Residential Secure Income plc
Annual Report 2018

About Us

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

ReSI was admitted to the premium listing segment of the Main Market of the London Stock Exchange on 12 July 2017, raising £180m in its IPO.

On 5 July 2018, the Regulator of Social Housing approved the registration of ReSI Housing Limited (a wholly owned subsidiary of ReSI) as a for profit Registered Provider of social housing.

ReSI is the first real estate investment trust able to invest in all residential asset classes that comprise the stock of registered UK social housing providers, Housing Associations and Local Authorities across the United Kingdom.

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

ReSI is required to have indicative terms of long term investment grade equivalent debt financing in place prior to asset acquisition, ensuring asset quality and mitigating refinancing risk and interest rate exposure.

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

As at 30 September 2018, ReSI had acquired 2,362 units at a cost of £210m, and exchanged on an additional 57 units.

Further acquisitions have been made after the period end of 73 units at a cost of £24m.

Including these acquisitions, ReSI has deployed around £234m of the proceeds raised at its IPO and debt funding in assembling a portfolio which now comprises 2,435 residential units, with over 80% of the portfolio invested in Southern England.

Contents

Key Highlights
as at 30 September 2018

Financial Highlights

105.1p/+7.3%
Net Asset Value per share
IFRS Net Asset Value per share, an increase of 7.1p or 7.3% (versus Net Asset Value per share immediately following Admission of 98.0p)

£183.6m/+4.1%
Net Asset Value
IFRS Net Asset Value, an increase of £7.2m (versus Net Asset Value immediately following Admission of £176.4m)

£164.9m
Market Cap
Market Cap of equity at 30 September 2018

9.02p
Earnings per share
Profit after tax per share including revaluations based on IFRS NAV

£225.2m/+7.0%
Value of Investment Property
Fair Value of investment property at 30 September 2018, excluding adjustment to fair value for the finance lease asset, an increase of 7.0% compared to property acquisitions at cost

£53.0m
Debt Raised
The debt is priced at an all in fixed rate of 3.4507% , is partially amortising and finally repayable in 2043

3.00p
Dividend per share
Dividends declared for the period to 30 September; targeting 3p per share for the period to 30 September 2018 and 5p per share annually thereafter increasing in line with inflation

£14.8m
Valuation uplift
Increase in fair value of investment property to 30 September

22.8%
LTV Ratio
Ratio of total debt drawn against fair value of investment property (excluding adjustment for finance lease asset)

9.5%
Total Shareholder Return
Total return to shareholders to 30 September through increase in Net Asset Value and dividends

1.5%
Ongoing charges ratio
Annualised ongoing charges ratio based on period end NAV, including 1.0% for the Fund Manager's fee

2.3m
Shares
Held by the Fund Manager, directors of the Fund Manager, and Directors of ReSI plc. Equal to 1.3% of the total number of shares outstanding as at 30 September

Operational Highlights

2,362
Units acquired
2,362 units acquired spread across the UK as at 30 September 2018 with a further 73 assets acquired post period end

£210.3m
Capital deployed
Total consideration on the acquisition of properties up to 30 September 2018

Over 80%
Of units located in Southern England
Percentage of the total portfolio located in Southern England, defined as the South East, South West, East Anglia and Greater London

£10.5m
Annualised net rental income
Net rental income (net property income less ground rents disclosed as finance costs) to 30 September 2018, annualised for a full calendar year for all acquisitions acquired before 30 September 2018

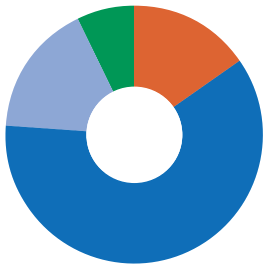
5.0%
Annualised net yield
On capital deployed – Annualised net rental income divided by capital deployed

610
Locations
Number of unique locations where properties are owned across the United Kingdom

Investment Timeline

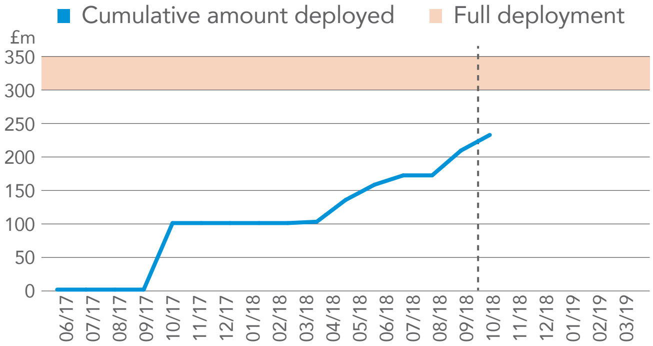
Portfolio Allocations

(by value invested)



■	Local Authority Housing	15.7%
■	Retirement	60.1%
■	Retirement (licensed)	17.0%
■	Shared Ownership	7.2%

Deployment Timeline



	Acquisitions	Capital	Other Announcements
July 2017		**12 July** Raised £180m at IPO	
November 2017	**24 November** £101m acquisition of retirement homes portfolio		
April 2018			**9 April** Announcement of Share buyback programme
May 2018	**16 May** £32m acquisition of licensed retirement portfolio		
June 2018	**21 June** £21m acquisition of Local Authority Housing	**29 June** Raised £53m 25 year fixed debt facility	**18 June** Extended lease term on 1,003 long leasehold properties
July 2018	**16 July** £13m acquisition of Local Authority Housing		**9 July** Registration of ReSI Housing Limited as a Registered Provider with the Regulator of Social Housing
August 2018			**30 August** Appointment of Richard Stubbs as CFO of ReSI Capital Management
September 2018	**10 September** £41m acquisition of retirement homes portfolio		*Period-end date*
October 2018	**19 October** £7m acquisition of licensed retirement portfolio	**26 October** Raised £40m 25 year fixed debt facility	**3 October** Appointment of David Orr as ReSI Housing Chairman
	26 October £16m acquisition of new build homes for conversion into Shared Ownership		

Investment Strategy

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

Investment Strategy

- Select counterparties with strong credit covenants – larger, well established Housing Associations, Local Authorities, leading private operators or shared equity tenants
- Acquire modern properties on a predominantly freehold or long leasehold (e.g. 100 years) basis
- Responsibility for operations and maintenance with operators or tenants
- Target standing investments and forward funded opportunities (avoid development risk)
- Apply long-term investment grade equivalent debt, targeting 50% leverage (debt/gross assets). ReSI aims to have indicative terms in place prior to asset acquisition, mitigating interest rate exposure and validating underlying asset quality
- The investment strategy seeks to deliver an inflation-linked target of 5% p.a. dividend and total return in excess of 8% p.a.

Key Investment Themes

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

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

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

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

The Company's subsidiary ReSI Housing became a Registered Provider of social housing in July and is now able to acquire properties designated as affordable and which are funded by government grant, expanding ReSI's pool of potential investments.

ReSI has a fully independent board of experienced non-executive directors and has appointed ReSI Capital Management Limited, a wholly-owned and separately regulated subsidiary of TradeRisks Limited, to act as its alternative investment fund manager.

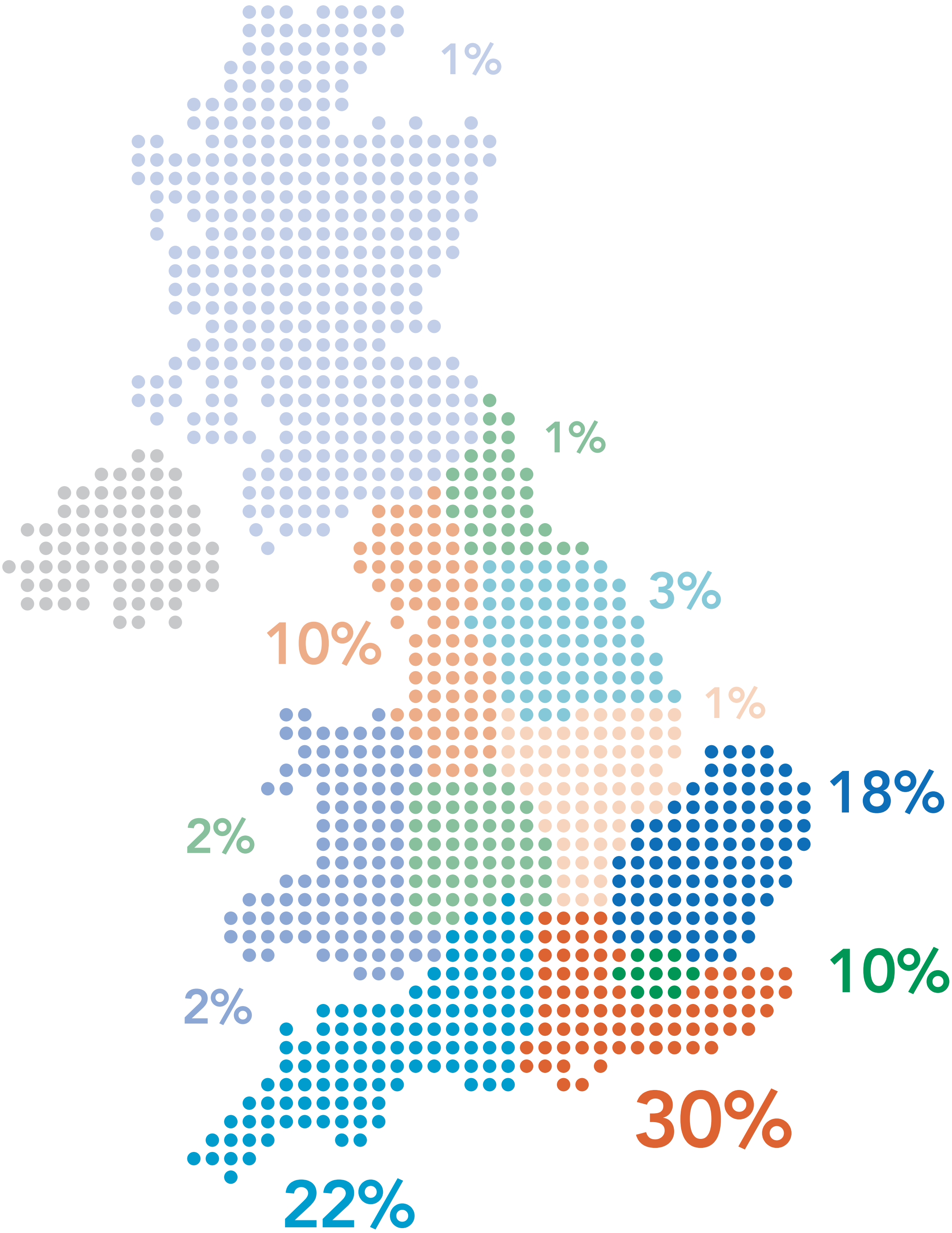
In addition ReSI Housing, the Group's for profit Registered Provider of social housing has its own independent board of experienced non-executive directors chaired by David Orr, recently retired CEO of the National Housing Federation.

TradeRisks is a risk advisory firm and financing arranger focused on social housing and other specialist residential property and social infrastructure sectors. TradeRisks has advised on and arranged funding of over £10bn for social housing and other specialist residential property. It has advisory or transactional relationships with many of the larger UK housing associations, together representing c. 1.2m units of housing.

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

Investment Portfolio

Since IPO, ReSI has assembled a portfolio of 2,435 housing units, which includes 73 units acquired since the period end, and comprises: 2,112 (77.1% by value) Retirement Rental homes, 289 (15.7% by value) Local Authority Housing units and 34 (7.2% by value) Shared Ownership Homes.



Retirement Rental Portfolio

The Retirement Rental Portfolio consists of freehold and long leasehold interests in retirement homes. This portfolio delivers £8.7m of annualised rental income, and comprises two complementary types of property:

Retirement Flats

- Acquired UK-wide portfolio comprising 1,341 units in 250 purpose built retirement housing blocks for £101m in November 2017. Extended lease term on 1,003 properties to 150 years
- Acquired portfolio comprising 421 retirement homes across 284 purpose built retirement schemes from Places for People for £37m in September 2018 and exchanged contracts to acquire a further 57 units
- The majority of properties are let on Assured Tenancies to retirement-aged residents, offering them lifetime security of tenure. All tenancy rent reviews are annual and RPI linked, capped at 6.0% per annum
- The building fabric and services in the Retirement Rental Portfolio are the responsibility of the freeholder and their estate manager. ReSI uses its position as a service charge payer (sometimes the majority payer in a development and for 3 blocks the freeholder) to ensure high standards are maintained and that sinking funds for future repairs are at a prudent level

Licensed Rental Homes

- Portfolio comprising 277 units acquired by ReSI for £31 million in May 2018
- Further acquisition of 39 unit property manager flats for £6.5m in October 2018
- The units are licensed to First Port, the UK's largest residential property management group, or directly to the freeholder and used to house retirement property managers within the schemes they manage
- The units provide a contractual, inflation-linked rental income with around 80% subject to upwards only RPI reviews and the remaining subject to upwards only market rent reviews

Debt Funding

- Secured £53m of 25 year fixed rate debt at a coupon of 3.45% in June 2018 that is partially amortising and finally repayable in 2043
- Secured a second tranche of £40m fixed rate debt at coupon of 3.49% in October 2018 that is partially amortising and finally repayable in 2043

Local Authority Housing

ReSI's aim is to become a long term partner to Local Authorities in providing affordable accommodation for their constituents. ReSI currently has a portfolio of 289 units of Local Authority Housing which delivers £1.8m of annualised net rental income.

Wesley House

- Acquired freehold interest in Wesley House, comprising 134 self-contained residential flats, for £21m in June 2018
- The building has recently undergone a full refurbishment, completed in 2016
- Located in central Luton, 5 minutes' walk from the main railway station. Used by the Council to provide housing under the Local Authority's statutory obligations
- Let to Luton Borough Council on leases with a weighted average remaining term of 7.0 years
- The leases provide a CPI-linked upwards-only rent and pass to the Local Authority the responsibility for repairs to the flats and all letting risk

Eaton Green Court

- Acquired freehold interest in Eaton Green Court, comprising 155 residential units in four buildings, for £13m in July 2018
- The building has recently undergone a full refurbishment, completed in 2017
- The buildings benefit from an 8.9 year lease to Luton Borough Council (with an option for the local authority to extend by 10 years) and are used to provide housing under the Local Authority's statutory obligations, as well as back to work and support services to tenants.
- Mears is responsible for repairs to the flats and providing the support services while Luton Borough Council retain control of letting and management

Shared Ownership

- ReSI made its first Shared Ownership investment in October 2018 when it acquired 34 new build units at Crest Nicholson's Totteridge Place development in the London Borough of Barnet for £16.45m, which ReSI intends, using government grant funding, to convert into Shared Ownership homes
- ReSI will sell an initial share of between 25% and 75% of the property to households with income up to £90,000 p.a. and will receive RPI-linked rent on the remaining portion
- The ratio of house prices to workplace earnings in Barnet has increased from 9.18x in 2009 to 15.88x in 2017, an increase of 73%. The conversion of these units into Shared Ownership will increase provision of affordably priced housing in the local area
- Managed by Metropolitan Thames Valley Housing, one of the largest housing associations and a recognised leader in shared ownership. Prior to their merger, Metropolitan and Thames Valley sold a combined 537 Shared Ownership units in 2017/8. There were a total of 8,667 Shared Ownership sales by Registered Providers/Local Authorities in 2016/7
- Assets are held through ReSI Housing Limited – registered as a for profit Registered Provider of social housing on 5 July 2018.

Chairman's Statement

Rob Whiteman
Chairman

Introduction

I am pleased to present the maiden annual results of Residential Secure Income plc ("ReSI" or the "Company") together with its subsidiaries (the "Group") for the period from 12 July 2017 to 30 September 2018 (the "Period").

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

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

Having made its first acquisition in November 2017, ReSI achieved its IPO objective of entering the UK REIT regime.

The Property Portfolio

ReSI has made substantial progress in deploying the capital available to it from its IPO and its borrowings, having deployed £234m in acquiring a strong portfolio of 2,435 properties serving the retirement sector, Local Authority housing needs and Shared Ownership tenants.

After an initial £101m acquisition of retirement homes announced in November 2017 ReSI has used its position in the retirement homes market to complete three further transactions which add scale to the portfolio and provide the opportunity for operational synergies. A total of £184m has now been deployed into retirement homes, including licenced house manager flats, with ReSI owning 2,112 residential retirement units located across England, Wales and Scotland. We were delighted to have completed the acquisition of such a strong portfolio of properties serving the retirement sector, an important and growing segment of demand.

The retirement units are used to provide age-restricted retirement housing and are managed by a specialised subsidiary of one of the largest UK housing groups. The vast majority of these units are long-leasehold properties, with a weighted average unexpired lease term which, since acquisition, has increased to around 125 years, after ReSI extended the term of 1,003 of the leases to 150 years, in a value-enhancing transaction which was announced in June 2018.

In June and July 2018, ReSI announced two transactions to acquire freehold Local Authority housing containing 289 units let to Luton Borough Council. The properties are used by the Local Authority to provide housing under its statutory obligations, and so play an important role in meeting the local need for accommodation.

ReSI has also completed £93m of debt transactions (including post-Period) as described further in the Fund Manager's report, which provide 25 year fixed rate, partially amortising funding, hence minimising ReSI's exposure to interest rates and refinancing risk.

Registered Provider status

In July 2018 ReSI was pleased to announce that, through its wholly owned subsidiary ReSI Housing Limited ("ReSI Housing"), it had become the first publicly listed investment fund to be authorised as a Registered Provider with the Regulator of Social Housing.

This was a very important development as becoming a Registered Provider allows ReSI Housing to acquire properties that are designated as affordable accommodation under planning requirements and those that are funded by government grant, including Shared Ownership, thus greatly expanding the range of opportunities available to ReSI. As described in "Progress since the end of September 2018" ReSI has already announced its first such Shared Ownership transaction through ReSI Housing, and expects this route to be a key enabler for sustainable future growth.

Financial results

ReSI's financial results are strong in spite of the fact that deployment of the IPO proceeds was initially slower than anticipated at IPO, although the pace of investment has significantly accelerated since then, as further described in the Fund Manager's report. The Company maintained its highly disciplined approach to selecting investments and was able to make acquisitions at attractive levels. This is reflected in the increase in ReSI's Net Asset Value, and the fact that the assets are producing the expected income. As a result, we remain fully confident in our overall investment strategy and our target dividend and return expectations are unchanged from those set out at the time of our IPO.

The assets in ReSI's portfolio have performed well. At 30 September 2018, the Portfolio had produced income in line with expectations and its valuation, as assessed by Savills, had increased by 7.0% over its aggregate purchase price. This valuation increase is reflected in ReSI's Net Asset Value and Earnings for the Period.

The Net Asset Value per share at 30 September 2018 was 105.1p which represents a 7.3% increase from the 98.0p Net Asset Value per share immediately after IPO. ReSI quotes Net Asset Value on a basis that is consistent with the IFRS valuation methodology used in its accounts.

	£m	pence per share
Net Asset Value as at 12 July 2017	**176.4**	98.0
Net Income for period	**1.7**	0.9
Valuation change	**14.4**	8.1
Dividend paid	**(4.0)**	(2.2)
Net capital reduction	**(4.9)**	(2.7)
Impact of reduction in number of shares	–	3.0
Net Asset Value as at 30th September 2018	**183.6**	105.1

For the period from Admission to 30 September 2018 ReSI recorded a net income of £1.7m excluding revaluations for the period. Total profit attributable to shareholders was £16.1m resulting in net earnings per share for the period of 9.0p comprising operating income of 0.9p and valuation gain of 8.1p per share.

Dividends

For the period from the date of Admission to 30 September 2018, ReSI has declared four equal dividends of 0.75p per share (declared in February, May, August and November 2018) totalling 3.0p per Ordinary Share, in line with our target at IPO.

We intend to pay dividends to shareholders on a quarterly basis and in accordance with the REIT regime.

Given the progress in building our portfolio, its performance and the outlook for the Company, ReSI reaffirms both its target dividend yield of 5% per annum (based on the issue price of 100p per Ordinary Share) starting for the year commencing 1 October 2018 and which we subsequently expect to increase broadly in line with inflation, and its target total return of in excess of 8% per annum.

Progress since the end of September 2018

ReSI has continued to build and execute on a strong pipeline of investment opportunities. In particular, we were very pleased to announce in October 2018 ReSI's first Shared Ownership transaction, when we exchanged contracts to acquire 34 new build homes located in the London Borough of Barnet, which ReSI intends, using government grant funding, to convert into Shared Ownership homes.

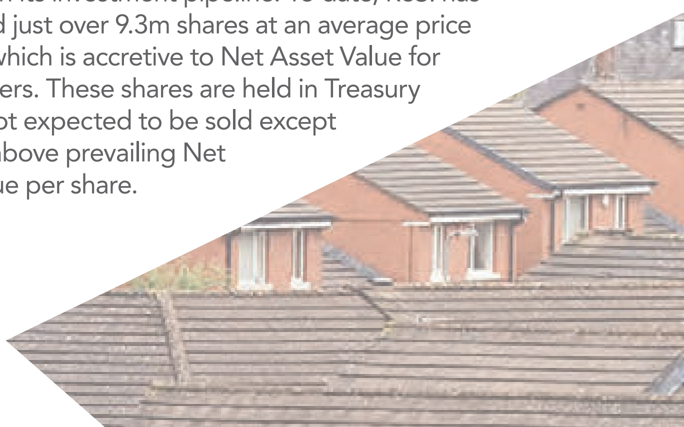
ReSI has also announced in October 2018 the acquisition of a further £6.5m of retirement homes that are leased to the freeholder of the relevant block and a further £40m long-term debt transaction secured against part of its retirement homes portfolio.

We are pleased that ReSI Housing announced that David Orr, previously CEO of the National Housing Federation, had been appointed chairman.

ReSI is making good progress to fully commit its current capital to high quality investments. This progress is more fully described in the Fund Manager's report.

Share Buy-Backs

On 9 April 2018 ReSI announced that it would commence a share buyback programme in response to the discount in ReSI's share price below Net Asset Value. The programme allowed ReSI to invest in its own shares at attractive prices without compromising its ability to execute on its investment pipeline. To date, ReSI has purchased just over 9.3m shares at an average price of 92.5p which is accretive to Net Asset Value for shareholders. These shares are held in Treasury and are not expected to be sold except at prices above prevailing Net Asset Value per share.



Board changes

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

On 14 September 2018 ReSI announced that Mike Emmerich, formerly CEO of New Economy Manchester, has joined the board.

Outlook

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

Through ReSI Housing, our Registered Provider of social housing, we are now able to acquire properties designated as affordable accommodation and those that are funded by government grant, including Shared Ownership. We expect this route to be key to future growth.

The Fund Manager continues to build a pipeline of high quality investments that meet our investment criteria and has identified transactions which would deploy all of ReSI's remaining capital (with funding across the portfolio at approximately 50% loan-to-value). These transactions are currently in negotiation and are undergoing detailed legal and property due diligence. We will continue to be highly selective in choosing opportunities and apply rigorous due diligence, consistent with requiring acquisitions to be capable of supporting investment grade equivalent debt.

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

Rob Whiteman
Chairman
Residential Secure Income plc

22 November 2018

Strategic Report

Fund Manager's Report

Jonathan Slater

After a slower than expected start, as described in the Company's March 2018 interim report, ReSI has now made substantial progress in deploying its available capital. Furthermore, as a result of ReSI Housing becoming a Registered Provider on 5 July 2018, the Company now has a structural advantage in being able to access otherwise restricted assets, which is of great significance for future growth.

ReSI has currently, including acquisitions in October 2018, deployed £234m of capital in acquiring a strong portfolio of 2,435 properties serving the retirement sector, Local Authority Housing needs and Shared Ownership tenants. This total includes the two transactions totalling £54m whose heads of terms were referred to in the interim report, which were successfully executed.

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

As a result of this pipeline, we have identified transactions which would deploy all of ReSI's remaining capital (with funding across the portfolio at approximately 50% loan-to-value). These transactions are currently in negotiation and are undergoing detailed legal and property due diligence.

Opportunities and investment focus

ReSI can invest across the range of types of residential housing owned by Housing Associations and Local Authorities. This allows management to optimise the portfolio amongst the available opportunities taking into account prospective returns, security of those returns and diversification within the portfolio. We can either buy existing social housing stock or, through our for-profit Registered Provider, ReSI Housing, can buy unrestricted stock and use government grant to convert their use to affordable housing. The table below illustrates the sectors of the residential market that are our focus, as well as the benefits of these sectors to both their end-users and investors seeking long-term stable returns:

		Rental housing		
Sectors	**Shared Ownership**	**Market rental housing**	**Functional housing**	**Sub-market rent housing**
Focus for ReSI	Shared ownership housing	Solutions to temporary and emergency accommodation	Retirement rental/ sheltered housing	Affordable and intermediate housing
Purpose	Allow first time buyers onto property ladder	Provides accommodation for those otherwise in temporary or emergency accommodation	Provides a rental option with lifetime security of tenure for the elderly or those requiring specially adapted homes	Subsidised rent for key workers and low income groups
Benefits to investors	Shared Ownership consists of c. 125 year leases paying rent increasing annually at RPI + 0.5%. Tenants have a strong incentive to pay rent given their ownership stake. Staircasing terminates rental income but returns capital with potential upside	Leases are direct with Local Authorities who are generally AA rated entities and have a statutory duty to house those who are homeless or threatened with homelessness ReSI rents around market rent to minimise downside risk if Local Authority doesn't renew lease	Rental payments are delinked to economy as tenants pay through pensions, housing benefits etc. Includes property used to house the property manager within the development they manage, with the rent ultimately paid by the service charge of all leaseholders providing a very secure income stream	Properties let below market rent with high demand due to a shortage of other affordable housing options

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

Shared Ownership and Sub-market rent Housing

The case for raising equity-like capital within the social housing sector has increased since our IPO with the main Housing Association developers responding to government calls to increase the supply of housing. Under current arrangements this leads to increasing indebtedness, with a number of Housing Associations nearing their debt capacity. The annual publication by the then Homes and Communities Agency (Global Accounts of Registered Providers, Dec 2017) shows a slow but steady growth in debt as a proportion of net book value of properties. A recent survey by Savills (The Savills Housing Sector Survey June 2018 in association with the Social Housing magazine) demonstrates that, in terms of financing additional supply, the most quoted barrier within the business is gearing capacity. In order to increase supply, Housing Associations need to overcome several barriers, ranging from access to land, financial constraints and increases in planning obligations for affordable housing. The growing trend for equity-like capital to fund new social housing is becoming more prevalent and is the only way that long-term capacity to develop can be assured.

We continue to work with the leading Housing Associations and private developers to both invest in their existing stock and forward-fund new properties in order to accelerate their development programmes. These discussions are primarily around multi-year programmes to become the equity funding partner of developers (both private and Housing Associations) and allow acceleration of development plans without using the developer's capital. ReSI Housing's registration as a Registered Provider of social housing, in particular, has opened up a new ability to source stock directly from developers that is either required by planning conditions to be rented below market, or which can be converted, with subsidy from government grant, into Shared Ownership. These partnerships will change the nature of our origination from a focus on specific acquisitions to framework approaches, allowing ReSI to secure investment pipeline.

Local Authority Housing

Unfortunately, many Local Authorities, especially those in South East England, have in recent years experienced significant increases in households presenting as homeless. This is primarily a result of the critical shortage of both affordable and market housing, exacerbated by reforms to the Local Housing Allowance. Together these factors have left Local Authorities with a statutory duty to find housing for increasing numbers of households but without the permanent homes to do so. The recently enacted Homelessness Reduction Act has further added to the pressure on Local Authorities to find housing solutions in order to prevent homelessness building upon the Housing Act 1996, as amended by the Homelessness Act 2002, which places a duty on Local Authorities to secure accommodation for unintentionally homeless people who are in priority need. According to published reports, England had 79,880 households in Temporary Accommodation at the end of March 2018, and the households included 123,130 children. Demand for Temporary Accommodation has grown by over 70% since March 2011. Whilst the recent announcement by the government to remove the cap on Local Authorities borrowing through their Housing Revenue Account will allow some Local Authorities to begin to address their housing requirements, the depth of the problem is such that we still see huge demand from Local Authorities.

As such, we are working with a number of Local Authorities to provide good quality buildings as accommodation for vulnerable single people and families without relying on expensive and short-tenure solutions such as hotels or hostels. ReSI provides Local Authorities with a long term institutional landlord to replace the numerous individual landlords that Local Authorities currently rely upon and removes the difficulties that Local Authorities have with ensuring adequate standards across their rented estates.

Retirement Rental Housing

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

As such, we continue to develop investment opportunities across the four broad areas of Local Authority housing, age-restricted retirement rental housing, sub-market rental accommodation and Shared Ownership.

We expect ReSI's current remaining investment capacity to be focussed predominantly on Shared Ownership.

Performance

The property portfolio has performed in line with expectations in terms of net income generation and, as noted above, delivered a return above expectations from increases in valuation since purchase. These increases in valuation derive from a combination of attractive purchase yields, especially in the retirement home space where ReSI's existing portfolio makes it a preferred purchaser, and asset management activity including negotiated lease extensions. As at 30 September 2018, the Net Asset Value included a 7.0% gain in the valuation of the portfolio above purchase price. The NAV Total Return of 9.5% is pleasing and compensates for the unanticipated cash drag caused by the additional time taken to deploy capital.

ReSI's acquisitions to 30 September 2018 deliver an unlevered yield of 5.0%. The retirement rental portfolio, where leverage is now in place, delivers a leveraged yield of 6.8%.

ReSI's expenses ratio of 1.5% (annualised and based on closing NAV) has been 0.2% higher than anticipated due to the legal and other costs of setting up and registering ReSI Housing. Primarily due to the additional structural costs involved with ReSI Housing, we expect that the on-going expense ratio will be 1.5%. However, this does not affect our equity return or dividend targets since the increase in expected costs is more than offset by a corresponding increase in investment returns due to the wider range of opportunities available through ReSI Housing. The majority of operating costs are fixed so we would expect this ratio to decline as the fund grows.

Borrowing

On 28 June 2018, ReSI completed a £53m fixed rate debt financing, with a term of 25 years, representing leverage of around 50% (loan/gross assets) secured against our initial retirement acquisition. The rate on the financing was partially pre-hedged to mitigate interest rate exposure before completion using an interest rate swap.

Swap rates had declined at the date of exiting the swap and fixing the rate on the loan in June 2018 and therefore ReSI recognised a loss on exiting the swap (as shown in Net Finance Costs). However, as is the intention of hedging, this is compensated for by a lower future interest cost than would have otherwise been achieved if the debt had been fixed at the time of hedging.

On 26 October 2018, ReSI completed a further £40m debt financing on similar terms to the above. This was secured on the further additions to the retirement homes portfolio.

These debt financings form part of the strategy to target an overall level of indebtedness of 50% loan to gross asset value and a low cost of long-term funding, which together enhance the returns to equity available to ReSI shareholders and minimise exposure to interest rate and refinancing risks.

Since 30 September 2018, ReSI has continued to work with institutional debt investors and is in discussion with debt providers to put in place further investment grade equivalent debt against our recent and current acquisitions and working capital facilities to bridge the time between acquiring an investment and putting in place long term financing.

We now look forward to reaching the point where ReSI's current capital is fully committed.

Jon Slater
Chief Executive
ReSI Capital Management Limited
22 November 2018

Investment Strategy

Investment objective

The Investment objective of ReSI 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. Such asset classes are categorised as Shared Ownership Homes, Market Rental Homes, Functional Homes and Sub-Market Rental Homes and will provide secure long-term inflation linked cashflows to the Group. The target is to deliver an inflation linked 5% p.a. dividend and total return in excess of 8% p.a.

Background to the sector

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

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

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

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

Housing Associations and Local Authorities

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

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

Transaction types

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

Rental Housing

- **Functional Homes**

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

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

- **Sub-Market Rental Homes**

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

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

- **Market Rental Homes**

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

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

Shared Ownership Homes

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

ReSI will enter into a fully repairing and insuring Shared Ownership Lease with the Shared Owner, typically for a term of 125 years or over, and a Rent Collection and Management Agreement with a Statutory Registered Provider acting as Rent Collector and Manager.

ReSI can either buy existing Shared Ownership stock or, through our Registered Provider ReSI Housing Ltd, can buy unrestricted stock and use government grant to convert their use to Shared Ownership.

Investment Objective, Policy and Restrictions

Investment objective

The Company'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. Such asset classes are categorised as Shared Ownership Homes, Market Rental Homes, Functional Homes and Sub-Market Rental Homes and will provide secure long-term inflation-linked cash flows to the Group.

Investment policy

The investment policy is to invest in portfolios of homes throughout the United Kingdom.

The freehold or long leasehold (typically 100 years and longer) interest of homes will be acquired by the Company directly or indirectly (either through the acquisition of Home-owning vehicles or the entry into joint venture arrangements) with the benefit of long-term (typically 20 years and longer) inflation-linked cash flows.

In each case, the Group will outsource the day-to-day management, rent collection and maintenance in respect of a home.

The Group will make use of leverage, put in place on or shortly after the acquisition of homes, to enhance returns on equity. The Group will only invest in Homes, and forward funding of homes, with sufficient cashflows, counterparty credit quality and property security that allow the Fund Manager to secure debt of a credit strength which is equivalent to investment grade based on published rating agency methodologies. This restriction to homes that can be funded with investment grade equivalent debt is the fundamental limitation on asset quality of the Company.

The Group will not undertake any direct development activity or assume direct development risk but may enter into forward funding arrangements without limit subject to the investment restrictions outlined below. These are arrangements with property developing entities (typically expected to be Statutory Registered Providers) whereby the Group forward funds the development of homes by such developing entities, which will be structured so that the only risk to the Group is the credit risk of such developing entity. Homes that are subject to a forward funding arrangement with the Group will be subject to a rental agreement with a Counterparty or Shared Ownership Lease with a Shared Owner contingent on completion of construction. In such circumstances, the Group will typically seek to negotiate the receipt of immediate income from the asset, such that the developing entity is paying the Group a return on its investment during the construction phase and prior to the tenant commencing rental payments under the terms of their lease. In addition, the Group may engage in renovating or customising existing homes, as necessary.

The Group aims to deliver capital growth by holding the Portfolio over the long term and therefore it is unlikely that the Group will dispose of any part of the Portfolio. In the unlikely event that a part of the Portfolio is disposed of, the Group intends to reinvest proceeds from such disposals in assets in accordance with the Investment Policy.

Investment restrictions

The Group will invest and manage the Portfolio with the objective of delivering a high quality Portfolio, which is fundamentally driven by the requirement that homes have sufficient cashflows, counterparty credit quality and property security that allow the Fund Manager to secure debt of a credit strength which is equivalent to investment grade based on published rating agency methodologies and which is subject to the following investment restrictions:

- the Group will only invest in homes located in the United Kingdom
- the homes will comprise Shared Ownership Homes, Market Rental Homes, Functional Homes and Sub-Market Rental Homes
- the Group will only invest in Market Rental Homes, Functional Homes and Sub-Market Rental Homes
- homes in respect of which the Counterparty is a Statutory Registered Provider, University, Reputable Private Landlord or Reputable Care Provider
- no home, or group of homes forming one contiguous, or largely contiguous, block of homes (for example a building containing multiple flats), will represent more than 20% of Gross Asset Value calculated at the time of investment. However, during such time as Gross Asset Value remains below £900 million, the maximum limit for up to two homes may exceed 20% but will not exceed 25% of Gross Asset Value (calculated at the time of investment) per Home in order to facilitate the ownership of certain larger homes during the Company's initial deployment period
- the aggregate maximum credit exposure to any Counterparty or Shared Owner, will not exceed 20% of Gross Asset Value, calculated at the time of investment. However during such time as Gross Asset Value remains below £900 million, the maximum credit exposure to up to two Counterparties and/or Shared Owners may exceed 20% but will not exceed 25% of Gross Asset Value (calculated at the time of investment) per Counterparty and/or Shared Owner in order to facilitate the ownership of certain larger residential assets during the Company's initial deployment period
- with respect to forward funded homes, the maximum exposure to an individual property developing entity will be limited to 20% of Gross Asset Value calculated at the time of investment. However, during such time as Gross Asset Value remains below £900 million, the maximum limit for up to two individual property developing entities may exceed 20% but will not

- exceed 25% of Gross Asset Value (calculated at the time of investment) per individual property developing entity in order to facilitate the forward funding of homes during the Company's initial deployment period; and
- the Group will not undertake any direct development or speculative development.

The Group shall be permitted to acquire any property consisting of homes and a commercial element, provided that the Fund Manager is satisfied that such commercial element is ancillary to the primary function of such Home as a Shared Ownership Home, Market Rental Home, Functional Home or Sub-Market Rental Home.

The investment limits detailed above apply at the time of the acquisition of the relevant investment in the Portfolio. The Group will not be required to dispose of any investment or to rebalance its Portfolio as a result of a change in the respective valuations of its assets or merger of Counterparties.

Joint ventures

The Group may acquire homes through joint-venture arrangements with Statutory Registered Providers pursuant to which the Group and the relevant Statutory Registered Provider will together participate in a joint venture vehicle that owns (directly or indirectly) the relevant Home.

Investments through such joint-ventures will be subject to the same investment restrictions and leverage policy, which shall be read to look through the joint venture vehicle and apply to the Group's partial (through the joint venture vehicle) economic ownership interest in the relevant Home.

Use of leverage and gearing limits

The Group will seek to use leverage to enhance equity returns of the Portfolio. The level of borrowing will be determined by the Fund Manager based on the characteristics of the relevant property and asset class and the Fund Manager will seek to achieve a low cost of funds, whilst maintaining the flexibility in the underlying security requirements and the structure of both the Portfolio and the Group.

The Fund Manager intends to have indicative terms of any debt funding before completing an acquisition which will mitigate the risk of a funding mismatch arising. When considering any funding proposal, the Fund Manager will make use of its officers' experience, and those of its parent, TradeRisks Limited, in accessing long-term fixed rate and inflation-linked debt, which will most appropriately match debt against the cashflow profile of the investment opportunity. The Fund Manager intends to structure the debt by assessing the operational cashflows from the target asset and setting a Debt Service Coverage Ratio that, in combination with the counterparty credit quality and property security, gives efficient funding, which shall be of a credit strength equivalent to investment grade based on published rating agency methodologies. As such the gearing strategy for the Group is more akin to long term project finance debt than to traditional commercial property debt.

Debt may be secured or unsecured. If secured, it will be secured at asset level, whether over a particular property or a holding entity for a particular property or series of properties (without recourse to the Company). The Fund Manager intends that all indebtedness will be incurred on a fully or partially amortising basis, to minimise the need to refinance on any final repayment date, with the exception of any working capital facilities raised at the level of the Company.

The Group will target an asset level aggregate level of borrowings of 50% of Gross Asset value over the medium term. Aggregate Group borrowings will always be subject to an absolute maximum, calculated at the time of drawdown, of 67% of Gross Asset Value.

Use of derivatives

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

The Group will only use derivatives for risk management and not for speculative purposes.

Cash management

Until the Group is fully invested, and pending re-investment or distribution of cash receipts, the Group will invest in cash, cash equivalents, near cash instruments and money market instruments.

REIT status

The Directors will at all times conduct the affairs of the Company so as to enable it to become and remain qualified as a REIT for the purposes of Part 12 of the CTA 2010 (and the regulations made thereunder).

Amendments to and compliance with the Investment Policy

Material changes to the Investment Policy may only be made with the approval of Shareholders by way of ordinary resolution and (for so long as the Ordinary Shares are listed on the Official List) in accordance with the Listing Rules. Non-material changes to the Investment Policy must be approved by the Board, taking into account advice from the Fund Manager and external advisers where appropriate.

Key Performance Indicators

Measure	Explanation	Relevance to Strategy	Result
Capital deployed	ReSI measures the rate at which it has deployed capital since IPO since this drives the timing of income production.	ReSI's strategy is to invest in high quality social housing assets; hence the total capital deployed into such assets reflects ReSI's ability to source suitable investments.	£210m deployed by 30 September 2018, and a further £24m subsequently. Investments have been identified which would commit ReSI's remaining capital (with funding across the portfolio and approximately 50% loan-to-value).
IFRS NAV per share	ReSI measures its IFRS Net Asset Value per share, consistent with its financial statements, with a target to achieve capital appreciation in line with inflation without reliance on gains from asset sales.	A higher IFRS NAV per share compared to ReSI's opening NAV of 98p per share immediately following IPO, reflects capital appreciation on its portfolio.	IFRS NAV of 105.1p per share, including a £14.8m capital appreciation gain on investments.
Dividend per share	Targeting 3p per share in the period from IPO to 30 September 2018; 5p per share per annum thereafter, growing in line with inflation.	ReSI seeks to provide stable rental income to its investors through regular consistent dividend payments in line with its target. Measuring dividend payments per share reflects ReSI's ability to meet this target, with performance constrained by available cash and the income generated from ReSI's assets.	Dividends of 2.25p per share paid to date and fourth interim dividend for the period of 0.75p per share declared on 15 November 2018, thereby achieving target dividend for the first financial period.
Ongoing charges ratio	Ongoing charges express the ratio of annualised ongoing expenses to Net Asset Value at the end of the period.	ReSI measures the ongoing charges ratio to demonstrate that the running costs of the Company and are kept to a minimum without impacting on performance. A lower ongoing charges ratio will improve ReSI's financial performance.	1.5%, from Admission to 30 September 2018, of which 1.0% relates to Fund Manager fees and the remainder being general and administrative expenses. The ongoing charges ratio has been 0.2% higher than anticipated due to the additional costs of setting up and registering ReSI Housing.

Principal Risks and Uncertainties

Risk	Risk Mitigation
Company, Investment Strategy and Operations	
ReSI may not meet its investment objective or return objective	• On-going information on investment activities provided by the Fund Manager to the Board • Regular review of investment and return objectives
ReSI may be unable to make acquisitions on its targeted timeline	• ReSI has a detailed Investment Policy that describes target assets and the process for acquiring such assets • TradeRisks has long-term relationships with leading UK Housing Associations and Local Authorities • Registration of ReSI Housing as a Registered Provider expands the origination universe to include acquiring newly developed properties that are designated as affordable accommodation under planning requirements and unrestricted stock where ReSI can apply government grant to convert into Shared Ownership • TradeRisks has extended its origination and relationship network by bringing in additional experienced professionals with backgrounds working for housing associations, Local Authorities and property developers
ReSI's due diligence ('DD') may not identify all risks and liabilities in respect of an acquisition	• The Fund Manager engages established law firms to carry out legal DD managed by in-house counsel • Property DD carried out by reputable real estate surveyors and managed by in-house property experts • Financial DD carried out by major accounting firms and managed by experienced accountants • TradeRisks performs shadow credit ratings utilising published credit rating methodologies • The Fund Manager has strengthened its finance team through the recruitment of a Chief Financial Officer with an extensive real estate fund accounting and administration background.
Real estate	
Significant or material fall in the value of the property market	• The aim of ReSI is to hold the assets for the long term and generate inflation linked income • ReSI does not intend to rely on realised revaluation gains to cover dividend payments, which it intends to cover from income once fully invested • ReSI enters into long-term management agreements to ensure any fall in the property market should not result in significant impairment to the rental cashflows • ReSI focuses on areas of the market with limited and ideally countercyclical exposure to the wider property market
Retaining and procuring appropriate tenants	• The Fund Manager engages third parties to provide the day-to-day management of a home and letting and collection of underlying rent from residents or Shared Owners • The Fund Manager only accepts void risk where there is a demonstrable strong demand or where the tenants are part owners of the properties (as exhibited by retirement, sub-market rental assets or Shared Ownership properties)

Principal Risks and Uncertainties
continued

Risk	Risk Mitigation
Service providers	
ReSI is dependent on the expertise of the Fund Manager and TradeRisks and their key personnel to evaluate investment opportunities and to assist in the implementation of ReSI's investment objective and investment policy	• ReSI places reliance on the independent Board of Directors who have strong relevant experience • The Fund Manager and TradeRisks interests are aligned to those of ReSI's shareholders through a fee structure which pays 25% of Fund Manager fees in equity and provides for no transaction-specific fees • The directors of the Fund Manager (or persons connected to them) hold (in aggregate) 1,533,361 Ordinary Shares in ReSI and the Fund Manager holds 567,952 Ordinary Shares
Taxation	
If ReSI fails to remain qualified as a REIT, its rental income and gains will be subject to UK corporation tax	• ReSI intends to remain within the UK REIT regime and work within its investment objective and policy • The Directors will at all times conduct the affairs of ReSI so as to enable it to become and remain qualified as a REIT for the purposes of Part 12 of the CTA 2010 • The Board would have oversight on any action that would result in ReSI failing to adhere to the UK REIT regime, and ReSI receives tax advice from professional advisers
Investment Management	
Market and individual investment risks not analysed or detected in a timely fashion leading to investments with poor performance or a higher risk profile than stated within investment policy	• The Fund Manager rigorously analyses investment opportunities and undertakes comprehensive due diligence before acquisition • The Fund Manager does not receive a performance based fee and as such is not financially incentivised to target riskier higher yielding assets • The Fund Manager receives a management fee prior to deployment and so is not financially incentivised to purchase assets quickly regardless of the performance of such assets

Going Concern and Viability Statement

Going concern

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

The Directors have considered the Group's cash position, income and expense flows. In addition, as at 30 September 2018 the Group's net assets were £183.6m and the Group held cash and cash equivalents of £11.8m. The annualised net rental income for all acquisitions acquired before 30 September is £10.5m. The total Operating expenses (excluding finance costs and taxation) for the period ended 30 September 2018 were £3.35m. Therefore, the Group has substantial Operating expenses cover.

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

Viability statement

In accordance with the UK Corporate Governance Code, the Board has assessed the viability of the Group over a longer period than the 12 months required by the 'Going Concern' provision. The Board has conducted this review for the five years to September 2023. The Board considers that five years is the maximum period for which the degree of uncertainty relating to factors outside of the Board's control is low enough to make a reasonable expectation in respect of the Group's longer term viability.

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

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

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

Approval

The Strategic report was approved by the Board of Directors on 22 November 2018

Rob Whiteman
Chairman of the Board of Directors

22 November 2018

Governance

Board of Directors

Rob Whiteman

Non-executive Chairman

Appointed

9 June 2017

Skills, competence and experience

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

Other roles

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

Robert Gray

Non-executive Director and Audit Committee Chairman

Appointed

9 June 2017

Skills, competence and experience

- Extensive business experience, including experience in debt finance and capital markets
- Robert has held roles at HSBC Markets Limited and HSBC Investment Bank in London working initially as Managing Director for Global Capital Markets and subsequently as Vice Chairman for Client Development. Robert was also Chairman, Debt Finance & Advisory at HSBC Bank plc. As Director and Chair of the Overseas Promotion Committee of TheCityUK Robert served as financial services sector adviser to the UK Minister for Trade & Investment. He was Chairman of the International Primary Market Association and Vice Chairman and Chairman of the Regulatory Policy Committee of the International Capital Market Association.
- Educated at Sherborne School and St. John's College, Cambridge University where he gained a MA (Hons) in History

Other roles

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

John Carleton
Non-executive Director

Appointed

9 June 2017

Skills, competence and experience

- Strong operational leader with management experience and a track record in social infrastructure and housing
- Previously John was a Partner and Head of Housing, Regeneration and Growth at Arcadis LLP, was an executive Director for Markets & Portfolio at Genesis Housing Association and Managing Director for Genesis Homes Ltd. In addition John has held various other roles including Director of Social Infrastructure and Housing at PricewaterhouseCoopers, Director of the Housing Corporation (now the Homes and Communities Agency), Property Director at Barclays Bank, Managing Director of HRC Ltd/Lehman Brothers and Head of the Specialist Property Division at the Bank of Ireland
- Educated at the University of Liverpool and holds a MBA in Finance from Manchester Business School. John is a fellow of the R.I.C.S and also holds an IPF Investment Property Forum Diploma from the Cambridge University Land Institute

Other roles

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

Mike Emmerich
Non-executive Director

Appointed

13 September 2018

Skills, competence and experience

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

Other roles

- Director Manchester Camerata
- Trustee, the Tutor Trust

Changes to the Board

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

Directors' Report

The Directors present their report for the period from 12 July 2017 to 30 September 2018. Business operations commenced on 12 July 2017 when the Company's Ordinary Shares were listed on the London Stock Exchange.

The Company's previous financial statements were in respect of the period from incorporation on 21 March 2017 to 11 July 2017. The Company subsequently changed its year end to 30 September.

ReSI's principal objective is to deliver long-term stable inflation-linked returns to shareholders by acquiring high quality residential assets which comprise the stock of UK social housing providers. The Company is targeting an inflation linked dividend yield of 5% per annum and total return in excess of 8% per annum. It is the Company's intention to pay dividends to shareholders on a quarterly basis and in accordance with the REIT Regime.

Results

The Group's profit for the period was £16.1m and the earnings per share were 9.02 pence.

The results for the period are shown in the financial statements. Commentary on the results is given in the Strategic Report.

Dividend policy

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

The Company has targeted a dividend yield of at least 3% for the first financial period from Admission to 30 September 2018.

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

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

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

Dividends paid in period

In line with the Company's dividend policy, three interim dividends totalling 2.25 pence per Ordinary Share were paid during the Period, of which 0.375 pence was paid as PIDs and 1.875 pence was paid as Non-PID.

The Board declared a fourth interim dividend in respect of the quarter to 30 September 2018 of 0.75 pence per Ordinary Share, which will be payable on 21 December 2018 to shareholders on the register at the close of business on 23 November 2018. The Ordinary Shares went ex-dividend on 22 November 2018 and 0.5625 pence per Ordinary Share will be paid as a Property Income Distribution ('PID') and 0.1875 pence per Ordinary Share will be paid as non-PID.

Including this interim dividend, the Company will have paid 3.0 pence per Ordinary Share for the first financial period from the date of admission to 30 September 2018, as targeted at IPO.

Management – Fund Manager

ReSI Capital Management Limited has been engaged as the Company's alternative investment fund manager (the "Fund Manager"), in compliance with the provisions of the AIFMD, pursuant to the Fund Management Agreement.

To advise the Company and provide certain management services in respect of the Portfolio. ReSI Capital Management Limited is regulated by the Financial Conduct Authority. The Fund Manager is, for the purposes of the AIFMD and the rules of the FCA, a 'full scope' UK alternative investment fund manager with a Part 4A permission for managing AIFs, such as the Company.

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

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

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

Appointment of the Fund Manager

The Board has discretion to monitor the performance of the Fund Manager and, from the date falling five years after entry into the Fund Management agreement, to appoint a replacement Fund Manager. Due to the recent launch of the Company and the Fund Manager's experience in the sector, the continuing appointment of the Fund Manager is in the best interests of shareholders as a whole.

Depositary

Thompson Taraz Depositary Limited has been appointed since 17 August 2018 as Depositary to provide cash monitoring, safekeeping and asset verification and oversight functions as prescribed by the AIFMD. Prior to 17 August 2018, Langham Hall UK Depositary LLP was appointed as the Depositary.

Company Secretary

PraxisIFM Fund Services (UK) Limited has been appointed since 13 July 2018 as the Company Secretary of the Company and provides company secretarial services and a registered office to the Company. Prior to 13 July 2018, Langham Hall UK Services LLP was appointed as the Company Secretary.

Administrator

MGR Weston Kay LLP has been appointed since 14 July 2018 as Administrator to the Company. The administration of the Company is delegated and in consultation with the Fund Manager, financial information of the Company is prepared by the Administrator and is reported to the Board. Prior to 14 July 2018, Langham Hall UK Services LLP was appointed as the Administrator.

Share capital

As at 30 September 2018 the Company's issued share capital comprised 180,324,377 Ordinary Shares, each of 1p nominal value, including 5,651,670 Ordinary Shares held in Treasury. Each Ordinary Share held entitles the holder to one vote. Ordinary Shares held in Treasury do not hold voting rights. All shares, excluding those held in Treasury, carry equal voting rights and there are no restrictions on those voting rights. Voting deadlines are stated in the Notice of Meeting and Form of Proxy and are in accordance with the Companies Act 2006.

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

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

The authority to issue new shares granted at the AGM held on 13 December 2017 will expire at the conclusion of the forthcoming AGM.

The Board recommends that the Company be granted a new authority to issue up to a maximum of 10% of its Ordinary Shares for cash at a price above prevailing Net Asset Value per share and to disapply pre-emption rights when issuing those Ordinary Shares. Resolutions to this effect will be put to shareholders at the AGM. The maximum number of Ordinary Shares which can be admitted to trading on the London Stock Exchange without the publication of a prospectus is 20% of the Ordinary Share capital on a rolling 12 month basis at the time of admission of the shares.

Discount management

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

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

During the period ended 30 September 2018 the Company purchased 5,651,670 of its own Ordinary Shares and since the period end a further 3,653,056 Ordinary Shares have been bought back and held in treasury. These shares were purchased at a discount to Net Asset Value.

The timing, price and volume of any buybacks of Ordinary Shares will be at the discretion of the Directors and is subject to the working capital requirements of the Company and the Company having sufficient surplus cash resources available.

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

The authority for the Company to purchase its own shares granted by the Annual General Meeting held on 13 December 2017 will expire at the conclusion of the forthcoming Annual General Meeting. The Directors recommend that a new authority to purchase up to 14.99% Ordinary Shares (subject to the condition that not more than 14.99% of the Ordinary Shares in issue, excluding Treasury Shares, at the date of the Annual General Meeting are purchased) is granted and a resolution to that effect will be put to the Annual General Meeting to be held on 29 January 2019. Any Ordinary Shares purchased will either be cancelled or, if the Directors so determine, held in Treasury.

Treasury shares

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

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

Continuation vote

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

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

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Significant shareholders

The Directors have been notified of, or have identified, as at 30 September 2018, the following shareholdings comprising 3% or more of the issued share capital (excluding Treasury Shares) of the Company:

	Holding	%
Harris Allday private clients	17,745,450	10.14
Close Diversified Income Portfolio Fund	13,664,000	7.81
Aberdeen Standard Investments	11,211,000	6.41
Tilney private clients	7,612,991	4.35
West Yorkshire PF	7,000,000	4.00
Rowan Dartington private clients	6,798,748	3.89
Schroder Special Situations Fund	6,466,838	3.70
Premier Multi-Asset Growth & Income Fund	6,400,000	3.66
Schroder & Co, London clients	6,321,480	3.61
Schroder & Co, Zurich clients	5,347,812	3.06
Capital Value Fund	5,255,000	3.00
Capital Gearing Portfolio Fund	5,240,000	3.00

Since the period end, the Company has not been notified of any changes to significant shareholdings.

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

Settlement of Ordinary Share transactions

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

Anti-bribery and corruption

It is the Company's policy to conduct all of its business in an honest and ethical manner. The Company takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates. The Company's policy and the procedures that implement it are designed to support that commitment.

Environmental, social and governance ('ESG') matters

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

We perform detailed property due diligence on all of our acquisitions to minimise fire and other risks to our tenants and provide safe and secure accommodation. By supporting our development partners we aim to benefit local communities by increasing the provision of affordable housing.

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

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Employees

The Company has no employees and no share schemes. The Board's policy on diversity is contained in the Corporate Governance Report (see page 33).

Social, community and human rights issues

Having no employees, the Company, as an investment company, has no matters to report in respect of social, community, environmental or human rights matters.

Modern slavery act

As an investment vehicle the Company does not provide goods or services in the normal course of business, and does not have customers. Accordingly, the Directors consider that the Company is not required to make any slavery or human trafficking statement under the Modern Slavery Act 2015.

Annual General Meeting

The Annual General Meeting ('AGM') of the Company will be held on 29 January 2019 at 11.00 a.m. The Notice convening the AGM is contained in this Annual Report. The Directors consider that all of the resolutions to be proposed are in the best interests of the Company and it is their recommendation that shareholders support these proposals as they intend to do so in respect of their own shareholdings.

Outlook

The outlook for the Company is discussed in the Chairman's Statement on page 11.

Independent Auditor

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

Disclosure of information to the Independent Auditor

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

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

(ii) the Director has taken all steps that he ought to have taken as Director to make himself aware of any relevant information and to establish that the Company's Independent Auditor are aware of that information.

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

By order of the Board

Anthony Lee
For and on behalf of
PraxisIFM Fund Services (UK) Limited
Company Secretary

22 November 2018

Corporate Governance Statement

The Board of the Company has considered the principles and recommendations of the AIC Code by reference to the AIC Guide 2016. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code 2016, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company. A copy of the AIC Code can be viewed on the AIC's website www.theaic.co.uk/.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates all applicable principles of the UK Corporate Governance Code), will provide more relevant information to Shareholders than solely reporting against the UK Corporate Governance Code.

The Financial Reporting Council ("FRC"), the UK's independent regulator for corporate reporting and governance responsible for the UK Corporate Governance Code, has endorsed the AIC Code and the AIC Guide. The terms of the FRC's endorsement mean that AIC members who report against the AIC Code and the AIC Guide meet fully their obligations under the UK Corporate Governance Code and the related disclosure requirements contained in the Listing Rules.

From Admission, the Company has complied with the AIC Code of Corporate Governance, which complements the UK Corporate Governance Code and provides a framework of best practice for listed investment companies.

The UK Corporate Governance Code includes provisions relating to: the role of the chief executive; executive Directors' remuneration; and the need for an internal audit function. For the reasons set out in the AIC Guide, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company with no executive directors, the Company does not therefore comply with them.

The Company has a robust corporate governance framework with oversight provided by a highly experienced, fully independent Board. The Board is currently composed of four non-executive Directors who are collectively responsible for determining the Investment Policy and strategy, and who have overall responsibility for the Company's activities. A list of Directors is shown on pages 26 and 27.

The Board Composition

At the date of this report, the Board consists of four non-executive Directors including the Chairman. All the Directors apart from Mike Emmerich have served during the entire period since their appointment on 9 June 2017. Mike Emmerich has been appointed as a Director with effect from 13 September 2018.

The Board believes that during the period ended 30 September 2018 its composition was appropriate for an investment company of the Company's nature and size. All of the Directors are independent of the Fund Manager. All of the Directors are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

The Directors have a broad range of relevant experience to meet the Company's requirements and their biographies are shown in the Board of Directors section of this Annual Report.

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

In accordance with the Company's Articles of Association, Directors may be appointed by the Company by ordinary resolution or by the Board. If appointed by the Board, a Director shall hold office only until the next annual general meeting and shall not be taken into account in determining the number of Directors who are to retire by rotation.

At each Annual General Meeting of the Company, any Director appointed by the Board since the last Annual General Meeting shall retire. In addition one-third of the remaining Directors shall retire from office by rotation.

The Directors were elected at the Annual General Meeting held on 13 December 2017, therefore one third are required to retire by rotation and be subject to re-election at the forthcoming Annual General Meeting of the Company. Mr Whiteman will therefore retire by rotation and will put himself forward for re-election. Mr Emmerich, having been appointed as a Director of the Board on 13 September 2018, shall stand for re-election at the Annual General Meeting of the Company.

The Directors recommend the re-election of Mr Whiteman and the election of Mr Emmerich for the reasons set out in the performance evaluation section of this document.

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

A policy of insurance against Directors' and officers' liabilities is maintained by the Company.

Audit Committee

The Board delegates certain responsibilities and functions to the Audit Committee as set out in its written terms of reference. The Audit Committee on IPO was chaired by Rob Whiteman and on 14 March 2018 was succeeded by Robert Gray and consists of all the Directors. The Committee meet at least twice a year to review the interim and annual financial statements. The Committee also review the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditor, including the provision of non-audit services. A report of the Audit Committee is included in this Annual Report.

Other Committees

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

In addition, the Board as a whole fulfils the functions of a Management Engagement Committee to review the actions and judgements of management in relation to the interim and annual financial statements and the Company's compliance with statutory and regulatory matters. In addition, in this capacity, the Board reviews the terms of the Fund Management Agreement and examine the effectiveness of the Company's internal control systems and the performance of the Fund Manager, Depositary, Administrator, Company Secretary and the Registrar. During the financial period, following a review of services, the Board changed the Company's Administrator, Depositary and Company Secretary.

Meeting attendance

During the period under review, the Directors have attended the following meetings:

Directors	Audit Committee meetings attended	Audit Committee meetings eligible to attend	Quarterly Board meetings attended	Quarterly Board meetings eligible to attend
Rob Whiteman	2	2	7	7
Robert Gray	2	2	7	7
John Carleton	2	2	6	7
Mike Emmerich	–	–	1	1
The Rt Hon Baroness Dean of Thornton-le-Fylde	1	1	5	5

There were also a number of other Board and committee meetings to deal with administrative matters and approval of documentation.

Board diversity

The Company's policy is that the Board should have a broad range of skills. Consideration is given to the recommendations of the AIC Code and other guidance on boardroom diversity.

Performance appraisal

A formal annual performance appraisal process is performed on the Board, the committees, the individual Directors and the Company's main service providers. The first appraisal was performed following the period end and prior to the publication of this Annual Report.

A programme consisting of open and closed ended questions was used as the basis for the appraisal. The results were reviewed by the Chairman and discussed with the Board. A separate appraisal of the Chairman has been carried out by the other members of the Board and the results reported back by to the Chairman. The results of the performance evaluation were positive and demonstrated that the Directors showed the necessary commitment and expertise for the fulfilment of their duties.

Internal control

Prior to the Company's listing a detailed review was carried out on the financial position, prospects and procedures applicable to the Company.

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

Financial aspects of internal control

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

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

The Statement of Directors' Responsibilities in respect of the accounts is on page 40 and a Statement of Going Concern is on page 23. The Report of the Independent Auditor is on pages 41 to 45.

Other aspects of internal control

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

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

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

This contact with the key service providers enables the Board to monitor the Company's progress towards its objectives and encompasses an analysis of the risks involved. The effectiveness of the Company's risk management and internal controls systems is monitored and a formal review has been completed. There are no significant findings to report from the review.

The Board meet formally at least quarterly with additional ad hoc calls when appropriate. A typical agenda of a formal Board meeting includes a review of the financial and portfolio performance in that period, distributable income and dividend yield compared to forecast, an update regarding the investment pipeline, statutory and regulatory matters and governance obligations. The Directors are independent of the Fund Manager. The Board reviews investment activity and performance and exercises appropriate control and supervision to ensure acquisitions are made in accordance with agreed investment parameters. The Fund Manager has been given responsibility for the day-to-day management of the Company's assets in accordance with the Investment Policy subject to the control and directions of the Board.

Principal risks

The Directors confirm that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks and how they are being managed are set out in the Strategic Report.

Annual General Meeting

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

The Notice of Meeting sets out the business of the AGM and any item not of an entirely routine nature is explained in this Annual Report. Separate resolutions are proposed for each substantive issue.

Shareholder relations

The Fund Manager has a programme of meetings with major shareholders and provides feedback to the Board from these meetings. The Chairman has also met shareholders directly over the period. The Chairman and the Board welcome direct feedback from shareholders.

Stewardship code

The principles of best practice of the Stewardship Code are not applicable to the Company's operations.

Social and environmental policy

The Company has no staff, premises, manufacturing or other operations. Any emissions from the Company's property are the responsibility of the tenant under the principle of operational control. The Group has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Report of the Audit Committee

Role of the Audit Committee

The AIC Code of Corporate Governance (the "Code") recommends that Boards should establish audit committees consisting of at least three, or in the case of smaller companies, two independent non-executive directors. The Board is required to satisfy itself that the audit committee has recent and relevant experience. The main role and responsibilities of the audit committee should be set out in written terms of reference covering certain matters described in the Code. The Company complies with the Code.

The Audit Committee meets formally at least twice a year for the purpose, amongst other things, of considering the appointment, independence and objectivity, and remuneration of the auditor and to review the annual accounts and half-yearly financial report. The Audit Committee also reviews the Company's internal financial controls and its internal control and risk management systems. Where non-audit services are provided by the auditor, full consideration of the financial and other implications on the independence of the auditor arising from any such engagement are considered before proceeding. The Audit Committee has considered the non-audit work of the auditor during the period ended 30 September 2018 and does not consider that this compromises its independence.

Composition

All of the Directors of the Company are members of the Audit Committee. The Audit Committee has formal written terms of reference and copies of these are available on request from the Company Secretary. The Audit Committee as a whole has recent and relevant financial experience. The Audit Committee has considered the need for an internal audit function and considers that this is not appropriate given the nature and circumstances of the Company. The Audit Committee keeps the needs for an internal function under periodic review. The chairman of the Company is a member of the Audit Committee. The Board and the Audit Committee believe that this is appropriate as he has recent and relevant financial experience and he is independent.

Meetings

There have been two Audit Committee meetings in the period to the Company's financial period end. Attendance is included in the corporate governance statement.

Financial statements and significant accounting matters

The Audit Committee considered the following significant accounting issues in relation to the Company's Financial Statements for the period ended 30 September 2018:

Investment property valuation

The valuation of investment property is the most material matter in the production of the financial statements and Net Asset Values. Savills (UK) Limited has been appointed to value the Company's property investments in accordance with the RICS requirements on a quarterly basis. Investment properties are valued at their fair value in accordance with IFRS 13 which recognises a variety of fair value inputs depending upon the nature of the investment. The Audit Committee has reviewed the assumptions underlying the property valuations and concluded that the valuation at the Company's period end is appropriate.

Revenue recognition

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

Conclusion with respect to the Annual Report and financial statements

The Audit Committee has concluded that the Annual Report for the period ended 30 September 2018, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's business model, strategy and performance. The Audit Committee has reported its conclusion to the Board of Directors. The Audit Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the annual report.

Audit tenure

BDO LLP were paid fees in respect of non-audit services in the period ended 30 September 2018. These services were in respect of the Company's prospectus and the interim review of the Half-yearly Report. In the case of the work performed on the prospectus these are non-recurring fees and interim reviews of Half-yearly Reports are usually performed by a company's auditor. The independence of the Auditor was considered prior to the provision of these services.

Effectiveness of external audit

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

Provision of non-audit services

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

BDO LLP were paid fees in respect of non-audit services in the period ended 30 September 2018. These services were in respect of the Company's prospectus and the interim review of the Half-yearly Report. In the case of the work performed on the prospectus these are non-recurring fees and interim reviews of Half-yearly Reports are usually performed by a company's auditor. The independence of the Auditor was considered prior to the provision of these services.

Robert Gray
Chairman of the Audit Committee

22 November 2018

Directors' Remuneration Policy

The Remuneration Policy will be put forward for approval by shareholders at the AGM to be held on 29 January 2019 at 11.00 a.m. The provisions set out in this policy apply until they are next put forward for shareholder approval. The Remuneration Policy must be put forward for shareholder approval at a maximum interval of three years. In the event of any proposed material variation to the policy, shareholder approval will be sought for the proposed new policy prior to its implementation.

Service contracts

The Directors do not have service contracts with the Company. The Directors have appointment letters and, following initial election by shareholders, are subject to re-election by shareholders at a maximum interval of three years.

Fees

The Directors' fees are determined within the limits set out in the Company's Articles of Association and they are not eligible for commissions or performance related payments. The Directors are entitled to receive a fee linked to the Net Asset Value of the Company in respect of their position as a director of the Company.

The Chairman will be entitled to receive a fee linked to the Net Asset Value of the Company as follows:

Net Asset Value	Annual Fee
Up to £100,000,000	£40,000
£100,000,001 to £200,000,000	£50,000
£200,000,001 to £350,000,000	£60,000
thereafter	£70,000

Each of the Directors, save for the Chairman, will be entitled to receive a fee linked to the Net Asset Value of the Company as follows:

Net Asset Value	Annual Fee
Up to £100,000,000	£30,000
£100,000,001 to £200,000,000	£35,000
thereafter	£40,000

The Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company.

The Directors shall also be entitled to be reimbursed for all expenses incurred in performance of their duties. These expenses are unlikely to be of a significant amount.

Fees are payable from the date of appointment as a Director of the Company and cease on date of termination of appointment. The Directors are not entitled to compensation for loss of office.

The Board will not pay any incentive fees to any person to encourage them to become a Director of the Company. The Board may, however, pay fees to external agencies to assist the Board in the search and selection of Directors.

Current and future policy

Component	Director	Purpose of reward	Operation
Annual fee	Chairman of the Board	For services as Chairman of a plc	Determined by the Board
Annual fee	Other Directors	For services as non-executive Directors of a plc	Determined by the Board
Expenses	All Directors	Reimbursement of expenses incurred in the performance of duties	Submission of appropriate supporting documentation

Statement of consideration of conditions elsewhere in the Company

The Company has no employees. Therefore the process of consulting with employees on the setting of the Remuneration Policy is not applicable.

Review of the Remuneration Policy

The Directors' remuneration will be reviewed on an annual basis by the Board and any changes are subject to approval by the Board. The remuneration payable to the Directors will take into account a number of factors, inter alia, the experience of the Directors, the complexity of the Company and prevailing market rates for the sector in which the Company operates.

Effective date

This Remuneration Policy will be put forward for shareholder approval at the Annual General Meeting to be held on 29 January 2019 and, if approved by shareholders, will be effective from that date.

Rob Whiteman
Chairman of the Board of Directors

22 November 2018

Directors' Remuneration Implementation Report

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

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

The law requires the Company's auditor to audit certain disclosures provided in the Directors' Remuneration Implementation Report. Where disclosures are audited they are indicated as such. The Independent Auditor's opinion is on page 41.

Remuneration

The Company currently has four non-executive Directors.

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

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

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

Directors' service contracts

The Directors do not have service contracts with the Company. The Directors are not entitled to compensation on loss of office. The Directors have appointment letters which do not provide for any specific term. However, they are subject to re-election by shareholders at a maximum interval of three years. There are no restrictions on transfers of the Company's shares held by the Directors or any special rights attached to such shares.

Director search and selection fees

No Director search and selection fees were incurred during the period to 30 September 2018.

Directors' emoluments for the period ended 30 September 2018 (audited)

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

	Fees to 30 September 2018 £'000
Rob Whiteman	52
Robert Blackburn Gray	43
John Carleton	43
Rt Hon Baroness Dean of Thornton-le-Fylde*	47
Mike Emmerich**	2
	187

*Ceased to be a Director on 14 March 2018

**Appointed on 13 September 2018

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

A non-binding ordinary resolution to approve the Directors' Remuneration Implementation Report contained in the Annual Report for the period ended 30 September will be put forward for approval at the Company's Annual General Meeting to be held on 29 January 2019.

Relative importance of spend on pay

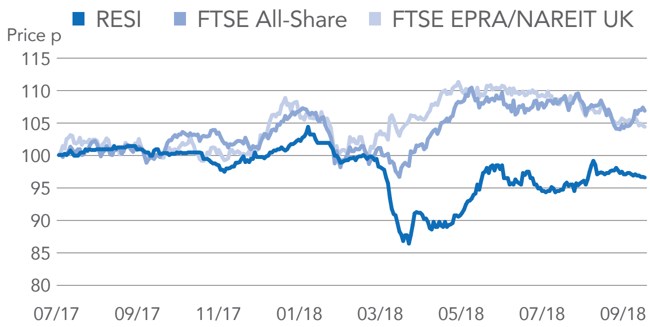
The following table sets out the total level of Directors' remuneration compared to Net Property Income, Directors' fees, Operating expenses, and Dividends paid and payable to shareholders.

	2018 £'000
Net Property Income	5,699
Directors' fees	187
Operating expenses	3,350
Dividends paid and payable to shareholders	5,286

Performance

The following chart shows the performance of the Company's share price by comparison to the principal relevant indices.

IPO TSR Performance



Source: Jefferies

Directors' holdings (Audited)

The Directors had the following shareholdings in the Company as at 30 September 2018 and as at the date of this report, all of which are beneficially owned.

	Ordinary Shares held
Rob Whiteman	5,000
Robert Blackburn Gray	75,000
John Carleton	5,000
Mike Emmerich	–
Rt Hon Baroness Dean of Thornton-le-Fylde*	20,000

*Ceased to be a Director on 14 March 2018

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

Statement

On behalf of the Board and in accordance with Part 2 of Schedule 8 of the Large- and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, I confirm that the above Report on Remuneration Policy and Remuneration Implementation summarises, as applicable, for the financial period to 30 September 2018.

(a) the major decisions on Directors' remuneration;

(b) any substantial changes relating to Directors' remuneration made during the financial period to 30 September 2018; and

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

Rob Whiteman
Chairman of the Board of Directors

22 November 2018

Directors' Responsibilities

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

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

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

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

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

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

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

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations. These can be found on pages 14, 26 and 32 respectively.

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

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

Directors' responsibility statement

We confirm that to the best of our knowledge:

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

For and on behalf of the Board

Rob Whiteman
Chairman

22 November 2018

Opinion

We have audited the financial statements of Residential Secure Income plc (the 'Parent Company') and its subsidiaries (the 'Group') for the period from 12 July 2017 to 30 September 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow statement, the Company Statement of Financial Position, the Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in preparing the Group financial statements is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The financial reporting framework that has been applied in preparing the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2018 and of the Group's profit for the period then ended
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

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

Conclusions relating to principal risks, going concern and viability statement

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

- the disclosures in the annual report set out on pages 21 and 22 that describe the principal risks and explain how they are being managed or mitigated
- the directors' confirmation set out on page 34 in the annual report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity
- the directors' statement set out on page 23 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 23 in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

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

The table below shows the risks that we identified as key audit matters together with our audit response to these risks. This is not a complete list of risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation of investment properties Refer to page 35 (Audit Committee Report), page 55 (significant estimates and judgements) and pages 58 and 59 (notes to the financial statements). Investment properties are held at fair value in the Group's financial statements. The valuation of the Group's investment property is the key component of net asset value and underpins the Group's result for the period. The valuation of investment property requires significant judgement and estimates by management and the Independent Valuer. It is therefore considered a key audit matter due to the subjective nature of certain assumptions inherent in each valuation. There is also a risk that management may influence the significant judgements and estimates in respect of property valuations in order to achieve performance targets to meet market expectations.	**Experience of Valuer and relevance of its work** We read the Valuer's report and confirmed that the approaches used were consistent with the requirements of IFRSs as adopted by the European Union. We assessed the Valuer's competence and capabilities and read their terms of engagement with the Group, determining that there were no matters that affected their independence and objectivity or imposed scope limitations upon them. **Data provided to the Valuer** We validated the data provided to the Valuer by management and found that it was consistent with the information we audited. This data included inputs such as current rent and lease term, which we have agreed on a sample basis to executed lease agreements as part of our audit work. **Assumptions and estimates used by the Valuer** We met with the Valuer and gained an understanding of the valuation methods and assumptions used. We have considered the assumptions utilised by the Valuer within the valuation and benchmarked the valuation to our expectations developed using independent data around the period end. Our testing indicated that the estimates and assumptions used were appropriate in the context of the Group's property portfolio and reflected the circumstances of the market at the period end.

Our application of materiality

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

Materiality

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

We determined that total assets would be the most appropriate basis for determining overall materiality as we consider it to be one of the principal considerations for members of the company in assessing the financial performance of the Group. We determined materiality for the Group financial statements as a whole to be £2,600,000, which was set at 1% of Group total assets. This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.

We determined that for other account balances, classes of transactions and disclosures that impact adjusted earnings (as defined in note 13 of the financial statements) a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of users. We concluded that a specific materiality for these areas should be £125,000, which was set at 10% of adjusted earnings. Adjusted earnings excludes the impact of the net surplus on revaluation of investment properties.

We determined that the same asset measure as the Group and the same specific materiality as the Group were appropriate for the Parent Company, and the materiality and specific materiality applied were £1,218,000 and £125,000 respectively.

Performance materiality

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

On the basis of our risk assessment together with the Group's overall control environment, as well as this being the first year of audit following substantial property acquisitions, our judgement was that performance materiality should be 50% of materiality. As such, overall performance materiality was set at £1,300,000 and £62,500 for specific performance materiality.

We determined that the same measures as the Group were appropriate for the Parent Company, and the performance materiality and specific performance materiality applied were £609,000 and £62,500 respectively.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £15,000 for all items. We also agreed to report on any other differences that, in our view, warranted reporting on qualitative grounds.

We determined that the same measure as the Group was appropriate for the Parent Company, and the reporting threshold and specific report threshold applied were £15,000.

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

An overview of the scope of our audit

We designed our audit by determining materiality and assessing the risk of material misstatements in the financial statements. In particular, we looked at where the Directors make subjective judgements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud. Our work included a reviewing journals posted for evidence of the override of controls. We also reviewed the information supplied to the Group's external valuer for evidence of error.

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

The Group operates solely in the United Kingdom and through one segment, investment property. The audit team performed all the work necessary to issue the Group and Parent Company audit opinions, including undertaking all of the audit work on the key audit matters.

We consider that the audit procedures we planned and performed in accordance with ISAs (UK) have provided us with reasonable assurance that irregularities, including fraud, would have been detected to the extent that they could have resulted in material misstatements in the financial statements. Our audit was not designed to identify misstatements or other irregularities that would not be considered to be material to the financial statements.

Other information

The other information comprises the information included in the annual report set out on pages 2 to 40, including the Strategic report and the Governance report set out on pages 14 to 40, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

- Fair, balanced and understandable set out on page 40 the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting set out on page 35 the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code set out on page 32 the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

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

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

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the strategic report or the directors' report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

- the Parent Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Parent Company.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 40, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Directors on 20 September 2017 to audit the financial statements for the period ending 11 July 2017 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the periods ended 11 July 2017 and 30 September 2018.

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

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

BDO LLP

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

22 November 2018

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

Financials

Consolidated Statement of Comprehensive Income

for the period 12 July 2017 to 30 September 2018

	Notes	For the period 12 July 2017 to 30 September 2018 £000s	For the period 21 March 2017 to 11 July 2017 £000s
Income			
Gross rental income	6	10,418	–
Property operating expenses	6	(4,719)	–
Net property income		5,699	–
Operating expenses			
Fund management fee	7	(2,160)	–
General and administrative expenses	8	(1,190)	(28)
Total operating expenses		(3,350)	(28)
Operating profit/(loss) before change in fair value		2,349	(28)
Change in fair value of investment properties		14,825	–
Operating profit/(loss) before finance costs		17,174	(28)
Finance income	11	237	–
Finance costs	11	(1,300)	–
Profit/(loss) for the period before taxation		16,111	(28)
Taxation	12	–	–
Profit/(loss) for the period after taxation		16,111	(28)
Other Comprehensive Income			–
Cashflow hedge		(383)	–
Recycling of cashflow hedge reserve		383	–
		–	–
Total comprehensive income/(loss) for the period attributable to the shareholders of the Company		16,111	(28)
Earnings per share – basic and diluted	13		
– 2018 (pence)		9.02	
– 2017 (pounds)			(280.00)

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

The notes on pages 52 to 66 form part of these financial statements.

Consolidated Statement of Financial Position

as at 30 September 2018

	Notes	2018 £000s	2017 £000s
Non-current assets			
Investment properties	14	252,875	–
Total non-current assets		**252,875**	**–**
Current assets			
Trade and other receivables	15	2,747	50
Cash and cash equivalents	16	11,796	–
Total current assets		**14,543**	**50**
Total assets		**267,418**	**50**
Current liabilities			
Trade and other payables	17	4,544	78
Borrowings	18	257	–
Obligations under finance leases	26	886	–
Total current liabilities		**5,687**	**78**
Non-current liabilities			
Borrowings	18	51,303	–
Obligations under finance leases	26	26,829	–
Total non-current liabilities		**78,132**	**–**
Total liabilities		**83,819**	**78**
Net assets/(liabilities)		**183,599**	**(28)**
Equity			
Share capital	19	1,803	–
Share premium	20	108	–
Own shares reserve	21	(5,199)	–
Retained earnings	22	186,887	(28)
Total equity		**183,599**	**(28)**
Net asset value per share – basic and diluted	27		
– 2018 (pence)		105.11	
– 2017 (pounds)			(280.00)

The financial statements were approved by the Board of Directors on 22 November 2018 and signed on its behalf by:

Rob Whiteman
Chairman

Date: 22 November 2018

The notes on pages 52 to 66 form part of these financial statements.

Consolidated Statement of Cash Flows

for the period 12 July 2017 to 30 September 2018

	Notes	For the period 12 July 2017 to 30 September 2018 £000s	For the period 21 March 2017 to 11 July 2017 £000s
Cash flows from operating activities			
Profit/(loss) for the period		**16,111**	(28)
Adjustments for items that are not operating in nature:			
Gain in fair value of investment properties	14	**(14,825)**	–
Shares issued in lieu of management fees		**540**	–
Finance income	11	**(237)**	–
Finance costs	11	**1,300**	–
Operating result before working capital changes and non cash items		**2,889**	**(28)**
Changes in working capital			
Increase in trade and other receivables		**(2,697)**	(50)
Increase in trade and other payables		**4,466**	78
Net cash flow generated from operating activities		**4,658**	**–**
Cash flow from investing activities			
Purchase of investment properties	14	**(210,335)**	–
Interest received	11	**237**	–
Net cash flow from investing activities		**(210,098)**	**–**
Cash flow from financing activities			
Proceeds from shares issued in the period	19	**180,000**	–
Issue costs paid		**(3,600)**	–
Purchase of own shares		**(5,421)**	–
New borrowings raised (net of expenses)	18	**51,624**	–
Loans repaid		**(78)**	–
Finance costs	11	**(1,286)**	–
Dividend paid	25	**(4,003)**	–
Net cash flow generated from financing activities		**217,236**	**–**
Net increase in cash and cash equivalents		**11,796**	**–**
Cash and cash equivalents at the beginning of the period		**–**	–
Cash and cash equivalents at the end of the period		**11,796**	**–**

The notes on pages 52 to 66 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the period 12 July 2017 to 30 September 2018

	Share capital £000s	Share premium £000s	Own shares reserve £000s	Retained earnings £000s	Total equity £000s
Balance at 21 March 2017	**–**	**–**	**–**	**–**	**–**
Loss for the period	–	–	–	(28)	**(28)**
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	(28)	**(28)**
Contributions by and distributions to shareholders					
Ordinary shares issued	–	–	–	–	–
Balance at 11 July 2017	**–**	**–**	**–**	**(28)**	**(28)**
Profit for the period	–	–	–	16,111	**16,111**
Other comprehensive income	–	–	–	–	**–**
Total comprehensive income	–	–	–	16,111	**16,111**
Contributions by and distributions to shareholders					
Ordinary shares issued on IPO	1,800	178,200	–	–	**180,000**
Share issue costs capitalised	–	(3,600)	–	–	**(3,600)**
Issue of management shares	3	315	222	(540)	**–**
Share based payment charge	–	–	–	540	**540**
Cancellation of share premium	–	(174,807)	–	174,807	**–**
Purchase of own shares	–	–	(5,421)	–	**(5,421)**
Dividends paid	–	–	–	(4,003)	**(4,003)**
Balance at 30 September 2018	**1,803**	**108**	**(5,199)**	**186,887**	**183,599**

The notes on pages 52 to 66 form part of these financial statements.

Notes to the Financial Statements

1. General information

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

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

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

2. Basis of preparation

These financial statements for the period ended 30 September 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the International Accounting Standards Board ("IASB") as adopted by the European Union and in accordance with the Companies Act 2006.

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

The comparatives presented are for the period from incorporation 21 March 2017 to 11 July 2017.

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

a) Going concern

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

b) Changes to accounting standards and interpretations

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

- IFRS 9 Financial Instruments (effective from 1 October 2018) – the standard applies to classification and measurement of financial assets and financial liabilities, impairment provisioning and hedge accounting. The Group has completed its impact assessment and does not expect IFRS 9 to have a material impact on its reported results
- IFRS 15 Revenue From Contracts With Customers (effective from 1 October 2018) – the standard will be applicable to service charge income, other property related income, trading property sales proceeds and proceeds from the sale of investment properties, but not rental income arising from the Group's leases with tenants. Based on the transactions impacting the current financial year and future known transactions, the Group does not expect the adoption of IFRS 15 to have a material impact on the Group's reported results
- IFRS 16 Leases (effective from 1 October 2019) – the Group continues to assess the impact of IFRS 16 Leases, effective from 1 October 2019. The Group has conducted an initial impact assessment, considering a sample of leases and the associated accounting treatment and disclosure. Where the Group is a lessor there will be no material change in accounting treatment or disclosure. Where the Group is a lessee the leases will be remeasured at each reporting date based on an index at that date. The remeasurement will not have any impact on the net profit as the remeasurement will affect only the right of use assets and finance lease liabilities in the statement of financial position

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

3. Significant accounting policies

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

a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries) at the period end date.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group:

- is exposed to, or has rights to, variable returns from its involvement with the entity; and
- has the ability to affect those returns through its power to direct the activities of the entity.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. The financial information of the subsidiaries is included in the financial statements from the date that control commences until the date that control ceases.

If an equity interest in a subsidiary is transferred but a controlling interest continues to be held after the transfer then the change in ownership interest is accounted for as an equity transaction.

Accounting policies of the subsidiaries are consistent with the policies adopted by the Company.

b) Acquisitions and business combinations

The Directors assess whether each acquisition is a business or asset acquisition. Under IFRS 3, a business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. A business will usually consist of inputs, processes and outputs.

Business acquisitions are accounted for using the acquisition method. To date the group has not acquired any businesses. Acquisitions that do not meet the definition of a business are accounted for as asset acquisition. Asset acquisitions are accounted for by applying the Group's relevant accounting policy relating to the assets being acquired.

c) Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are initially measured at cost, being the fair value of the consideration given, including expenditure that is directly attributable to the acquisition of the investment property. After initial recognition, investment property is stated at its fair value at the Statement of Financial Position date adjusted for the carrying value of leasehold interests. Gains and losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise in the Statement of Comprehensive Income.

Subsequent expenditure is capitalised only when it is probable that future economic benefits are associated with the expenditure.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected to be obtained from the asset. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recorded in profit or loss in the period in which the property is derecognised.

Significant accounting judgements, estimates and assumptions made for the valuation of investment properties are discussed in note 14.

d) Share issue costs

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

e) Revenue

The Group recognises revenue on an accruals basis, and when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. Revenue comprises rental income, service charges and other recoveries (such as dilapidations) from tenants of the Group's investment properties.

Gross rental income – Gross rental income is rental income adjusted for tenant incentives, recognised on a straight-line basis over the term of the underlying lease. Lease incentives granted are recognised as an integral part of the net consideration for the use of the property and are therefore recognised on the same, straight-line basis.

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

Service charge – Service charge income represents recharges of the running costs of the properties made to the tenants.

f) Expenses

The Group recognises expenses on an accruals basis.

g) Finance income and expense

Finance income comprises interest receivable on funds invested. Financing expenses comprise interest payable, interest charged on head lease liabilities, amortisation of loan fees and the reclassification of amounts to profit or loss from the cash flow hedge.

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

h) Taxation

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

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

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

i) Dividend payable to shareholders

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

j) Financial instruments

Financial assets

Recognition of financial assets

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

Initial measurement and classification of financial assets

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

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

At 30 September 2018 the Group had the following non-derivative financial assets which are classified as loans and receivables:

Cash and cash equivalents

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

Trade and other receivables

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

Impairment of financial assets

The carrying amounts of the Group's financial assets, other than those at fair value through profit or loss, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Any impairment loss is recognised in profit or loss in the Statement of Comprehensive Income whenever the carrying amount of an asset exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash flows.

The recoverable amount of an asset is the greater of its net selling price and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

De-recognition of financial assets

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

Financial liabilities

Recognition of financial liabilities

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

Initial measurement and classification of financial liabilities

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

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

At 30 September 2018 the Group had the following non-derivative financial liabilities which are classified as other financial liabilities:

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently held at amortised cost.

Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowing costs are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

De-recognition of financial liabilities

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

k) Derivative instrument and hedge accounting

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

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

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

l) Leases

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

Leases – the Group as lessor

Rentals receivable under operating leases are recognised in the income statement on a straight-line basis over the term of the relevant lease. In the event that lease incentives are granted to a lessee, such incentives are recognised as an asset. The aggregate cost of the incentives is recognised as a reduction in rental income on a straight-line basis over the term of the relevant lease.

Leases – the Group as Lessee

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

m) Share based payments

The fair value of payments made to the Fund Manager that are to be settled by the issue of shares is determined on the basis of the Net Asset Value of the Group. The estimated number of shares to be issued in satisfaction of the services provided is calculated using the daily closing share price of the Company at the date of calculation.

4. Significant accounting judgements and estimates

The preparation of financial statements in accordance with the principles of IFRS required the Directors of the Group to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Estimates:
Investment properties

The Group uses the valuation carried out by its independent valuers as the fair value of its property portfolio. The assumptions on which the property valuation reports have been based include, but are not limited to, matters such as the tenure and tenancy details for the properties, ground conditions at the properties, the structural condition of the properties, prevailing market yields and comparable market transactions. Further information is provided in note 14.

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

If the assumptions upon which the external Valuer has based its valuations prove to be inaccurate, this may have an impact on the value of the Group's investment properties, which could in turn have an effect on the Group's financial position and results. Further information is provided in note 14.

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

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

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

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

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

Judgements:
Asset Acquisition

During the year the group acquired a 100% interest in the Retirement Housing Partnership ('RHP'). At acquisition RHP held a portfolio of 1,341 requirement properties concentrated in Southern England. Total consideration of approximately £100m was paid in relation to the acquisition.

On acquisition, the Directors assessed whether the purchase of RHP should be accounted for as a business combination or an asset acquisition.

In the context of the RHP acquisition, both inputs (properties) and outputs (rental income) are present. The Directors key consideration has therefore been whether processes were acquired and, if so, whether those processes were administrative in nature (indicating an asset acquisition) or substantive in nature (indicating a business combination).

As part of the acquisition, a property management agreement was novated to RHP Holdings Limited from the vendor. The Directors have critically reviewed the management agreement and have concluded that the property manager's activities are solely administrative in nature. All substantive processes are managed by the owner and are not part of the property management agreement.

The acquisition has therefore been accounted for as an asset acquisition and the investment properties acquired were recognised at cost on the acquisition date.

5. Operating segments

IFRS 8, Operating Segments, requires operating segments to be identified on the basis of internal financial reports about components of the Group that are regularly reviewed by the chief operating decision maker (which in the Group's case is the Board of Directors) in order to allocate resources to the segments and to assess their performance.

The Group's reporting to the chief operating decision maker does not differentiate by property type or location as the Group is considered to be operating in a single segment of business and in one geographical area.

No customers have revenue that is greater than 10% of the total Group revenue.

The internal financial reports received by the Board of Directors contain financial information at a Group level and there are no reconciling items between the results contained in these reports and the amounts reported in the Financial Statements.

6. Gross rental income and net property income

	12 July 2017 to 30 Sept 2018 £000s	21 March to 11 July 2017 £000s
Gross rental income	10,418	–
Service charge expenses	(2,575)	–
Property operating expenses	(2,127)	–
Impairment of receivables	(17)	–
	(4,719)	–
Net property income	5,699	–

7. Fund management fee

	12 July 2017 to 30 Sept 2018 £000s	21 March to 11 July 2017 £000s
Cash portion	1,620	–
Equity	540	–
	2,160	–

On 16 June 2017 the Board appointed ReSI Capital Management Limited to act as alternative investment fund manager (the "Fund Manager"), in compliance with the provisions of the AIFMD, pursuant to the Fund Management Agreement.

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

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

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

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

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

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

8. General and administrative expenses

	12 July 2017 to 30 Sept 2018 £000s	21 March to 11 July 2017 £000s
Professional fees	679	8
Directors' fees and expenses	262	11
Fees paid to the Company's auditor (note 10)	217	9
Other expenses	32	–
	1,190	28

9. Directors' fees and expenses

	£000s	£000s
Fees	187	11
Taxes	19	–
Expenses	9	–
	215	11

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

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

Net Asset Value	Annual Fee
Up to £100,000,000	£40,000
£100,000,001 to £200,000,000	£50,000
£200,000,001 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
£100,000,001 to £200,000,000	£35,000
thereafter	£40,000

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

10. Fees paid to the Company's auditor

	12 July 2017 to 30 Sept 2018 £000s	21 March to 11 July 2017 £000s
Audit fees		
Parent and consolidated financial statements	**34**	9
Audit of subsidiary undertakings	**98**	–
Total audit fees	**132**	9
Audit related services		
Review of interim report	**25**	–
Non-audit services		
Reporting accountant services	**60**	–
Total audit related and non-audit services	**85**	–
Total fees	**217**	9

11. Net finance costs

	£000s	£000s
Finance income		
Interest income	**237**	–
	237	–
Finance expense		
Interest payable on borrowings	**(471)**	–
Amortisation of loan costs	**(14)**	–
Loss on cash flow hedge	**(383)**	–
Finance lease	**(432)**	–
	(1,300)	–
Net finance costs	**(1,063)**	–

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

Ground rents paid in respect of leasehold properties have been recognised as a finance cost in accordance with IAS 17 "Leases".

The Group partially hedged the RHP Portfolio's interest rate risk exposure by entering into an interest rate swap to economically pre-hedge the risk of interest rate increases prior to locking in the fixed rate on investment grade equivalent debt secured against the RHP Portfolio. If the fair value of the interest rate swap was negative at the pricing date, then the Group would benefit from a lower cost of debt and vice versa; if the fair value of the interest rate swap was positive at the pricing date, then the Group would be compensated through a cash receipt that would partially offset a higher cost of debt.

At the pricing date of the debt, the Group locked the fixed interest rate on the debt secured against the RHP Portfolio for the term of the facility and unwound the interest rate swap at fair value crystallising a loss of £383,000. This loss was due to a fall in the fixed rate of the loan from the inception of the hedge.

12. Taxation

	£000s	£000s
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:

	£000s	£000s
Profit/(loss) before tax	**16,111**	(28)
Tax at the UK corporation tax rate of 19% (2017: 19%)	**3,061**	(5)
Tax effect of:		
UK tax not payable due to REIT exemption	**(778)**	–
Investment property revaluation not taxable	**(2,817)**	–
Expenses that are not deductible in taxable profit	**534**	5
Tax charge for the period	**–**	–

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

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

13. Earnings per share

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

	12 July 2017 to 30 Sept 2018 £000s	21 March to 11 July 2017 £000s
Profit/(loss) attributable to Ordinary shareholders	**16,111**	(28)
Deduction of fair value movement on investment properties and interest rate swap unwinding cost	**(14,442)**	–
Adjusted earnings	**1,669**	(28)
Weighted average number of Ordinary Shares	**178,542,456**	100
Basic and diluted earnings per share		
– 2018 (pence)	**9.02**	
– 2017 (pounds)		(280.00)
Adjusted earnings per share (basic and diluted)		
– 2018 (pence)	**0.93**	
– 2017 (pounds)		(280.00)

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.

14. Investment properties

	2018 £000s	2017 £000s
At beginning of period	**–**	–
Property acquisitions at cost	**210,335**	–
Finance lease asset	**27,715**	–
Change in fair value during the period	**14,825**	–
At end of period	**252,875**	–
Valuation provided by Savills	**225,160**	–
Adjustment to fair value – finance lease asset	**27,715**	–
Total investment properties	**252,875**	–

The investment properties are divided into:

	2018 £000s	2017 £000s
Leasehold properties	**182,628**	–
Freehold properties*	**42,532**	–
Finance lease asset	**27,715**	–
Total investment properties	**252,875**	–

* Includes Feuhold properties, the Scottish equivalent of Freehold.

The historical cost of investment properties at 30 September 2018 was £210,334,835 (2017: £nil).

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

The carrying values of investment property as at 30 September 2018 agree to the valuations reported by external valuers, except that the valuations have been increased by the amount of finance lease liabilities recognised in respect of investment properties held under leases (£27,715,195 at 30 September 2018), representing the present value of ground rents payable for the properties held by the Group under leasehold – further information is provided in note 26. This is because the independent valuations are shown net of all payments expected to be made. However, for financial reporting purposes in accordance with IAS 40, "Investment Property", the carrying value of the investment properties includes the present value of the minimum lease payments in relation to these finance leases. The related finance lease liabilities are presented separately on the Statement of Financial Position.

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

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

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

In accordance with IFRS 13, the Group's investment property has been assigned a valuation level in the fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The Group's investment property as at 30 September 2018 is categorised as Level 3.

Investment properties are valued by Savills using a capitalisation methodology applying a yield to current and estimated rental income. Yields and rental values are considered to be unobservable inputs.

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

15. Trade and other receivables

	2018 £000s	2017 £000s
Rent receivable	86	–
Prepayments	1,821	–
Other debtors	840	–
Amounts due from shareholders	–	50
	2,747	50

The Group has provided fully for those receivable balances that it does not expect to recover. This assessment has been undertaken by reviewing the status of all significant balances that are past due and involves assessing both the reason for non-payment and the creditworthiness of the counterparty.

Trade receivables include £80,417 (2017: £nil) which are past due as at 30 September 2018 for which no provision has been made because the amounts are considered recoverable.

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

16. Cash and cash equivalents

	2018 £000s	2017 £000s
Cash at bank	11,795	–
Cash held as investment deposit	1	–
	11,796	–

Included within cash at bank at the period end was an amount totalling £1,233,352 held by the managing agent of the RHP Portfolio, of which £1,110,033 is in respect of tenancy rental deposits with the remainder held in an operating account to pay service charges in respect of the RHP Portfolio due on 1 October 2018. The cash was placed in separate bank accounts to which the Group has restricted access.

Cash held as investment deposit relates to cash invested in 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.

17. Trade and other payables

	2018 £000s	2017 £000s
Trade Payables	1,489	–
Accruals	1,277	28
VAT payable	3	–
Corporation tax payable	185	–
Redeemable preference shares	–	50
Deferred income	454	–
Deferred consideration	26	–
Other creditors	1,110	–
	4,544	78

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. For most suppliers interest is charged if payment is not made within the required terms. Thereafter, interest is chargeable on the outstanding balances at various rates. The Company has financial risk management policies in place to control that all payables are paid within the agreed credit timescale.

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

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

18. Borrowings

	£000s	£000s
Loans	**52,922**	–
Unamortised borrowing costs	**(1,362)**	–
	51,560	–
Current liability	**257**	–
Non-current liability	**51,303**	–
	51,560	–
The loans are repayable as follows:		
Within one year	**257**	–
Between one and two years	**265**	–
Between three and five years	**844**	–
Over five years	**50,194**	–
	51,560	–

Movements in borrowings is analysed as follows:

	2018 £000s	2017 £000s
At beginning of period	**–**	–
Drawdown of facility	**53,000**	–
Loan costs	**(1,376)**	–
Amortisation of loan costs	**14**	–
Repayment of borrowings	**(78)**	–
At end of period	**51,560**	–

The loan is for a period of 25 years, at a fixed interest rate of 3.4507% and is secured by charges on property with an aggregate carrying value of £108,000,000.

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

19. Share capital account

	Number of Ordinary 1p shares	£000s
Issued on Admission to trading on London Stock Exchange on 12 July 2017	**180,000,000**	1,800
Issue of shares to fund manager	**324,277**	3
At 30 September 2018	**180,324,377**	1,803

The share capital account relates to amounts subscribed for share capital.

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

The Company has also issued, at market value, 324,277 new Ordinary Shares of 1p each to the Fund Manager.

Rights, preferences and restrictions on shares

All Ordinary Shares carry equal rights, and no privileges are attached to any shares in the Company. All the shares are freely transferable, except as otherwise provided by law. The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Treasury shares do not hold any voting rights.

20. Share premium account

	£000s
At 11 July 2017	–
Issued on Admission to trading on London Stock Exchange on 12 July 2017	178,200
Share issue costs	(3,600)
Issue of new shares in lieu of management fees	315
Share Premium cancellation	(174,807)
At 30 September 2018	108

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

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

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

Following the cancellation of the share premium account, the Company subsequently issued further shares to ReSI Capital Management Limited as part of the Fund Management Fee payable, which resulted in further share premium being created.

21. Own shares reserve

	£000s
At 11 July 2017	–
Purchase of own shares	(5,421)
Issued to management (see note 19)	222
At 30 September 2018	(5,199)

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

During the period ended 30 September 2018, the Company purchased 5,895,251 of its own 1p Ordinary Shares at a total gross cost of £5,421,105 (£5,395,265 cost of shares and £33,962 associated costs).

During the period, 243,581 1p Ordinary Shares were transferred from its own shares reserve to the Fund Manager, in lieu of the management fee in accordance with the Fund Management Agreement.

As at 30 September 2018, 5,651,670 1p Ordinary Shares are held by the Company.

22. Retained earnings

	£000s
At 11 July 2017	(28)
Profit for the period	16,111
Transfer from share premium account	174,807
Share based payment charge	540
Issue of management shares	(540)
Dividends	(4,003)
At 30 September 2018	186,887

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

Further information regarding the transfer from the share premium account can be found in note 20.

23. Group entities

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

Name of Entity	Percentage of Ownership	Country of Incorporation	Principal place of business	Principal Activity
RHP Holdings Limited	100%	UK	UK	Holding company
The Retirement Housing Limited Partnership	100%	UK	UK	Property investment
ReSI Retirement Rentals Limited	100%	UK	UK	Property investment
ReSI Housing Limited	100%	UK	UK	Social housing registered provider
Wesley House (Freehold) Limited	100%	UK	UK	Property investment
Eaton Green (Freehold) Limited	100%	UK	UK	Property investment
Gaynes Hill Holdings Limited	100%	BVI	UK	In liquidation
Rayleigh Park Limited	100%	BVI	UK	In liquidation

All group entities are UK tax resident.

24. Notes to the cash flow statement

All group entities are UK tax resident.

The liabilities arising from financing activities are reconciled below:

	Borrowings due within one year (note 18) £000s	Borrowings due in more than one year (note 18) £000s	Interest payable and loss on cashflow hedge (note 11) £000s	Lease liabilities (note 26) £000s	Total £000s
At the start of the period	–	–	–	–	–
Cash flows					
Borrowings advanced	390	52,610	–	–	53,000
Borrowings repaid	(78)	–	–	–	(78)
Loan arrangement fees paid	(55)	(1,321)	–	–	(1,376)
Ground rent paid	–	–	–	(432)	(432)
Interest paid and loss on cashflow hedge	–	–	(854)	–	(854)
Non-cash flows					
Amortisation of loan arrangement fees	–	14	(14)	–	–
Recgonition of headlease liabilities acquired	–	–	–	28,147	28,147
At the end of the period	**257**	**51,303**	**(868)**	**27,715**	**78,407**

25. Dividends

	12 July 2017 to 30 Sept 2018 £000s	21 March to 11 July 2017 £000s
Amounts recognised as distributions to shareholders in the period:		
1st interim dividend for the period ended 30 September 2018 of 0.75p per share (2017: £nil)	**1,352**	–
2nd interim dividend for the period ended 30 September 2018 of 0.75p per share (2017: £nil)	**1,329**	–
3rd interim dividend for the period ended 30 September 2018 of 0.75p per share (2017: £nil)	**1,322**	–
	4,003	–
Amounts not recognised as distributions to shareholders in the period:		
4th interim dividend for the period ended 30 September 2018 of 0.75p per share (2017: £nil)	**1,283**	–
Categorisation of dividends for UK tax purposes:		
Amounts recognised as distributions to shareholders in the period:		
Property Income Distribution (PID)	**661**	–
Non-PID	**3,342**	–
	4,003	–

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

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

On 14 August 2018, the Company declared its third interim dividend of 0.75 pence per share for the period 1 April 2018 to 30 June 2018.

On 15 November 2018, the Company announced the declaration of a fourth interim dividend of 0.75 pence per share for the period 1 July 2018 to 30 September 2018 which will be payable on 21 December 2018 to Shareholders on the register on 23 November 2018.

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.

26. Lease arrangements

The Group as lessee

At 30 September 2018, the Group had outstanding commitments for future minimum lease payments under non-cancellable finance leases, which fall due as follows:

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

The above commitment is in respect of ground rents payable for properties held by the Group under leasehold. There are 1,979 properties held under leasehold with an average unexpired lease term of 126 years.

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

The Group as lessor

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

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

The total of contingent rents recognised as income during the period was £nil (2017: £nil).

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

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

Two of the Group's properties are let out on more traditional leases which account for approximately 10% of total rental income.

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

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

27. Net asset value per share

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

	2018 £000s	2017 £000s
Net assets	**183,599**	(28)
	183,599	(28)
Ordinary shares in issue at period end (excluding shares held in treasury)	**174,672,707**	100
Basic and diluted NAV per share		
– 2018 (pence)	**105.11**	–
– 2017 (pounds)	**–**	(280.00)

28. Contingent liabilities and commitments

There were no known material contingent liabilities or commitments at 30 September 2018.

29. Related party disclosure

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

For the period ended 30 September 2018, the Directors of the Group are considered to be the key management personnel. Details of amounts paid to Directors for their services can be found within note 9, Directors' fees and expenses.

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

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

On 16 June 2017 the Board appointed ReSI Capital Management Limited to act as alternative investment fund manager (the "Fund Manager"), in compliance with the provisions of the AIFMD, pursuant to the Fund Management Agreement. The Fund Manager has responsibility for the day-to-day management of the Company's assets in accordance with the Investment policy subject to the control and directions of the Board.

The Fund Management agreement is terminable on not less than 12 months' notice, such notice not to expire earlier than 12 July 2023 (the fifth anniversary of admission to the Official List of the UKLA and traded on the London Stock Exchange main market).

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

For the period ended 30 September 2018, the Company incurred costs of £2,159,911 (2017: £nil) in respect of fund management fees and no amount was outstanding as at 30 September 2018 (2017: £nil). The above fee was split between cash and equity as per the Fund Management Agreement with the cash equating to £1,619,838 and the equity fee of £540,074 being paid as 567,858 Ordinary Shares at an average price of £0.95 per share.

In addition, the Fund Manager was paid a fee, pursuant to the Fund Management Agreement, of £320,447 (2017: £nil) in respect of its arrangement of borrowings for the Group.

During the period the Directors and the Fund Manager received dividends from the Company of £2,063 (2017: £nil) and £10,054 (2017: £nil) respectively.

30. Post balance sheet events

Subsequent to the date of the financial statements ReSI announced the appointment of David Orr as independent non-executive Chairman of ReSI Housing Limited on 3 October 2018. David brings over 30 years of housing expertise as an experienced leader whose career has spanned housing and wider social enterprise. Most recently, David was Chief Executive of the National Housing Federation, a role he held from 2005 until his retirement on 30 September 2018.

On 19 October 2018 ReSI announced the acquisition of a 39 unit Licensed Retirement Homes portfolio for a total consideration of £6.5m. The portfolio, which is leased to the freeholder of the relevant retirement block and used to house the property managers under the terms of the headlease obligations, is immediately income producing and subject to fully repairing and insuring leases that will deliver an upwards-only marked linked rental stream.

On 25 October 2018 ReSI announced the acquisition of 34 new build homes located in the London Borough of Barnet for consideration of £16.5m, which it intends, using government grant funding, to convert into Shared Ownership homes. ReSI will hold the properties through ReSI Housing, which is regulated as a for-profit Registered Provider of social housing, and will be managed by Metropolitan Thames Valley Housing, one of the largest Housing Associations and a recognised leader in Shared Ownership.

On 26 October 2018 ReSI announced that it had, as envisaged at the time of its three most recent retirement rental unit acquisitions, secured £40m of 25 year fixed rate debt secured against 823 retirement units in its portfolio. The partially amortising financing package, which has been arranged with an insurance company, is priced at an all-in fixed rate of 3.4877%. Recognising its strong credit metrics, the debt has been classified as investment grade.

31. Financial instruments

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

	2018 £000s	2017 £000s
Financial assets		
Loans and receivables		
Trade and other receivables	926	50
Cash and cash deposits	11,796	–
	12,722	50
Financial liabilities		
At amortised cost		
Obligations under finance leases	27,715	–
Borrowings	51,560	–
Trade and other payables	4,356	78
	83,631	78

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

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

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

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

a) Market risk

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

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

Risk relating to investment in property

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

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

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

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

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

b) Interest rate and inflation risks

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

The Group has currently financed its activities with fixed rate debt. If the Group had financed its activities via floating rate debt and such rates were 1% higher than the fixed rate, then the Group's finance costs for the period would have increased by £136,395. Conversely, if the floating rate were 1% lower than the fixed rate, then the Group's finance costs would have decreased by £136,396.

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

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

c) Credit risk

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

Exposure to credit risk

	2018 £000s	2017 £000s
Trade and other receivables	**2,747**	50
Cash and cash equivalents	**11,796**	–
	14,543	50

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

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

Note 26 details the Group's exposure as a lessor in respect of future minimum rentals receivable.

d) Liquidity risk

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

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

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

	Less than one year £000s	Two to five years £000s	More than five years £000s	Total £000s
2018				
Borrowings	**257**	**1,109**	**50,194**	**51,560**
Interest on borrowings	**1,821**	**7,176**	**32,183**	**41,180**
Obligations under finance leases	**886**	**3,542**	**110,757**	**115,185**
Payables and accruals	**4,544**	**–**	**–**	**4,544**
	7,508	**11,827**	**193,134**	**212,469**
2017				
Payables and accruals	78	–	–	78
	78	–	–	78

e) Capital risk management

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

The capital structure of the Group consists of debt (note 18), cash and cash equivalents (note 16) and equity attributable to the shareholders of the Company (comprising share capital, retained earnings and the other reserves as referred in notes 19 to 22).

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

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

	2018 £000s	2017 £000s
Obligations under finance leases	**27,715**	–
Borrowings	**51,560**	–
Cash and cash equivalents	**(11,796)**	–
Net debt	**67,479**	–
Equity attributable equity holders	**183,599**	(28)
Net debt to equity ratio	**0.37**	–

Company Statement of Financial Position

as at 30 September 2018

	Note	2018 £000s	2017 £000s
Non-current assets			
Investment in subsidiary undertakings	7	133,420	–
Total non-current assets		133,420	–
Current assets			
Trade and other receivables	8	37,810	50
Cash and cash equivalents	9	9,415	–
Total current assets		47,225	50
Total assets		180,645	50
Current liabilities			
Trade and other payables	10	715	78
Total current liabilities		715	78
Net assets/(liabilities)		179,930	(28)
Equity			
Share capital	11	1,803	–
Share premium	12	108	–
Own shares reserve	13	(5,199)	–
Retained earnings		183,218	(28)
Total interests		179,930	(28)
Total equity		179,930	(28)

The notes on pages 69 to 73 form part of these financial statements.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The profit attributable to the Parent Company for the period ended 30 September 2018 amounted to £12.4 million (11 July 2017: loss £28,000).

These financial statements were approved by the Board of Directors on 22 November 2018 and signed on its behalf by:

Rob Whiteman
Chairman

22 November 2018

Company Statement of Changes in Equity

for the period ended 30 September 2018

	Share capital £000s	Share premium £000s	Own shares reserve £000s	Retained earnings £000s	Total £000s
Balance at 21 March 2017	**–**	**–**	**–**	**–**	**–**
Loss for the period	–	–	–	(28)	**(28)**
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	(28)	**(28)**
Contributions by and distributions to shareholders					
Ordinary shares issued	–	–	–	–	–
Balance at 11 July 2017	**–**	**–**	**–**	**(28)**	**(28)**
Profit for the period	–	–	–	12,442	**12,442**
Other comprehensive income	–	–	–	–	**–**
Total comprehensive income	–	–	–	12,442	**12,442**
Contributions by and distributions to shareholders					
Issue of shares	1,800	178,200	–	–	**180,000**
Formation and issue costs paid	–	(3,600)	–	–	**(3,600)**
Issue of management shares	3	315	222	(540)	**–**
Share based payment charge	–	–	–	540	**540**
Cancellation of share premium	–	(174,807)	–	174,807	**–**
Purchase of own shares	–	–	(5,421)	–	**(5,421)**
Dividend paid	–	–	–	(4,003)	**(4,003)**
Balance at 30 September 2018	**1,803**	**108**	**(5,199)**	**183,218**	**179,930**

The notes on pages 69 to 73 form part of these financial statements.

1. Basis of preparation

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

2. Disclosure exemptions adopted

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

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

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

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

3. Significant accounting policies

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

a) Basis of accounting

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

b) Currency

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

c) Investments in subsidiary undertakings in the Company Financial Statements

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

d) Share issue costs

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

e) Finance income

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

f) Taxation

Taxation on the profit or loss for the period not exempt under UK REIT regulations would comprise of current and deferred tax. Tax would be recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised as direct movement in equity, in which case it would be recognised as a direct movement in equity. Current tax is expected tax payable on any non-REIT taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax is provided in full using the balance sheet liability method on timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the asset is realised or the liability is settled.

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

g) Dividend payable to shareholders

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

h) Financial instruments

Financial assets

Recognition of financial assets

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

Initial measurement and classification of financial assets

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

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

At 30 September 2018 the Group had the following non-derivative financial assets which are classified as loans and receivables:

Cash and cash equivalents

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

Trade and other receivables

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

Impairment of financial assets

The carrying amounts of the Group's financial assets, other than those at fair value through profit or loss, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Any impairment loss is recognised in profit or loss in the Statement of Comprehensive Income whenever the carrying amount of an asset exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash flows.

The recoverable amount of an asset is the greater of its net selling price and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset, discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount after the reversal does not exceed the amount that would have been determined, net of applicable depreciation, if no impairment loss had been recognised.

De-recognition of financial assets

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

Financial liabilities

Recognition of financial liabilities

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

Initial measurement and classification of financial liabilities

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

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

At 30 September 2018 the Group had the following non-derivative financial liabilities which are classified as other financial liabilities:

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently held at amortised cost.

De-recognition of financial liabilities

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

4. Significant accounting judgements and estimates

The preparation of financial statements requires the Directors of the Company to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in the future.

Impairment of fixed assets

The Directors are required to review the carrying amounts of its tangible assets to determine whether there are any indicators for impairment. After assessing the carrying amounts of the Company's investments, it was determined that impairment indicators existed at the year end for some of the investments and so an impairment loss should be recognised.

5. Fees paid to the Company's auditor

	2018 £000s	2017 £000s
Audit fees	34	9
Audit related services	25	–
Non-audit services	60	–
Total fees	**119**	9

6. Dividends paid

	12 July 2017 to 30 Sept 2018 £000s	21 March to 11 July 2017 £000s
Amounts recognised as distributions to shareholders in the period:		
1st interim dividend for the period ended 30 September 2018 of 0.75p per share (2017: £nil)	**1,352**	–
2nd interim dividend for the period ended 30 September 2018 of 0.75p per share (2017: £nil)	**1,329**	–
3rd interim dividend for the period ended 30 September 2018 of 0.75p per share (2017: £nil)	**1,322**	–
	4,003	–
Amounts not recognised as distributions to shareholders in the period:		
4th interim dividend for the period ended 30 September 2018 of 0.75p per share (2017: £nil)	**1,283**	–
Categorisation of dividends for UK tax purposes:		
Amounts recognised as distributions to shareholders in the period:		
Property Income Distribution (PID)	**661**	–
Non-PID	**3,342**	–
	4,003	–

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

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

On 14 August 2018, the Company declared its third interim dividend of 0.75 pence per share for the period 1 April 2018 to 30 June 2018.

On 15 November 2018, the Company announced the declaration of a fourth interim dividend of 0.75 pence per share for the period 1 July 2018 to 30 September 2018 which will be payable on 21 December 2018 to Shareholders on the register on 23 November 2018.

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

7. Investments

	2018 £000s	2017 £000s
At beginning of period	–	–
Additions	167,476	–
Reduction	(34,056)	–
At end of period	133,420	–

During the year the Company's subsidiary RHP Holdings Limited made distributions to the Company which resulted in the Company reducing its cost of investment by £34.1 million

Investments are subject to annual impairment review.

The Company had the following subsidiary undertakings at 30 September 2018:

Name of Entity	Percentage of Ownership	Country of Incorporation	Principal place of business	Principal Activity
RHP Holdings Limited	100%	UK	UK	Holding company
The Retirement Housing Limited Partnership	100%	UK	UK	Property investment
ReSI Retirement Rentals Limited	100%	UK	UK	Property investment
ReSI Housing Limited	100%	UK	UK	Social housing registered provider
Wesley House (Freehold) Limited	100%	UK	UK	Property investment
Eaton Green (Freehold) Limited	100%	UK	UK	Property investment
Gaynes Hill Holdings Limited	100%	BVI	UK	In liquidation
Rayleigh Park Limited	100%	BVI	UK	In liquidation

All group entities are UK tax resident.

8. Trade and other receivables

	2018 £000s	2017 £000s
Amounts due from group undertakings	37,727	–
Prepayments	59	–
Other debtors	24	–
Amounts due from shareholders	–	50
	37,810	50

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

All amounts fall due for repayment within one year.

9. Cash and cash equivalents

	2018 £000s	2017 £000s
Cash at bank	9,414	–
Cash held as investment deposit	1	–
	9,415	–

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.

10. Trade and other payables

	2018 £000s	2017 £000s
Trade payables	198	–
Accruals	517	28
Redeemable preference shares	–	50
	715	78

11. Share capital

	Number of ordinary 1p shares	£000s
Issued on Admission to trading on London Stock Exchange on 12 July 2017	180,000,000	1,800
Issue of shares to fund manager	324,277	3
At 30 September 2018	180,324,377	1,803

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

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

The Company has also issued, at market value, 324,277 new Ordinary Shares of 1p each to the Fund Manager.

12. Share premium

	£000s
At 11 July 2017	–
Issued on Admission to trading on London Stock Exchange on 12 July 2017	178,200
Share issue costs	(3,600)
Issue of new shares in lieu of management fees	315
Share Premium cancellation	(174,807)
At 30 September 2018	108

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

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

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

Following the cancellation of the share premium account, the Company subsequently issued further shares to ReSI Capital Management Limited as part of the Fund Management Fee payable, which resulted in further share premium being created.

13. Own share reserve

	£000s
At 11 July 2017	–
Purchase of own shares	(5,421)
Issued to management (see note 11)	222
At 30 September 2018	(5,199)

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

During the period ended 30 September 2018, the Company purchased 5,895,251 of its own 1p Ordinary Shares at a total gross cost of £5,421,105 (£5,395,265 cost of shares and £33,962 associated costs).

During the period, 243,581 1p Ordinary Shares were transferred from its own shares reserve to the Fund Manager, in lieu of the management fee in accordance with the Fund Management Agreement.

As at 30 September 2018, 5,651,670 1p Ordinary Shares are held by the Company.

14. Related party transactions

The Company has taken advantage of the exemption not to disclose transactions with other members of the Group as the Company's own financial statements are presented together with its consolidated financial statements. For all other related party transactions please make reference to note 29 of the Group accounts.

Glossary

Administrator	The Company's administrator from time to time, the current such administrator being MGR Weston Kay LLP.
AIC	Association of Investment Companies.
Alternative Investment Fund or "AIF"	An investment vehicle under AIFMD. Under AIFMD (see below) the Company is classified as an AIF.
Alternative Investment Fund Managers Directive or "AIFMD"	A European Union directive which came into force on 22 July 2013 and has been implemented in the UK.
Annual General Meeting or "AGM"	A meeting held once a year which shareholders can attend and where they can vote on resolutions to be put forward at the meeting and ask directors questions about the company in which they are invested.
Articles or Articles of Association	Means the articles of association of the Company.
Company Secretary	The Company's company secretary from time to time, the current such company secretary being PraxisIFM Fund Services (UK) Limited.
Discount	The amount, expressed as a percentage, by which the share price is less than the net asset value per share.
Depositary	Certain AIFs must appoint depositaries under the requirements of AIFMD. A depositary's duties include, inter alia, safekeeping of assets, oversight and cash monitoring. The Company's current depositary is Thompson Taraz Depositary Limited.
Dividend	Income receivable from an investment in shares.
Ex-dividend date	The date from which you are not entitled to receive a dividend which has been declared and is due to be paid to shareholders.
Financial Conduct Authority or "FCA"	The independent body that regulates the financial services industry in the UK.
Functional Home	Means both a Unit and an aggregation of multiple Units offering elderly care facilities, assisted living facilities, sheltered housing or supported housing that are made available, by a Tenant, Occupant or Nominator (as the case may be) to a Resident/Residents.
Fund Manager	Means ReSI Capital Management Limited, a company incorporated in England and Wales with company number 07588964 in its capacity as Fund Manager to the Company.
Gearing	A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.
Housing Association	Means a regulated independent society, body of trustees or company established for the purpose of providing social housing.
Investment company	A company formed to invest in a diversified portfolio of assets.
Issue Price	Means 100 pence per Ordinary Share.
Leverage	An alternative word for "Gearing". Under AIFMD, leverage is any method by which the exposure of an AIF is increased through borrowing of cash or securities or leverage embedded in derivative positions. Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

Liquidity	The extent to which investments can be sold at short notice.
Market Rental Home	Means both a Unit of residential accommodation and an accommodation block comprising multiple Units facilities that is/are made available, by a Tenant, Occupant or Nominator, to a Resident/Residents at a market rent.
Net assets	Means the net asset value of the Company as a whole on the relevant date calculated in accordance with the Company's normal accounting policies.
Net asset value (NAV) per Ordinary Share	Means the net asset value of the Company on the relevant date calculated in accordance with the Company's normal accounting policies divided by the total number of Ordinary Shares then in issue.
Non PID dividend	Means a dividend paid by the Company that is not a PID.
Ongoing charges	A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company.
Ordinary Shares	The Company's Ordinary Shares of 1p each.
PID	Means a distribution referred to in section 548(1) or 548(3) of the CTA 2010, being a dividend or distribution paid by the Company in respect of profits or gains of the Property Rental Business of the Group (other than gains arising to non-UK resident Group companies) arising at a time when the Group is a REIT insofar as they derive from the Group's Property Rental Business.
Portfolio	A collection of different investments held in order to deliver returns to shareholders and to spread risk.
Premium	The amount, expressed as a percentage, by which the share price is more than the net asset value per share.
Property Rental Business	Means a Property Rental Business fulfilling the conditions in section 529 of the CTA 2010.
REIT	Real estate investment trust.
Rental Agreement	comprise Leases, Occupancy Agreements and Nominations Agreements.
Reputable Care Provider	Means a Statutory Registered Provider or other private entity in the business of building, managing and/or operating Functional Homes in the United Kingdom that the Fund Manager considers reputable in light of its investment grade equivalent debt strategy.
Share buyback	A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.
Share price	The price of a share as determined by a relevant stock market.
Shared Owner	Means the part owner of a Shared Ownership Home that occupies such Shared Ownership Home in return for the payment of rent to the co-owner.
Sub-Market Rental Home	Means a Unit of residential accommodation that is made available, by a Tenant, Occupant or Nominator, to a Resident to rent at a level below the local market rent.
Total return	A measure of performance that takes into account both income and capital returns.
Treasury shares	A company's own shares which are available to be sold by a company to raise funds.

Company Information

Shareholder Information

Directors

Robert Whiteman (Non-executive Chairman)

Robert Blackburn Gray (Non-executive Director)

John Carleton (Non-executive Director)

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

Registered Office

Mermaid House
2 Puddle Dock
London
EC4V 3DB

Company Information

Company Registration Number: 10683026
Incorporated in the United Kingdom

Fund Manager

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

Corporate Broker

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

Legal and Tax Adviser

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

Tax Adviser

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

Depositary

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

Company Secretary

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

Administrator

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

Registrar

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

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Public Relations Adviser

FTI Consulting
200 Aldersgate
Aldersgate Street
London
EC1A 4HD

Valuers

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

Notice is hereby given that the Annual General Meeting of Residential Secure Income PLC will be held at the offices of TradeRisks, 21 Great Winchester Street, London, EC2N 2JA on 29 January 2019 at 11.00 a.m. for the following purposes:

To consider and if thought fit pass the following resolutions of which resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 to 12 will be proposed as special resolutions.

1. To receive the Company's Annual Report and Accounts for the period from 12 July 2017 to 30 September 2018, with the reports of the Directors and auditors thereon.
2. To approve the Directors' Remuneration Policy included in the Annual Report for the period from 12 July 2017 to 30 September 2018.
3. To approve the Directors' Remuneration Implementation Report included in the Annual Report for the period from 12 July 2017 to 30 September 2018.
4. To re-elect Robert Whiteman as a Director of the Company.
5. To elect Mike Emmerich as a Director of the Company.
6. To re-appoint BDO LLP as auditors to the Company.
7. To authorise the Directors to fix the remuneration of the auditors until the conclusion of the next Annual General Meeting of the Company.
8. To approve the Company's policy of paying quarterly interim dividends.
9. That the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (in substitution for all subsisting authorities to the extent unused) to exercise all the powers of the Company to allot up to 17,101,964 Ordinary Shares (excluding shares held in Treasury) in the capital of the Company (equivalent to 10% of the Ordinary Shares in issue at the date of the notice of this meeting), such authority to expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2020 or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require the allotment of shares in pursuance of such an offer or agreement as if such authority had not expired.
10. That, subject to the passing of resolution 9, in substitution for any existing power under sections 570 and 573 of the Companies Act 2006 but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are hereby empowered (pursuant to sections 570 and 573 of the Companies Act 2006) to allot Ordinary Shares and to sell Ordinary Shares from treasury for cash at a price above prevailing Net Asset Value per share, pursuant to the authority referred to in Resolution 9 above as if section 561 of the Act did not apply to any such allotment or sale, such power to expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2020 or, if earlier, on the expiry of 15 months from the passing of this resolution, save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require equity securities to be allotted or sold from treasury after the expiry of such power, and the Directors may allot or sell from treasury equity securities in pursuance of such an offer or an agreement as if such power had not expired;
11. That the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 ("the Act") to make market purchases (within the meaning of section 693(4) of the Act) of its Ordinary Shares of 1p each, provided that:
    (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 25,635,845 (representing 14.99% of the Company's issued Ordinary Share capital (excluding shares held in Treasury) at the date of the notice of this meeting);
    (b) the minimum price (exclusive of any expenses) which may be paid for an Ordinary Share is 1p;
    (c) the maximum price (excluding expenses) which may be paid for an Ordinary Share is not more than the higher of:
        (i) 5% above the average of the middle market quotations for the Ordinary Shares for the five business days immediately before the day on which it purchases that share; and
        (ii) the higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares;
    (d) the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company in 2020 or, if earlier, on the expiry of 15 months from the passing of this resolution, unless such authority is renewed prior to such time; and

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

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

Registered office
Mermaid House
Puddle Dock
London
EC4V 3DB

By order of the Board

Anthony Lee
For and on behalf of
PraxisIFM Fund Services (UK) Limited
Company Secretary

22 November 2018

Website address

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

Entitlement to attend and vote

2. Only those holders of Ordinary Shares registered on the Company's register of members at 6.00 p.m. on 27 January 2019 or, if this meeting is adjourned, at close of business on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the meeting.

Appointment of Proxies

3. Members entitled to attend, speak and vote at the meeting (in accordance with Note 2 above) are entitled to appoint one or more proxies to attend, speak and vote in their place. If you wish to appoint a proxy please use the Form of Proxy enclosed with this document or follow the instructions at note 7 below if you wish to appoint a proxy through the CREST electronic proxy appointment service. In the case of joint members, only one need sign the Form of Proxy. The vote of the senior joint member will be accepted to the exclusion of the votes of the other joint members. For this purpose, seniority will be determined by the order in which the names of the members appear in the register of members in respect of the joint shareholding. The completion and return of the Form of Proxy will not stop you attending and voting in person at the meeting should you wish to do so. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. If you choose to appoint multiple proxies use a separate copy of this form (which you may photocopy) for each proxy, and indicate after the proxy's name the number of shares in relation to which they are authorised to act (which, in aggregate, should not exceed the number of Ordinary Shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned in the same envelope.

4. You can appoint the Chairman of the Meeting, or any other person, as your proxy. If you wish to appoint someone other than the Chairman, cross out the words "the Chairman of the Meeting" on the Form of Proxy and insert the full name of your appointee.

5. You can instruct your proxy how to vote on each resolution by ticking the "For" and "Against" boxes as appropriate (or entering the number of shares which you are entitled to vote). If you wish to abstain from voting on any resolution please tick the box which is marked "Vote Withheld". It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution. If you do not indicate on the Form of Proxy how your proxy should vote, he/she can exercise his/her discretion as to whether, and if how so how, he/she votes on each resolution, as he/she will do in respect of any other business (including amendments to resolutions) which may properly be conducted at the meeting.

   A company incorporated in England and Wales or Northern Ireland should execute the Form of Proxy under its common seal or otherwise in accordance with Section 44 of the Companies Act 2006 or by signature on its behalf by a duly authorised officer or attorney whose power of attorney or other authority should be enclosed with the Form of Proxy.

Appointment of Proxy using Hard Copy Form

6. The Form of Proxy and any power of attorney (or a notarially certified copy or office copy thereof) under which it is executed must be received by Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, BR3 4ZF at 11.00 a.m. on 27 January 2019 in respect of the meeting.

   Any Forms of Proxy received before such time will be deemed to have been received at such time. In the case of an adjournment, the Form of Proxy must be received by Link Asset Services no later than 48 hours before the rescheduled meeting. On completing the Form of Proxy, sign it and return it to Link Asset Services at the address shown on the Form of Proxy in the envelope provided. As postage has been pre-paid no stamp is required.

Appointment of Proxy through CREST

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

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

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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

All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be lodged at 11.00 a.m. on 27 January 2019 in respect of the meeting. Any such messages received before such time will be deemed to have been received at such time. In the case of an adjournment, all messages must be lodged with Link Asset Services no later than 48 hours before the rescheduled meeting.

Termination of proxy appointments

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

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

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified in note 2 above then, subject to the paragraph directly below, your proxy will remain valid. Completion of a Form of Proxy will not preclude a member from attending and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will be automatically terminated.

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

Nominated Persons

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

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

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

Questions at the Meeting

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

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

Issued Shares and total voting rights

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

Communication

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

    - calling Link Asset Services' shareholder helpline (lines are open from 9.00 a.m. to 5.30 p.m. Monday to Friday, excluding public holidays):

      (i) From UK: 0871 664 0300 (calls cost 12p per minute plus network extras);

      (ii) From Overseas: +44 371 664 0300 (calls from outside the UK are charged at applicable international rates); or in writing to Link Asset Services.

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

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

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