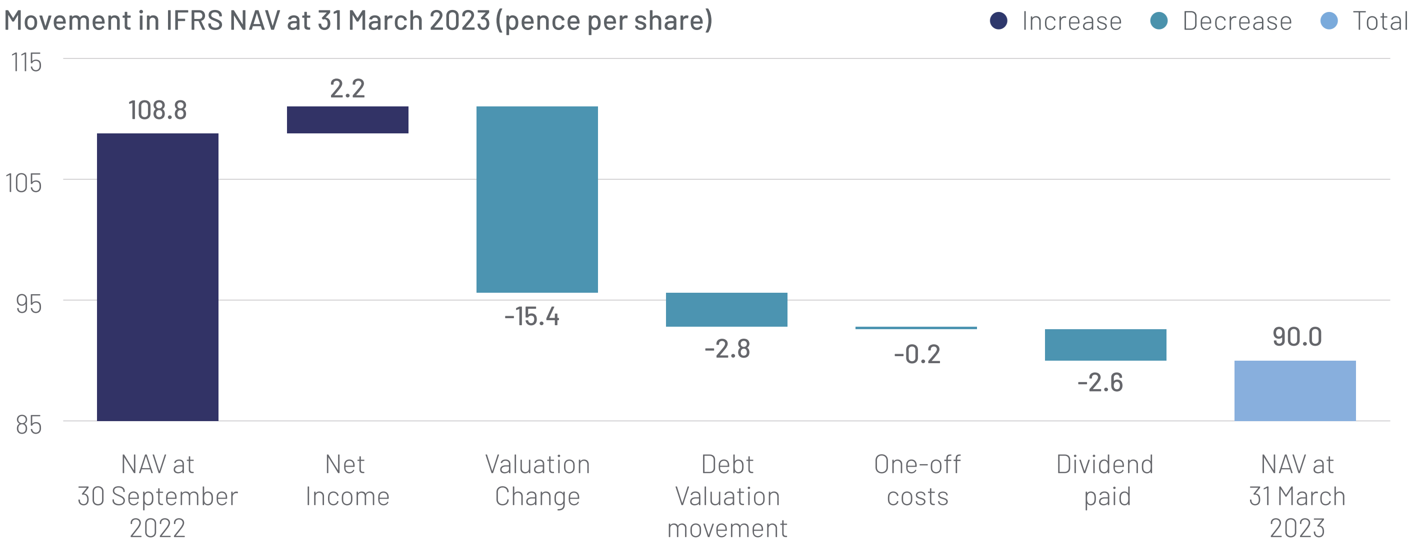
The movement in the NTA position during the half year, from 106.1p to 89.0p per share, is after total dividend payments of 2.6p per share (£4.8mn).

Movement in NTA pence per share for the six-month period



A total IFRS return of -16.2p per share (-14.9%) was delivered for the half year. The difference to EPRA NTA returns reflects an increase in the fair value of debt (IFRS) of 1.6p (£2.9mn) versus the amortised cost value of debt (EPRA) caused by reducing credit spreads in the period, partly offset by an increase in revaluation of trading properties of 0.1p (£0.2mn). IFRS NAV decreased by 18.8p after dividends paid.

Movement in IFRS NAV at 31 March 2023 (pence per share)



Statement of Comprehensive Income

Adjusted Earnings reduced by 3% to £4.1mn with 8% net rental income growth offset by increased interest expenses on our £21mn floating rate debt (10% of total debt), as well as higher overheads which are explained further below in the Fund Manager's Report.

	H1 2023 (£'000)	H1 2022 (£'000)	Variance
Net rental income	**8,768**	8,096	*8%*
First tranche sales profits	**231**	336	*-31%*
Net Finance Costs	**(3,132)**	(2,775)	*13%*
Management fees	**(1,051)**	(907)	*16%*
Overheads	**(700)**	(528)	*33%*
Adjusted Earnings/Adjusted EPRA Earnings	**4,116**	4,222	*-3%*
Adjusted EPS	**2.2p**	2.4p	*-8%*
Dividend Coverage	**86%**	96%	*-11%*
Property Valuation movements	**(28,502)**	4,975	
Debt Valuation movements	**(5,187)**	(1,033)	
One-offs	**(405)**	(328)	
IFRS (Loss)/Earnings	**(29,974)**	7,836	*-483%*
IFRS EPS	**(16.2p)**	4.5p	*-462%*

Net Rental Income

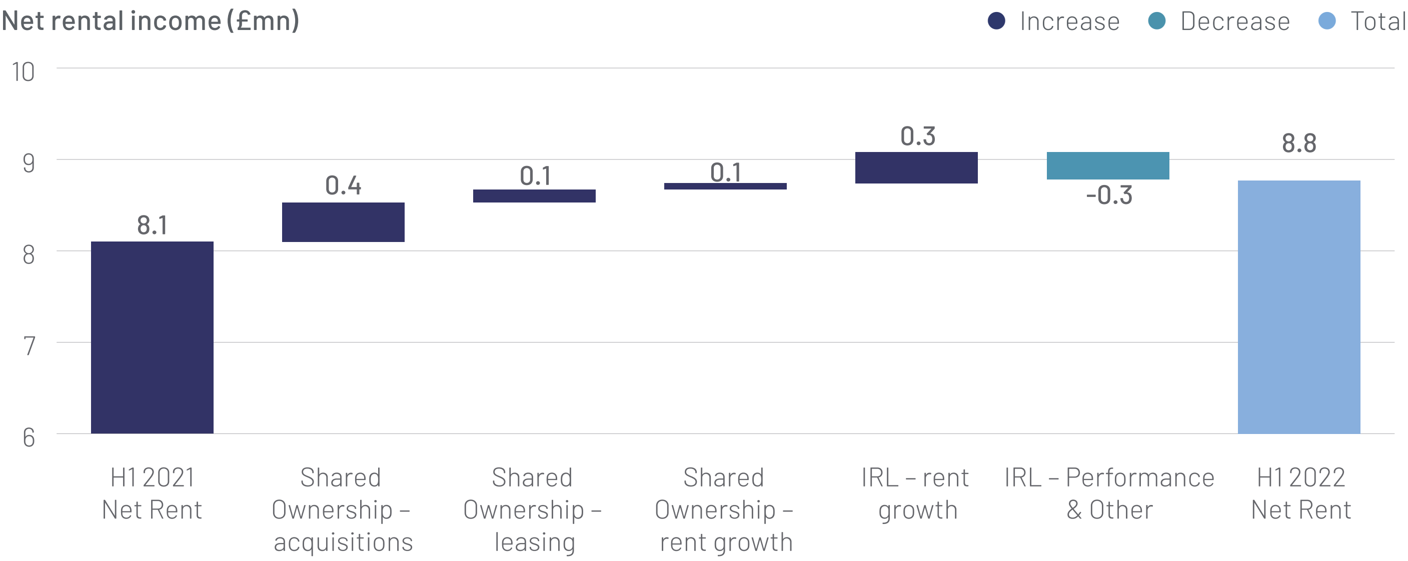
Net rental income before ground rents (NRI) grew by 8% year-over-year to £8.8mn, driven by four underlying factors:

- flat income in retirement of £5.4mn with strong rental reviews growth of 5.8% offset by 13% cost inflation;
- shared ownership rent growth of 5.5% to £1.8mn;
- full occupancy and annualised income of our like-for-like shared ownership portfolio; and
- shared ownership acquisitions from the investment of our £15mn fundraise in February 2022 providing £0.4mn

These four factors were also underpinned by:

- consistent rent collection of over 99%.

Net rental income (£mn)



Top-line retirement growth offset by cost pressure

Income growth delivered: £0m/0%/0.0 pence per share[1]

Retirement rental revenue grew 5.6% year-over-year to £10.1mn, up from 3.4% in the prior year. This was driven by rental caps of 6% applied to the RPI linked rental increases, combined with ReSI supporting residents in financial hardship with rental freezes or reduced increases. We believe our decision to cap rental increases is the right one, to both protect our residents and support the long-term stability of our income. These moves generated an annual saving for residents of c.£0.5mn/c.£690 per resident.

Revenue growth was offset by 13.1% year-over-year operating expense growth to £4.6mn, which was primarily driven by 77% increase to c.£0.53mn in the energy costs for common areas as well as a 15% increase in property management fees as we restructure the team. This resulted in flat net income over the period.

Occupancy continues to improve to a record 94%, reflecting the great customer service of ReSI's in-house property manager, ReSI Property Management Limited (RPML).

Looking forwards, we are working closely with RPML across several asset management initiatives, in order to boost income and offset cost inflation including:

- restructuring the property management team to take advantage of technology;
- re-tendering repairs and maintenance contracts to increase value-for-money on unit refurbishments;
- improving retirement re-letting timing to continue driving occupancy growth, which involves improving start times on refurbishment works for unit turnovers; and
- completing capital works and energy efficiency improvement projects

1. H1 2022 versus H1 2023

Strong and accelerating rent growth in shared ownership

Income growth delivered: £0.1mn/5.5%/0.1 pence per share[2]

Shared ownership rents increase annually on 1 April generally with RPI + 0.5% and grew by 5.5% like-for-like to £1.8mn compared to the same period last year.

This year rents were due to increase by 12.4% on 1 April, however we have capped this increase at 7% (by way of a rebate), in line with wage growth and the inflation rate excluding the impact of energy bills. This cap will help to protect affordability for our residents when their incomes are under pressure like never before. This decision is entirely in our control but matches the cap that the government has applied to general needs social housing properties. The impact of this 7% rent increase will be reflected in our income over 12 months from 1 April.

Full occupancy and annualised impact of our shared ownership portfolio

Income growth delivered: £0.1mn/0.1 pence per share[3]

Demand for ReSI's shared ownership properties remains robust, reflecting its position as the most affordable form of homeownership. ReSI benefited from full-period income from Clapham Park and Auckland Rise units that leased during H1 2022, and the same-store portfolio owned by ReSI at September 2022 is fully leased.

Shared ownership acquisitions

Income growth delivered: £0.4mn/flat on pence per share basis[4]

ReSI's earnings grew by c.£0.4mn from recent capital deployment into shared ownership investments and letting activity (excluding the impact of first tranche sales).

H1 2023 results include the full impact of ReSI's £24mn acquisition of 182 fully occupied homes from Orbit last March, and 21 homes from HSPG last September. Both of these acquisitions were occupied and immediately income generating, providing immediate earnings enhancement for ReSI.

ReSI also acquired 59 new homes (£11mn) from Brick by Brick that were delivered on phased basis between September 2022 and March 2023 as they reached construction completion. At the date of this report, 44 were occupied, with 8 reserved ahead of resident move-in and 7 remaining available, representing a take-up rate of c.6 units a month. Overall, the shared ownership portfolio is 99% sold or reserved. This leasing activity illustrates the depth of demand for shared ownership, which continues to play an essential role in helping mid-to-low earners onto the housing ladder. We expect this demand to further increase in this macroeconomic environment which is characterised by high inflation and rising interest rates, particularly with the Help-to-Buy programme having ended in March 2023.

These acquisitions were funded by £15mn of equity raised in February 2022 and debt drawn on the USS credit facility in March 2022, and are expected to be earnings accretive to ReSI's financial performance on a fully stabilised basis. The transactions with Orbit Group and Brick By Brick were repeat transactions with counterparties transacted with during FY 2021 – evidencing the growing strength of ReSI's relationship network.

Consistent rent collection

ReSI's cash flow is supported by a highly diversified set of income streams from residents who pay affordable rents. Our retirement residents typically pay their rent from pensions and savings, and residents benefitted from a 10.1% increase in state pensions in April 2023, compared to the 6% rental growth caps in place across our retirement portfolio. On average, ReSI's shared ownership residents own c.37% of their homes and generally pay below-market rent. The remainder of ReSI's rental income comes from local authority housing, which is leased to Luton Borough Council. ReSI has no leases with asset light, lease funded, housing associations or charities.

ReSI's rent collection rate exceed 99% in H1 2023 and the affordability of ReSI's rents, as well as the strength of creditworthiness in ReSI's counterparties has helped keep rental arrears at c.1% of rent roll in H1 2023. To address those arrears, we are working with residents to find solutions that benefit both parties, which can include buying back part of shared owners' home equity to provide liquidity, helping retirement residents utilise all government welfare resources and subsidies available to them, or occasionally helping residents find local authority accommodation if they cannot afford to remain living in their home.

2. H1 2022 versus H1 2023

3. H1 2022 versus H1 2023

4. H1 2022 versus H1 2023

First tranche sales profits

First tranche sales profits reduced by 31% to £0.2mn. This reflects the gain on cost we recognise by selling a portion of a shared ownership home to the occupiers and is thereafter replaced by ongoing net rental income from the shared owner. The reduction in this line reflects the ongoing maturity of ReSI's business and increased quality of income streams.

Net finance costs

Net finance costs increased by 13% to £3.1mn, caused by a 21% increase in interest on borrowings to £2.6mn, with ground rent expenses remaining at £0.5mn. Interest expenses have been driven by the 3% average increase in SONIA year on year on ReSI's £21mn of floating rate debt, as well as £20mn long-term debt drawn from USS in March 2022 to finance shared ownership acquisitions.

ReSI is exploring the sale of non-core assets in order to pay-down its short-term floating rate debt and leave the Company with long-term fixed or inflation-linked debt with a weighted average maturity of 21 years.

Administrative and other expenses

Administrative and other expenses, including management fees and other costs of running the Group, were £2.1mn (six months to 31 March 2022: £1.5mn). The year-on-year increase has been predominately driven by £0.3mn of exceptional costs recognised in the period in relation to an aborted equity raise. Prior to the market dislocation, in September 2022, the Company was well advanced with preparations for an equity raise to enable the execution of accretive shared ownership acquisitions which were under exclusivity.

Management fees have also increased to £1.0mn (six months to 31 March 2022: £0.9mn) year on year, reflecting the impact of February 2022's fund raise as well as a higher NAV than 12 months ago. The management fee is measured in advance based on the prior quarter NAV, with an annual adjustment ensuring the fee for the full financial year is charged in reference to an average NAV over the full financial year. Accordingly, the management fee is expected to reduce and for the full year ending 30 September 2023 be broadly aligned with financial year ending September 2022.

The balance of the increase, in administrative and other expenses, is attributable to costs related to investment in the regulation and governance of our Registered Provider of Social Housing, ReSI Housing, as it grows and matures. ReSI Housing is the regulated entity which holds all of ReSI's shared ownership homes and is registered with the Regulator of Social Housing.

Dividend coverage

ReSI's dividend was 86% covered by recurring income in H1 2023, reflecting an 11% year-on-year decline in dividend coverage.

Dividends paid were flat on a per share basis but increased in absolute quantum by the 8% increase in share count, reflecting the £15mn share issuance in February 2022. Rental income increased by 10% year on year, but this was more than offset by inflationary increases in retirement property expenses, increased floating rate interest costs and increase in fund operating expenses, to leave Adjusted Earnings down 3% and reduce dividend cover by 11%.

We anticipate some uplift in H2 2023 dividend coverage resulting from the 7% shared ownership rent increases on 1 April 2023, completion of lettings in the shared ownership portfolio, further rent increases in retirement, and operational initiatives that RPML is currently pursuing to reduce retirement operating costs.

Valuations

During the period, we have seen significant disruption to the UK property investment market due to macroeconomic and geopolitical issues. A significant increase in interest rates has driven a sharp increase in cost of capital and pushed property yields higher.

Valuers have been quick to reprice, to this higher rate environment, with valuation declines reported almost indiscriminately across the listed REIT space. We expect that higher quality assets gen-erating stable income flows, such as the ReSI portfolio, will stabilise more quickly and prove more resilient. Furthermore, in addition to the stable income generation, ReSI's portfolio naturally benefits from valuation tailwinds, due to the chronic undersupply in affordable housing across the demographic spectrum in the UK.

Savills Advisory Services Limited (Savills) are appointed to value the Company's property investments, in accordance with the Regulated Investment Company requirements, on a quarterly basis. ReSI's property valuation, as assessed by Savills, decreased by £28.5mn during the half year – a 7.2% decrease on a like-for-like fair value basis to a total of £355mn as of 31 March 2023. This was driven by c.50 bps increase (inclusive of 1 April 23 rent reviews in shared ownership) in the weighted average valuation yield applied to the portfolio, with both shared ownership and retirement valuation yield shifts of c.50 bps to 5.4% and 3.5% respectively. This shift in valuation yields partly reflects rental growth of 6.2% on 1,477 properties (45% of portfolio) driving 2.9% like-for-like growth for the six months to 1 April 2023. Valuations of course remain sensitive to moves in gilt yields, but we see downward pressure on valuations starting to ease.

Balance Sheet

	31 March 2023 (£'000)	30 September 2022 (£'000)	Variance
Total Investments	**355,333**	374,785	-5%
Inventories – First tranche Shared Ownership properties available for sale	**1,817**	1,203	51%
Cash and cash equivalents	**9,906**	15,984	-38%
Borrowings amortised cost	**(203,107)**	(194,701)	4%
Other	**827**	(787)	-205%
EPRA Net Tangible Assets	**164,776**	196,484	-16%
EPRA NTA per share (pence)	**89.0**	106.1	-16%
EPRA Net Disposal Value (NDV)	**185,435**	225,455	-18%
EPRA NDV per share (pence)	**100.1**	121.8	-18%
IFRS NAV	**166,635**	201,388	-17%
IFRS NAV per share (pence)	**90.0**	108.8	-17%
Book Value of Debt	**195,664**	189,705	3%
Reversionary Surplus (excluded from NTA)	**73,190**	47,971	53%
Reversionary Surplus per share (pence)	**39.5**	25.9	53%

Investment valuations declined by £19.5mn (6%) reflecting a £28.5mn (7.2%) like-for-like decline caused by a c.50 bps increase in the weighted average valuation yield and the completion of £9mn of new shared ownership acquisitions from Brick By Brick.

Inventories reflect the amount of unoccupied shared ownership properties that are expected to be sold to shared owners and are held at cost. The 51% increase reflects the acquisition of 59 vacant shared ownership homes between September 2022 and March 2023, with 23 remaining vacant on 31 March of which 8 have subsequently been occupied and a further 8 are reserved.

Total borrowings (amortised cost) increased by £8mn over the six-month period to £203mn as of 31 March 2023, reflecting quarterly indexation on the USS credit facility as well as an increase in short term borrowings for committed acquisitions.

The EPRA NTA and IFRS NAV measures exclude the reversionary surplus in our portfolio which stands at £73mn. This represents the difference between the market value of our assets used in our balance sheet and the value we could realise if they became vacant. Overall, our portfolio is valued at a 17% discount, on average, to its reversionary value.

Financing and Capital Structure

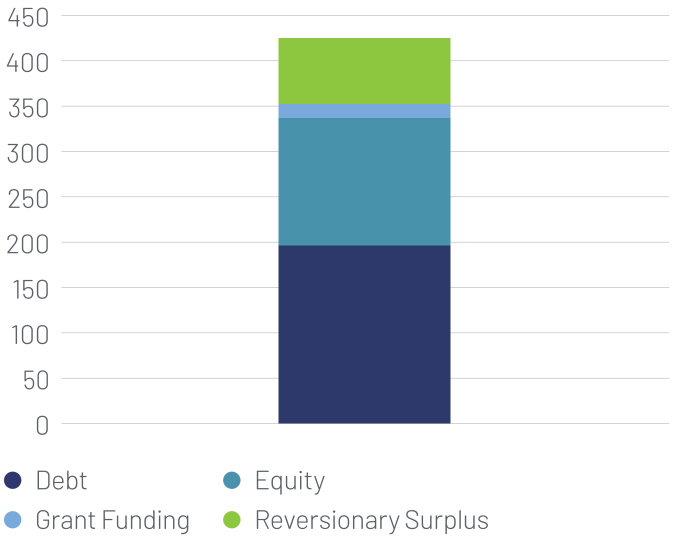
ReSI has c.£203mn (notional value) of debt in place, of which 90% is either long-term fixed rate or inflation-linked. This represents a 3% increase in fair value of debt since September 2022, reflecting changes in fair value on the inflation-linked USS debt resulting from recurring indexation (£2.2mn).

LTV has increased by 5% from 47% to 52% over the last six months ahead of our target of 50% leverage. 4% of this LTV increase was driven by a 7.2% decline in ReSI's property valuations since September 2022, with 1% driven by the impact of recurring quarterly indexation on the USS credit facility.

Our reversionary loan-to-value is 47% when taking into account the £428mn vacant possession value of the portfolio. This £73mn reversionary surplus (compared to £355mn of fair value) represents the difference between the market value of our assets used in our balance sheet and the value we could realise if they became vacant. Overall, our portfolio is valued at a 17% discount, on average, to its reversionary value.

	H1 23	FY22
Total debt	£196mn	£190mn
LTV (target 50%)	52%	47%
Leverage on reversion value	46%	42%
Weighted average fixed-debt coupon (49% of ReSI's debt)	3.5%	3.5%
Weighted average inflation-linked debt coupon (41% of ReSI's debt)	1.1%[1]	0.9%
Weighted average maturity	21 years	23 years

Capital stack (£mn)



1. 1.1% average blended coupon over the remaining loan term, with principal increasing with RPI + 0.5% (with a 0.5% floor and 5.5% cap).

The drop in property investment values and increase in debt fair value has narrowed headroom in the Santander working capital facility's loan-to-value covenant which is £8mn drawn and represents 4% of ReSI's outstanding debt balance. As at 31 March 2023, the working capital facility's LTV covenant was 53%, with c.£12mn of property value headroom (3%) before a covenant breach is triggered. We estimate that ReSI's weighted average valuation yield would need to shift outward by a further c.20bps for this valuation loss to be realised, on top of the c.50bps (inclusive of 1 April 23 rent reviews) widening since September 2022.

However, market transactional evidence as at period end suggests that we may be past the worst of valuation yield movements. Furthermore, taking into account ReSI's high-quality assets generating stable income flows, and the speed at which valuers have marked down portfolios across the listed REIT sector, we believe ReSI's portfolio is well placed to provide resilience against further material outward yield shifts.

As a wholly proactive measure, ReSI has held positive discussions with Santander in relation to the LTV covenant. Santander acknowledge the strong long-term and income generating fundamentals of the ReSI property portfolio; accordingly, they are open to relaxing the LTV covenant until yields stabi-lise. Execution of the change to the LTV covenant is expected to conclude by the end of June (subject to credit approval).

Additionally, we are actively exploring the sale of non-core assets in order to pay-down our short-term floating rate debt. This would leave the Company with long-term fixed or inflation-linked debt with a weighted average maturity of 21 years.

ReSI currently has £17mn of remaining liquidity available via its working capital facility as well as £5mn of unrestricted cash. Near-term debt maturities consist of £12.1mn of floating rate NatWest debt, which matures in October 2023. We expect to fully repay the loan in H2 2023 with proceeds from asset disposals, at which point ReSI's floating-rate-debt exposure will consist of borrowings on the revolving working credit facility.

ReSI's other LTV covenants and ICR covenants still have ample headroom and ReSI's USS debt on its shared ownership portfolio is fully amortising and so does not have a loan-to-value debt covenant.

Covenant	Loan Covenants by Portfolio[2]			
	Shared Ownership/USS	Retirement/ Scottish Widows	Local Authority/ NatWest	Total Portfolio/ Santander
Current debt balance[3]	£83mn	£94mn	£12mn	£8mn
LTV – Threshold	N/A	<59%	<60%	<55%
LTV – Reported	N/A	45%	42%	53%
Value – Headroom (%)	N/A	23%	30%	3%
Value – Headroom (£)	N/A	£47mn	£9mn	£12mn
ICR/DSCR – Threshold	>0.95x	>2.0x	>2.5x	>1.5x
ICR/DSCR – Reported	6x	3x	3x	3x
NOI – Headroom	85%	33%	21%	53%
SONIA Interest Rate – Breach Threshold[4]	Fixed-rate	Fixed-rate	>4%	30%

Social and Environmental

We remain committed to delivering measurable social and environmental impact for the benefit of our residents and the UK.

This year shared ownership rents were due to increase by 12.4% on 1 April, however we have voluntarily-capped this increase at 7% (by way of a rebate), in line with wage growth and the inflation rate excluding the impact of energy bills. This decision is entirely in our control but matches the cap that the government has applied to general needs social housing properties. The 7% rent cap is projected to save residents c.£204,000 over the next 12 months.

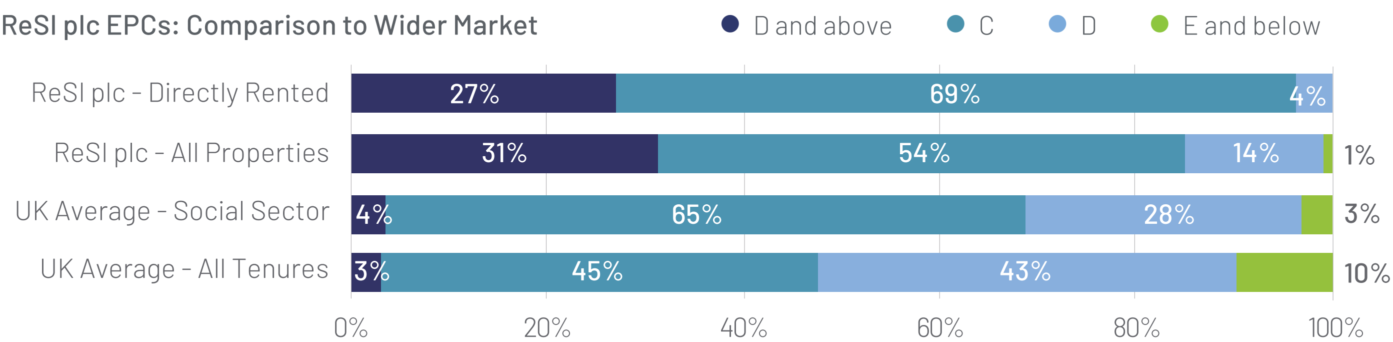
Our retirees benefit from the rent increase cap of 6% being applied to all directly rented retirement properties, which currently generates annualised savings of c.£464,000 as at March 2023. In addition, further rent caps and rent freezes have been provided to residents who are most in need, representing £38,000 of annualised benefit as at March 2023.

The rental increase caps we offer to residents highlight ReSI's commitment to ensuring housing remains affordable for our residents. We believe this will help residents stay with ReSI for longer, which should help us to deliver long-term, stable returns to investors.

Our in-house property manager, RPML, received resident survey feedback indicating c.90% resident satisfaction rates across our retirement and shared ownership portfolios. More generally, we aim to continue delivering high-quality of service to our residents as a best-in-class provider of affordable housing.

ReSI continued to invest in improving the energy efficiency of its retirement portfolio and is targeting upgrading all directly rented properties to at least a C by 2025, three years ahead of the government target with 96% now at this target. For the whole portfolio, 85% of the properties are rated C or higher, leaving ReSI well ahead of the average for the social sector and the overall UK housing market[5].

ReSI plc EPCs: Comparison to Wider Market



2. Based on lender covenant reporting. The covenants presented do not represent a comprehensive set of debt covenants. This is not a performance forecast and there can be no guarantee that ReSI will continue to meet its debt covenants in the future.

3. As at 31 March 2023. USS debt balance shown at fair value, reflecting the impact of recurring quarterly indexation and movements in gilt yields and credit spreads.

4. Interest rate breach threshold based on last-twelve-month net rental income of c.£1.8mn.

5. As defined in the English Housing Survey, 2020 to 2021

Management Team Transition

Gresham House has recently hired three senior real estate investment professionals to join the Housing team to bolster resources, experience and help to drive further growth and to work with me and the existing team.

Mike Adams is the newly appointed Managing Director of the expanded Gresham House Real Estate business and will be ultimately responsible for all Real Estate strategies.

Mike Adams joined with Burak Varisli in February 2023 and, Sandeep Patel joined in December 2022 as the divisional finance director.

Alex Pilato will fully retire on 9 June, completing a transition that commenced in March 2020 with the sale of the Fund Manager to Gresham House. Alex continues to have a very strong interest in the success of ReSI with significant shareholdings.

Summary and outlook

ReSI continues to see enormous demand for affordable homes, with a particular shortage of affordable homeownership routes for young families and key workers and fit for purpose homes for independent living through retirement, demand which ReSI is well placed to meet.

ReSI has delivered strong like-for-like rental review growth of 6.2%, inclusive of 7% rent increases on the shared ownership portfolio effective 1 April 2023, with continued high occupancy, rent collection stable at almost 100% and good demand for new homes reflecting our focus on individual resident contractual relationships.

This positions ReSI well for the future but the short-term positive impact above has been more than offset by inflationary increases in retirement property expenses, increased floating rate interest costs and an increase in fund operating expenses, to leave Adjusted Earnings down 3% and reduce dividend cover by 11%.

We are focused on operational improvements to the retirement portfolio, working closely with RPML, our dedicated in-house property management team, to drive earnings whilst exploring the sale of non-core assets to allow ReSI to pay down its floating rate debt and leave the Company with long-term fixed or inflation-linked debt with an average maturity of 21 years. We will then work with the Board to rebase the dividend, likely targeting a higher level of dividend cover to support a progressive dividend that grows sustainably in line with ReSI's underlying inflation-linked rents.

Valuations have been impacted by rising gilt yields, and of course remain sensitive to future moves, but we see downward pressure on valuations starting to ease, while inflationary pressures are hopefully nearing their peak.

With strong demand, inflation-linked rents and wide support for more investment in affordable housing the outlook for ReSI remains strong.

Ben Fry
Managing Director, Housing

6 June 2023

Environmental, Social and Governance

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

The Board and Fund Manager recognise their responsibility to manage and conduct business in a socially responsible way and many of the Company's investors, residents and other counterparties have the same values. Good governance and social responsibility require that the Company seeks to implement a collaborative approach to understanding and improving environmental and social performance. The Fund Manager is responsible for engagement on ESG matters and dedicates a significant amount of time and resource to focusing on the ESG characteristics of the properties in which it invests. Such ESG factors, which were traditionally not part of financial analysis, are incorporated and prioritised as part of the investment and due diligence process through the ESG decision tool, which has been developed by Gresham House's dedicated Sustainable Investment Team. Ongoing monitoring of ESG related risks is carried out through investment reviews.

The Fund Manager also gives appropriate consideration to corporate governance and the representation of shareholder interests. This is applied both as a positive consideration, and also to exclude certain investments where the Fund Manager does not believe the interests of shareholders will be prioritised.

Gresham House has a clear commitment to sustainable investment as part of its business mission, exemplified by being awarded the Green Economy Mark from the London Stock Exchange and being a signatory to the UK Stewardship Code.

Based on its Sustainable Investment Framework, Gresham House has developed a range of policies and processes for all asset classes which the Fund Manager uses to integrate sustainability into its investment approach. More details can be found in the Housing Sustainable Investment Policy here.

Housing Sustainable Investment Framework

The Fund Manager, with support from Gresham House's dedicated Sustainable Investment team, has developed the Housing Sustainable Investment Framework to structure analysis, monitoring and reporting of ESG issues and opportunities within the lifecycle of our investments. The Housing Sustainable Investment Framework addresses the most material themes for housing investments from the broader Gresham House Sustainable Investment Framework.

Housing Sustainable Investment Framework

Principal Risks and Uncertainties

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

The principal risk and uncertainties for the Group continue to be those outlined on pages 80 to 86 of the Annual Report for the year ended 30 September 2022 and the Board expects those to remain valid for the remainder of the financial year.

An assessment of any changes to the risks in the six months ending 31 March 2023 are listed below:

Risk	Risk mitigation	Party responsible	Monitoring responsibility	Change in risk since 2022 Annual Report
Real estate				
Significant or material fall in the value of the property market	▪ ReSI's aim is to hold the assets for the long-term and generate inflation-linked income ▪ ReSI focuses on areas of the market with limited exposure to the wider property market ▪ ReSI's portfolio aims to address chronic undersupply therefore is underpinned by strong valuation tailwinds	N/A	Board	Increased
Increase on ReSI's floating rate debt is payable based on a margin over SONIA	▪ Floating rate debt as a proportion of total debt is 10% ▪ We aim to hedge prudently our SONIA exposure, keeping the hedging strategy under review to balance the risk of exposure to rate movements against the cost on implementing hedging instruments ▪ ReSI is targeting the sale of non-core assets which will enable full repayment of floating rate debt	N/A	Board	New
An adverse change in our property valuations may lead to a breach of our banking covenants. A severe fall in values may result in us selling assets to reduce our loan commitments, resulting in a fall in our NAV	▪ We manage our activities to operate within our banking covenants and constantly monitor our covenant headroom on Loan to Value and Interest cover	N/A	Board	New

02 Governance

Directors' Responsibilities in respect of the Interim Accounts

Each of the directors, whose names are listed on page 68, confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the United Kingdom; and
- the Strategy and Performance overview on pages 8 to 11, the Fund Manager's Report and Key Performance Measures on pages 12 to 23, Principal Risks and Uncertainties on page 25 and the Related Party Disclosure on page 56 (note26) 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:

  (a) an indication of important events that have occurred during the first six months since 1 October 2022 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

  (b) disclosure of any material related party transactions in the period are included in note 26 to the condensed consolidated financial statements.

The Interim Report has been reviewed by the Company's auditor and was approved by the Board of Directors on 6 June 2023.

For and on behalf of the Board

Rob Whiteman
Chairman

6 June 2023

Independent Review Report to the members of Residential Secure Income plc

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 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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 2023 which comprises the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Cash Flow Statement, the Condensed Consolidated Statement of Changes in Equity, and related notes.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410"). 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.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the Group to cease to continue as a going concern.

Responsibilities of 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.

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

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of 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
Chartered Accountants
London, UK

6 June 2023

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

03 Financials

Condensed Consolidated Statement of Comprehensive Income

For the period 1 October 2022 to 31 March 2023

	Note	Unaudited 6 months to 31 March 2023 £'000	Unaudited 6 months to 31 March 2022 £'000
Income	5	17,022	17,721
Cost of sales	5	(8,022)	(9,290)
Net income		9,000	8,431
Administrative and other expenses	6	(2,066)	(1,466)
Operating profit before property disposals and change in fair value		6,934	6,965
Profit/(loss) on disposal of investment properties		3	(27)
Change in fair value of investment properties	9	(28,502)	4,975
Change in fair value of borrowings	9	(5,187)	(1,033)
Debt set up costs	8	(89)	(269)
Operating (loss)/profit before finance costs		(26,841)	10,611
Finance income	8	98	1
Finance costs	8	(3,231)	(2,776)
(Loss)/Profit for the period before taxation		(29,974)	7,836
Taxation	10	–	–
(Loss)/Profit for the period after taxation		(29,974)	7,836
Other comprehensive (expenses)/income:		–	–
Total comprehensive (expenses)/income for the period attributable to the shareholders of the Company		(29,974)	7,836
(Loss)/Earnings per share – basic and diluted – pence	11	(16.2)	4.5

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

The notes on pages 35 to 56 form part of these financial statements.

Condensed Consolidated Statement of Financial Position

As at 31 March 2023

	Note	Unaudited 31 March 2023 £'000	Audited 30 September 2022 £'000
Non-current assets			
Investment properties	12	386,910	406,127
Total non-current assets		386,910	406,127
Current assets			
Inventories – properties available for sale		1,817	1,203
Trade and other receivables	13	2,459	3,390
Deposits paid for acquisition		–	827
Cash and cash equivalents	14	9,906	15,984
Total current assets		14,182	21,404
Total assets		401,092	427,531
Current liabilities			
Trade and other payables	15	6,751	4,891
Borrowings	16	14,803	14,285
Lease liabilities	23	1,003	994
Total current liabilities		22,557	20,170
Non-current Liabilities			
Borrowings	16	180,861	175,420
Recycled Capital Grant Fund		465	205
Lease liabilities	23	30,574	30,348
Total non-current liabilities		211,900	205,973
Total liabilities		234,457	226,143
Net assets		166,635	201,388
Equity			
Share capital	17	1,941	1,941
Share premium	18	14,605	14,605
Treasury shares reserve	19	(8,296)	(8,293)
Retained earnings	20	158,385	193,135
Total interests		166,635	201,388
Total equity		166,635	201,388
Net asset value per share – basic and diluted (pence)	24	90.0	108.8

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

Rob Whiteman
Chairman

Date: 6 June 2023

The notes on pages 35 to 56 form part of these financial statements.

Condensed Consolidated Statement of Cash Flows

For the period 1 October 2022 to 31 March 2023

	Notes	Unaudited 6 months to 31 March 2023 £'000	Unaudited 6 months to 31 March 2022 £'000
Cash flows from operating activities			
(Loss)/profit for the period		**(29,974)**	7,836
Adjustments for items that are not operating in nature:			
Loss/(Gain) in fair value of investment properties	9	**28,502**	(4,975)
Movement in rent smoothing adjustments	5	**(559)**	(564)
Loss in fair value of borrowings	9	**5,187**	1,033
Loss/(profit) on disposal of investment properties		**(2)**	27
Shares issued in lieu of management fees		**263**	227
Finance income	8	**(98)**	(1)
Finance costs	8	**3,231**	2,776
Debt set up costs	8	**89**	269
Operating result before working capital changes		**6,639**	6,628
Changes in working capital			
Increase in trade and other receivables		**595**	476
Decrease/(increase) in inventories		**(614)**	3,483
(Decrease)/increase in trade and other payables		**2,034**	(1,002)
Net cash flow generated from operating activities		**8,654**	9,585
Cash flow from investing activities			
Purchase of investment properties	12	**(11,292)**	(3,139)
Grant received	12	**1,484**	168
Disposal of investment properties		**2,483**	517
Deposits paid for acquisition		**–**	(2,056)
Interest received	8	**98**	1
Amounts transferred into restricted cash deposits	14	**–**	–
Net cash flow from investing activities		**(7,227)**	(4,509)
Cash flow from financing activities			
Share issue (net of issue costs)	17/18	**–**	14,735
Purchase of own shares	19	**(266)**	(117)
New borrowings raised (net of expenses)	16	**4,733**	19,731
Bank loans repaid		**(4,118)**	(2,936)
Finance costs	8	**(3,078)**	(2,620)
Dividend paid	22	**(4,776)**	(4,416)
Net cash flow (utilised in)/generated from financing activities		**(7,505)**	24,377
Net increase in cash and cash equivalents		**(6,078)**	29,453
Reclassification of restricted cash balances	14	**–**	2,684
Cash and cash equivalents at the beginning of the period	14	**15,984**	5,686
Cash and cash equivalents at the end of the period	14	**9,906**	37,823

The notes on pages 35 to 56 form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity

For the period 1 October 2022 to 31 March 2023

	Share capital £'000	Share premium £'000	Own shares reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 30 September 2021	1,803	108	(8,515)	188,996	**182,392**
Profit for the period	–	–	–	7,836	**7,836**
Other comprehensive income	–	–	–	–	**–**
Total comprehensive income	–	–	–	7,836	**7,836**
Contributions by and distributions to shareholders					
Issue of shares	138	14,862	–	–	**15,000**
Share issue costs	–	(265)	–	–	**(265)**
Issue of management shares	–	–	227	(227)	**–**
Share based payment charge	–	–	–	227	**227**
Purchase of own shares	–	–	(117)	–	**(117)**
Dividends paid	–	–	–	(4,416))	**(4,416)**
Balance at 31 March 2022	1,941	14,705	(8,405)	192,416	**200,657**
Profit for the period	–	–	–	5,498	**5,498**
Other comprehensive income	–	–	–	–	**–**
Total comprehensive income	–	–	–	5,498	**5,498**
Contributions by and distributions to shareholders					
Issue of shares	–	–	–	–	**–**
Share issue costs	–	(100)	–	–	**(100)**
Issue of management shares	–	–	240	(240)	**–**
Share based payment charge	–	–	–	240	**240**
Purchase of own shares	–	–	(128)	–	**(128)**
Dividends paid	–	–	–	(4,779)	**(4,779)**
Balance at 30 September 2022	1,941	14,605	(8,293)	193,135	**201,388**
Loss for the period	–	–	–	(29,974)	**(29,974)**
Other comprehensive expenses	–	–	–	–	**–**
Total comprehensive expenses	–	–	–	(29,974)	**(29,974)**
Contributions by and distributions to shareholders					
Issue of management shares	–	–	263	(263)	**–**
Share based payment charge	–	–	–	263	**263**
Purchase of own shares	–	–	(265)	–	**(266)**
Dividends paid	–	–	–	(4,776)	**(4,776)**
Balance at 31 March 2023	**1,941**	**14,605**	**(8,295)**	**158,385**	**166,635**

The notes on pages 35 to 56 form part of these financial statements.

Condensed Notes to the Financial Statements

For the period 1 October 2022 to 31 March 2023

1. General information

The financial information set out in this report covers the six months to 31 March 2023 and includes the results and net assets of the Company and its subsidiaries. The comparatives presented for the Statement of Comprehensive Income and Statement of Cash Flows are for the six months to 31 March 2022. The comparatives presented for the Statement of Financial Position are as at 30 September 2022.

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

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

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

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

2. Basis of preparation

These condensed financial statements for the period ended 31 March 2023 have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the United Kingdom. The interim report should be read in conjunction with the annual Financial Statements for the year ended 30 September 2022, which were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with UK adopted international financial reporting standards.

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

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

The condensed financial statements for the period are unaudited and do not constitute statutory accounts for the purposes of the Companies Act 2006. The annual report and financial statements for the year ended 30 September 2022 have been filed at Companies House. The independent auditor's report on the annual report and financial statements for the year ended 30 September 2022 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under sections 498 (2) or 498 (3) of the Companies Act 2006.

a) Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern, and are satisfied that the Group has the resources to continue in business for the foreseeable future. The Group expects to refinance the NatWest facility which is due to expire in October 2023. The drawn balance of the NatWest Facility at the signing date was £12.0mn and the undrawn headroom in the Santander RCF is £17.1mn. Accordingly in the event non-core asset sales were delayed the Group has access to sufficient capital to pay down the NatWest facility. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

ReSI is subject to covenants on debt secured on its shared ownership, retirement and Local Authority portfolios (see note 16 on page 48). Sensitivity analysis has been performed, showing a large amount of headroom on all covenants, including all debt servicing and valuation metrics. Due to the long-term nature of the Company's assets and strong cash flows, the Directors do not forecast a breach of any debt covenants.

Financial models have been prepared for the going concern period which consider liquidity at the start of the period and key financial assumptions at the Company level as well as at level of the subsidiaries of ReSI. These financial assumptions include expected cash generated and distributed by the portfolio companies available to be distributed to the Company, inflows and outflows in relation to the external debt and interest payments expected within the subsidiaries, the availability of new external debt facilities, committed expenditure for investments and expected dividends as well as the ongoing administrative costs of the Company.

b) Changes to accounting standards and interpretations

Amendments to standards adopted during the year

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

Standards in issue but not yet effective

Certain amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 October 2023 and whilst the Directors are considering these, initial indications are that these changes will have no material impact on the Group's financial statements.

3. Significant accounting policies

The significant accounting policies applied in the preparation of the financial statements are consistent with those applied in the Group's statutory accounts for the year ended 30 September 2022 and are expected to be consistently applied for the year ending 30 September 2023. The policies have been consistently applied throughout the period.

4. Significant accounting judgements and estimates

There have been no new or material revision to the nature and amount of judgements and reported in the Annual Report 2022, other than changes to certain assumptions applied in the valuation of properties and USS debt.

5. Income less cost of sales

	Net property income £'000	First tranche sales £'000	Unaudited 6 months to 31 March 2023 Total £'000	Unaudited 6 months to 31 March 2022 Total £'000
Gross rental income	13,583	–	**13,583**	12,394
First tranche property sales	–	3,439	**3,439**	5,327
Total income	13,583	3,439	**17,022**	17,721
Service charge expenses	(2,704)	–	**(2,704)**	(2,398)
Property operating expenses	(2,081)	–	**(2,081)**	(1,898)
Impairment of receivables	(29)	–	**(29)**	(3)
First tranche cost of sales	–	(3,208)	**(3,208)**	(4,991)
Total cost of sales	(4,814)	(3,208)	**(8,022)**	(9,290)
Net Income before ground rents	8,769	231	**9,000**	8,431
Ground rents disclosed as finance lease interest	(478)	–	**(478)**	(513)
Net Income after ground rents disclosed as finance lease asset	8,291	231	**8,522**	7,918

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

Included within rental income is a £559,000 (2022: £564,000) rent smoothing adjustment that arises as a result of IFRS 16 'Leases' which require rental income in respect of leases with rents increasing by a fixed percentage be accounted for on a straight-line basis over the lease term. During the period this resulted in an increase in rental income, with an offsetting entry being recognised in profit or loss as an adjustment to the investment property revaluation.

Gross rental income includes service charges collected from tenants, included in rent collected but not separately invoiced, of £2,654,423 during the period (2022: £2,234,630). Service charge expenses, as reflected in the cost of sales, also includes amounts paid in respect of properties which were vacant during the period of £7,028 (2022: £163,042).

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

6. Administration and other expenses

	Unaudited 6 months to 31 March 2023 £'000	Unaudited 6 months to 31 March 2022 £'000
Fund management fee (note 26)	**1,051**	907
General administration expenses	**699**	527
Non-recurring costs	**9**	32
Aborted fundraising costs	**307**	–
	2,066	1,466

7. Directors' fees and expenses

The Group has no employees in the current period. The Directors, who are the key management personnel of the Company, are appointed under letters of appointment for services. Directors' remuneration, all of which are fees for services provided, was as follows:

	Unaudited 6 months to 31 March 2023 £'000	Unaudited 6 months to 31 March 2022 £'000
Fees	78	77
Taxes	11	11
Expenses	–	–
	89	88
Fees paid to directors of subsidiaries	25	23
	114	111

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

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

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

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

None of the Directors received any advances or credits from any Group entity during the period (2022: Nil).

8. Net finance costs

	Unaudited 6 months to 31 March 2023 £'000	Unaudited 6 months to 31 March 2022 £'000
Finance income		
Interest income	98	1
	98	1
Finance expense		
Interest payable on borrowings	(2,555)	(2,061)
Amortisation of loan costs	(156)	(154)
Debt programme costs	(42)	(48)
Lease interest	(478)	(513)
	(3,231)	(2,776)
Net finance costs	(3,133)	(2,775)
One-off shared ownership facility costs	(62)	(256)
Debt one off fees	(27)	(13)
Debt set up costs	(89)	(269)

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

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

Debt one off fees incurred in six months ended 31 March 2023 relate to the costs incurred in charging assets to the facility with Scottish Widows Limited.

9. Change in fair value

	Unaudited 6 months to 31 March 2023 £'000	Unaudited months to 1 March 2022 £'000
(Loss)/Gain on fair value adjustment of investment properties	(27,943)	5,541
Adjustments for lease incentive assets and rent straight line assets recognised		
Start of the year	2,070	922
End of the period	(2,629)	(1,488)
	(28,502)	4,975
Loss on fair value adjustment of borrowings (note 16)	(5,187)	(1,033)
Debt one off costs	(62)	(269)
	(33,751)	3,673

Loss on fair value adjustment of borrowings arises from debt raised against the shared ownership portfolio, which the Company has elected to fair value through Profit and Loss, in order to address an accounting mismatch as the value of the loan is linked to the shared ownership investment portfolio. An election has been made to value this debt at fair value through profit or loss, therefore all fees associated with this debt are expensed in entirety as they occur.

10. Taxation

	Unaudited 6 months to 31 March 2023 £'000	Unaudited 6 months to 31 March 2022 £'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 2023 £'000	Unaudited 6 months to 31 March 2022 £'000
(Loss)/Profit before tax	**(29,974)**	7,836
Tax at the UK corporation tax rate of 19% (2022: 19%)	**(5,695)**	1,489
Tax effect of:		
UK tax not payable due to REIT exemption	**253**	(577)
Investment property revaluation not taxable	**5,415**	(945)
Expenses that are not deductible in taxable profit	**(22)**	(1)
Unutilised residual current year tax losses	**48**	34
Tax charge for the period	**–**	–

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

The government has announced that the corporation tax standard rate is to remain at 19% until 31 March 2023. From 1 April 2023 the rate will increase to 25%.

11. Earnings per share

	Unaudited 6 months to 31 March 2023 £'000	Unaudited 6 months to 31 March 2022 £'000
(Loss)/Profit attributable to Ordinary shareholders	**(29,974)**	7,836
Deduction of fair value movement on investment properties and borrowings	**33,687**	(3,942)
Add back: non-recurring costs	**9**	32
Add back: one-off shared ownership facility costs	**62**	256
Add back: one-off costs relating to debt	**27**	13
Deduction of abortive costs	**307**	–
Loss/(profit) on property disposals	**(2)**	27
Adjusted earnings	**4,116**	4,222
Weighted average number of ordinary shares (thousands)	**185,163**	175,128
Basic earnings per share (pence)		
– 2023 (pence)	**(16.19)**	
– 2022 (pence		4.47
Adjusted earnings per share (pence)		
– 2023 (pence)	**2.22**	
– 2022 (pence)		2.41

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. Basic and diluted earnings per share are the same as the company only has Ordinary shares in issue.

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

EPRA Earnings per share

	Unaudited 6 months to 31 March 2023 £'000	Unaudited 6 months to 31 March 2022 £'000
(Loss)/Earnings per IFRS income statement	(29,974)	7,836
Changes in value of investment properties	28,502	(4,975)
Profits/(losses) on disposal of investment properties	(2)	27
Profits on sales of trading properties incl. impairment charges in respect of trading properties.	(232)	(336)
Changes in fair value of financial instruments and associated close-out costs	5,187	1,033
EPRA Earnings	3,481	3,585
Weighted average number of ordinary shares (thousands)	185,163	175,128
EPRA Earnings per Share (EPS) (Pence)	1.88	2.05

Adjusted EPRA Earnings per share

	Unaudited 6 months to 31 March 2023 £'000	Unaudited 6 months to 31 March 2022 £'000
EPRA Earnings	3,481	3,585
Company specific adjustments:		
Exclude one off costs	405	301
Include shared ownership first tranche sales	232	336
Company specific Adjusted Earnings	4,118	4,222
Company specific Adjusted EPS	2.22	2.41

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

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

12. Investment properties

	Unaudited 31 March 2023 £'000	Audited 30 September 2022 £'000
At beginning of period	**406,127**	372,335
Property acquisitions at cost	**11,460**	30,827
Grant receivable	**(1,148)**	(672)
Capital expenditure	**659**	652
Property disposals	**(2,480)**	(1,498)
Movement in head lease gross up	**235**	135
Change in fair value during the period	**(27,943)**	4,348
At end of period	**386,910**	406,127
Valuation provided by Savills	**355,333**	374,785
Adjustment to valuation – finance lease asset	**31,577**	31,342
Total investment properties	**386,910**	406,127

The investment properties are divided into:

	Unaudited 1 March 2023 £'000	Audited 30 September 2022 £'000
Leasehold properties	**291,093**	293,734
Freehold properties*	**64,240**	81,051
Head lease gross up	**31,577**	31,342
Total investment properties	**386,910**	406,127

* Includes Feuhold properties, the Scottish equivalent of Freehold.

The table below shows the total value of the Group's investment properties including committed properties with purchase contracts exchanged at 31 March 2023. Consistent with the valuation provided by Savills, the adjustment to fair value in respect of finance lease assets for ground rents receivable has been excluded to show the value of the asset net of all payments to be made (including ground rent payments). Committed properties with purchase contracts exchanged have been included to provide an indication of the value of all properties to which the Group is contractually committed at 31 March 2023.

	Unaudited 31 March 2023 £'000	Audited 30 September 2022 £'000
Total investment properties	**386,910**	406,127
Adjustment to fair value – finance lease asset	**(31,577)**	(31,342)
Committed properties with purchase contracts exchanged	**–**	8,635
Total investment properties including committed properties with purchased contracts exchanged	**355,333**	383,420

Included within the carrying value of investment properties at 31 March 2023 is £2,629,000 (30 September 2022: £2,070,000) in respect of the smoothing of fixed contractual rent uplifts as described in note 5. The difference between rents on a straight-line basis and rents actually receivable is included within the carrying value of the investment properties but does not increase that carrying value over the fair value.

The historical cost of investment properties at 31 March 2023 was £348,070,000 (30 September 2022: £339,012,000).

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 2023 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 £31,577,000 (£31,342,000 at 30 September 2022), representing the present value of ground rents payable for the properties held by the Group under leasehold – further information is provided in note 23. This is because the independent valuations are shown net of all payments expected to be made. However, for financial reporting purposes in accordance with IAS 40, "Investment Property", the carrying value of the investment properties includes the present value of the minimum lease payments in relation to these leases. The related lease liabilities are presented separately on the Statement of Financial Position.

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

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

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

The Group has pledged all of its investment properties (including inventory) to secure loan facilities granted to the Group (see note 16).

13. Trade and other receivables

	Unaudited 31 March 2023 £'000	Audited 30 September 2022 £'000
Trade debtors	**127**	385
Prepayments	**2,227**	2,623
Other debtors	**105**	382
	2,459	3,390

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

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

14. Cash and cash equivalents

	Unaudited 31 March 2023 £'000	Audited 30 September 2022 £'000
Cash at bank	5,245	12,739
Cash held as investment deposit	2	2
	5,247	12,741
Restricted cash	4,659	3,243
	9,906	15,984

Included within cash at the period end was an amount totalling £4,659,000 (£3,243,000 at 30 September 2022) held in separate bank accounts which the Group considers restricted cash. This relates to cash that is subject to restrictions with a third party where the terms of the account do not prevent the Group from accessing the cash. This is typically where the Group has agreed to deposit cash with a bank as part of a joint arrangement with a tenant under a lease agreement, or to provide additional security to a lender over loan facilities, or under an asset management initiative.

£1,349,000 (£1,324,000 at 30 September 2022) was held by the managing agent of the retirement portfolio in respect of tenancy rental deposits.

Other funds were held by the management agent in an operating account to pay service charges in respect of the RHP Portfolio due on 1 October 2022.

£2,954,000 (£1,564,000 at 30 September 2022) was held by US Bank in respect of funds required as a debt service reserve for the shared ownership debt. £423,000 (£354,000 at 30 September 2022) was held in respect of a service charge reserve fund.

Cash held as investment deposit relates to cash invested in a money market fund, which is invested in short-term AAA rated Sterling Investments. As the fund has a short maturity period, the investment has a high liquidity. The fund has £14.8bn AUM, hence the Group's investment deposit represents an immaterial proportion of the fund.

15. Trade and other payables

	Unaudited 31 March 2023 £'000	Audited 30 September 2022 £'000
Trade payables	2,007	1,173
Accruals	2,923	1,238
VAT payable	–	4
Deferred income	115	797
Other creditors	1,706	1,679
	6,751	4,891

16. Borrowings

	Unaudited 31 March 2023 £'000	Audited 30 September 2022 £'000
Loans	**197,947**	192,126
Unamortised borrowing costs	**(2,283)**	(2,421)
	195,664	189,705
Current liability	**14,803**	14,285
Non-current liability	**180,861**	175,420
	195,664	189,705
The loans are repayable as follows:		
Within one year	**14,803**	14,285
Between one and two years	**11,450**	9,851
Between three and five years	**8,704**	9,088
Between six and ten years	**11,099**	14,887
Between eleven and twenty years	**26,195**	29,452
Over twenty years*	**123,413**	112,142
	195,664	189,705

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

Movements in borrowings are analysed as follows:

	Fair value through profit or loss £'000	Held at amortised cost £'000	Unaudited 31 March 2023 £'000	Audited 30 September 2022 £'000
At 30 September 2022	77,703	112,002	**189,705**	168,339
Drawdown of facility	–	4,750	**4,750**	28,100
New borrowing costs	–	(17)	**(17)**	(215)
Amortisation of loan costs	–	156	**156**	268
Fair value movement	5,187	–	**5,187**	(1,809)
Repayment of borrowings	–	(4,117)	**(4,117)**	(4,978)
Period ended 31 March 2023	82,890	112,774	**195,664**	189,705

The table below lists the Group's borrowings:

Lender	Original facility £'000	Outstanding debt £'000	Maturity date	Annual interest rate %
Held at amortised cost				
Scottish Widows Ltd	97,000	92,241	Jun-43	3.5 Fixed (Avg)
National Westminster Bank Plc	14,450	12,164	Oct-23	2.0 over SONIA
Santander UK PLC	8,600	8,368	Mar-25	2.25 over SONIA
	120,050	112,773		
Held at fair value				
Universities Superannuation Scheme	77,500	82,891	May-65	1.2 (Avg)*
Total borrowings	197,550	195,664		

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

The Group has elected to fair value through Profit and Loss the Universities Superannuation Scheme borrowings. This is considered a more appropriate basis of recognition than amortised cost given the inflation-linked nature of the debt, which has been negotiated to inflate in line with the RPI linked rent in ReSI's shared ownership leases. The notional outstanding debt at 31 March 2023 was £77.5mn (30 September 2022: £77.5mn) with an amortised cost of £84.9mn (30 September 2022: £82.7mn).

The Universities Superannuation Scheme borrowings have been fair valued by calculating the present value of future cash flows, using the gilt curve and a credit spread reflecting the high credit strength of the borrower at the date of valuation. The credit spread used for the valuation as at 31 March 2022 was 1.58% (30 September 2022: 1.81%).

In accordance with IFRS 13, the Group's borrowings held at fair value have been assigned a valuation level in the fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The Group's borrowings held at fair value as at 31 March 2023 are categorised as Level 2.

Everything else being equal, there is a negative relationship between the credit spread and the borrowings valuation, such that an increase in the credit spread (and therefore the future interest payable) will reduce the valuation of a borrowing liability and vice versa. A 10-basis point increase in the credit spread would result in a reduction of the liability by £1.3mn.

The fair value of the £92.2mn of fixed rate borrowings held at amortised cost at 31 March 2023 was £75.7mn (£70.6mn at 30 September 2022).

The Scottish Widows facility is secured by a first charge over retirement properties with a fair value of £209.3mn.

The NatWest facility is secured by a first charge over Local Authority Housing properties with a fair value of £23.0mn.

The Universities Superannuation Scheme facility is secured by a first charge over shared ownership properties with a fair value £124.4mn, cash of £2.1mn, related inventory of £1.8mn, and restricted cash balances of £3.0mn.

The Group has a revolving capital facility of £25mn with Santander UK plc. As at the period end, £8.6mn has been drawn down under the facility. Each draw under the facility must be repaid within two years of drawdown, at 31 March 2023 £8.6mn is due for repayment within two years.

17. Share capital account

	Number of Ordinary 1p shares	£'000
At 30 September 2022	**194,149,261**	1,941
Issue of shares	–	–
At 31 March 2023	**194,149,261**	1,941

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.

18. Share premium account

	£'000
At 30 September 2022	14,605
Issue of shares	–
Share issue costs	–
At 31 March 2023	14,605

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

19. Treasury shares reserve

	£'000
At 31 March 2022	(8,405)
Purchase of own shares	(128)
Transferred as part of Fund Management fee	240
At 30 September 2022	(8,293)
Purchase of own shares	(266)
Transferred as part of Fund Management fee	263
At 31 March 2023	(8,296)

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

During the period ended 31 March 2023, the Company purchased 277,557 of its own 1p ordinary shares at a total gross cost of £264,981 (£261,238 cost of shares and £3,743 associated costs).

During the period, 227,557 1p Ordinary Shares were transferred from its treasury shares reserve to the Fund Manager, in lieu of the management fee in accordance with the Fund Management Agreement.

As at 31 March 2023, 8,985,980 (30 September 2022: 8,985,980) 1p Ordinary Shares are held by the Company.

20. Retained earnings

	£'000
At 31 March 2022	192,416
Profit for the period	5,498
Share based payment charge	240
Issue of management shares	(240)
Dividends	(4,779)
At 30 September 2022	193,135
Loss for the period	(29,974)
Share based payment charge	263
Issue of management shares	(263)
Dividends	(4,776)
At 31 March 2023	159,385

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

21. Group entities

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

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

Name of entity	Registered address
RHP Holdings Limited	5 New Street Square, London, EC4A 3TW
ReSI Portfolio Holdings Limited	5 New Street Square, London, EC4A 3TW
The Retirement Housing Limited Partnership	Glanville House, Frobisher Way, Taunton, Somerset, TA2 6BB
ReSI Housing Limited	5 New Street Square, London, EC4A 3TW
Wesley House (Freehold) Limited	5 New Street Square, London, EC4A 3TW
Eaton Green (Freehold) Limited	5 New Street Square, London, EC4A 3TW

All Group entities are UK tax resident.

22. Dividends

	Unaudited 6 months to 31 March 2023 £'000	Unaudited 6 months to 31 March 2022 £'000	Unaudited 6 months to 30 September 2022 £'000
Amounts recognised as distributions to shareholders in the period to 31 March 2023:			
4th interim dividend for the year ended 30 September 2022 of 1.29p per share (2021: 1.29p)	**2,388**	2,208	–
1st interim dividend for the year ended 30 September 2023 of 1.29p per share (2022: 1.29p)	**2,388**	2,208	–
	4,776	4,416	
Categorisation of dividends for UK tax purposes:			
Amounts recognised as distributions to shareholders in the period:			
Property Income Distribution (PID)	**4,776**	2,568	
Non-PID	**–**	1,848	
	4,776	4,416	
Amounts not recognised as distributions to shareholders in the period:			
2nd interim dividend for the year ended 30 September 2022 of 1.29p per share (2021: 1.25p)			2,388
3rd interim dividend for the year ended 30 September 2022 of 1.29p per share (2021: 1.25p)			2,388
			4,776

On 9 December 2022, the Company declared its fourth interim dividend of 1.29 pence per share for the period 1 July 2022 to 30 September 2022.

On 10 February 2023, the Company declared its first interim dividend of 1.29 pence per share for the period 1 October 2022 to 31 December 2022.

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

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

23. Lease arrangements

The Group as lessee

The interest expense in respect of lease liabilities for the period was £478,000 (31 March 2022: £513,000).

There was no expense relating to variable lease payments in the period (31 March 2022: Nil).

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

The total cash outflow in respect of leases was £478,000 (31 March 2022: £513,000).

At 31 March 2023, the Group had outstanding commitments for future minimum lease payments under non-cancellable leases, which fall due as follows:

As at 31 March 2023	**Less than one year £'000**	**Two to five years £'000**	**6-10 years £'000**	**10-20 years £'000**	**More than 20 years £'000**	**Total £'000**
Minimum lease payments	1,003	4,012	5,014	10,029	112,540	132,598
Interest	–	(294)	(435)	(1,519)	(98,773)	(101,021)
Present value at 31 March 2023	1,003	3,718	4,579	8,510	13,767	31,577

As at 30 September 2022	Less than one year £'000	Two to five years £'000	6-10 years £'000	10-20 years £'000	More than 20 years £'000	Total £'000
Minimum lease payments	994	3,976	4,970	9,920	113,062	132,922
Interest	–	(291)	(432)	(1,485)	(99,372)	(101,580)
Present value at 30 September 2022	994	3,685	4,538	8,435	13,690	31,342

The above commitment is in respect of ground rents payable for properties held by the Group under leasehold. There are 2,207 properties (30 September 2022: 2,182) held under leasehold with an average unexpired lease term of 154 years (30 September 2022: 155 years).

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

The Group as lessor

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

	Unaudited 31 March 2023 £'000	Audited 30 September 2022 £'000
Receivable within 1 year	8,445	7,987
Receivable between 1-2 years	6,260	5,817
Receivable between 2-3 years	5,586	5,723
Receivable between 3-4 years	5,039	4,728
Receivable between 4-5 years	4,581	4,530
Receivable between 5-10 years	21,237	19,039
Receivable between 10-20 years	42,411	37,978
Receivable after 20 years	417,544	373,736
	511,103	459,538

The total of contingent rents recognised as income during the period was £nil (31 March 2022: £nil).

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

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

The Group's shared ownership properties are let to Shared Owners on leases with initial lease terms of between 130 to 999 years.

Two of the Group's properties are let out on more traditional leases which account for approximately 8% of total rental income.

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

	Unaudited 31 March 2023 £'000	Audited 30 September 2022 £'000
Receivable within 1 year	28,338	25,099
Receivable between 1-2 years	24,500	21,547
Receivable between 2-3 years	20,714	18,590
Receivable between 3-4 years	17,640	15,286
Receivable between 4-5 years	15,126	13,221
Receivable between 5-10 years	54,089	44,784
Receivable between 10-20 years	66,697	54,455
Receivable after 20 years	432,803	382,089
	659,907	575,071

24. Net asset value per share

	Unaudited 31 March 2023 £'000	Audited 30 September 2022 £'000
Net assets	166,635	201,388
	166,635	201,388
Ordinary shares in issue at period end (excluding shares held in treasury)	185,163,281	185,163,281
Basic NAV per share (pence)	90.0	108.8

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

EPRA Net Tangible Assets (NTA) and EPRA Net Reinstatement Value (NRV) per share

	Unaudited 31 March 2023 £'000	Audited 30 September 2022 £'000
IFRS NAV per the financial statements	**166,635**	201,388
Revaluation of trading properties	**194**	93
Fair value of financial instruments	**(2,053)**	(4,997)
Real estate transfer tax	**–**	–
EPRA NTA	**164,776**	196,484
Fully diluted number of shares (thousands)	**185,163**	185,163
EPRA NTA per share (pence)	**89.0**	106.1

The Group has debt which it has elected to carry at fair value through profit and loss. In accordance with the EPRA Best Practice Recommendations, EPRA NTA should reflect the amortised cost of the debt rather than its fair value. In the current period, an adjustment has been made for £2.1mn which represents the difference between fair value and what amortised cost would have been had the Group carried the debt at amortised cost (30 September 2022: £5.0mn).

The EPRA Net Tangible Assets (EPRA NTA) per share calculated as the EPRA NTA of the Group attributable to shareholders divided by the number of Ordinary Shares in issue at the period end.

25. Contingent liabilities and commitments

ReSI's shared ownership portfolio has been supported by £15mn government grant funding. In some circumstances, typically when a Shared Owner staircases, ReSI will be required to recycle the grant into the purchase of new properties within three years or to repay it to the grant providing body. On disposal/staircasing of a grant funded property, the Group initially recognises a liability in the Recycled Capital Grant fund. If the disposal receipts are not subsequently recycled, the grant will be repaid. The balance at 31 March 2023 was £465,000 (30 September 2022: £205,000).

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

26. 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 2023, 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 7, Directors' fees and expenses.

ReSI Capital Management Limited acts as alternative investment fund manager (the Fund Manager), in compliance with the provisions of the AIFMD, pursuant to the Fund Management Agreement. The Fund Manager has responsibility for the day-to-day management of the Company's assets in accordance with the Investment policy subject to the control and directions of the Board. The Fund Management agreement is terminable on not less than 12 months' notice

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 £250mn, 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 £250mn and including £500mn, 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 £500mn and up to and including £1,000mn, an amount equal to 0.8% p.a. of such part of the Net Asset Value; or

d) on that part of the Net Asset Value over £1,000mn, 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.

For the period ended 31 March 2023, the Company incurred £1,050,681 (period ended 31 March 2022: £907,048) in respect of fund management fees of which £372,432 was outstanding as at 31 March 2023 (31 March 2022: £337,300). The above fee was split between cash and equity as per the Fund Management Agreement with the cash equating to £762,339 (31 March 2022: £680,286) and the equity fee of £254,446 (31 March 2022: £226,621) being paid as 277,556 Ordinary Shares (31 March 2022: 214,713) at an average price of £0.96 per share (31 March 2022: £1.06 per share).

In addition, the Fund Manager was paid a fee, pursuant to the Fund Management Agreement, of £nil (31 March 2022: £143,271) in respect of its arrangement of borrowings for the Group. The amount was outstanding at 31 March 2023 was £nil (31 March 2022: £143,271)

During the period the Directors and the Fund Manager received dividends from the Company of £68,201 (31 March 2022: £7,018) and £50,335 (31 March 2022: £38,616) respectively.

ReSI Property Management Limited (RPML) is a wholly owned subsidiary of ReSI Capital Management Limited and provides property management services to the Group on a cost pass through basis with no profit margin. During the period, RPML charged fees of £910,924 (31 March 2022: £804,059) in respect of property management services.

27. Post balance sheet events

There have been no significant events that require disclosure to, or adjustment in the financial statements as at 31 March 2023.

Supplementary Financial Information

For the period 1 October 2022 to 31 March 2023

1. EPRA Earnings Recurring earnings from core operational activities

	H1 2023 £'000	H1 2022 £'000
(Loss)/Earnings per IFRS income statement	(29,974)	7,836
Changes in value of investment properties	28,502	(4,975)
Profits or losses on disposal of investment properties	(2)	27
Profits or losses on sales of trading properties incl. impairment charges in respect of trading properties.	(232)	(336)
Changes in fair value of financial instruments and associated close-out costs	5,187	1,033
EPRA Earnings	3,481	3,585
Basic number of shares	185,163	175,128
EPRA Earnings per share (EPS) (pence)	1.9	2.0

Adjusted EPRA Earnings per share

	H1 2023 £'000	H1 2022 £'000
Company specific adjustments:		
Exclude one off costs	405	301
Include shared ownership first tranche sales	232	336
Company specific Adjusted Earnings	4,118	4,222
Company specific Adjusted EPRA Earnings per share (pence)	2.2	2.4

2. EPRA Net Tangible Assets (NTA)

	H1 2023 £'000	2022 £'000
IFRS NAV per the financial statements	166,635	201,388
Revaluation of trading properties	194	93
Fair value of financial instruments	(2,053)	(4,997)
Real estate transfer tax	–	–
EPRA NTA	164,776	196,484
Fully diluted number of shares	185,163	185,163
EPRA NTA per share (pence)	89.0	106.1

The Group has debt which it elected to carry at fair value through profit and loss. In accordance with the EPRA Best Practice Recommendations, EPRA NTA should reflect the amortised cost of the debt rather than its fair value. In the current period, an adjustment has been made for £2.1mn which represents the difference between fair value and what amortised cost would have been had the Group carried the debt at amortised cost.

The fair value of financial instruments removes the effect of mark-to-market adjustments, arising from the movement in gilt yields and credit spreads, to include the value of debt at amortised cost which will be crystallised through holding debt in normal circumstances.

3. EPRA Net Reinstatement Value (NRV)

	H1 2023 £'000	2022 £'000
IFRS NAV per the financial statements	**166,635**	201,388
Revaluation of trading properties	**194**	93
Fair value of financial instruments	**(2,053)**	(4,997)
Revaluation of intangibles to fair value	**–**	–
Real estate transfer tax	**–**	–
EPRA NRV	**164,776**	196,484
Fully diluted number of shares	**185,163**	185,163
EPRA NRV per share (pence)	**89.0**	106.1

The Group has debt which it elected to carry at fair value through profit and loss. In accordance with the EPRA Best Practice Recommendations, EPRA NRV should reflect the amortised cost of the debt rather than its fair value. In the current period, an adjustment has been made for £2.1mn which represents the difference between fair value and what amortised cost would have been had the Group carried the debt at amortised cost.

The fair value of financial instruments removes the effect of mark-to-market adjustments, arising from the movement in gilt yields and credit spreads, to include the value of debt at amortised cost which will be crystallised through holding debt in normal circumstances.

4. EPRA Net Disposable Value (NDV)

	H1 2023 £'000	2022 £'000
IFRS NAV per the financial statements	**166,635**	201,388
Revaluation of trading properties	**194**	93
Fair value of fixed interest rate debt	**18,606**	23,974
EPRA NDV	**185,435**	225,455
Fully diluted number of shares	**185,163**	185,163
EPRA NDV per share (pence)	**100.1**	121.8

5. EPRA Net Initial Yield (NIY) and EPRA "Topped Up" NIY

	H1 2023 £'000	2022 £'000
Investment property – wholly owned	355,333	374,785
Trading property (including share of JVs)	1,817	1,203
Completed property portfolio	357,150	375,988
Allowance for estimated purchasers' costs estimated as 6% of property portfolio	21,429	22,560
Gross up completed property portfolio valuation	378,579	398,548
Annualised cash passing rental income	25,145	24,809
Property outgoings	(9,629)	(8,653)
Annualised net rents	15,516	16,156
Add: notional rent expiration of rent-free periods or other lease incentives	–	–
Topped-up net annualised rent	15,516	16,156
EPRA NIY	4.1%	4.1%
EPRA Topped up NIY	4.1%	4.1%

6. EPRA Vacancy Rate

	H1 2023 £'000	2022 £'000
Estimated Rental Value of vacant space	1,449	1,368
Estimated rental value of the whole portfolio	26,907	27,292
EPRA Vacancy Rate	5%	5%

7. EPRA Cost Ratios

	H1 2023 £'000	H1 2022 £'000
Administrative/operating expense line per IFRS income statement	2,067	1,466
Net service charge costs/fees	2,704	2,398
Management fees less actual/estimated profit element	1,006	973
Other property operating expenses	1,104	928
Service charge costs recovered through rents but not separately invoiced	(2,537)	(2,235)
EPRA Costs (including direct vacancy costs)	4,344	3,530
Direct vacancy costs	(317)	(273)
EPRA Costs (excluding direct vacancy costs)	4,027	3,257
Gross Rental Income less ground rents – per IFRS	13,105	11,881
Less: service fee and service charge costs components of Gross Rental Income	(2,537)	(2,235)
Gross Rental Income	10,568	9,646
EPRA Cost Ratio (including direct vacancy costs)	41%	37%
EPRA Cost Ratio (excluding direct vacancy costs)	38%	34%

In accordance with the EPRA Best Practice Recommendations, EPRA Costs should exclude service charges recovered through rents but not separately invoiced and include all property operating expenses. The prior period costs have been updated to reflect this.

Gross rental income includes service charges collected from tenants, included in rent collected but not separately invoiced, of £2,537,000 during the period (H1 2022: £2,235,000). Service charge expenses, as reflected in the cost of sales, also includes amounts paid in respect of properties which were vacant during the period of £167,000 (H1 2022: £63,000).

Management fees less actual/estimated profit element is made up of property management fees paid during the period.

8. EPRA LTV

	H1 2023 £'000	2022 £'000
Borrowings	195,664	189,705
Net payables	2,940	–
Less cash	(9,906)	(15,984)
Net debt	188,698	173,721
Investment properties at fair value	355,333	374,785
Net receivables	–	325
Total property value	355,333	375,110
EPRA LTV	53%	46%

9. AIC Ongoing Ratio

	H1 2023 £'000	2022 £'000
Total expenses ratio		
Management fee	1,051	1,867
Fund operating expenses*	441	742
	1,492	2,609
Annualised total expenses	2,984	2,609
Average Net Asset Valuation**	183,484	191,890
Annualised total expenses ratio	1.6%	1.4%

* Fund operating expenses has been revised to only include the direct costs at the fund level and not subsidiary level. No adjustment was made in the prior year.

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

10. Net rental yield

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

	2022 £'m	2022 £'m
Annualised net rental income at balance sheet date	17.2	16.5
Fair value of investment properties	355.3	374.8
Net yield	4.8%	4.4%

11. Total Return on NTA

A performance measure which represents the total return for the year, excluding movements in valuation of debt and derivatives, expressed as a percentage of opening NTA.

	H1 2023 £'mn	H1 2022 £'mn
Operating profit before property disposals and change in fair value	6.9	7.0
Valuation movement of investment properties	(28.5)	4.9
Finance costs	(3.2)	(3.0)
Debt Indexation*	(2.1)	(3.1)
Revaluation of trading properties	(0.1)	(0.3)
Property return	(27.0)	5.2
IFRS NAV at beginning of the prior year	201.4	182.4
Revaluation of trading properties	0.1	0.3
Fair value of financial instruments	(5.0)	2.0
Real estate transfer tax	–	–
Opening EPRA NTA	196.5	184.7
Movement in share capital	–	14.9
Increase/(decrease) in the year	(31.7)	1.0
Closing EPRA NTA	164.8	200.6
Total return on opening NTA (%)	(13.7)%	2.8%

* The Group elected to carry this debt at fair value through profit and loss. In accordance with the EPRA Best Practice Recommendations, EPRA NTA should reflect the amortised cost of the debt rather than its fair value. In the current period, an adjustment has been made for £2.1mn which represents the difference between fair value and what amortised cost would have been had the Group carried the debt at amortised cost.

12. Total Return on IFRS NAV

A performance measure which represents the total IFRS return for the year as a percentage of opening IFRS NAV.

	H1 2023 £mn	H1 2022 £mn
Net (expenses)/income	(30.0)	7.8
Share issuance costs	–	(0.2)
Total Return	(30.0)	7.6
Net Asset Value at the beginning of the year	201.4	182.4
Total IFRS return on opening NAV (%)	(14.9)%	4.2%

13. Loan to Value Ratio

The LTV leverage ratio has been presented to enable a comparison of the Group's borrowings as a proportion of Gross Assets as at 31 March 2023 to its medium target LTV leverage ratio of 0.50.

	H1 2023 £'000	2022 £'000
Borrowings excluding lease liability	**195,664**	189,705
Available cash	**(8,135)**	(12,675)
Net debt excluding lease liability and cash increase/(decrease) in year	**187,529**	177,030
Total assets less finance lease gross up and cash	**359,608**	380,206
Loan to Value ("LTV") leverage ratio	**0.52**	0.47

04

Other Information

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 Computershare Company Secretarial Services 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 subsidiary of Gresham House plc, 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.
HMRC	HM Revenue & Customs
Investment company	A company formed to invest in a diversified portfolio of assets.

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.
Like-for-like rental review	The change in gross rental income in a period for homes that were occupied and eligible for a rent review during the period under review. Applies to changes in gross rents on a comparable basis and excludes the impact of acquisitions, disposals and resident turnover.
Liquidity	The extent to which investments can be sold at short notice.
Loan to Value (LTV) Ratio	Ratio of total debt outstanding, excluding the finance lease liability, against the total assets excluding the adjustment for finance lease gross up.
Market Rental Home	Means both a Unit of residential accommodation and an accommodation block comprising multiple Units facilities that is/are made available, by a Tenant, Occupant or Nominator, to a resident/residents at a market rent.
Net assets	Means the net asset value of the Company as a whole on the relevant date calculated in accordance with the Company's normal accounting policies.
Net asset value (NAV) per Ordinary Share	Means the net asset value of the Company on the relevant date calculated in accordance with the Company's normal accounting policies divided by the total number of Ordinary Shares then in issue.
Non PID dividend	Means a dividend paid by the Company that is not a PID.
Ongoing charges	A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company.
Ordinary Shares	The Company's Ordinary Shares of 1p each.
PID	Means a distribution referred to in section 548(1) or 548(3) of the CTA 2010, being a dividend or distribution paid by the Company in respect of profits or gains of the Property Rental Business of the Group (other than gains arising to non-UK resident Group companies) arising at a time when the Group is a REIT insofar as they derive from the Group's Property Rental Business.
Portfolio	A collection of different investments held in order to deliver returns to shareholders and to spread risk.
Premium	The amount, expressed as a percentage, by which the share price is more than the net asset value per share.
Property Rental Business	Means a Property Rental Business fulfilling the conditions in section 529 of the CTA 2010.
REIT	Real estate investment trust.
Rental Agreement	Comprise Leases, Occupancy Agreements and Nominations Agreements.
Rental growth	The change in gross rental income in a period as a result of rent increases, tenant renewals or a change in tenants. Applies to changes in gross rents on a comparable basis and excludes the impact of acquisitions, disposals and changes resulting from refurbishments.

Reputable Care Provider	Means a Statutory Registered Provider or other private entity in the business of building, managing and/or operating Functional Homes in the United Kingdom that the Fund Manager considers reputable in light of its investment grade equivalent debt strategy.
Reversionary Surplus	The increase in valuation if the portfolio is valued on a vacant possession basis compared to the IFRS fair value.
RPI	The Retail Price Index (RPI) is a measure of inflation, which in turn is the rate at which prices for goods and services are rising.
Share buyback	A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.
Share price	The price of a share as determined by a relevant stock market.
Shared Owner	Means the part owner of a shared ownership home that occupies such shared ownership home in return for the payment of rent to the co-owner.
Social impact per share	The social, economic and environmental impact and value of investments calculated using two key analysis frameworks, Social Return on Investment (SROI) and Economic Impact, divided by the number of shares outstanding.
Sub-Market Rental Home	Means a Unit of residential accommodation that is made available, by a Tenant, Occupant or Nominator, to a resident to rent at a level below the local market rent.
Total return	A measure of performance that takes into account both income and capital returns.
Treasury shares	A company's own shares which are available to be sold by a company to raise funds.
UK AIFM Regime	Together, The Alternative Investment Fund Managers Regulations 2013 (as amended by The Alternative Investment Fund Managers (Amendment etc.)(EU Exit) Regulations 2019) and the Investment Funds Sourcebook forming part of the FCA Handbook, in each case as amended from time to time.

Company Information

Directors

Robert Whiteman
(Non-executive Chairman)

Robert Gray
(Senior Independent Director)

John Carleton
(Non-executive Director)

Elaine Bailey
(Non-executive Director)

Registered Office

The Pavilions
Bridgwater Road
Bristol BS13 8FD

Company Information

Company Registration Number: 10683026
Incorporated in the United Kingdom

Fund Manager

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

Corporate Broker

Peel Hunt LLP
7th Floor, 100 Liverpool Street
London EC2M 2AT

Legal and Tax Adviser

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

Tax Adviser

Evelyn Partners Group Limited
(formerly Smith & Williamson)
45 Gresham Street
London EC2V 7BG

Depositary

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

Administrator

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

Company Secretary

Computershare Governance Service, UK
The Pavilions
Bridgwater Road
Bristol BS13 8FD

Registrar

Computershare Governance Service, UK
The Pavilions
Bridgwater Road
Bristol BS13 8FD

Auditors

BDO LLP
55 Baker Street
London W1U 7EU

Public Relations Adviser

KL Communications
40 Queen Street
London EC4R 1DD

Valuers

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

Since 1857

Gresham House

Specialist asset management