



Residential Secure Income plc

Annual Report & Accounts
30 September 2023



Since 1857
Gresham House
Specialist asset management

Purpose

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

Our purpose is to deliver affordable, high-quality, safe homes with great customer service and long-term stability of tenure for residents. We achieve this through meeting demand from housing developers (housing associations, local authorities and private developers) for long-term investment partners to accelerate the development of socially and economically beneficial affordable housing.

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





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01

Strategic Report

Investment case

Why ReSI?

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

Secure long-term inflation-linked income

Dividends paid quarterly

ReSI's business model is:

Supported by:



Strong market drivers

Ageing population, declining home affordability, supportive government policy

Creating:



Measurable impact

Providing affordable high-quality, energy efficient homes for life, and addressing elderly loneliness

Executed by:



An expert manager

c.60-person housing team with over 20-year track record in UK housing

ReSI's income is:



Diverse

3,295 households diversified across ages and stages of life



Asset-backed

Underpinned by c.£423mn home value with 22% uplift from reversionary surplus

Subsidised shared ownership rents secured by homebuyers' stake



Affordable

Low retirement rents (in line with Local Housing Allowance) paid from pensions and welfare

c.£15mn government grant supports subsidised rents for shared ownership

Portfolio

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



3,295

Homes

30 September 2022: 3,284



£345mn

Value of investment property

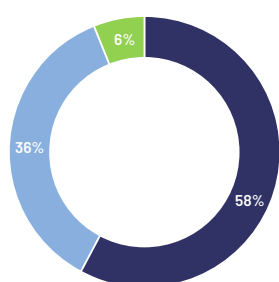
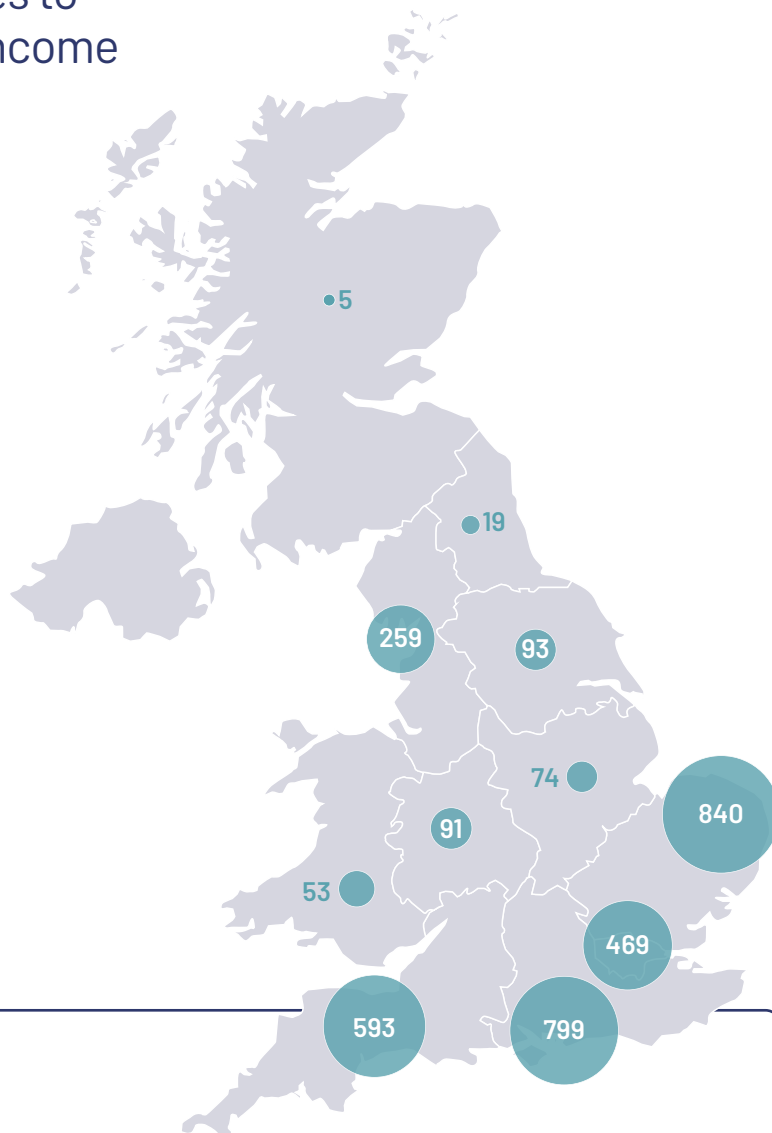
30 September 2022: £375mn
See note 15 on [page 119](#)



935

Unique UK property locations

30 September 2022: 926



Portfolio split by valuation

- £202mn Independent Retirement Rentals
- £123mn Shared Ownership
- £20mn Local Authority

Portfolio highlights

£18.0mn

Annualised net rental income

Year to 30 September 2022: £16.5mn
See note 10 Supplementary Financial Information on [page 144](#)

5.2%

Annualised net rental yield*

30 September 2022: 4.4%
See note 10 Supplementary Financial Information on [page 144](#)

2,628

Counterparties

30 September 2022: 2,608

* Alternative performance measure

Our portfolio focus

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

		
	Independent Retirement Rental Housing (£202mn GAV/2,240 homes/58% of portfolio)	Shared Ownership Housing (£123mn GAV/766 homes/36% of portfolio)
Driver	Booming and increasingly lonely older population	Huge untapped demand for affordable homeownership
Summary	Let to elderly residents with affordable rents and assured tenancies Provides fit-for-purpose homes for retired people, allowing them to maintain their independence without care provision	Homebuyers acquire, from ReSI, a share in a residential property and rent the remainder Helps house buyers acquire homes they would otherwise be unable to buy Capital grant funding from government drives a c.30% living-cost discount compared to market level rents
Rent growth	Increase with RPI each year, generally capped at 6%	Increase contractually by RPI+ 0.5% each year
Secure income	Secure rental income paid from pensions and welfare	Subsidised, below-market rents Homebuyer equity stake
ReSI origination advantages	Scale: UK's largest private independent retirement rentals business Specialist in-house 40-person team with over 20-year track record	ReSI Housing: a for-profit Registered Provider of Social Housing Investment Partner of Homes England and the Greater London Authority for delivery of new affordable housing
Average vacant possession value	c.£110,000 per home	c.£325,000 per home ⁶
Net yield	5.5% ⁵	3.4% ⁵
Average debt coupon	3.5%	1.1% with principal increasing with RPI +0.5% (with a 0.5% floor and 5.5% cap) ⁴
Levered yield	7.1% ^{5,7}	6.1% ^{5,7}
Average customer stay/length of lease¹	6 years	249 years
Like-for-like rental reviews²	6.0%	6.8%
September 2023 occupancy	96%	100% ³
Rent collection	99%	100%

1. Assuming no staircasing

2. Represents the rent growth for homes that were occupied and eligible for a rent review during the year ended 30 September

3. Includes 1 home reserved as at 4 December 2023

4. 1.1% coupon with principal increasing with RPI + 0.5% (with a 0.5% floor and 5.5% cap)

5. Based on annualised Net Operating Income over fair value at September 2023 as measured by a independent third party valuer

6. Shared ownership vacant possession value includes both the value of ReSI's 63% average equity position, and the 37% owned by the residents

7. Debt/Equity split is as per IFRS balance sheet, with properties held at fair value at September 2023 as measured by a independent third party valuer, and debt at amortised cost

Chairman's Statement

Rob Whiteman CBE

Chairman



We have seen record occupancy and rent collection levels this year. Demand for affordable accommodation has been strong, particularly given pay increases generally lagging inflation. ReSI has continued to support residents, balancing rent increases and returns in a way which is sustainable for them, and for our shareholders.

The immediate impact on earnings has been held back by rising energy, overhead and floating rate debt costs. As with other high-quality long-term income assets, our valuations have been impacted by the rise in risk free rates over the year which has moved out the yields.

We are pleased to announce our local authority portfolio is now under offer. Completion will enable full repayment of our existing floating rate debt. This will leave ReSI with two portfolios focused on strong market segments – independent retirement living and shared ownership – supported by very long-term debt with an average maturity of 21 years.

We announced in the interim results that in light of the higher interest rate environment, cost inflation in retirement and fund opex increases we would look to reset the dividend. Subsequent progress on sale of the local portfolio leading to the expected repayment of floating rate debt gives us the confidence to reset the dividend to a fully covered and progressive 4.12p a share.



The market opportunity across both retirement and shared ownership is both enormous and growing, and ReSI has two strong market platforms that are primed for growth.

We are very conscious of listed sector discounts widening significantly, and ReSI is not immune to factors also affecting our peers. We will continue to review options to reverse this situation.

To further align themselves with shareholders, and show their confidence in unwinding the discount, Gresham House have agreed to reduce their management fee to be based on the average of share price and NAV.

FY2023 review

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

ReSI is now the custodian of homes for 3,295 households, and we will continue to balance returns with affordability for our residents. We have aimed to support residents through a difficult period where pay increases have generally lagged spiking inflation, which has in turn supported record occupancy and rent collection levels. We continue to cap our rent increases for our retirement residents at 6.0% and voluntarily capped our inflation-linked rent increases in shared ownership to 7.0%, as opposed to the contractual RPI+0.5%. Furthermore, ReSI continues to invest to improve our homes' energy efficiency helping to keep residents' energy bills affordable.

This balance has seen ReSI deliver strong like-for-like rent growth of 6.1% whilst increasing retirement occupancy to a record 96%, as at September 2023, and fully occupying our shared ownership portfolio. Rent collection continues to exceed 99%, underpinned by direct leases with a highly diversified resident base comprising 2,628 counterparties, affordable rents, and shared ownership equity stakes averaging c.36%.



Despite this strong top-line growth, ReSI is not immune to the continuing wider economic challenges. Specifically, higher energy bills to heat and light communal areas have contributed to a 13% operating cost increase in our retirement housing portfolio, limiting retirement net income growth to 1% year on year. Together with increased interest expenses on the 11% of our debt which is floating rate, and increased overheads, Adjusted Earnings have reduced by 3%.

As a result, dividend cover declined to 91% after re-achieving full coverage in Q4 2022, which justifies the Board’s decision to keep the dividend per share flat for FY 2023 in order to absorb extraordinary cost increases.

As with all high-quality long-term income assets, our investment valuations have been impacted by rising gilt yields with our portfolio valuation yield rising to 5.2% from 4.4% in September 2022. Our strong rental growth has partially mitigated this impact leading to a 10% like-for-like valuation decline of £40mn to £345mn, taking EPRA NTA to 81.8p per share down from 106.1p at 30 September 2022. The USS debt is held at mark to market value in IFRS NAV¹ and so the 1.2% increase in gilt yields over the year reduced its net present value giving an IFRS gain of 6.6p vs EPRA NTA.

Market opportunity

The market opportunity across both retirement and shared ownership is both enormous and growing, and ReSI has two strong market platforms that are primed for growth.

1. Under EPRA NTA this debt is held at amortised cost

Despite recent operational challenges and macroeconomic headwinds, the fundamentals underpinning ReSI’s business model, and our longer-term outlook, have never been stronger. The UK has consistently fallen short of the government’s aspiration for 300,000 new homes per year² with an estimated need for £34bn³ of annual investment over the next decade to begin addressing the shortfall.

ReSI is the UK’s largest provider of private independent retirement rental homes. The UK population is rapidly ageing, with the demographic over 65 expected to increase by almost 50% by 2060⁴. Social isolation can have a material impact on the health of the elderly, driving demand for independent retirement accommodation where customers can enjoy the benefits of living and socialising with other like-minded individuals. Our customer survey illustrates how we can and are helping with this, indicating that 81% of our residents have been equally or more socially active since moving in, and 60% saying their mental health has improved. We believe that our offering is the best way to allow people on lower to average means to focus on enjoying an active and social retirement, without the hassles of maintaining a home. There will be huge growth in this sector of the market, and with that a great opportunity for ReSI to take advantage of its market leadership position.

2. House of Commons Library, “Tackling the under-supply of housing” from February 2022 – <https://researchbriefings.files.parliament.uk/documents/CBP-7671/CBP-7671.pdf>

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

4. Cushman & Wakefield – Housing_For_An_Ageing_Population_Report_In_Association_With_The_BPF 2023

For shared ownership, most of the population lives in areas where home purchase is unaffordable for average earners. Continued inflation, rising mortgage rates and the consistent demand for a permanent home have increased demand for shared ownership as the most affordable homeownership option (particularly in light of the end of the Help-to-Buy programme in March 2023).

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

Financial and dividend outlook

As the UK’s largest provider of private independent retirement rental homes and the owner of a for-profit Registered Provider, and with an experienced and capable fund management team, the Board believes that ReSI is well positioned to deliver long-term, inflation-linked returns to investors.

It has been a stated objective of the ReSI Board to grow the Company, however, the public capital markets have changed substantially over the past year, and while the Company’s share price performance is not out of line with its listed peers, we recognise that ReSI’s shares are currently trading at a significant discount to Net Asset Value.

This is particularly disappointing given the scale of investment opportunities now available, and the work by the Fund Manager to date to create the investment markets in retirement rental and shared ownership, and the ability for these to enhance returns to shareholders over the medium term. Given current cash levels, the Board does not consider it in shareholders’ best interests to increase leverage to support a programme of further share buy-backs – as has previously been undertaken – however, we will continue to review this and other options to reverse the discount that our shares trade to Net Asset Value.

To further align itself with shareholders and show its confidence in unwinding the share price discount to Net Asset Value, the Fund Manager has agreed to reduce its management fee to be based on the average of share price and Net Asset Value.

As communicated at the half year, the Fund Manager is continuing to advance the sale of non-core assets and our local authority housing portfolio is currently under offer and in legal with an expectation that a sale will complete in early 2024. This will enable full repayment of the Company’s floating rate debt and leave ReSI with only its long-term debt which has a weighted average maturity of 21 years, with our largest loan of £94mn fixed at 3.5% until 2043. While these prospective assets sales reduce ReSI’s adjusted earnings, they will increase sustainability of income and strengthen the balance sheet, given the removal of exposure to interest rate movements.



We announced in the interim results that in light of the higher interest rate environment, cost inflation in retirement and fund opex increases we would look to reset the dividend. We have subsequently progressed on sale of the local portfolio leading to the expected repayment of floating rate debt. This allows the Board to rebase the dividend to 4.12p per share, representing a cut of 20%, and to have confidence that we will be able to progressively grow this dividend on a fully covered basis, whilst continuing to invest in maximising the growth of the portfolio value. As an illustration, if we removed the local authority portfolio and the floating rate debt from our 2023 income, this 4.12p dividend would have been 103% covered during the year.

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

We will continue to look at how we can deliver the best value for shareholders, with a constant focus on driving portfolio performance. This will include ongoing review, during 2024, of the options for further disposals should they be supportive of maximising shareholder value. Particular focus will also be given to driving retirement portfolio operational improvements including rationalising portfolio footprint, driving rents and reducing leakage.

Board composition

Reflecting on the current economic environment and the impact this has had on the growth of the Company, since the year end, we have taken the decision to reduce the size of the Board, balancing its diversity for the benefit of shareholders and to help promote the Company’s future success.

John Carleton will retire as a Director of the Company with effect from 22 February 2024 and accordingly will not stand for re-election at the Company’s forthcoming AGM in 2024. On behalf of the Board, we are grateful for the valuable contribution John has made to the Company during his term.

Annual General Meeting

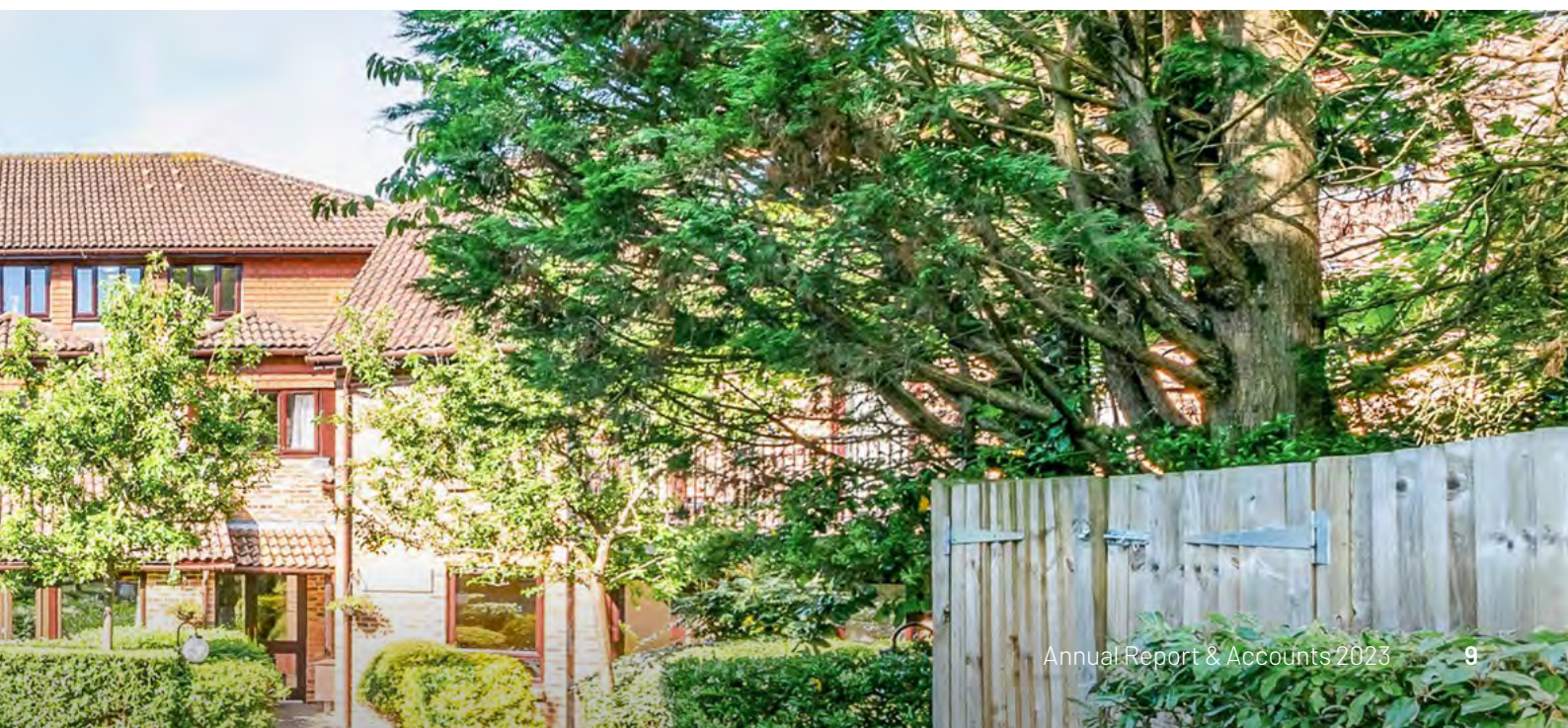
The AGM will be held on 22 February 2024. We hope you will join us, raise any questions or provide any feedback. As valued stakeholders your input is welcomed. Shareholders are encouraged to make use of the proxy form provided in order to register your votes in advance of the AGM through ReSI’s Company Secretary, Computershare.

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



Rob Whiteman
Chairman
Residential Secure Income plc

4 December 2023



Financial highlights

as at 30 September 2023

Income

Adjusted Earnings*
(per share)

4.7p -6%

EPRA Adjusted Earnings Per Share Year ended 30 September 2022: 5.0p
See note 13 on page 118

IFRS (Loss)/Earnings
(per share)

-12.5p

Year ended 30 September 2022: 7.4p
See note 13 on page 118

Like-for-like rent growth*

6.1%

Year ended 30 September 2022: 4.5%

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

£8.7mn -3%

Year ended 30 September 2022: £9.0mn
See note 13 on page 118

Dividend coverage*

91%

Year ended 30 September 2022: 97%
See note 13 on page 118

Dividend
(per share – paid)

5.16p

Year ended 30 September 2022: 5.16p

* Alternative performance measure

Capital

IFRS Net Asset Value
(per share)

91.1p -16%

30 September 2022: 108.8p
See note 28 on page 136

Value of investment property

£345mn

30 September 2022: £375mn
See note 15 on page 119

Fund Manager shareholding

3.4% (6.3mn shares)

Of the total number of shares held by the Fund Manager, current and founder directors of the Fund Manager, and directors of ReSI plc as at the date of this Annual Report
(30 September 2022: 3.4% or 6.4mn shares)

Loan-to-value ratio (LTV)

50%

30 September 2022: 47%
See Supplementary
Information note 13 on page 149

Weighted average
remaining life of debt

21 years

30 September 2022: 22 years

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

81.8p -23%

30 September 2022: 106.1p
See note 28 on page 137

Total Return
(on Opening NTA)*

-18.1%

Year ended 30 September 2022: 3.3%
See Supplementary
Information note 11 on page 149

Total IFRS Return
(on Opening NAV)*

-11.5%

Year ended 30 September 2022: 7.1%
See Supplementary
Information note 12 on page 149

Investment portfolio

Independent retirement rental housing

Geographical dispersion of retirement portfolio



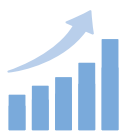
£202mn

Gross Asset Value



2,240

homes



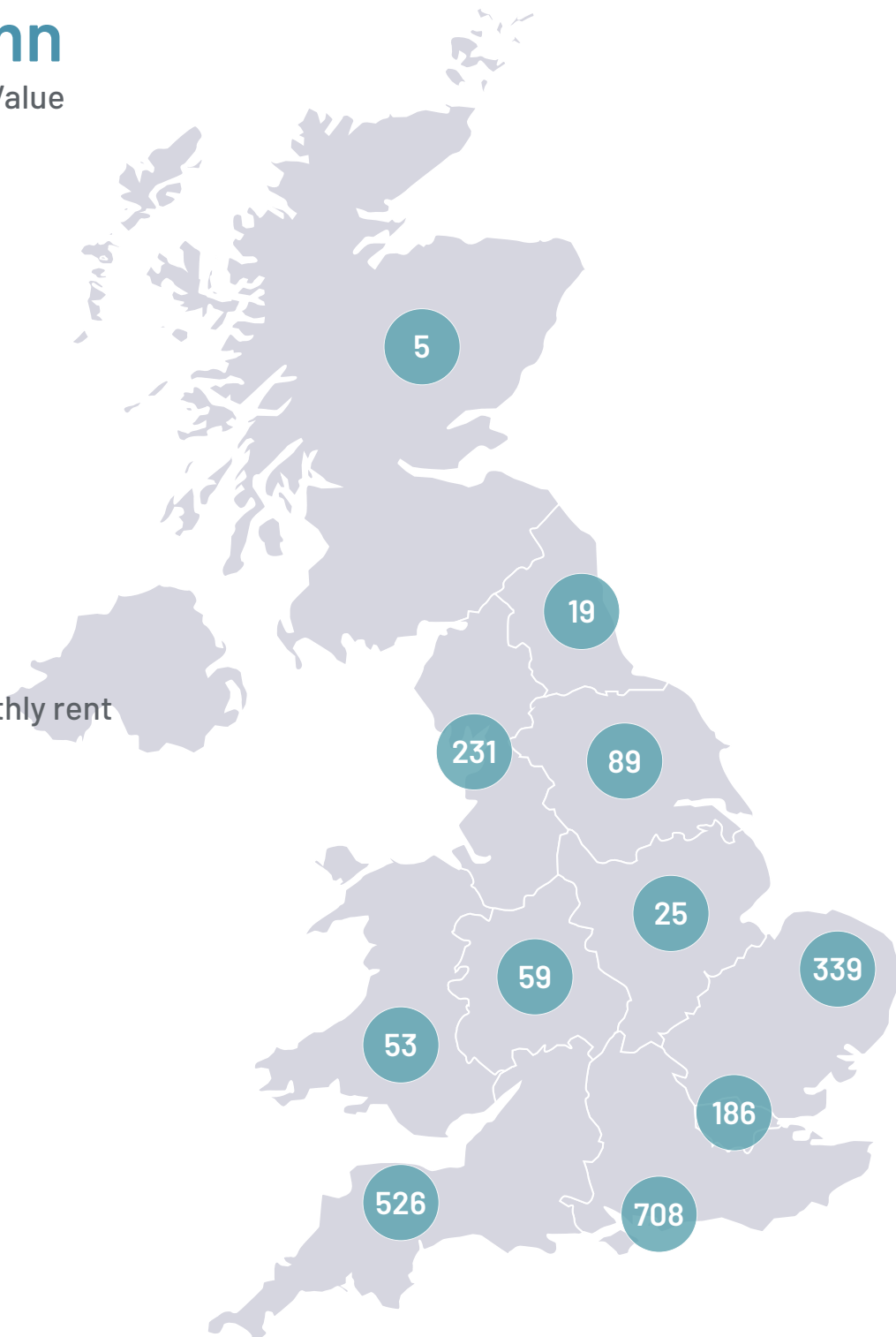
58%

of portfolio



£854

average monthly rent



Independent living for retirees

Our portfolio provides an affordable rental independent living solution for retirement with lifetime tenancies.

In summary, the portfolio:

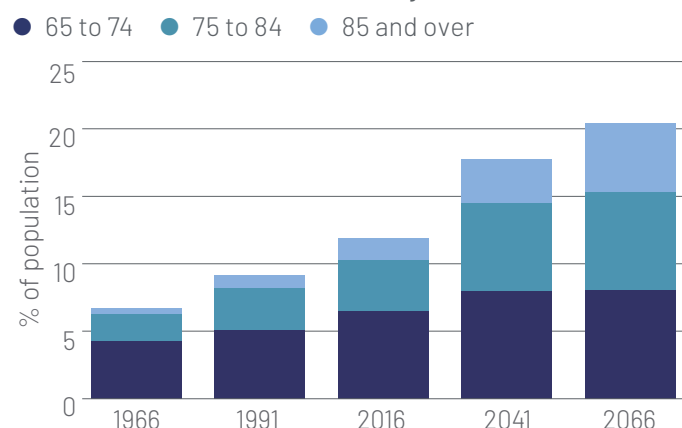
- 1 Is let to elderly residents with affordable rents and lifetime tenancies
- 2 Provides fit-for-purpose homes for retirees, allowing them to maintain their independence without care provision
- 3 Frees up larger homes for families
- 4 Generates stable and secure rental income paid from pensions and welfare
- 5 Rents increase with RPI (capped at 6%) each year and are often set around Local Housing Allowance levels
- 6 Is managed by our in-house 40-person property management and lettings team, operating under the 'My Future Living' brand

An increasingly lonely and growing older population provides huge and growing demand for independent retirement renting

There has been a steady upward trend in life expectancy in the UK, and the average remaining life expectancy of a person reaching retirement age exceeds 20 years¹. As a result, 20% of the UK population is expected to be over 65 by 2026².

In particular, the core market of over 75s is projected to nearly double from 2020 to 2050³.

Number of UK residents over 65 years old



Source: ONS

Just 1% of over 60s in the UK live in purpose-built retirement housing, compared to 13% in Australia and 17% in the USA.

There is a very limited pipeline of retirement developments in the UK, with only 3% of consented developments being designed specifically for the elderly. Furthermore, this construction activity is primarily focused on the top end of the market and not competitive with ReSI's relatively affordable price points.

Specialist retirement housing is accessible (e.g., with lifts) and easy to manage, enabling people to live independently in their own living space to a greater age, whilst still having access to some level of day-to-day and emergency support.

According to Age UK, over one million older people say they always or often feel lonely⁴. Boomer & Beyond estimates that nearly one third of UK residents aged 70 and older identify as 'modestly satisfied' to 'not at all satisfied' with life⁵. Nearly half of older people in the UK (49% of over 65s) say that television or pets are their main form of company, with one research report claiming that loneliness can be as harmful for our health as smoking 15 cigarettes a day. Specialised retirement accommodation helps to foster a sense of community by offering shared spaces such as a residents' lounge and communal gardens.

1. ONS, Past and projected period and cohort life tables: 2020-based, UK, 1981 to 2070, January 2022

2. ONS, 2020-based Interim National Population Projections, January 2022

3. ONS, 2020-based Interim National Population Projections, January 2022

4. <https://www.ageuk.org.uk/latest-news/archive/1-million-older-people-feel-lonely/#:~:text=Age%20UK%20is%20calling%20for,loneliness%20is%20in%20the%20UK>

5. Boomer & Beyond quantitative research study 2022

Case study



Finding a safe haven and lifelong friendships in a coastal retirement community

Interview with June – East Haven, Clacton-on-Sea

June, a woman in her mid-50s, has found her slice of paradise in East Haven, a retirement development nestled in the coastal town of Clacton-on-Sea.

Through My Future Living, June has been renting a delightful one-bedroom apartment since February 2023, and she couldn't be happier. Embracing the social aspects of living in a retirement community and relishing the feeling of safety and security, June has truly found a place she can call home.

Although June is originally from Mauritius, her heart has long belonged to the United Kingdom. After spending most of her life in East London and, more recently, Basildon, she decided to return to her homeland in 2017 after the passing of her father. However, her time in Mauritius made her realise that her true sense of belonging lay in the UK. Yearning for the companionship and familiar surroundings she had missed, June made the decision to return.

June reflects, "After my Dad died, I thought it was the perfect opportunity to go back to my roots. With my health challenges, I had to leave work in 2008, and I thought the sunny climate and laid-back life-style in Mauritius would be beneficial for me. However, life taught me that the grass isn't always greener on the other side, and it didn't suit me as well as I had hoped. So, upon returning to the UK, I faced the task of finding a new place to live, and that's when East Haven came into my life. Although I had never been to Clacton-on-Sea and had never considered renting, I was immediately captivated by the charm of this development. In that moment, I knew it was the ideal place for me."

Living alone with health concerns, June sought a supportive and friendly community. The emergency cords placed in her apartment provided an additional layer of reassurance, assuring her that help would be readily available if the need arose.

June explains, "While I wanted to maintain my independence, having previously owned my own home, I also longed for the sense of community that a retirement development could provide. East Haven has allowed me to strike this perfect balance. The apartment is simply wonderful, and the people within the community are genuinely friendly and welcoming. The manager, in particular, keeps a vigilant eye out for everyone's well-being."

June enjoys several other benefits that come with renting in a retirement development such as the fact she no longer has to worry about maintenance and upkeep. Also, the option of assured or lifetime tenancies provides her with long-term security and peace of mind that she will never have to leave providing she keeps to her tenancy agreement.

Shared ownership housing

Geographical dispersion of shared ownership portfolio



£123mn

Gross Asset Value



766

homes



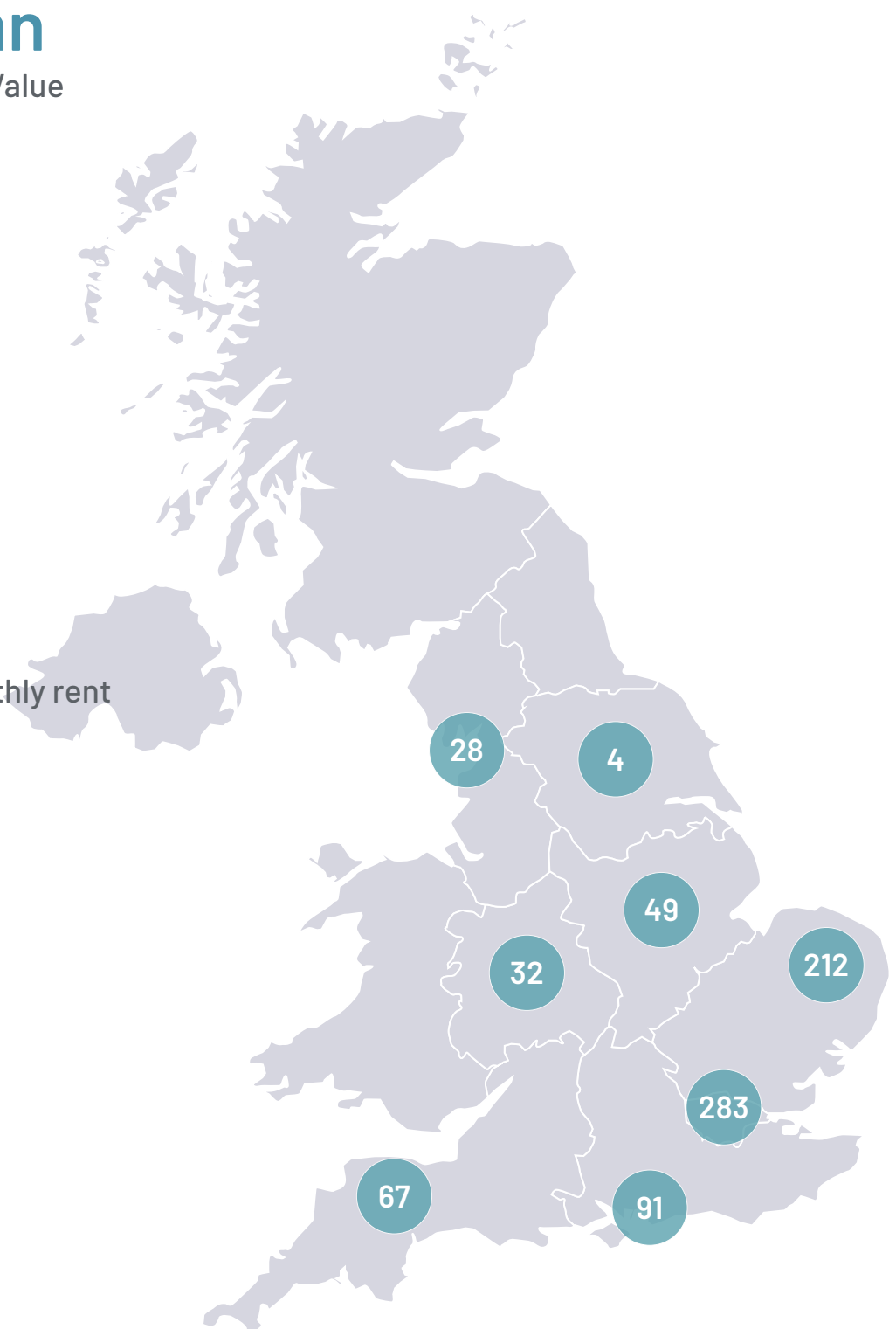
36%

of portfolio



£483

average monthly rent



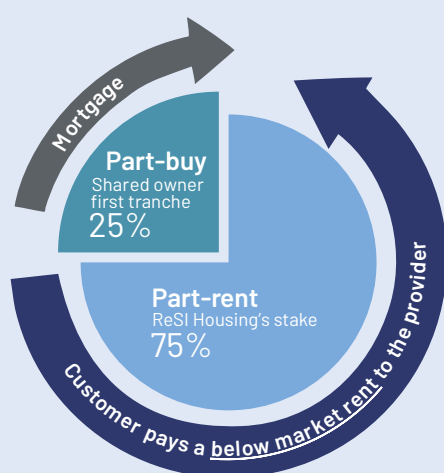
Shared ownership Housing

Part-buy, part-rent model makes shared ownership the affordable homeownership solution

Shared ownership provides an affordable route to homeownership for middle- and lower-income households through a part buy, part rent model with subsidised rents and low deposit requirements.

In summary, the shared owner:

- 1 purchases an equity stake in their new home at open market value. This is known as the “first tranche sale” and is a minimum of 25% of the value of the property;



- 2 pays a subsidised rent c.30% below market rent on the remaining part of the home, which increases annually at RPI+0.5%;
- 3 has the option to incrementally purchase additional shares in their home at the prevailing open market value (known as “staircasing”);
- 4 typically finances their initial stake with a 90% mortgage; and
- 5 is responsible for maintenance, repair and insurance, creating strong alignment of interest.

Shared ownership is required to be affordable to incoming shared owners, which typically means no more than 40% of post-tax income of new shared owners can be spent on total housing costs (i.e. mortgage, rent and any service charge).

There are 252,000 shared ownership homes across England¹, and around 20,000 new shared ownership homes are delivered annually², making it one of the faster growing housing tenures.

1. ONS, Registered Provider social housing stock and rents in England 2022 to 2023

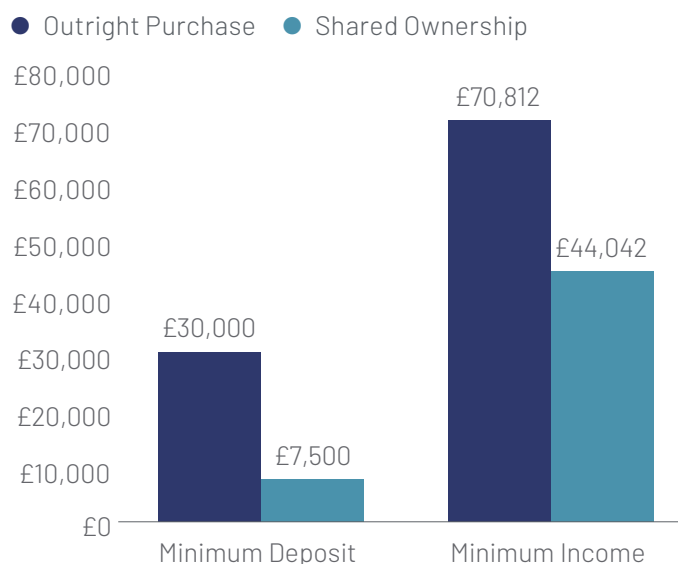
2. ONS, Affordable Housing Supply, 2021 – 2022

Increased affordability provides huge demand for shared ownership

Due to lower deposit requirements and discounted rental payments, shared ownership addresses the affordability barrier that forces people into a lifetime of private market-rented accommodation with no certainty of tenure, which makes it more difficult to feel like a member of the community.

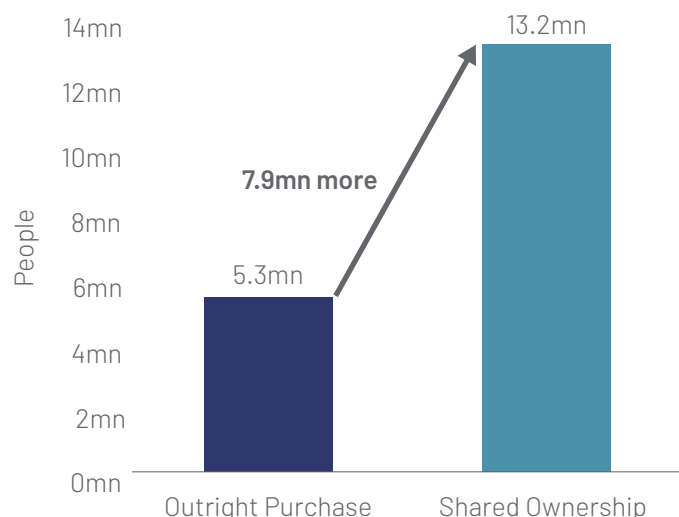
The graph below sets out the smallest amount of deposit required and the minimum income requirement to purchase a home worth £300,000 under shared ownership and outright homeownership. Shared ownerships part-buy part-rent model reduces both deposit and minimum income requirements, providing an affordable route to homeownership for a potential additional 7.9 million people³ across the country.

Shared ownership affordability



3. Gresham House and Office for National Statistics. Assumptions: Initial Property OMV £300k; first tranche sale percentage 25%; initial mortgage LTV 90%; mortgage term 30 years; mortgage interest 5.5%; service charge £1,500 p.a, shared ownership rent 2.75%; maximum housing costs as a percentage of net income 40%; assumes 1.5x earners per home

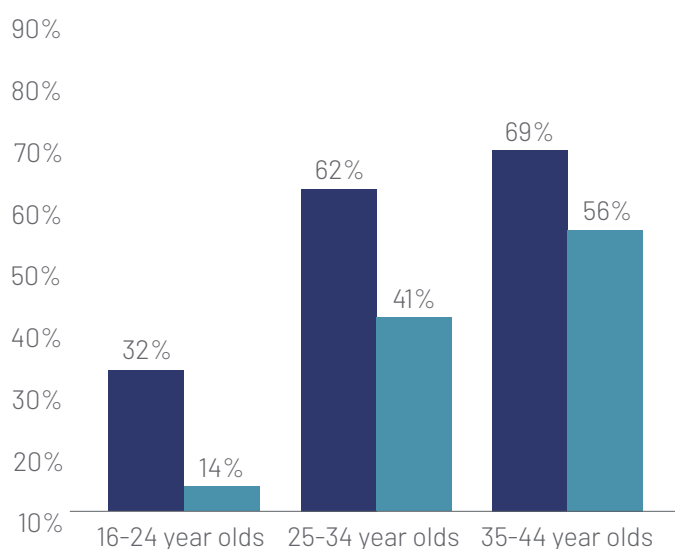
Shared ownership increases homeownership eligibility



The chart below illustrates how homeownership rates have declined across age cohorts despite the fact that 76% of non-homeowners in Great Britain want to own a home⁴. We expect that declining homeownership rates and outright purchase affordability worsening will continue to drive demand for shared ownership in 2024.

Historical UK homeownership rates by age cohort

● 1961 ● 2020



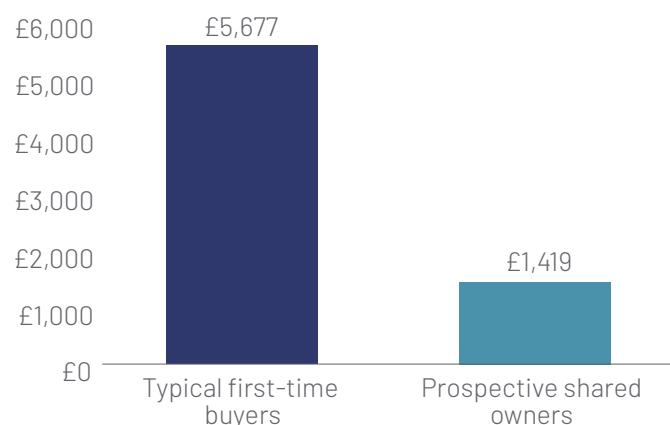
Demand for shared ownership in the current economic climate

Rising interest rates have made the ambition of homeownership more expensive for all first-time buyers, however the impact is less severe for shared owners compared to those who own outright.

This is because as shared owners only initially acquire a portion of their home, the size of the mortgage required to purchase their equity stake is typically much lower than someone buying a property outright.

As a result, prospective shared owners are much less exposed to an increase in interest rates compared to typical first time buyers, with the cost increase for new shared owners as a result of a rise in interest rates one quarter of the increase experienced by a first time buyer buying outright.

Annual cost increase from a 3% interest rate rise



Whilst the 7% rent increase experienced by shared owners in 2023 is significant, it is considerably lower than the 40% increase⁵ in monthly payments that will be felt by outright owners as a result of a 3.0% increase in mortgage rates.

With outright sale affordability having worsened and with the Help-to-Buy scheme coming to an end in March 2023, shared ownership has become the only affordable route onto the housing ladder for an increasing number of people, which has been reflected by the 40-50% increase in shared ownership mortgage assessment volumes compared to 2022⁶.

There will be some residents who are no longer able to afford shared ownership in the current economic climate, however this has been outweighed by the new market of higher income residents keeping demand for the tenure strong, despite the worsening affordability outlook.

4. YouGov (May 2021) 'Who does – and doesn't – want to own a home?'

5. Assumptions: 2022 interest rate 2.5%; 2023 interest rate 5.5%

6. Metro Finance, October 2023

Case study

Interview with Stephanie*, a shared ownership resident:

After trying to buy a home by herself, Stephanie realised that she would not have been able to own her own home outright. Her options were continuing to rent in the private sector or move back in with her parents, however, through the reduced affordability requirements of shared ownership she was able to buy her own home. Since moving in two-years ago, Stephanie said that being able to run her own home and the benefits of not living with others had definitely improved her quality of life. In addition, Stephanie said that she was greatly appreciative of the cap on rent increases that ReSI applied, particularly in the current rental market.

“

**Shared ownership is more
cost effective than renting privately**

Affordability

“

**My energy bills are a lot cheaper
than my previous residence**

Energy efficiency

“

**I have enjoyed discovering how I
like to run my own home and the
benefits of not living with others**

Independence

* Not her real name

Local authority housing

Local authority housing portfolio at a glance

Local authority housing provides homes within Luton for households who are otherwise homeless, generally because they are unable to afford private rented accommodation.



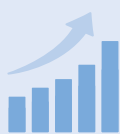
£20mn

Gross Asset Value



289

homes



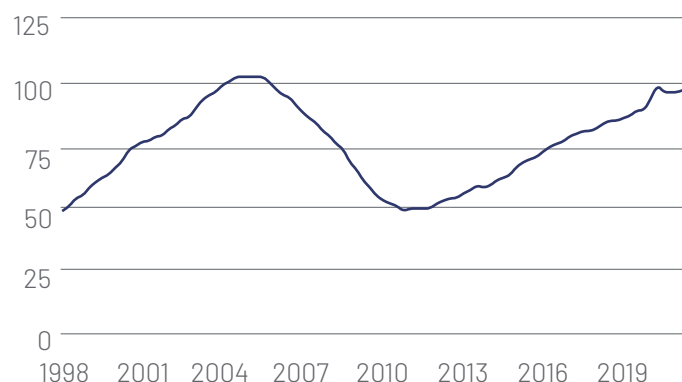
6%

of portfolio

ReSI works as a partner with Luton Borough Council and Mears who manage and maintain the portfolio, with the council taking void risk.

Households in temporary accommodation

Thousands of households, England, quarterly to end of September 2021



Source: DLUHC, Statutory homelessness live tables, Table TA1. 27 January 2022



Investment team

Gresham House has extensive experience and expertise in affordable housing:

21-person investment team – senior members with average c.17 years' experience

With some individuals amassing over 40 years of experience, ReSI's team has deep expertise in multiple residential sectors, including shared ownership housing and independent retirement living.

Key investment team



Ben Fry

Managing Director, Housing



Mike Adams

Managing Director, Real Estate



Sandeep Patel

Finance Director, Housing



Pete Redman

Executive Director, ReSI Housing



Chris Carter Keall

Head of Asset Management



Burak Varisili

Investment Director



Joe Thomas

Investment Director



Claire Cooper

Director of Shared Ownership



Matt Painter

Director of Development
& Delivery

40-person property management team

In-house property management team allows ReSI to benefit from scale, and helps ensure a positive resident experience

Over 20-year track record in social housing, raising >£11bn

The Fund Manager's direct parent company, TradeRisks Limited, has been active within the social housing sector for over 20 years as a funding arranger and advisor and, over the last five years, as an investor through ReSI.

Manage £800mn of long-term institutional capital invested into almost 6,000 homes over the last six years

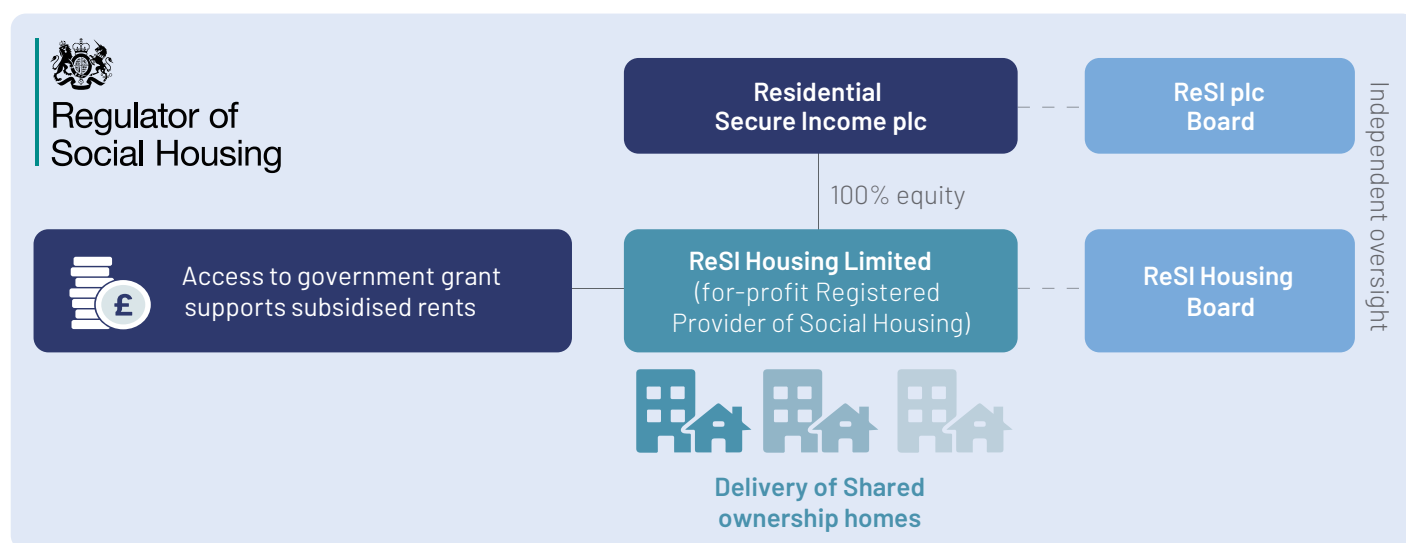
Long-term capital sourced from a diversified pool of investor types, including pension funds (primarily local government and corporate) and wealth management companies channelling individual SIPPS and ISAs.

Founder and manager of Registered Providers of Social Housing

ReSI Housing Limited, ReSI's wholly-owned Registered Provider of Social Housing, allows ReSI to invest in shared ownership housing and receive capital grant funding from the Greater London Authority and Homes England. Demonstrating strong expertise in the shared ownership sector, Gresham House, the Fund Manager's parent, has successfully set-up two Registered Providers of Social Housing across its housing funds.

Homes England and Greater London Authority Investment Partner

Reflecting Gresham House's strong relationships with government-regulated institutions, the Fund Manager's investment vehicles have been awarded £39mn in combined grant funding from both institutions. Gresham House has worked with the government to improve the shared ownership model in the 2021-2026 capital grant funding programme, with our aim to continue lifting standards across the shared ownership sector.



ReSI Housing Independent Board



David Orr

Independent Non-Executive Chairman



Mark Rogers

Non-Executive Chairman



Gillian Rowley

Independent Non-Executive Director

KPI measures

Income returns

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

Adjusted EPRA earnings* (£mn)		Net rental income (£mn)		Like-for-like rental reviews (%)		EPRA cost ratio (%)*		(Loss)/Profit before tax (£mn)	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
8.7	9.0	17.1	16.0	6.1	4.5	39%	36%	(23.2)	13.3

KPI definition

Adjusted EPRA earnings, excluding valuation movements on investment assets and debt, and other adjustments, that are one-off in nature, which do not form part of the ongoing revenue or costs of the business.

Net rental income after deducting property operating expenses including ground rent paid.

Like-for-like average growth on rent reviews across the portfolio.

Administrative and operating costs (including costs of direct vacancy) divided by gross rental income.

(Loss)/Profit before tax is a statutory IFRS measure as presented in the Group's Consolidated Statement of Comprehensive Income.

Comment

2023 earnings impacted by a combination of higher finance costs on floating rate debt, higher operating costs in the retirement portfolio because of increased energy costs in communal areas and higher fund level expenses.

Adjusted EPRA Earnings covered 91% of dividends in the year.

Increase of 6.4% delivered during the period as a result of organic growth from the portfolio due to rent increases and acquisitions in FY 2022.

Strong like-for-like rental growth, of 6.1%, was curtailed by a 12% increase in services charges, across the retirement portfolio, reducing net income growth in retirement to 1%. The increase in service charges was driven by a 45% increase in energy costs in communal areas.

6.1% like-for-like rental reviews growth achieved for properties that were eligible for rent increases during the year ended September 2023.

This growth reflects the 6.0% rent increase caps on retirement leases, as well as the 7.0% cap implemented for shared ownership rent increases during the year.

2023 cost ratio impacted by higher operating costs in the retirement portfolio because of increased energy costs in communal areas.

Decreased profit before tax driven by £39.8mn property valuation loss reflecting market repricing due to higher interest rates. The repricing of real estate assets has been rapid and significantly faster than in previous property cycles. We expect the attractive characteristics of residential property assets, in conjunction with the supply/demand imbalance and lack of affordable housing, to continue to appeal to a wide range of property investors resulting in relatively resilient yields compared to other property sectors.

Notes

See note 13 to the Financial Statements

See note 6 to the Financial Statements

See Glossary on [page 151](#) for definition and calculation basis.

See note 7 Supplementary Financial Information

See Consolidated Statement of Comprehensive Income on [page 101](#)

* Alternative performance measures

Capital returns

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

EPRA NTA per share* (pence)		IFRS NAV per share (pence)		Total Return on NTA (%)*		Loan to Value (LTV) (%)		Weighted average remaining life of debt (years)	
2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
81.8	106.1	91.1	108.8	(18.1)	3.3	50	47	21	22

KPI definition

EPRA NTA (Net Tangible Assets) is the market value of property assets, after deducting deferred tax on trading assets, and excluding intangible assets and derivatives.

IFRS NAV (Net Asset Value) per share at the balance sheet date.

Return on NTA is total return for the year, prior to payment of dividends (excluding movements in valuation of debt and derivatives), expressed as a percentage of opening NTA.

Ratio of net debt to the total assets less finance lease and cash on a consolidated Group basis.

Average remaining term to loan maturity.

Comment

23% reduction in the year ended 30 September 2023 driven by fair value through profit and loss movements. Recurring Earnings of 4.7p covered 91% of dividends in the year.

Returns of minus 12.8p per share in the year reflecting 21p property valuation decline, partially offset by 4.2p gain in debt valuation.

Returns of minus 18.0% in the year reflecting 4.7p of earnings offset by 21p property valuation loss. Property valuation loss was driven by a 80bps outward yield shift, leading to a 28p decline, which was partially offset by inflation-linked rent growth which was additive to valuations by 7p.

Increase in LTV reflecting outward valuation yield shift as a result of market repricing due to higher interest rates and macro-economic environment.

21 years remaining life of debt reflecting the long-term nature of ReSI's fixed and inflation-linked debt secured on the retirement and shared ownership portfolios.

Notes

See note 2 Supplementary Financial Information for reconciliation from IFRS to EPRA performance measures

See Consolidated Statement of Financial Position on [page 102](#)

See note 11 Supplementary Financial Information for calculation.

See note 13 Supplementary Financial Information for calculation.

See note 19 for information on the Group's Borrowings

* Alternative performance measures

The European Public Real Estate Association (EPRA) is the body that represents Europe's listed property companies. The association sets out guidelines and recommendations to facilitate consistency in listed real estate reporting, in turn allowing stakeholders to compare companies on a like-for-like basis. As a member of EPRA, the Company is supportive of EPRA's initiatives and discloses measures in relation to the EPRA Best Practices Recommendations (EPRA BPR) guidelines. Additional detail is provided in supplementary information on [page 144](#).

1. EPRA Earnings per share

Definition	Purpose	Result
EPRA Earnings per share excludes gains from fair value adjustment on investment property that are included under IFRS.	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	<ul style="list-style-type: none"> 4.1 per share for the period 30 September 2023. (30 September 2022: 4.4p) Adjusted EPRA Earnings per share excluding one off costs and including first tranches sales for the period were 4.7p (30 September 2022: 5.0p)

2. EPRA Net Asset Value (NAV) metrics

Definition	Purpose	Result
<p>EPRA Net Reinstatement Value (NRV): Assumes that entities never sell assets and aims to represent the value required to rebuild the entity.</p> <p>EPRA Net Tangible Assets (NTA): Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.</p> <p>EPRA Net Disposal Value (NDV): Represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.</p>	The EPRA NAV set of metrics make adjustments to the NAV per the IFRS financial statements to provide stakeholders with the most relevant information on the fair value of the assets and liabilities of a real estate investment company, under different scenarios.	<ul style="list-style-type: none"> EPRA NTA £151.4mn or 81.8p per share at 30 September 2023 (£196.5mn or 106.1p per share at 30 September 2022) EPRA NRV £151.4mn or 81.8p per share at 30 September 2023 (£196.5mn or 106.1p per share at 30 September 2022) EPRA NDV £195.3mn or 105.5p per share at 30 September 2023 (£225.5mn or 121.8p per share at 30 September 2022)

3. EPRA Net Initial Yield (NIY)

Definition	Purpose	Result
Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, increased with (estimated) purchasers' costs.	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge for themselves how the valuation of a portfolio compares with others.	<ul style="list-style-type: none"> 5.2% at 30 September 2023 (4.1% at 30 September 2022)

4. EPRA 'Topped-Up' NIY

Definition	Purpose	Result
This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	The topped-up net initial yield is useful in that it allows investors to see the yield based on the full rent that is contracted at the end of the period.	<ul style="list-style-type: none"> 5.2% at 30 September 2023 (4.1% at 30 September 2022)

5. EPRA Vacancy Rate		
Definition	Purpose	Result
Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	A 'pure' percentage measure of investment property space that is vacant, based on ERV.	<ul style="list-style-type: none"> 3.5% at 30 September 2023 (5.0% at 30 September 2022)
6. EPRA Cost Ratio		
Definition	Purpose	Result
Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a Company's operating costs.	<ul style="list-style-type: none"> EPRA Cost Ratio (including direct vacancy costs) 39% at 30 September 2023 (36% at 30 September 2022) EPRA Cost Ratio (excluding direct vacancy costs) was 36% at 30 September 2023 (34% at 30 September 2022)
7. EPRA LTV		
Definition	Purpose	Result
Net debt divided by total property value.	A key (shareholder-gearing) metric to determine the percentage of debt comparing to the appraised value of the properties.	<ul style="list-style-type: none"> 51% at 30 September 2023 (46% at 30 September 2022)



Fund Manager's report

Ben Fry

Managing Director, Housing



The year ended 30 September 2023 has seen a continuation of the challenging macroeconomic environment driven by a sharp and severe increase in inflation, repeated interest rate increases and the consequential impact on the cost of living. We have sought to insulate both shareholders and residents from this environment by balancing inflation-linked rent increases with support for those residents experiencing difficulties affording rent or mortgage bills.

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



During FY23 ReSI has delivered strong like-for-like rental growth of 6.1% whilst achieving record occupancy and with rent collection stable at almost 100%, reflecting our focus on individual resident contractual relationships.

We took the decision during 2023 to cap rent increases below the level of inflation, in order to protect affordability for our residents whose incomes are under pressures not seen in decades. We believe this decision is the right one for all stakeholders and will support ReSI in its objective to deliver sustainable returns for the long term. These caps were set at 6% for our retirement residents, and 7% for our shared owners and saw ReSI still deliver strong rent growth of 6.1%.

This 6.1% rental growth, combined with the full impact of previous shared ownership acquisitions, helped ReSI to increase net rental income by 6.4%, to £18.1mn, despite managing 13% higher costs within our retirement portfolio, driven by the increased energy costs of the communal areas, which limited retirement net income growth to just 1%.

Adjusted EPRA earnings, before valuations, reduced by 3%, to £8.7mn, with the 6.4% net rental income growth offset by increased interest expenses on our £21mn floating rate debt (11% of total debt), as well as higher audit and regulatory fees.

As with many other holders of high-quality, long-term income assets, the increase in gilt yields has directly impacted our portfolio valuations, with our portfolio valuation yield rising to 5.2% from 4.4% in September 2022. Our strong rental growth has partially mitigated this movement leading to a 10% like-for-like valuation decrease for the year, and a total EPRA return of (18.0%), taking EPRA NTA to 81.8p per share. This valuation decline is disappointing but should be taken in light of the more than 40% value loss in the 20-year gilt since the start of 2021¹.

1. UK TREASURY 3.25% 20/01/2044. Price of 142 on 1/1/2022 and 81 on 13/11/2023

These valuation headwinds have increased the LTV of the Company to 50% (from 47% in FY22) in line with the Company’s 50% medium-term target. The loan balance includes £21mn of floating rate debt that is no longer as accretive to the Company’s returns and is not in line with our strategy to de-risk the balance sheet through long-term amortising debt. This debt was originally put in place to provide flexibility to the Company ahead of an intended fundraise, which is no longer possible due to market conditions which have seen the Company’s shares continuing to trade at a significant discount to Net Asset Value.

As communicated at the half year, we are continuing to advance sale of non-core assets and our local authority housing portfolio is currently under offer and in legal with an expectation its sale will complete in early 2024. This will enable full repayment of floating rate debt and leave ReSI with £183mn of long-term debt with a weighted average maturity of 23 years, with our largest loan of £94mn fixed at 3.5% until 2043. The low cost of this facility represents £27mn of value for shareholders compared to raising new debt today and puts ReSI in a better position to deliver long-term earnings growth relative to other REITs, which have significantly lower weighted average debt maturity profiles.

We also announced at the half year that in light of the higher interest rate environment, cost inflation in retirement and fund opex increases we would work with the board to reset the dividend. We have subsequently progressed on sale of the local portfolio leading to the expected repayment of floating rate debt. This allows the Board to rebase the dividend to 4.12p per share, representing a cut of 20%, and to have confidence that we will be able to progressively grow this dividend on a fully covered basis, whilst continuing to invest in maximising the growth of the portfolio value. If we removed the net impact of the local authority portfolio from FY23 results, the new dividend of 4.12p per share would have been 103% covered.

Rising inflation and the cost-of-living crisis continue to impact the life of our residents, but they are relatively protected compared to their peers. Our retirement residents typically fund rent payments with income from an inflation-linked pension, and benefit from tailored accommodation that helps to address loneliness. The shared ownership model helps partially insulate residents from cost-of-living pressures: rents are rising less than mortgage costs; mortgage rates remain well below our portfolio stress-test levels, and our shared owners have only 36% of the exposure to mortgage rate increases compared to full-ownership mortgages. Across the whole portfolio our continued efforts to improve our homes’ energy efficiency is helping to reduce our residents’ energy bills and we have capped rent increases in the period to protect resident’s affordability.

The quality of ReSI’s operational business model, with individual resident contractual relationships, very strong rent collection of almost 100%, and record occupancy of 96% in retirement and 100% in shared ownership, reflects our focus on the underserved markets of affordable purpose-built retirement living and providing affordable homeownership to young families and key workers. This continues to give us confidence in our portfolio of 3,295 homes and our ability to deliver sustainable long-term returns.

Financial review

Total return

Rising gilt yields through 2023, led to an increase rate in discount rates and yields across all high-quality long-term income assets. This drove a 10% reduction in ReSI’s like-for-like investment property values leading to an EPRA NTA total return for the year of negative 19.1p per share (-18.0%).

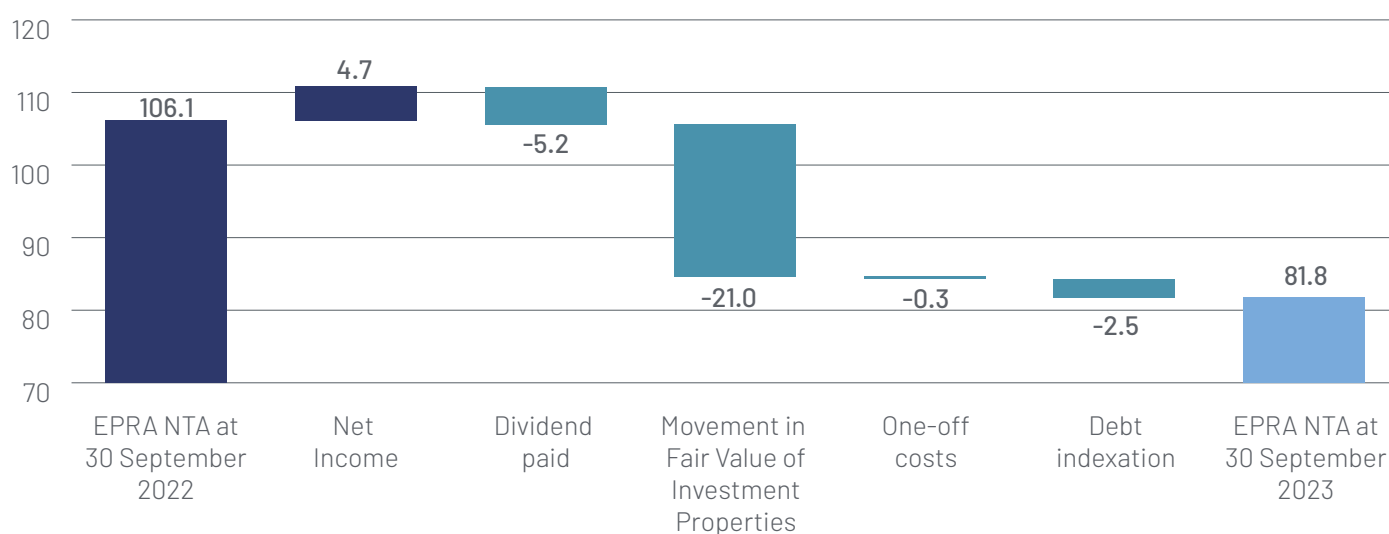
This negative 19.1 pence per share EPRA NTA return, was comprised of:

- 4.7p of Adjusted EPRA Earnings (see note 13) adjusted earnings per share, with recurring income of £8.7mn; less
- 21.0p impact of the 10% like-for-like decrease in investment property values, as assessed by Savills, to £345mn as at 30 September 2023. This decrease was primarily driven by a c.80 bps increase in the weighted average valuation yield since September 2022 to 5.2%, despite like-for-like income growth of 6.1%; and
- 2.5p impact of USS debt indexation (£4.5mn), reflecting the index-linked nature of the debt which follows the increase in shared ownership rent reviews up to a cap of 5.5%; less
- 0.3p one-off costs (£0.6mn) primarily attributable to aborted fundraising in Autumn 2022, following the Company’s share price moving from a premium to substantial discount to NAV rendering equity raising dilutive to shareholders.

The movement in the EPRA NTA position during the year, from 106.1p to 81.5p per share, is after total dividend payments of 5.2p per share (£9.6mn).

Movement in EPRA NTA pence per share for the year

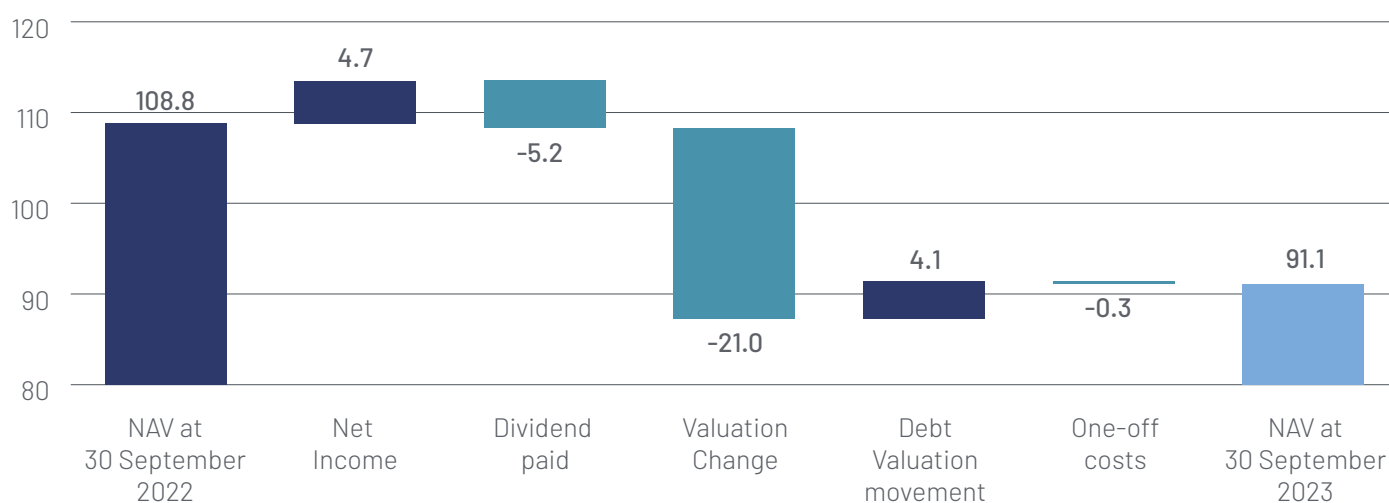
● Increase ● Decrease ● Total



A total IFRS return of -12.5p per share (-11.5%) was delivered for the year. The difference to EPRA NTA returns reflects an increase in the fair value of debt (IFRS) of 6.6p (£12.3mn) versus the amortised cost value of debt (EPRA) caused by the c.1.2% increase in gilt yields over the year, which reduce the mark to market value of the USS debt. The IFRS NAV decreased by 17.7p after dividends paid.

Movement in IFRS NAV at 30 September 2023 (pence per share)

● Increase ● Decrease ● Total



Statement of Comprehensive Income

Adjusted Earnings reduced by 3% to £8.7mn with 6% net rental income growth offset by increased interest expenses on our £21mn floating rate debt (11% of total debt), as well as higher overheads which are explained further below.

	2023 (£'000)	2022 (£'000)	Variance
Net rental income	18,097	17,016	6.4%
First tranche sales profits	417	510	(18.2%)
Net finance costs	(6,500)	(5,588)	16.3%
Management fees	(1,885)	(1,867)	1.0%
Overheads	(1,456)	(1,119)	30.1%
Adjusted Earnings/Adjusted EPRA Earnings	8,673	8,952	(3.1%)
Adjusted EPS	4.68p	4.97p	(5.8%)
Dividend coverage	91%	97%	(6.2%)
Property valuation movements	(38,944)	3,200	(1,317.0%)
Debt valuation movements	7,747	1,809	328.2%
Loss on property disposal	(11)	(24)	(54.2%)
One-offs	(619)	(603)	2.7%
IFRS (Loss)/Earnings	(23,154)	13,334	(273.6%)
IFRS EPS	(12.5)p	7.4p	(268.9%)



Net rental income

Net rental income before ground rents (NRI) grew by 6.4% year-over-year to £18.1mn, driven by the following underlying factors:

- Retirement rent growth of 1% to £11.2mn with strong like-for-like rent review growth of 6.0%, being largely offset by 13% cost inflation
- Shared ownership rent growth of 23% from £4.1mn to £5.0mn due to:

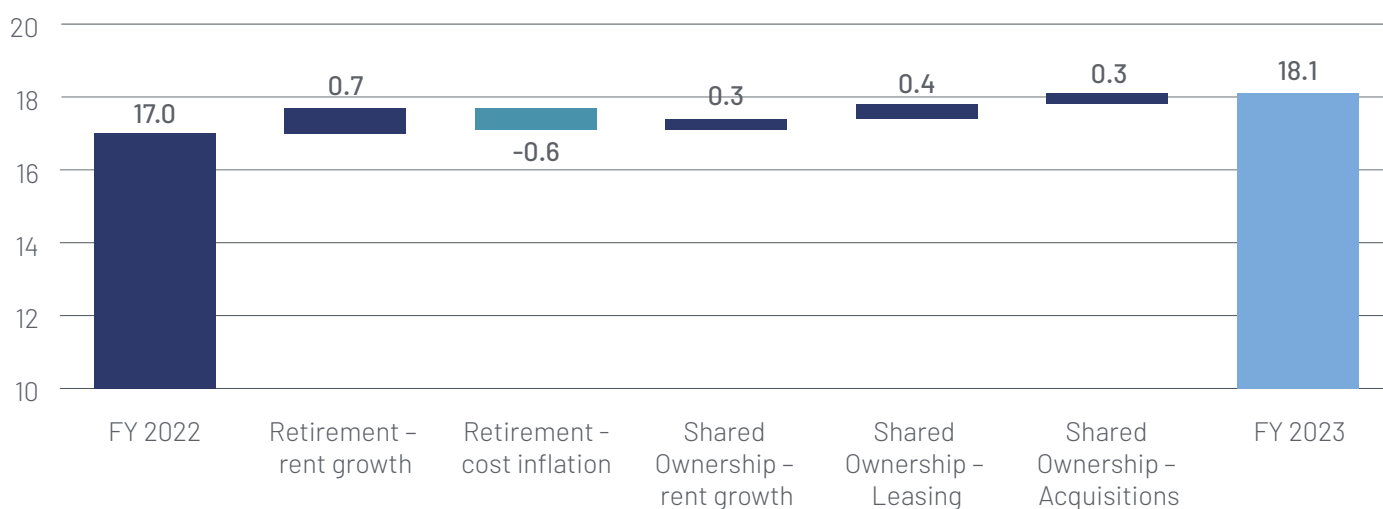
- £0.3mn from by 6.8% like for like rental increases;
- £0.4mn from full occupancy and annualised income of our shared ownership portfolio; and
- £0.2mn from £13mn shared ownership acquisitions completed in the financial year.

These factors were also underpinned by:

- Consistent rent collection of over 99%.

Net rental income (£mn)

● Increase ● Decrease ● Total



1. Top-line retirement growth offset by cost pressure

Income growth delivered:
£0.7m/1%/0.1 pence per share¹

Retirement gross rental revenue grew 6.4% year-over-year to £20.6mn, ahead of the 3.8% growth in the prior year. This was mainly driven by 6% like-for-like rent growth, in line with an annual cap applied to the RPI-linked rental increases, combined with an average occupancy of 94% (FY22: 94%).

We believe our decision to cap rent increases is the right one, to both protect our residents and support the long-term stability of our income, and we have continued to combine this support to residents in financial hardship with rental freezes or reduced increases. These moves generated an annual saving for residents of c.£1.1mn/c.£565 per resident.

Occupancy growth has continued to improve throughout the year and reached a record level of 96% at year end, reflecting the great customer service of ReSI's in-house property manager, My Future Living. Revenue growth was offset by 12.9% year-over-year operating expense growth to £9.4mn, which was primarily driven by 45% increase to c.£1.5mn in the energy costs for common areas as well as a 14% increase in property management fees as we restructure the team in order to drive future net income growth.

Looking forwards, we are working closely with My Future Living across several asset management initiatives, in order to boost income and offset cost inflation. These include:

- restructuring the property management team to take advantage of technology;
- re-tendering repairs and maintenance contracts to increase value-for-money on unit refurbishments;
- improving retirement re-letting timing to continue driving occupancy growth, which involves improving start times on refurbishment works for unit turnovers;
- completing capital works and energy efficiency improvement projects; and
- rationalising the footprint of the retirement portfolio via selective disposals and recycling capital into core areas to drive local economies of scale.

2. Strong and accelerating rent growth in shared ownership

Income growth delivered:
£0.4mn/0.1 pence per share²

Shared ownership rents, within the portfolio, usually increase annually on 1 April generally with RPI + 0.5% and grew by 6.8% like-for-like to £3.9mn compared to the prior year.

1. FY 2022 versus FY 2023

2. FY 2022 versus FY 2023

This year rents were due to increase by 12.4% on 1 April, however we have capped this increase at 7% (by way of a rebate), a level which reflects wage growth and the inflation rate excluding the impact of energy bills. This cap will help to protect affordability for our residents when their incomes are under pressure. This decision is within our control but we have chosen to match the cap that the government has applied to general social housing properties.

3. Full occupancy and annualised impact of our shared ownership portfolio

**Income growth delivered:
£0.3mn/0.2 pence per share³**

Demand for ReSI’s shared ownership properties remains robust, reflecting its position as the most affordable form of homeownership. ReSI benefited from full-period income from Orbit, HSPG and Brick-by-Brick units that leased during FY 2022, and ReSI’s portfolio is now fully occupied.

4. Shared ownership acquisitions

**Income growth delivered:
£0.3mn/0.1 pence per share⁴**

ReSI’s earnings grew by c.£0.3mn from capital deployment in the year into shared ownership investments and letting activity (excluding the impact of first tranche sales).

ReSI acquired 59 new homes (£9mn net commitment) from Brick By Brick that were delivered on phased basis between September 2022 and March 2023 as they reached construction completion. At the date of this report, 58 were occupied, with the final home reserved ahead of resident move-in, taking the portfolio to full occupancy. This leasing activity illustrates the depth of demand for shared ownership, which continues to play an essential role in helping mid-to-low earners onto the housing ladder. We expect this demand to further increase in this macroeconomic environment which is characterised by high inflation and rising interest rates, particularly with the Help-to-Buy programme having ended in March 2023.

These acquisitions were funded by the residual proceeds from the £15mn equity raise in February 2022 and debt drawn on the USS credit facility in March 2022 and committed to during FY 2022.

3. FY 2022 versus FY 2023

4. FY 2022 versus FY 2023

5. Consistent rent collection

ReSI’s cash flow is supported by a highly diversified set of income streams from residents who pay affordable rents. Our retirement residents typically pay their rent from pensions and savings, and residents benefitted from a 10.1% increase in state pensions in April 2023, compared to the 6% rental growth caps in place across our retirement portfolio. On average, ReSI’s shared ownership residents own c.36% of their homes and generally pay below-market rent. The remainder of ReSI’s rental income comes from local authority housing, which is leased to Luton Borough Council. ReSI has no leases with asset-light, lease-funded, housing associations or charities.

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

First tranche sales profits

First tranche sales profits reduced by 18% to £0.4mn. This reflects the gain on cost we recognise by selling a portion of a shared ownership home to the occupiers and is thereafter replaced by ongoing net rental income from the shared owner. The reduction in this line reflects the ongoing maturity of ReSI’s business and increased quality of income streams.

Net finance costs

Net finance costs increased by 16% to £6.5mn, caused by a 20% increase in interest on borrowings to £6.5mn, with ground rent expenses remaining at £1.0mn. Interest expenses have been driven by the 400 basis points increase in SONIA year on year on ReSI’s £21mn of floating rate debt, as well as the fully year impact of £20mn additional long-term debt drawn from USS in March 2022 to finance shared ownership acquisitions.

ReSI continues to advance the sale of non-core assets which will enable pay-down of floating rate debt, leaving the Company with long-term fixed or inflation-linked debt with a weighted average maturity of 21 years.

The £184mn book value of ReSI’s debt has a weighted average life of 21 years, and the value of this debt is recognised with a mark to market value of £157mn, representing £27mn of value for shareholders compared to raising new debt today. This puts ReSI in a better position than other REITs, which have significantly lower weighted average debt maturity profiles, to deliver long-term earnings growth.

Administrative and other expenses

Recurring overheads, excluding management fee and one offs, have increased 30% in FY 2023 to £1.5mn. The increase has been attributable to higher audit and interim review fees payable to the Group’s auditors together with the costs in relation the governance of our Registered Provider of Social Housing, ReSI Housing, as it grows and matures. ReSI Housing is the regulated entity which holds all of ReSI’s shared ownership homes and is registered with the Regulator of Social Housing.

Management fees were flat on the year at £1.9mn, and based on the September 2023 Net Asset Value will decline by 11% next year as a result of the decline driven by outward yield shifts.

Dividend coverage

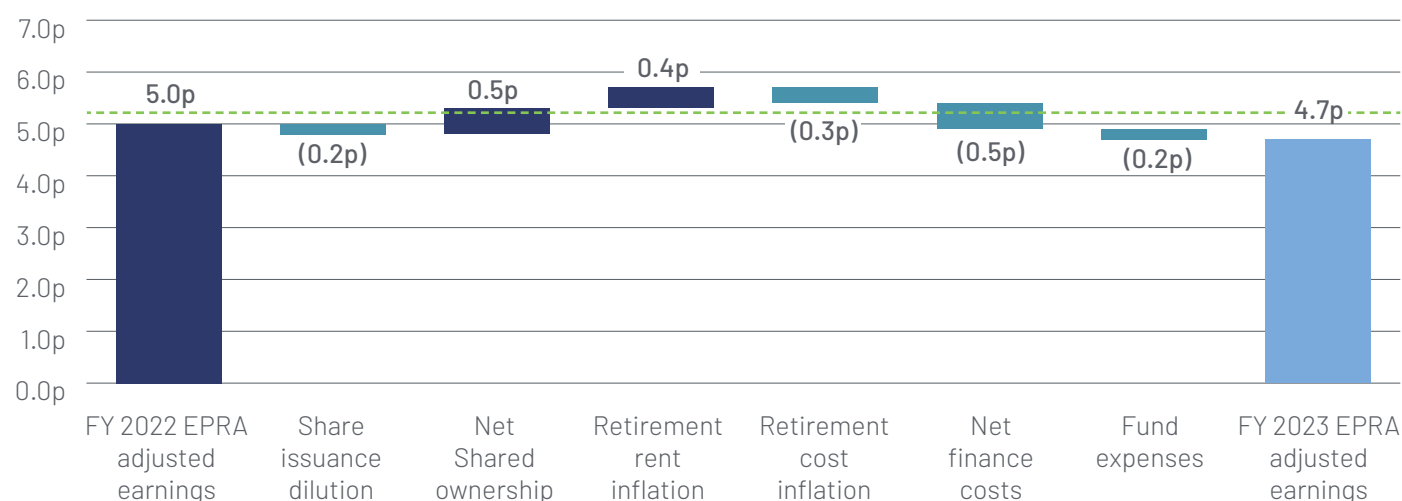
ReSI’s dividend was 91% covered by recurring income in FY 2023, down 6% from 97% in FY 2022.

The Adjusted Earnings 3% decline reflected strong gross rental income growth of 9% being more than offset by increases in retirement property expenses, increased floating rate interest cost and an increase in fund operating expenses.

Dividends paid, while flat on a pence per share basis, increased by 4% as a result of the £15mn issuance in February 2022.

Movement in Adjusted EPRA Earnings (pence per share)

● Increase ● Decrease ● Total ○ FY 2023 Dividend 5.2p

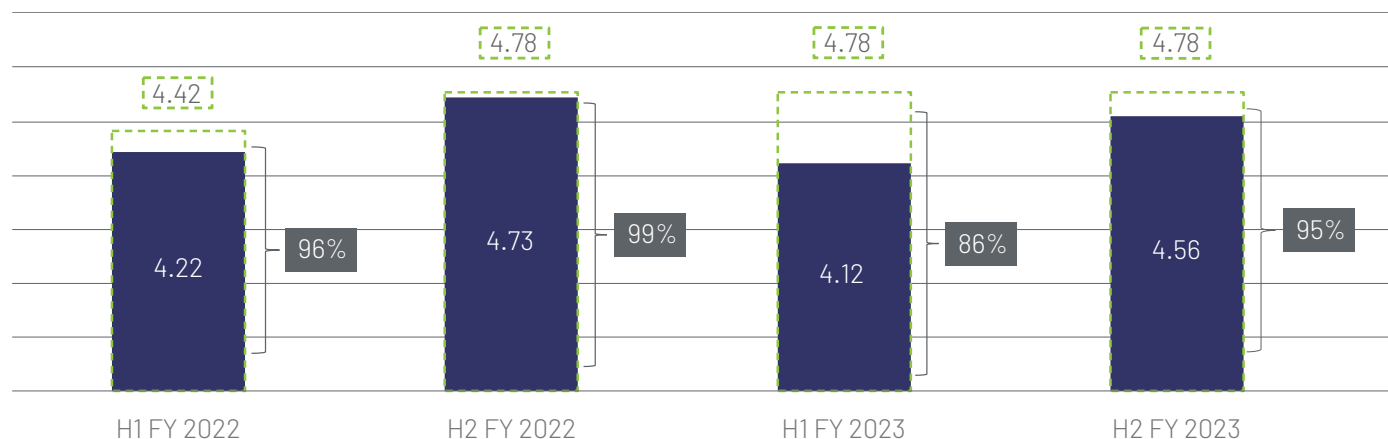


Dividend coverage improved through the year, with 86% in the first half to 95% in the second half reflecting the impact of rental increases throughout the year, particularly in shared ownership, which generally occur on 1 April.



Dividend cover

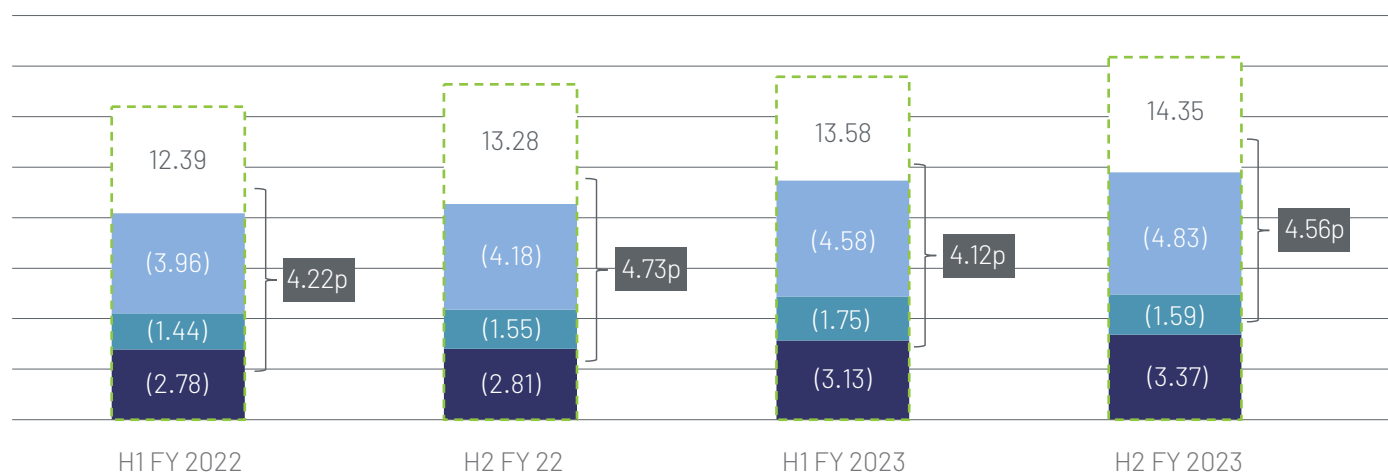
● Adjusted EPRA Earnings – £’mn ◯ Dividends Paid – £’mn



Through the year, Adjusted EPRA Earnings have been bolstered by strong growth in gross rental income but this has been more than offset by inflationary increases in overheads, property expenses and higher finance costs attributable to floating rate debt.

Composition of Adjusted EPRA Earnings –£’mn

● Net Finance Costs ● Overheads ● Property Expense ◯ Total Gross rental income ● Adjusted EPRA EPS



The board announced in the interim results that in light of the higher interest rate environment, cost inflation in retirement and fund opex increases we would look to reset the dividend. As the Chair has outlined, ReSI is focused on increasing the sustainability of its income stream, and paying a progressive and covered dividend that contributes to an attractive level of total return. The former is to be achieved firstly through the full occupancy of our shared ownership portfolio, which replaces first tranche sales profit with recurring rental income, and secondly through repayment of ReSI’s £21mn of floating rate debt.

This short-term debt was originally put in place to provide flexibility to the Company ahead of an intended fundraise, which is no longer possible due to market conditions which have the Company continuing to trade at a significant discount to its Net Asset Value. Our local authority housing portfolio is now under offer and in legal, with an expectation that this will complete in early 2024 allowing full repayment of our floating rate debt.

The local authority portfolio provided net rental income of around £1.9mn, 1.0p per share during FY 2023, but this reduced to £0.9mn (0.4p per share) net of the floating rate debt costs – and is expected to reduce to £0.4mn (0.2p per share) for FY 2024 with the increase in floating rate debt costs. As previously mentioned the disposal of this portfolio will enable full repayment of floating rate debt and leave ReSI with only its long-term debt that has a weighted average maturity of 23 years, with our largest loan of £94mn fixed at 3.5% until 2043.

While these prospective assets sales will reduce ReSI’s adjusted earnings, they increase the sustainability of income and strengthen the balance sheet, via the removal of exposure to interest rate moves. Our progress in the sale of these assets gives the Board confidence about future income levels, allowing the Board to rebase the dividend to 4.12p per share, representing a cut of 20%, and to have confidence that we will be able to progressively grow this dividend on a fully covered basis, whilst continuing to invest in maximising the growth of the portfolio value. If we removed the net impact of the local authority portfolio from FY 2023 results, the new dividend of 4.12p per share would have been 103% covered.

Valuations

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

Valuers have been quick to reprice to this higher rate environment, with valuation declines reported almost entirely across the listed REIT space. The inherent inflation linkage of the ReSI portfolio, has limited the full impact of the outward yields shifts. We expect valuations of higher quality assets generating stable income flows, such as the ReSI portfolio, to stabilise more quickly and prove more resilient.

Furthermore, in addition to the stable and predictable income generation, ReSI’s portfolio naturally benefits from valuation tailwinds, due to the chronic undersupply in affordable housing across the demographic spectrum in the UK.

Savills Advisory Services Limited (Savills) are appointed to value the Company’s property investments, in accordance with the Regulated Investment Company requirements, on a quarterly basis. ReSI’s property valuation, as assessed by Savills, decreased by £39.6mn during the year – a 10% decrease on a like-for-like fair value basis to a total of £345mn as of 30 September 2023. This was driven by c.80 bps increase in the weighted average valuation yield applied to the portfolio, with both shared ownership and retirement valuation yield shifts of c.50 bps to 5.5% and 3.4% respectively. This shift in valuation yields has been partially negated via the rental growth of 6.1% on 2,763 properties (84% of portfolio).



Balance Sheet

	30 September 2023 (£'000)	30 September 2022 (£'000)	Variance
Total Investments	345,138	374,785	-8%
Inventories – First tranche Shared Ownership properties available for sale	431	1,203	-64%
Cash and cash equivalents	8,805	15,984	-45%
Borrowings amortised cost	(199,039)	(194,701)	2%
Other	(3,882)	(787)	393%
EPRA Net Tangible Assets	151,453	196,484	-23%
EPRA NTA per share (pence)	81.8	106.1	-23%
EPRA Net Disposal Value (NDV)	195,303	225,455	-21%
EPRA NDV per share (pence)	105.2	121.8	-21%
IFRS NAV	168,679	201,388	-17%
IFRS NAV per share (pence)	91.1	108.8	-17%
Book Value of Debt	181,747	189,705	-4%

Investment valuations declined by £30.3mn (8%) reflecting a £38.4mn (10%) like-for-like decline caused by a c.80 bps increase in the weighted average valuation yield and the completion of £9mn of new shared ownership acquisitions from Brick By Brick.

Inventories reflect the amount of unoccupied shared ownership properties that are expected to be sold to shared owners and are held at cost. The 64% decrease reflects the leasing of 59 vacant shared ownership homes between September 2022 and September 2023 with five remaining vacant on 30 September of which four have been subsequently occupied and the final one reserved at the date of signing the FY 2024 financial statements.

The £7mn decline in cash balance primarily reflected the completion in March 2023 of £9mn of previously committed acquisitions for 59 new shared ownership homes from Brick By Brick.

Total borrowings (amortised cost) increased by £4mn during the year to £199mn as of 30 September 2023, reflecting the indexation on the USS credit facility. The £199mn amortised cost of ReSI's debt has a weighted average life of 21 years, and the value of this debt is recognised with a mark to market value of £157mn, representing £42mn of value for shareholders compared to raising new debt today. This puts ReSI in a better position to deliver long-term earnings growth than other REITs, which have significantly lower weighted average debt maturity profiles. This £42mn of value is recognised in ReSI's NDV of 105.1p per share.

The IFRS NAV includes the present value of the USS debt, but not the long-term debt with Scottish Widow, and so at £184mn is part way between the full amortised cost (£199mn) and mark to market (£157mn).

The EPRA NTA and IFRS NAV measures exclude the reversionary surplus in our portfolio which stands at £78mn. This represents the difference between the market value of our assets used in our balance sheet and the value we could realise if they became vacant. Overall, our portfolio is valued at a 23% discount, on average, to its reversionary value.

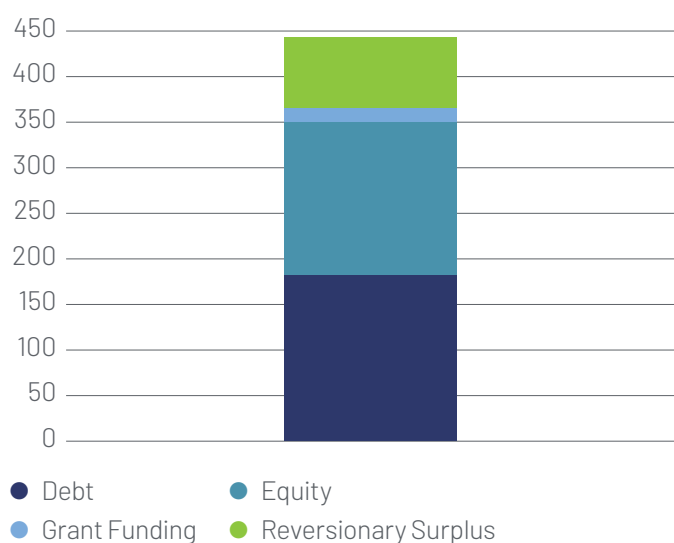
Financing and Capital Structure

At the 30 September 2023 balance sheet date, ReSI had c.£199mn (notional value) of debt in place, of which 90% is either long-term fixed rate or inflation linked. This represents a 2% increase in debt since September 2022, reflecting the indexation of the inflation-linked USS debt. LTV has increased by 3% from 47% to 50% over the year and is in line with the 50% leverage target.

Our reversionary loan-to-value is 41% when taking into account the £422mn vacant possession value of the portfolio. This £78mn reversionary surplus (compared to £345mn of fair value) represents the difference between the market value of our assets used in our balance sheet and the value we could realise if they became vacant. Overall, our portfolio is valued at a 22% discount, on average, to its reversionary value.

	FY 2023	FY 2022
Total debt	£182mn	£190mn
LTV (target 50%)	50%	47%
Leverage on reversion value	44%	42%
Weighted average fixed-debt coupon (49% of ReSI’s debt)	3.5%	3.5%
Weighted average inflation-linked debt coupon (41% of ReSI’s debt)	1.1% ¹	0.9%
Weighted average maturity	21 years	23 years

Capital stack (£mn)



The drop in property investment values and increase in debt fair value has narrowed headroom in the Santander working capital facility’s loan-to-value covenant which is £21mn drawn and represents 11% of ReSI’s outstanding debt balance. As at 30 September 2023, the working capital facility’s LTV level was 51%, with c.£25mn of property value headroom (7%) before a covenant breach is triggered. We estimate that ReSI’s weighted average valuation yield would need to shift outward by a further c.40bps for this valuation loss to be realised, on top of the c.80bps widening since September 2022.

This short-term debt was originally put in place to provide flexibility to the Company ahead of an intended fundraise, which is no longer possible due to market conditions which have seen the Company’s shares continuing to trade at a significant discount to Net Asset Value. We stated in June our intention to dispose of non-core assets and our local authority housing portfolio is now under offer and in legals, with an expectation that the sale will complete in early 2024, allowing us to repay the Santander facility and extinguish our short-term floating rate debt. This would leave the Company with long-term fixed or inflation-linked drawn debt with a weighted average maturity of 23 years.

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

During the year our £12mn loan with NatWest matured and was replaced by drawing down further from ReSI’s working capital facility with Santander. ReSI currently has c.£3mn of unrestricted cash as well as £4mn of additional liquidity available via its working capital facility.

Covenant	Loan covenants by portfolio ²		
	Shared Ownership/USS	Retirement/Scottish Widows	Total Portfolio/Santander
Current debt balance³	£69mn	£94mn	£21mn
LTV – Threshold	N/A	<58%	<55%
LTV – Reported	N/A	45%	51%
Value – Headroom (%)	N/A	24%	7%
Value – Headroom (£)	N/A	£50mn	£25mn
ICR/DSCR – Threshold	>0.95x	>2.0x	>1.5x
ICR/DSCR – Reported	6.4x	3.2x	3.0x
NOI – Headroom	85%	40%	49%
SONIA Interest Rate – Breach Threshold⁴	Fixed-rate	Fixed-rate	31%

1. 1.1% coupon with principle increasing with RPI + 0.5% (with a 0.5% floor and 5.5% cap).

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

3. As at 30 September 2023. USS debt balance shown at fair value, reflecting the impact of recurring quarterly indexation and movements in gilt yields and credit spreads.

4. Interest rate breach threshold based on last-twelve-month net rental income.

Social and environmental

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

This year shared ownership rents were due to increase by 13.1% on 1 April, however we have voluntarily capped this increase at 7% (by way of a rebate), in line with wage growth and the core inflation rate excluding the impact of energy bills. This decision is entirely in our control but matches the cap that the government has applied to general needs social housing properties. The 7% rent cap has saved residents c.£222k on an annualised basis.

Our retirees have benefited from ReSI’s decision to apply a 6% cap to contractual rent increases to all directly rented retirement properties, which has generated annualised savings of £1.0mn for our residents this year. In addition, further rent caps and rent freezes have been provided to residents who are most in need, representing £68k of annualised benefit as at September 2023.

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

To ensure that our intended social impact outcomes are being experienced by residents, ReSI conducted its annual survey of its shared ownership and retirement rental residents in 2023, as well as instructing impact consultant, The Good Economy, to perform an impact assessment of the Company. Highlights from the survey results are shown below and a summary of the results of The Good Economy’s report is in the Social Impact section of the Environmental and Social Impact Report.

Shared ownership

77%

Residents of RPML managed properties who are happy or not dissatisfied with the service provided by ReSI Housing

73%

Shared owners satisfied their home is the same or better value for money than their previous residence

85%

Residents satisfied that their home is as or more energy efficient than their previous residence

Retirement

89%

Residents that are happy or not dissatisfied with their property management service

92%

Residents who said their retirement home is at least as stable as their previous residence

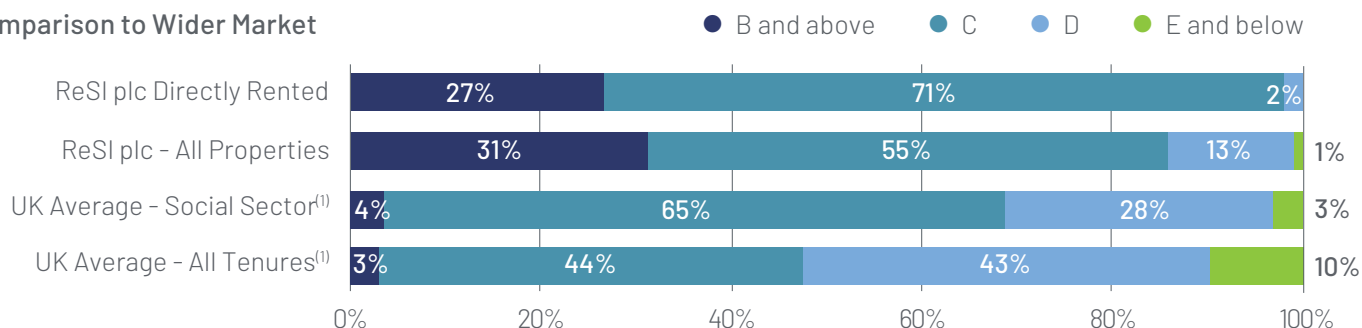
60%

Residents who reported improvement in their mental health since moving into their retirement home

These positive survey results help to confirm that the outcomes that ReSI intends to deliver are being experienced by residents. We aim to continue delivering high-quality of service to our residents as a best-in-class provider of affordable housing.

ReSI continued to invest in improving the energy efficiency of its retirement portfolio and is targeting upgrading all directly rented properties to at least a C by 2025, with 98% now at this target. We will continue to push ahead with this target, despite the government scrapping implementation of a minimum requirement of C for rental homes. We believe energy efficiency will continue to be a focus for residents and reducing energy bills will support affordability and help drive long-term value for our portfolio. For the whole portfolio, 86% of the properties are rated C or higher, leaving ReSI well ahead of the average for the social sector and the overall UK housing market¹.

Comparison to Wider Market



⁽¹⁾ English Housing Survey, 2021-2022

Investing in the energy efficiency of our properties is one important step in our broader net zero plan for ReSI. This year, we continued to work with the consultancy Kamma Data, who take an innovative data-focused approach towards assessing the retrofitting works that are required to upgrade the energy efficiency of ReSI’s properties to their full potential.

Kamma’s report found that whilst improving property energy efficiency will drive a significant reduction in carbon emissions, it is not possible for the portfolio to reach net zero through retrofitting alone. To reach operational net zero, ReSI will either have to wait until the national grid is fully decarbonised, which is expected to be in 2035, or it will have to directly procure renewable energy sources for its properties. This is an option that the Fund Manager is currently exploring, and will feed into ReSI’s net zero strategy to work with industry partners to achieve complete net-zero (including embodied carbon) by 2050 at the latest, in line with government targets.

Management team transition

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

Mike Adams joined in February 2023 as Managing Director of the expanded Gresham House Real Estate business and has overall responsibility for all Real Estate strategies. Other recent senior hires were: Sandeep Patel in December 2022 as the division’s Finance Director, Burak Varisli in February 2023 as Investment Director, Chris Carter Keall in August 2023 as Head of Asset Management, Matthew Painter in October 2023 as Director of Development & Delivery and Claire Cooper in November 2023 as Director of Shared Ownership. The last three will be focused on driving operational performance across our portfolio.

Alex Pilato fully retired in June 2023, completing a transition that commenced in March 2020 with the sale of the Fund Manager to Gresham House. Alex continues to have a very strong interest in the success of ReSI and has significant shareholdings.

Summary and outlook

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

During FY 2023 ReSI has delivered strong like-for-like rental growth of 6.1% whilst achieving record occupancy and with rent collection stable at almost 100% reflecting our focus on individual resident contractual relationships.

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

This positions ReSI well for the future but the short-term positive impact above has been more than offset by inflationary increases in retirement property expenses, increased floating rate interest costs and an increase in fund operating expenses, leaving Adjusted Earnings down 3% and reducing dividend cover by 6%.

From a capital perspective, it has been incredibly disappointing to see the 10% decline in our investment valuations, and the resulting 18% negative EPRA total return, despite strong rental growth, but this has been market led across all high-quality assets with a 40% value loss in the 20-year gilt since the start of 2021².

The sale of the local authority portfolio will allow ReSI to pay down its floating rate debt leaving the Company with long-term fixed or inflation-linked debt with an average maturity of 23 years, and our largest loan of £94mn fixed at 3.5% until 2043. This puts ReSI in a better position to deliver long-term earnings growth relative to other REITs, which have significantly lower weighted average debt maturity profiles.

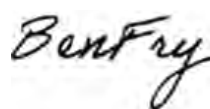
We have worked with the Board to rebase the dividend at 4.12p, targeting full dividend cover to support a progressive dividend that grows sustainably in line with ReSI’s underlying inflation-linked rents and operational optimisation initiatives. As we move into 2024, we will continue to look at how we can drive best value for shareholders and add value to our portfolio, including reviewing the options for further disposals should they support our aim of maximising shareholder value and enable us to reverse the discount to Net Asset Value at which our shares trade.

2. UK TREASURY 3.25% 20/01/2044. Price of 142 on 1/1/2022 and 81 on 13/11/2023

Our immediate focus is on driving the underlying operational performance of our retirement portfolio, working closely with My Future Living, our dedicated in-house property management team, to drive earnings. These operational improvements will be led by our expanded Asset Management team, led by Chris Carter Keall and are anticipated to be delivered via two primary channels. Firstly, capital recycling via strategic disposals and reinvestment, allowing rationalisation of the portfolio from a geographic perspective, enabling cost savings and yield enhancement. Secondly, active asset management initiatives will be employed to continue to drive lower voids and higher rents on relets. Both these initiatives will deliver yield and earnings enhancement while providing good quality housing for retirees at a fair and reasonable rent.

To further align ourselves with shareholders, and reflecting our confidence in unwinding the share price discount, Gresham House is reducing its management fee to be based on the average of share price and NAV. This reflects our confidence in the strength of the ReSI platform and the opportunity it can deliver.

With strong demand, inflation-linked rents and wide support for more investment in affordable housing the outlook for ReSI remains strong. As always, we are very grateful for the support of our shareholders during these challenging times.



Ben Fry
Managing Director, Housing

4 December 2023



ReSI’s approach to environmental and social impact

This section covers some of the key areas of implementation and other ongoing social impact and environmental initiatives during the year. There is also further detail relating to the impact of the Company on its major stakeholders in the Section 172 statement on [page 53](#).

The Board and the Fund Manager believe that sustainable investment involves the integration of Environmental, Social and Governance (ESG) factors through all stages of the investment process and that these factors should be considered alongside financial and strategic issues during the initial assessment and at all stages of the investment process. The Fund Manager incorporates such ESG factors into the investment process through the ESG decision tool, developed by Gresham House’s dedicated Sustainable Investment Team (see ESG Decision Tool section). Ongoing monitoring of ESG related risks is carried out through investment reviews.

The Board and the Fund Manager recognise their responsibility to manage and conduct business in a socially responsible way and many of the Company’s investors, residents and other counterparties have the same values. Good governance and social responsibility require that the Company seeks to implement a collaborative approach to understanding and improving environmental and social performance through engagement with counterparties on such matters.

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

The Fund Manager’s parent, Gresham House has a clear commitment to sustainable investment as part of its business mission. Based on its Sustainable Investment Framework, it has developed a range of policies and processes for all asset classes which the Fund Manager uses to integrate sustainability into its investment approach. More details can be found in the Housing Sustainable Investment Policy here: <https://greshamhouse.com/wp-content/uploads/2023/07/Real-Estate-UK-Housing-Sustainable-Investment-Policy-July-23.pdf>

Core SDG	Secondary			
				



Housing Sustainable Investment Framework

At Gresham House, we break down the key environmental and social factors of our investment strategy into six themes, which form the Housing Sustainable Investment Framework (“the Housing Framework”). Measurable objectives and KPIs have been identified for each theme.

	Target outcome	Measure of success
Additionality	Increase the supply of UK affordable housing	<ul style="list-style-type: none"> # of new homes delivered
Affordability	Construct new, high-quality housing affordable to low and average workers	<ul style="list-style-type: none"> % of affordable homes Affordability metrics – house price and ongoing costs
Customer service	Achieve best-in-class customer service	<ul style="list-style-type: none"> Customer survey results Staircasing/moving home
Resident experience	Ensuring delivery of high quality, safe homes	<ul style="list-style-type: none"> # of homes with access to outdoor and working space Walkscore
Environmental benefits	Ensure new builds are energy-efficient and manage environmental footprint	<ul style="list-style-type: none"> % of homes with renewable generation on site % EPC A+, A and B
Community regeneration	Investments that regenerate a particular site/area	<ul style="list-style-type: none"> % of housing in areas of need as defined by local authority

This year’s reporting of the Company’s performance against the measures of success has been focused on those measures that relate to the ongoing management of the portfolio. The key measures of success relating to ongoing management are EPC ratings and the results of the customer survey. ReSI’s performance against these metrics is detailed in the Fund Manager’s report. The Company has not committed to any new acquisitions during the year and hence hasn’t reported on its performance against the measures of success that relate to new acquisitions.

ESG Decision Tool

The Fund Manager has developed the ESG Decision Tool (“the Tool”), which is used by the investment team to assess the performance of prospective investments against six core themes in the Housing Framework and to identify potential ESG risks and opportunities. The Tool contains two core sections:

Initial Evaluation – An initial assessment of the investment’s performance against the six core social and environmental factors in the Housing Framework. The investment will be assessed against measures of success which have been developed for the six core social and environmental factors, ensuring that outcomes can be measured and compared to other investments.

Detailed Questionnaire – This assesses ESG risks in more detail by guiding the Investment team through a series of potential ESG risks. The completed questionnaire highlights specific ESG risks that are the most relevant to the asset.

The investment team are required to mitigate the ESG risks identified by the Tool as part of the due diligence process for the investment to be approved.

The Tool helps to ensure that ESG risks and opportunities are considered from the beginning of the investment process. These risks and opportunities are then continuously tracked, monitored and managed after the acquisition phase.

Gresham House Sustainable Investment

The Fund Manager’s parent, Gresham House, has achieved top scores in the 2020 PRI (Principles for Responsible Investment) assessment report, the Group’s first assessment since becoming a PRI signatory in 2018. For its 2021 PRI Report, Gresham House was awarded 4 and 5 stars, out of a maximum of 5 stars, for all modules relevant to Gresham House plc. For Real Estate specifically, Gresham House scored 78% versus a median for the sector of 69%.

Gresham House became a signatory to the UK Stewardship Code in 2021. In August 2023, it was announced that Gresham House had met the expected standard of reporting for 2022 and remained a signatory to the UK Stewardship Code 2020 for the third year in a row. Gresham House has also been awarded the Green Economy Mark from the London Stock Exchange.

More information on Gresham House’s approach to sustainable investment can be found in its [Sustainable Investment Report](#).



Environmental impact

Measuring and reducing the environmental impact of ReSI’s operations, whilst addressing the risks posed by climate change, is essential in enabling ReSI to reach its long-term financial objectives.

It is estimated that carbon emissions produced by residential buildings account for 20%¹ of all carbon emissions in the UK and as a result, decarbonisation of the housing sector is a key focus of the government’s net zero strategy. ReSI recognises that as a responsible landlord, it has a role to play in reducing the emissions produced by its portfolio and ultimately the wider housing sector. To this end, ReSI has partnered with the consultancy, Kamma Data (“Kamma”) to estimate the Scope 1, Scope 2 and Scope 3 carbon emissions generated by its property portfolio in the period.

ReSI is committed to improving the energy efficiency of its portfolio through retrofitting where possible, ensuring that it remains ahead of government legislation. During the year, ReSI instructed Kamma to produce a report on the retrofitting procedures that are required to improve the energy efficiency of ReSI’s property portfolio further. The report found that whilst improving property energy efficiency will drive a significant reduction in carbon emissions, it is not possible for the portfolio to reach net zero through retrofitting alone.

To reach operational net zero, ReSI will either have to wait until the national grid is fully decarbonised, which is expected to be in 2035, or it will have to directly procure renewable energy sources for its properties. This is an option that the Fund Manager is currently exploring, and will feed into ReSI’s net zero strategy to work with industry partners to achieve complete net-zero (including embodied carbon) by 2050 at the latest, in line with government targets.

Assessing the energy efficiency of ReSI’s portfolio

ReSI monitors the energy efficiency of its portfolio using information gathered from property level Energy Performance Certificates (EPC). EPC ratings are a measure of a property’s energy efficiency, assigning a Standard Assessment Procedure (SAP) rating of 1 to 100 (higher indicates a more environmentally friendly building) and a corresponding letter grade between A and G. EPC assessments are performed by third party assessors and therefore provide an externally-verified method of quantifying the energy efficiency of each home.

Government requirements and proposals

In the UK it is a legal requirement that unless exempt, all directly-rented residential properties must have an EPC rating of at least E.

During the year, the government withdrew its proposal to mandate that directly rented properties have a minimum EPC of C. This would have applied to new rental tenancies from 2025 and all rental tenancies from 2028. This consultation would not have applied to shared ownership which is classified as owner-occupied rather than rented accommodation.

The change in government policy has not changed ReSI’s target to upgrade 100% of its directly rented EPC D rated units to a minimum of C by 2025 as part of Project D, described in the Targets and Progress section of this Annual Report. We believe energy efficiency will continue to be a focus for residents and reducing energy bills will support affordability and help drive long-term value for our portfolio.

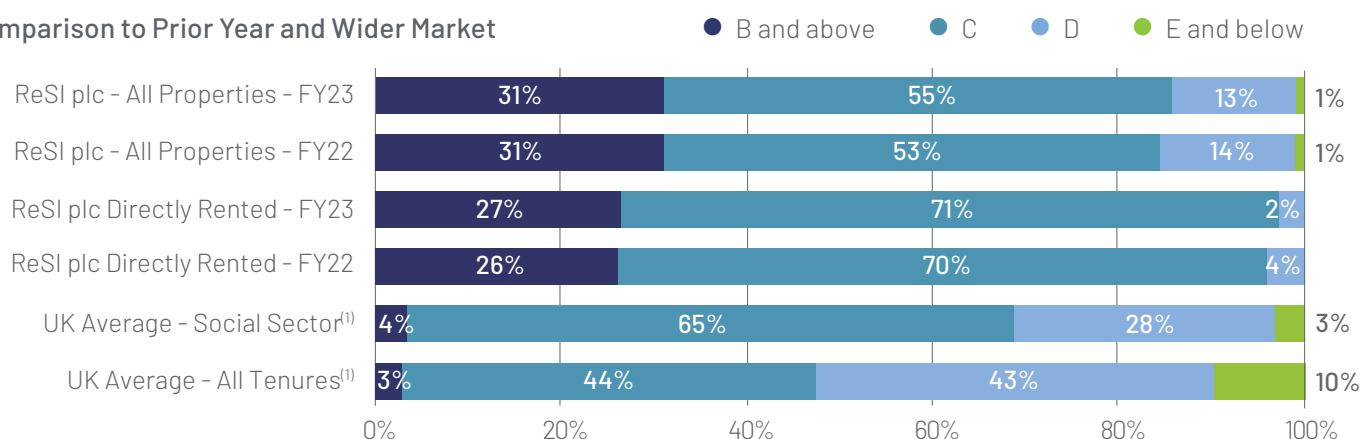
Calculating ReSI’s environmental impact: energy efficiency ratings (EPCs)

At the year end date, 86% of ReSI’s portfolio was EPC rated C or higher, up from 85% last year. This rises to 97% for ReSI’s directly-rented homes.

Less than 1% of ReSI’s properties are E rated, with 100% of directly-rented properties rated at D or above. The remaining E rated properties are primarily shared ownership houses that were acquired as part of the acquisition of older, tenanted properties from Orbit.

1. Department for Business, Energy and Industrial Strategy

Comparison to Prior Year and Wider Market



⁽¹⁾ English Housing Survey, 2021-2022

The table above evidences that the efficiency of ReSI’s portfolio is well above the UK average, however whilst we are pleased with progress in this area, we recognise that there is more work to be done.

- Total properties 3,295, sample of 96% assessed
- Total directly-rented properties 1,915, 100% of properties assessed

Our targets and progress

ReSI is committed to positioning its portfolio ahead of government requirements, not only to prevent homes with poor energy efficiency ratings from being rented, but because we believe improving the efficiency of our homes will increase demand from residents. To this end, the following steps have been taken in FY 2023 as part of **Project D**.

Directly Rented Units: ReSI has continued to make progress on Project D, the workstream to upgrade 100% of its non-exempt directly rented properties to a minimum of EPC C by 2025. During the year, a further 33 directly rented properties were upgraded from a D to a C, with 146 (78%) of the properties that were D rated at the beginning of Project D now having been upgraded to a C. The remaining non-exempt directly rented D rated properties are expected to be upgraded to a C by 2025.

Housing Manager Flats (HMFs): In addition to upgrading the directly rented units, ReSI has continued to make progress on upgrading the energy efficiency of the HMFs in its retirement portfolio. The HMFs are on license to a third party who is responsible for the maintenance of the properties, however ReSI has worked with the counterparty to improve the efficiency of the portfolio, evidenced by the percentage of HMFs with an EPC rating of D or below dropping from 25% in FY 2022 to 19% in FY 2023.

Properties have been upgraded through a combination of retesting and retrofitting works, such as replacing older heating systems and fitting insulating heat jackets on water heaters. The energy efficiency improvements carried out during the year came at a cost of £517k, evidencing ReSI’s commitment to reducing carbon emissions across the portfolio.

The potential impact of climate change on ReSI and mitigation methods

In addition to the regulatory risks relating to property energy efficiency, the Board is mindful of further risks posed by climate change, notably in the following areas:

- **Overheating risk:** rising average temperatures combined with a greater quantity and quality of property insulation could result in homes becoming too hot in the summer months. ReSI is aware of this risk and will balance the need to insulate its homes with the risk of ‘over-insulating’ them by making property-by-property assessments as required.
- **Flood risk:** rising sea levels could increase the chance of flooding in homes built near rivers and other bodies of water. ReSI’s investment criteria for new build homes requires that acquisitions are not developed in medium/high risk flood areas without appropriate mitigants in place.
- **Demand:** Our sales and letting teams continue to see higher levels of demand for more energy efficient homes as first identified in 2022, with this trend expected to increase further over time. To mitigate against this risk, ReSI plans to upgrade the energy efficiency of its portfolio such that it is ahead of its competitors and proposed government legislation, as outlined in the Our Targets and Progress section.

Sustainable approach to new investment

ReSI's policy for acquiring new build homes is that they must have a minimum EPC rating of a B. Going forward, ReSI aims to increase the proportion of new build homes that meet the Future Homes Standard, which is expected to be implemented by the government for all new homes by 2025.

ReSI's preference is to acquire properties developed on brownfield sites in order to provide affordable housing while preserving biodiversity and enhancing green spaces.

Calculating ReSI's environmental impact: carbon emissions

Kamma have estimated the carbon emissions produced by ReSI during the period. Emissions are broken down into three categories by the Greenhouse Gas Protocol:

- Scope 1 – All direct emissions from the activities of the Company or under its control. This includes fuel combustion on site such as gas boilers and air-conditioning leaks.
- Scope 2 – Indirect emissions from electricity purchased and used by the Company. Emissions are created during the production of the energy and eventually used by the Company.
- Scope 3 – All other indirect emissions from activities of the Company, occurring from sources that it does not own or control.

ReSI's carbon emissions for the period are disclosed in line with the recommended EPRA disclosures in the section below.

The Company invests in UK residential real estate only and hence all emissions disclosed relate to UK residential real estate investment.

Scope 1 and 2 emissions

EPRA sBPR Performance Measures Assessed: GHG-Dir-Abs

Where ReSI is financially responsible for the energy consumption of communal areas and vacant properties within its property portfolio, the emissions generated by these activities fall under Scope 1 and 2. Where gas is the heating source for these emissions, as is the case for some shared ownership properties that were vacant during the year, they are classified as Scope 1. Where the heating source is electricity, they are classified as Scope 2. Individual property energy usage is the responsibility of the tenants however and therefore classified under Scope 3.

ReSI doesn't have any office premises of its own and its operations are performed by the Fund Manager, which is part of Gresham House, and other third parties as necessary.

As a result, the Company's Scope 1 and 2 emissions are equivalent to the landlord's emissions.

Emissions Category	EPRA Disclosure Code	The Landlord's Carbon Emissions – Tonnes CO ₂	
		2022	2023
Scope 1	GHG-Dir-Abs	1.5	11.7
Scope 2	GHG-Dir-Abs	74.1	51.0
Total	GHG-Dir-Abs	75.6	62.7

Scope 1 emissions have increased due to a higher number of shared ownership properties which use gas being vacant during the period and Scope 2 emissions have decreased due to reduced consumption from the vacant retirement properties.

The work performed by Kamma evidences that the Scope 1 and 2 emissions generated by ReSI are very small compared to the Scope 3 emissions generated by its properties. Nonetheless, ReSI will continue to explore methods of reducing its Scope 1 and 2 emissions going forward.

Scope 3 emissions – third party providers

ReSI is responsible for indirect emissions through its service contracts with third party providers. The emissions of the Fund Manager will be reported as part of Gresham House's 2023 annual reporting.

None of ReSI's properties were in development during the financial year and hence Scope 3 emissions from embodied carbon emitted during the development process were 0 for the period. This is compared to 1,172 tonnes CO₂ in FY 2022, driving a significant decrease in total Scope 3 emissions for the period.

Scope 3 emissions – residents and shared owners

The carbon emissions produced by residents in ReSI's properties are classified as Scope 3, as they are generated and paid for by residents.

Kamma has estimated the Scope 3 operational carbon emissions generated by ReSI's property portfolio using data extracted from Energy Performance Certificates. ReSI's carbon emissions have been calculated in line with the PCAF Global GHG Accounting and Reporting Standard.

These values are presented for 3,295 properties that ReSI had acquired at 30 September 2023 on an annualised basis, regardless of whether ReSI owned the home for the entire period, and no adjustment is made for property void periods.

Total Scope 3 Operational Portfolio Emissions

EPRA sBPR Performance Measures Assessed: GHG-Indir-Abs

	2022			2023		
	Number of properties ¹	Total Energy Consumption (GWh)	Tonnes CO ₂ emissions	Number of properties	Total Energy Consumption (GWh)	Tonnes CO ₂ emissions
ReSI plc	3,243	40	3,670	3,295	38	3,552

Scope 3 Emissions Intensity

EPRA sBPR Performance Measures Assessed: Energy-Int, GHG-int

	2022			2023		
	Total m ²	Energy Intensity (kWh/m ²)	Emissions Intensity (Kg CO ₂ /m ²)	Total m ²	Energy Intensity (kWh/m ²)	Emissions Intensity (Kg CO ₂ /m ²)
ReSI plc	158,446	254	22	162,260	239	21

Total energy consumption across the portfolio has decreased by 4% and carbon emissions decreased by 2%, despite the number of properties having increased by 2%. Energy and emissions per floor area also reduced year on year, by 6% and 4% respectively. The decrease in total emissions and emissions per floor area is due to the Company completing on new build shared ownership properties in FY 2023 with high levels of energy efficiency and due to the work done through Project D to improve the efficiency of the retirement portfolio.

Energy consumption by energy source²

EPRA sBPR Performance Measures Assessed: Elec-Abs, Fuels-Abs

	2022					2023				
	Gas	Electricity	LPG	Renewable	Total	Gas	Electricity	LPG	Renewable	Total
ReSI plc (GWh)	7.60	32.91	0.15	0.00	40.65	7.28	31.68	0.16	0.00	39.12

There has not been a material change in the source of the energy used by the Company. The energy used by the company materially comes from gas and electricity, with consumption from both sources decreasing during the year due to the improved energy efficiency of the portfolio.

1. Number of properties excludes committed investments in 2022

2. Includes Scope 1, 2 and 3 emissions

Total carbon emissions summary

Emissions Category	EPRA Disclosure Code	Total Carbon Emissions – Tonnes CO ₂	
		2022	2023
Scope 1	GHG-Dir-Abs	1.5	11.7
Scope 2	GHG-Dir-Abs	74.1	51.0
Scope 3	GHG-Indir-Abs	4,643.9	3,418.4
Total carbon emissions		4,719.5	3,481.1

ReSI will continue to push forward with its sustainable investment targets in FY 2024, with the intention of reducing its carbon emissions further.

Social Impact

ReSI seeks to provide long-term solutions to the UK's lack of affordable housing through a focus on independent living with retirement rentals and affordable homeownership.

Our purpose is to deliver affordable, high quality, safe homes with great customer service and long-term stability of tenure for residents. We achieve this through meeting demand from housing developers (housing associations, local authorities and private developers) for long-term investment partners to accelerate the development of socially and economically beneficial affordable housing.

To confirm that our intended social impact outcomes are being experienced by residents, ReSI conducted its annual survey of its shared ownership and retirement rental residents, as well as instructing impact consultant, The Good Economy, to perform an impact assessment of the Company.

The Good Economy report





The Good Economy ('TGE'), are an independent impact consultant who have been instructed by ReSI to produce an impact report that quantifies the impact generate by the Company during the year.

The key findings from the report are summarised below; the entire report is available on ReSI's website (<https://greshamhouse.com/real-assets/real-estate-investment/residential-secure-income-plc/>).

Social Outcomes

The Good Economy's report focused on the four key impact objectives for ReSI.

How has ReSI performed against TGE's impact objectives?

Objective	 Address Social Need	 Provide Affordability and Value for Money	 Build Quality Partnerships	 Increase Supply
Shared Ownership	72% of properties in the least affordable local authorities	99.7% of homes are affordable at the green and amber levels Average resident saves £44 per month compared to privately renting the equivalent property	Room for improvement: Some residents living in apartments dissatisfied with maintenance of communal areas and rise in service charges	ReSI did not have sufficient capital invest in new build properties during FY 2023.
Retirement	95% valued the assured lifetime tenancy as important	23% of residents in receipt of Housing Benefit Retirement rents are below the average lower quartile private rent level ¹	85% of residents satisfied would recommend ReSI to a friend ²	

1. When cost of service charge, paid for by the Company, is removed from the residents rent level

2. Defined as percentage of residents who responded with a 6 out of 10 or above when asked how likely they were to recommend ReSI to a friend.

Address social need

Shared ownership: House prices in England are on average eight times greater than the average person’s earnings³, making the average home unaffordable to the average worker. TGE has found that 72% of ReSI’s shared ownership homes are located in local authorities with house price to earnings ratios above this average, demonstrating ReSI’s commitment to delivering affordable homes to the areas that need them most.

Whilst affordability is most constrained in areas with an above average price to income ratio, the average worker is unable to afford the average property in regions where the ratio is above five times. Any local authority with a ratio above this level has a need for affordable housing, and 100% of ReSI’s properties are located in such locations.

Retirement: ReSI’s retirement portfolio provides residents with specialist accommodation that is well maintained, offers security of tenure, and allows retirees to be part of a community. 95% of residents said they valued the assured lifetime tenancy offered by ReSI as important, with the low void rate of ReSI’s properties evidencing the demand for the tenure.

Provide affordability and value for money

Shared ownership: When assessed through TGE’s person centred affordability calculator, 99.7% of ReSI’s shared ownership properties were found to be affordable to local residents at the green and amber level. Under TGE’s definition, green affordability and amber affordability is where the resident is spending less than 33% and 40% respectively of their net income on housing costs.

TGE found that on average, ReSI’s shared ownership residents save £44 per month when compared with renting an equivalent home locally on the open market. ReSI has ensured its properties remain affordable to residents through capping rent increases below inflation at 7%.

73%

Shared owners satisfied that their home is the same or better value than their previous residence.

Retirement: The rents charged on ReSI’s retirement properties include service charge, providing residents with, amongst other things, an onsite warden, garden maintenance and a communal living area. When the cost of the service charge is removed from the rent level, the rents on ReSI’s retirement properties are, on average, less than the lower quartile market rents when compared to equivalent properties in the same local authority.

Rents set at this level ensure that a portion of the properties are accessible to residents on lower incomes, evidenced through 23% of residents funding rent payments through housing benefit.

ReSI ensured that retirement rents remained affordable to residents during the year by continuing to apply a 6% rent cap to rent increases. The rent cap has generated annualised savings of £1.0mn for residents compared to increasing rents with RPI.

In addition to applying the rent cap, ReSI works collaboratively with residents who are in financial difficulty, offering bespoke solutions such as checking welfare eligibility, offering residents cheaper properties within the development and reduced rent increases. The reduced rent increases offered by ReSI generated a total annualised saving for residents £68k, taking the total annualised saving from ReSI capping rents to £1.1mn.

Build quality partnerships

Shared ownership: For the 62% of properties where ReSI owns the freehold, it has appointed its internal property manager, ReSI Property Management Limited (RPML), as the property manager. 77% of residents in RPML managed buildings said they were happy or not dissatisfied with the service provided.

77%

RPML residents happy or not dissatisfied with the service provided by ReSI Housing.

For the 38% of properties where ReSI owns the long leasehold rather than the freehold (apartments), it is unable to appoint the property manager or the managing agent and hence is less able to directly influence building management, in particular the management of communal areas and setting the service charge levels. ReSI continues to work proactively with its external property managers and ensures that they comply with KPIs, however going forward ReSI will target investing in properties where it is able to own the freehold to give it greater control over management.

Retirement: RPML manages the majority of the retirement portfolio and has continued to provide a high quality service to residents. When asked to rate the likelihood of recommending My Future Living to a friend, 85% said 6 or higher (with 10 being the highest). In addition, 89% of residents said they were happy or not dissatisfied with their property management service.

3. ONS – House price to workplace-based earnings ratio, 2022

89%

Retirement residents happy or not dissatisfied with their property management service.

Increase supply

There have been no significant changes to either the shared ownership or retirement rental portfolio over that last year due to ReSI having completed its deployment and being unable to raise new capital with its share price trading at a discount to Net Asset Values.

Cost of living

Rising interest rates, inflation and energy bills have increased the cost of living for everyone over the past year. Whilst it has not been possible to insulate our residents from all cost increases, the steps ReSI has taken alongside the protection offered by the shared ownership model have ensured that residents are protected from some of the cost increases that someone renting or owning the average UK property on the open market may have experienced.

Rent increases

ReSI took the decision to cap the April 2023 shared ownership rent increase at 7%, below their contractual level of 13.1%, saving residents £222k in annualised rent.

For the retirement portfolio, ReSI chose to apply the contractual cap to rent increases of 6%, generating annualised savings of £1.0mn for resident compared to increasing rents with RPI.

With UK wage inflation for the period averaging 8.5%¹, the rent caps applied by ReSI have ensured that rent levels remain affordable to the average resident.

1. Annual growth in employees’ average total pay (including bonuses) – ONS, September 2023

Mortgage rates

2023 has seen interest rates rise significantly in the UK, with the best widely available rate on a two-year fixed rate mortgage currently at 5.5%². With rates having been elevated since October 2022, many of our residents will now be on mortgages with higher rates. As shared owners only own a portion of their home (37% on average for our residents), the impact of increased mortgage costs is significantly reduced compared to someone who owns outright.

Energy bills

Energy prices have reduced from their peak last winter, with the energy price cap falling to £1,834 in October³. That said, the cost of energy is still 61%⁴ greater than its level in 2021.

ReSI’s properties are considerably more energy efficient than the UK average, with the average shared ownership property rated EPC B and the average retirement property rated EPC C, compared to the average for a UK property of EPC D. The energy efficiency of ReSI’s properties is saving shared ownership and retirement residents £661 and £248⁵ per year respectively compared to the cost of energy at an average UK property, helping to insulate residents from the full impact of elevated energy costs. This saving was calculated by The Good Economy, and has been scaled up for the change in the energy price cap since The Good Economy’s calculation date.

	Annual cost of energy	Saving compared to typical UK property – EPC D
Property with efficiency of average for ReSI shared ownership portfolio – EPC B	£1,173	£661
Property with efficiency of average for ReSI retirement rental portfolio – EPC C	£1,586	£248

2. Money Supermarket – 80% LTV, 1 November 2023
3. <https://www.moneysavingexpert.com/utilities/what-is-the-energy-price-cap/>
4. Energy Price cap at October 2023 vs Energy Price cap at April 2021
5. TGE saving for EPC B and EPC C properties vs EPC D of £460 and £171 respectively with energy price cap at March 2021 level. Saving scaled up for October 2023 price cap

Cost-of-living: Financial impact on our residents

To assess the impact of the rising cost of living on residents holistically, we have quantified the different housing cost increases experienced for a typical resident.

Shared owners

The table below shows that a typical shared ownership resident who is refinancing their mortgage at today's rates can expect to see an increase in their housing costs and energy bills of 12% compared to April 2022, whilst residents with mortgage rates that are fixed will see their costs increase by 4%. Whilst ReSI acknowledges that a rise of up to 12% in housing costs is significant, these cost increases are driven by mortgage rates outside of our control, and shared ownership remains significantly cheaper than renting the equivalent property privately or owning outright, with a typical outright owner who is refinancing seeing a 25% increase in their housing costs this year.

We will work with residents who are struggling to afford their housing costs and can offer them the option to reverse staircase. In addition, we will encourage residents to reach out to their mortgage broker to ensure they get the most appropriate mortgage terms for their financial circumstances.

		2022 £	2023 £	Increase £	%
Typical ReSI Shared ownership Resident refinancing their mortgage at today's rates ⁶	Rent and service charge	7,688	8,226	538	7%
	Mortgage Costs	3,579	4,644	1,065	30%
	Energy Bills ⁷	1,261	1,173	-88	-7%
	Total	12,528	14,043	1,515	12%
Typical ReSI Shared ownership Resident with fixed rate mortgage	Rent and service charge	7,688	8,226	538	7%
	Mortgage Costs	3,579	3,579	-00	0%
	Energy Bills	1,261	1,173	-88	-7%
	Total	12,528	12,978	450	4%
Typical UK outright owner ⁸	Mortgage Costs	14,315	18,577	4,263	30%
	Energy Bills	1,971	1,834	-137	-7%
	Total	16,286	20,411	4,126	25%
Typical UK rental accommodation ⁹	Housing Costs	14,700	16,244	1,544	11% ¹⁰
	Energy Bills	1,971	1,834	-137	-7%
	Total	16,671	18,078	1,407	8%

6. Shared ownership assumptions: OMV £300k; First Tranche Sale: 25%; Deposit: 10%; Mortgage term: 30 years; initial interest 3.3%; refinanced interest 5.5%; Rent level 2.75% rent increase 7%; Service charge: £1,500 p.a.; EPC B

7. 2022 energy bills as of April 2022 price cap. 2023 energy bills as of October 2023 price cap

8. Outright owner assumptions; OMV: £300k; Mortgage LTV 90%; initial interest 3.3%; refinanced interest 5.5%; EPC D

9. Rental Assumptions – OMV: £300k; Rental Yield: 4.9%; EPC D

10. Rental Market Report, Zoopla – September 2023

Retirement residents

For our retirement residents, capping rent increases at 6.0% and living in a property that is more efficient than the UK average means that cost increases for residents is lower than for the typical average private renter.

		2022 £	2023 £	Increase £	%
ReSI Retirement resident ¹	Rent	10,200	10,812	612	6%
	Energy Bills ²	1,704	1,586	-118	-7%
	Total	11,904	12,398	494	4%
Equivalent average private rental property ³	Rent	10,200	11,271	1,071	11% ⁴
	Energy Bills	1,971	1,834	-137	-7%
	Total	12,171	13,105	934	8%

The assessment shows that although retirement residents have seen their costs increase significantly in 2023, the increase will have been 47% less than the increase that they could have expected to have experience if they were renting the equivalent property (with an EPC rating of D, the UK average) on the open market.

In addition, the state pension is expected to increase in April 2024 at around 8% in line with earnings September 2023 earnings⁵. This increase is well above the capped rent increase of 6.0%



1. Retirement Assumptions: Rent £850pcm; Rent increase 6%; EPC C

2. 2022 energy bills as of April 2022 price cap. 2023 energy bills as of October 2023 price cap

3. Private Rental Assumptions: Rent £850pcm; EPC D

4. Rental Market Report, Zoopla – September 2023

5. Annual growth in employees' average total pay (including bonuses) – ONS, September 2023

Governance

Governance and ethics

The Directors and the Fund Manager seek to embed effective corporate governance and a focus on ethics in all of the Company's operations.

The Board conducts an annual evaluation of its governance and ethics operations, covering board effectiveness, audit committee effectiveness, effectiveness of the Chairman and review of director self-appraisals. Alongside this annual evaluation, ReSI's governance and ethics policies are reviewed and renewed; these policies cover anti-money laundering, anti-bribery, conflicts of interest, diversity, inside information, disclosure, non-audit services, third party benefits, share dealing and whistleblowing. Many of these policies cover, not only the Board, but also ReSI's suppliers and contractors.

ReSI's Board is an entirely independent board and is tasked with monitoring the Fund Manager's performance as an AIFM. The Board of ReSI comprises four non-executive directors, each appointed for the skillsets and experience they could bring to ReSI. Each director is entitled to compensation that is linked to ReSI's net asset value, ensuring a long-term alignment of interests and in accordance with REIT best practice.

Acquisitions of regulated housing tenures, such as shared ownership, are subject to additional governance and ethics oversight. These assets are owned by ReSI's wholly owned subsidiary, ReSI Housing, which is registered with the Regulator of Social Housing (**RSH**) as a for-profit Registered Provider, and subject to the oversight of the RSH and the oversight of the independent non-executive directors on the Board of ReSI Housing.

The RSH regulatory framework is designed to ensure good governance, financial viability, minimum maintenance and environmental standards, and protection of residents' welfare, thus supporting ReSI's goal of maximising social benefit.

ReSI Housing has a suite of governance policies that are independently reviewed annually to keep ReSI Housing abreast of regulatory developments and changes in best practice. These policies cover structural governance items such as conflicts of interest, succession and independence governance, fraud, anti-money laundering, risk management and also asset management items such as tenancies, affordability and anti-social behaviour.

Importantly, ReSI Housing's governance policies embed a regulatory protection that affords non-executive directors enhanced voting powers and a veto over any action that threatens ReSI Housing's compliance with the RSH's regulatory standards. As at the date of this Annual Report, ReSI Housing's non-executive directors are:

- David Orr CBE, former Chief Executive of the National Housing Federation;
- Gillian Rowley, former Head of Private Finance at the Homes & Communities Agency; and
- Mark Rogers, former Chief Executive of Circle Anglia Housing Group.

More information on the ReSI Housing Board can be found on [page 67](#).

Conflicts of interest

Each of ReSI, ReSI Housing and the Fund Manager has a conflicts of interest in policy maintained in accordance with the applicable best practice.

All of the Directors of the Company are independent of the Fund Manager and the enhanced voting powers of ReSI Housing non-executive directors are noted above, both of which are designed to enhance good governance and mitigate conflicts of interest.

The Company's conflicts of interest policy reinforces the obligation on each Director to avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or may conflict, with the interests of the Company and to exercise independent judgement.

Each Director has a duty to declare an interest in a proposed transaction and an obligation to declare an interest in an existing transaction.

If a Director has a potential conflict of interest between his duties to the Company and his private interests or other obligations owed to third parties on any matter, the relevant Director will disclose his conflict of interest to the rest of the Board, not participate in any discussion by the Board in relation to such matter and not vote on any resolution in respect of such matter.

Board culture

Each year the Board conducts an annual evaluation of its governance and ethics operations. This evaluation covers board effectiveness, audit committee effectiveness, effectiveness of the chairman and director self-appraisals, with the aim of setting focus areas and key priorities for the year coming.

This discussion of board effectiveness prioritises a discussion of the Board's role, dynamics and culture, ensuring these develop as the Company matures.

It is the responsibility of the Chairman to set the tone and culture of meetings of Directors. At Board meetings, ReSI promotes a collegiate discussion involving all non-executive directors and the Fund Manager, ensuring the skills and experience of all Board attendees are leveraged.

This leveraging of skills and experience is also a key focus of the ReSI Housing Board.

Board diversity

Diversity is an important consideration in ensuring that the Board and its committees have the right balance of skills, experience, independence and knowledge necessary to discharge their responsibilities. The ReSI plc Board is composed solely of non-executive Directors and has 25% female representation (three male directors and one female director), this will move to 33% female representation post the retirement of John Carleton with effect from 22 February 2024.

The ReSI Housing Board contains three non-executive directors that are independent of the Fund Manager, (with 33% female representation), with remaining directors being Fund Manager personnel.

The Board's approach to the appointment of non-executive Directors is based on its belief in the benefits of having a diverse range of experience, skills, length of service and backgrounds. The Board therefore continues to consider that it would be inappropriate to set a target and will always appoint the best person for the job based on merit, and will not discriminate on the grounds of gender, race, ethnicity, religion, sexual orientation, age, physical ability or social background. The right blend of perspective is critical to ensuring an effective Board and successful company.

Information regarding the Company's Board Diversity Policy and compliance with FCA Listing Rule 9.8.6R(9) can be found on [pages 78, 79 and 80](#).

Board information

It is the responsibility of the Company Secretary and the Fund Manager to ensure that the Board of ReSI is kept abreast of developments with respect to the Company's operations and business and receives timely, entire board packs for review at each meeting of Directors.

Standing items at each meeting of ReSI's Directors include the following: strategic update, review of risk register, portfolio performance, pipeline report, management and year-end accounts, debt covenant reporting, governance and approved minutes of ReSI's registered provider subsidiary, ReSI Housing. In addition, reports of the Company Secretary, Depositary and Registrar are also tabled for discussion. Extraordinary items will include review of service providers, updates to governance and other company policies and such other ad hoc matters as arise from time to time.

Such materials, together with a free, open discussion with the Fund Manager and Company Secretary, facilitate an environment in which the directors can fulfil their duties in a manner fitting for ReSI's governance and ethics environment.

The Fund Manager has agreed a similar approach with the directors of ReSI Housing. Standing agenda items include the following: strategic update, pipeline report, property performance and compliance, management and year-end accounts, review of business plan and stress testing, review of risk register and a regulatory update. Extraordinary items arise for ReSI Housing and include review of property managers, review of customer satisfaction surveys, updates to governance and other company policies and such other ad hoc matters as arise from time to time.

Risk and compliance

ReSI has robust risk and compliance management policies and procedures, as outlined in the risk management and governance sections on [pages 64 to 82](#).

In addition, for acquisitions of regulated housing tenures, ReSI Housing has its own risk management framework, risk appetite and set of governance policies.

Commitment to sustainability

ReSI is committed to investing in a sustainable manner in order to generate long-term returns. We have this year continued to work with The Good Economy, and Kamma Data to quantify our impact (see [pages 40 to 50](#)).

In addition, the Fund Manager maintains a sustainability investment framework and shared ownership investments, through ReSI Housing, benefit from the Fund Manager's proprietary shared ownership customer charter and environmental charter, under which the Group seeks to offer leases of 250+ years and not charge event fees. The Fund Manager created these charters in 2020 to formalise its existing process and practices that go above and beyond the requirements of the model for shared ownership lease, ultimately benefitting the Group's shared owners and comprising part of the Company's social impact. These charters are updated annually to enable the Fund Manager to remain abreast of social housing developments. The Fund Manager seeks to be a market leader in creating a new era of aspirational shared ownership, and in turn help expand homeownership.

Section 172 Statement and Stakeholder Engagement

This section of the Annual Report covers the Board's considerations and activities in discharging their duties under s.172(1) of the Companies Act 2006 to promote the success of the Company for the benefit of members as a whole.

This statement includes consideration of the likely consequences of the decisions of the Board in the longer term and how the Board has taken wider stakeholders' needs into account.

The Board is ultimately responsible for all stakeholder engagement. However, as an externally managed investment company, ReSI does not have any employees and engages third party providers as required including for fund management, secretarial, administration, broking, depositary and banking services. All these service providers help the Board fulfil its responsibility to engage with stakeholders and it should be noted are also, in-turn, stakeholders themselves.

In addition to promoting the success of the Company for the benefit of members as a whole, section 172 of the Companies Act 2006 requires the Board to have regard to the following:

Section 172 element	ReSI comment
The long term (s.172(1)(a))	ReSI's investment objective is to establish a residential portfolio benefitting from inflation-linked income for the long term. Alongside this intention to hold for the long-term, ReSI has used leverage on a long-term basis across the Group, ReSI has an average debt maturity of 21 years.
The interests of ReSI's employees (s.172(1)(b))	As an externally managed AIF, this is not applicable to ReSI.
Relationships with suppliers, customers and others (s.172(1)(c))	See the discussion regarding the following major stakeholders – "Fund Manager", "Property Managers & Developers", "Key Service Providers", "Grant providers" and "Residents".
The community and the environment (s.172(1)(d))	All investment decisions taken by the Fund Manager on behalf of ReSI are taken in accordance with its sustainable investment framework. Moreover, shared ownership investments, through ReSI Housing, benefit from the Fund Manager's proprietary shared ownership customer charter and environmental charter, under which the Group seeks to offer leases of 250+ years and not charge event fees. The Fund Manager created these charters in 2020 to formalise its existing process and practices that go above and beyond the requirements of the model for shared ownership lease, ultimately benefitting the Group's shared owners and comprising part of the Company's social impact.
High standards of business conduct (s.172(1)(e))	See the section titled "Governance and ethics".
The need to act fairly between members (s.172(1)(f))	See the discussion regarding "Shareholders" as a major stakeholder.

The Board has identified the following major stakeholders in the Company's business.

On an ongoing basis the Board and Fund Manager monitor both the potential and actual impacts of decisions made upon these major stakeholders.

Major Stakeholder	Why is it important to engage?	How have the Directors and Fund Manager engaged?
Shareholders	<p>As a public company listed on the London Stock Exchange, ReSI is subject to the Listing Rules and the Disclosure Guidance and Transparency Rules.</p> <p>The Listing Rules include a listing principle that a listed company must ensure that it treats all holders of the same class of shares that are in the same position equally in respect of the rights attaching to such shares. With the assistance of regular discussions with and the formal advice of ReSI's legal advisors, company secretary and corporate broker, the Board abides by the Listing Rules at all times. For information on shareholder engagement please see the Governance section of this Annual Report which contains further information on shareholder engagement.</p>	<p>The Fund Manager along with ReSI's corporate broker regularly meets with ReSI's shareholders to provide corporate updates and to foster regular dialogue. The Chair meets separately with ReSI's largest shareholders.</p> <p>The Board encourages shareholders to attend and participate in ReSI's Annual General Meeting (AGM). ReSI values any feedback and questions it may receive from shareholders ahead of and during the AGM.</p> <p>ReSI's Annual and Interim reports are made available on ReSI's website and then are circulated to shareholders as requested, providing shareholders with an in depth understanding of the Company's financial position and portfolio.</p> <p>ReSI also make available RNS and other business and market updates on ReSI's website.</p>
Residents	<p>ReSI's residents are integral to the business model. The importance of engaging with residents cannot be understated; strong relationships have been shown to improve tenant retention, rent collection rates, overall tenant satisfaction and ReSI's impact on the community.</p> <p>ReSI is committed to accelerating the development of socially and economically beneficial new housing to make a meaningful contribution to the UK housing shortage. ReSI's homes deliver a social benefit through providing wellbeing improvements to residents (e.g. by providing the security of a home for life and helping retirees live with likeminded peers), fiscal savings (e.g. lower costs for housing those at risk of homelessness and savings to the NHS), and wider economic benefits (e.g. by enabling people to live and find work in otherwise unaffordable parts of the country). The social impact delivered by ReSI is reported on page 46.</p>	<p>ReSI works with trusted partners to manage its relationships with all residents on all tenures. ReSI's property managers are in regular contact with residents, and residents are also provided with contact details and are able to contact dedicated teams to discuss any problem that they might have.</p> <p>The Fund Manager reviews detailed affordability assessments before a resident is selected, and throughout the lease term a close relationship is maintained through ongoing engagement. The Fund Manager expects, and monitors, the property managers to encourage feedback from residents including suggestions for service improvement and to learn from any complaints about service delivery. The safety and wellbeing of residents is of the highest priority and when making an investment the Fund Manager is rigorous in using the skills and expertise of its property team to provide high quality homes and identify and mitigate all risks to residents.</p> <p>In addition, the Fund Manager conducts an annual satisfaction survey for ReSI's retirement and shared ownership residents, affording these residents an opportunity to comment on the services received. This is supported by, in the case of shared ownership residents, opportunities to speak at ReSI Housing's Service Improvement panel, established as part of its Customer Engagement Strategy.</p> <p>The Fund Manager considers residents' changing needs and uses their expertise to assist them. ReSI's lifecycle plans for accommodation includes a conservative approach to the long-term costs of ownership to ensure that the standard of quality is maintained or improved throughout the life of the property. At the same time, the Fund Manager only works with well-regarded and established partners to ensure all routine and other maintenance is undertaken promptly and properly.</p>

Major Stakeholder	Why is it important to engage?	How have the Directors and Fund Manager engaged?
Fund Manager	<p>The most significant service provider for ReSI's long-term success is the Fund Manager.</p> <p>The Fund Manager performs investment management services to ReSI in accordance with the Alternative Investment Fund Managers Directive 2011/61/EU as implemented into UK law by the Alternative Investment Fund Managers Regulations 2013 and the Fund chapter of the FCA Handbook.</p>	<p>The Board regularly monitors the Company's investment performance in relation to its objectives and investment policy and strategy.</p> <p>The Board receives and reviews regular reports and presentations from the Fund Manager and seeks to maintain regular contact to maintain a constructive working relationship.</p>
Property Managers & Developers	<p>ReSI's property managers are experienced in managing tenants' needs to ensure a good quality of service and to ensure that the regulatory risk is minimised.</p> <p>In addition, strong developer relationships enable ReSI to secure a pipeline of assets for investment. Experienced development partners ensure that ReSI has access to high quality homes to lease to its residents, improving quality of life for residents.</p> <p>By supporting development partners, ReSI aims to benefit local communities by increasing the provision of affordable housing. Through ReSI Housing, ReSI is able to acquire assets within the social housing regulatory environment, which emphasises good governance and financial viability.</p>	<p>ReSI always seeks to work with well-regarded partners to ensure that its homes are fit for purpose and maintained at a high standard in order to meet the needs of lessees and occupiers, as well as sustaining value over the long-term.</p> <p>The Fund Manager has regular contact with property managers, estate managers and developers and takes a proactive approach to working with third parties.</p> <p>Before an acquisition, detailed property due diligence is performed by the Fund Manager on all acquisitions to minimise fire and other risks to residents and provide safe and secure accommodation.</p> <p>After acquisition, the Fund Manager (with input from property managers) regularly reports to the Board on ReSI's property performance and compliance with property obligations.</p>
Key Service Providers	<p>A list of the Company's key service providers can be found on page 153 of this Annual Report.</p> <p>As an externally managed real estate investment trust, the Company conducts all its business through third-party service providers.</p>	<p>Before the engagement of a service provider, the Board ensures that the service provider's services are appropriate and values are aligned.</p> <p>On an annual basis the Board reviews the continuing appointment of each service provider to continued appointment is in the best interests of the Company's shareholders.</p> <p>Throughout the year-ended 30 September 2023, the Board had strong working relationships with the Fund Manager, broker, company secretary, administrator and depository and receives reports on the performance of the key service providers by the Fund Manager and company secretary. Separately, the Auditor is invited to attend the Audit Committee meeting at least once per year.</p> <p>The Audit Committee Chair maintains regular contact with the audit partner to ensure the audit process is undertaken effectively.</p>

Major Stakeholder	Why is it important to engage?	How have the Directors and Fund Manager engaged?
Regulator of Social Housing	<p>ReSI Housing is a wholly-owned subsidiary of ReSI and is registered with, and regulated by, the Regulator of Social Housing (the RSH) as a for-profit registered provider.</p> <p>As a regulated entity, ReSI Housing is able to offer shared ownership properties, which are central to its future investment strategy and other regulated tenures.</p>	<p>The Fund Manager and ReSI Housing's board each maintains strong lines of communication with the Regulator and is transparent in all dealings.</p> <p>The Fund Manager, in conjunction with the board of ReSI Housing, keeps ReSI Housing's compliance with its regulatory obligations under constant review, with input from such external advisers as may be necessary.</p> <p>The board of ReSI Housing contains independent non-executive directors with enhanced responsibilities for ReSI Housing's compliance with the RSH's regulatory regime.</p>
Grant Providers	<p>To enable delivery of shared ownership homes, ReSI Housing is an investment partner of multiple grant providers, including the Greater London Authority (GLA) and Homes England, and has accessed grant funding under their standard form grant agreements.</p> <p>Each of these grant providers is a long-term investment partner in ReSI Housing.</p>	<p>The Company engages the Fund Manager and third-party service providers to assist with compliance of grant requirements. Any correspondence from a grant provider is responded to promptly.</p>
HMRC	<p>If ReSI fails to remain qualified as a REIT, its rental income and gains will be subject to UK corporation tax.</p>	<p>ReSI corresponds with its contacts at HMRC regularly and is transparent in all dealings.</p> <p>The Directors and the Fund Manager at all times conduct the affairs of ReSI so as to enable it to remain qualified as a REIT for the purposes of Part 12 of the CTA 2010.</p>
Lenders	<p>Members of the Group have raised secured debt and entered into a working capital facility.</p> <p>As is customary, each facility contains representations and warranties</p>	<p>ReSI's subsidiaries report to their respective lenders in line with the covenants entered into.</p> <p>Proactive correspondence helps develop the relationship and aides the Company's ability to raise further debt in the future.</p>

Principal Decisions

ReSI's Directors are cognisant of their duties under Section 172 and decisions made by and discussions of the Board take into account the interests of all the Company's key stakeholders.

The following are examples of how the Board managed their Section 172 obligations in the context of decisions that were anticipated to have a material impact on ReSI and its key stakeholders.

Discussion item	Stakeholders	Decision and rationale
Rebasing of dividend	Shareholders	<p>The Board discussed and approved on 22 November the rebasing of the dividend from 5.16 pence per share to 4.12 pence per share.</p> <p>The Board's decision was based on the impact of rising interest rates on dividend cover, as well as the desire to pay a full-covered progress dividend whilst investing to maximise the growth of the portfolio value.</p>
Disposal of non-core assets	Shareholders, Fund Manager	<p>The Board has discussed and approved the in principle disposal and/or restructuring of Eaton Green Court and Wesley House, being the Company's local authority portfolio subject to end leases with Luton Borough Council.</p> <p>An in principal disposal of the local authority portfolio was discussed as being in the best interest of shareholders as it would eliminate ReSI's floating rate debt and leave ReSI with only its long term debt that has a weighted average maturity of 21 years. Further it would focus ReSI on retirement and shared ownership which are expected to deliver superior long-term returns.</p> <p>As at the date of this Annual Report, these assets are under offer and in legals with an expectation this will complete in early 2024.</p>
Repayment of debt secured on non-core assets	Shareholders, Lenders	<p>The Board approved the repayment of all amounts owing to National Westminster Bank plc.</p> <p>The final repayment date in the floating rate loan provided from National Westminster Bank plc had been extended and additional extensions were no longer considered economical and additive to shareholders. Unencumbering the non-core assets was also considered beneficial ahead of their disposal.</p>
Aborting the Company's intended equity raise in Autumn 2022	Shareholders Residents Property Managers & Developers Fund Manager	<p>The Board intended to look to raise further capital in Autumn 2022 in order to grow ReSI and drive shareholder returns. This was postponed following the market dislocation in September 2022 and later aborted due to the persistent discount to net asset value, which would have rendered equity raising dilutive to shareholders.</p>

Principal Risks and Uncertainties

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

The Fund Manager, whose services are overseen by the Board, has responsibility for identifying potential risks at an early stage, escalating risks (and changes to risks) and implementing appropriate mitigations, all of which are recorded in ReSI's risk register. Where relevant, the Company's financial model is stress-tested to assess the potential impact of a potential risk taking into account the likelihood of occurrence.

Risk is a standing agenda item at all meetings of the Audit Committee and all meetings of the Board.

The Board takes a proactive view when assessing and mitigating risks. The Board regularly reviews the risk register to ensure that identified risks and mitigating actions remain appropriate. This year, the Fund Manager undertook a rationalising exercise to enhance the clarity of the risk reporting for the Board.

ReSI's risk management process is designed to identify, evaluate and mitigate (rather than eliminate) the significant and emerging risks that it faces and that evolve as the business and operating environment changes. The risk management process ensures a defined approach to decision-making but can only provide reasonable, and not absolute, assurances.

The Board considers the following to currently be the principal risks and uncertainties:

Risk	Risk mitigation	Party responsible	Party responsible for monitoring	Change in risk over last financial year
Company and its Operations				
The Company is not managed or promoted in a way that generates investor demand, allows it to scale or allows the Company to meet its investment or return objective	<ul style="list-style-type: none"> ▪ Ongoing review of Fund Manager's investment performance and performance of all service providers ▪ Engagement of corporate broker ▪ Regular review of NAV and share price performance including discount to listed REIT sector ▪ Fund Manager and corporate broker monitor discount/premium and Board considers this at each meeting ▪ Fund Manager monitors marketing and distribution activity undertaken by the Company ▪ Appointment of a financial public relationship firm ▪ Leveraging of the expertise and network of the Gresham House marketing and distribution teams ▪ Board monitors investment performance and risk against investment objectives and strategy at each meeting and as necessary ▪ Board monitors portfolio against investment restrictions ▪ The Fund Manager has a sustainable investment policy, which is used to inform investment decisions, and has partnered with The Good Economy, Kamma and other knowledgeable third parties to understand our impact on the environment and enhance our reporting 	Fund Manager	Board	No Change

Risk	Risk mitigation	Party responsible	Party responsible for monitoring	Change in risk over last financial year
The Company's Ongoing Charges are too high	<ul style="list-style-type: none"> Future Fund Manager fee has been reduced to average of NAV and share price (previously just based on NAV). See note 31. Fund Manager is not entitled to any performance related fee or fees in connection with any sales of assets to the Group Fund Manager looks to benchmark fees of third parties where possible Fund Manager conducts Value Assessments under the FCA's Consumer Duty 	Fund Manager	Board	Higher
The Company's targeted returns are based on estimates and assumptions that are inherently subject to significant uncertainties and contingencies, and the actual rate of return may be materially lower than the targeted returns	<ul style="list-style-type: none"> Fund Manager regularly monitors assumptions Legal and property due diligence performed to confirm rights and condition of stock Use of reputable third-party valuers 	Fund Manager	Board	Higher
Investment Philosophy				
Assumptions underpinning leverage are subject to uncertainties and contingencies	<ul style="list-style-type: none"> Debt has been and will typically be structured to match the anticipated cashflows from the secured assets Rating agency review of ReSI Housing's debt provides independent review of this leverage Amortisation of ReSI Housing's debt is generally financed out of staircasing cash-flows, whose long-term average rate is 2.5% per annum and which typically range between 1% and 5% (where staircasing rates are lower than expected the sales proceeds account, containing staircasing proceeds, can be accessed for amortisation purposes). If staircasing rates are low, this could require net rental income to be re-directed to funding this debt amortisation, and will not be available for dividends 	Fund Manager	Board	Higher
The Group's investments will be illiquid and may be difficult or impossible to realise at a particular time	<ul style="list-style-type: none"> The Group's aim is to hold the assets for long-term income and the Group will not look to sell them if the market conditions are not right Returns targets are not premised on capital appreciation and disposals Debt has been and will be used to match underlying cashflows of the asset (and the Group is not therefore incentivised to dispose of assets that will create a mismatch) 	Fund Manager	Board	No Change

Risk	Risk mitigation	Party responsible	Party responsible for monitoring	Change in risk over last financial year
Significant or material fall in the value of the property market	<ul style="list-style-type: none"> ▪ The aim of the Group is to hold the assets for long-term inflation-linked income (typically 20 years and longer) ▪ The Board will assess market forecasts on a quarterly basis to put in place mitigations in the event of material fall in the value of the property market ▪ The Group will enter into long-term management agreements ▪ The Fund Manager stays abreast of market developments and forecasts, and, where necessary, seeks to adjust offer terms/approach accordingly ▪ The Company does not intend to rely on realised revaluation gains to cover dividend payments ▪ The Company focuses on areas of the market with limited and ideally countercyclical exposure to the wider property market 	Fund Manager	Board	No change
Liquidity				
The Group has insufficient liquidity available to meet obligations as they fall due (including any debt repayment obligations)	<ul style="list-style-type: none"> ▪ The Fund Manager regularly reviews the Group's Business Plan against the Group's recent and anticipated activities to assess future liquidity requirements ▪ The Group typically uses long-term amortising debt, reducing refinancing risk ▪ The Group has access to a working capital facility with Santander of £25mn on which £20.6mn is currently drawn (there is a scheduled clean down in December 2024 that is expected to be met through asset sales, which are currently in exclusivity. Further contingency plans, including bridge financing and raising additional secured portfolio debt, have been reviewed and assessed) 	Fund Manager	Board	Higher
Exposure to SONIA	<ul style="list-style-type: none"> ▪ Revolving debt facility is typically used for working capital and bridging purposes only ▪ Liability management is kept under constant review ▪ Restructuring and sales efforts for the local authority portfolio are ongoing (and are expected to enable the paydown of revolving amounts drawn) 	Fund Manager	Board	Higher
Breach of Loan Covenant (particularly in light of falling property values)	<ul style="list-style-type: none"> ▪ Strong suite of covenant reporting prepared quarterly ▪ Ongoing Fund Manager review of loan performance and covenant headroom ▪ Liability management under constant review ▪ Board is kept up-to-date 	Fund Manager	Board	Higher
Legal, Regulatory & Taxation				
Failure of ReSI Housing to continue to meet the Regulatory Standards	<ul style="list-style-type: none"> ▪ The Fund Manager continues to develop ReSI Housing's governance and operational structure with third parties, reflecting the maturity and growth of its portfolio 	Fund Manager	Board	Higher
Failure to remain a qualified REIT, rental income and gains become subject to UK corporation tax	<ul style="list-style-type: none"> ▪ The Company utilises third party legal, accounting and tax advisors ▪ The Fund Manager monitors HMRC, FCA and other public announcements for any relevant release affecting the Company 	Fund Manager	Board	Higher

Going Concern and Viability Statement

Going concern

In light of the current macroeconomic backdrop, the Directors have placed a particular focus on the appropriateness of adopting the going concern basis in preparing the Group's and Company's financial statements for the year ended 30 September 2023. In assessing the going concern basis of accounting the Directors have had regard to the guidance issued by the Financial Reporting Council.

Financial models have been prepared which consider liquidity at the start of the period and key financial assumptions at the Company level as well as at Group level. These financial assumptions include expected cash generated and distributed by the portfolio companies, which is then available to be distributed to the Company. The assumptions include inflows and outflows in relation to external debt, interest payments, expected dividends and the ongoing administrative costs of the Company.

Liquidity

The Directors have considered the Group's cash position, income and expense flows. As at 30 September 2023 the Group's net assets were £168.7mn and the Group held cash and cash equivalents of £8.8mn. Net rental income for the year ended 30 September 2023 was £17.1mn. The total ongoing operating expenses (excluding finance costs, taxation and aborted acquisition and fundraising costs) for the period ended 30 September 2023 were £3.3mn, showing the Group had substantial operating expenses cover.

ReSI's portfolio provides a very secure long term income stream. This is due to the defensive nature of ReSI's portfolio, the diversity of ReSI's counterparties and the resilience of ReSI's tenants' incomes. Tenants' incomes are predominantly from pensions/savings and are checked for affordability. The secure long-term nature of the income is further evidenced by:

- the Company's shared ownership portfolio is fully occupied, and rents are typically 30% below market value;
- the Company's stabilised retirement portfolio occupancy rates are typically in excess of 94%, and currently at 96%, with the empty time primarily reflecting time to refurbish properties when a tenant vacates;
- a rent collection level for the year of 99%;
- the average residency period of a retirement portfolio tenant is six years;

- Shared ownership customer leases ranging from between 130 and 999 years with annual increases generally at RPI +0.5%; and
- local authority assets are ultimately leased to Luton Borough Council, which is an area with one of the highest rates of housing need in the country, to house those in the Borough who would be otherwise homeless or threatened with homelessness.

Refinancing events

The Santander facility includes a contractual clean down provision requiring the facility to be paid down on the 31 December 2024. It can subsequently be redrawn five business days later. The clean down is expected to be met via the sale of the local authority portfolio, for which the Group has received a number of offers and which are in an advanced sales process with reputable purchasers, with financial close expected in early 2024. In the event sales do not complete, the Board have assessed and concluded the following mitigants, are realisable, enabling the clean down to be met:

- Securing a bridge facility
- Upsizing of the Scottish Widows facility and securing additional debt secured on unencumbered assets

Aside from the Santander facility, the Group has a 21-year weighted average debt maturity with the earliest refinancing requirement of June 2043.

Covenants and stress testing

The ReSI portfolio delivers high-quality cash flows that are resilient through economic cycles. ReSI also has headroom on its financial covenants and, after conducting various stress tests and sensitivity analyses, could withstand a prolonged drop in net income of 40% without breaching any loan covenant.

As the property investment values of ReSI's retirement and local authority portfolios are primarily calculated with reference to future cash flows, not house prices, volatility in house prices does not have a substantial impact on the value of its property assets.

The Group's tightest local to value covenant is in its working capital facility with Santander, currently 51% compared to the covenant of 55%. Sensitivity analysis shows that a fall of more than 7% in the value of the secured assets would result in a loan covenant breach. We estimate that ReSI's weighted average valuation yield would need to shift outward by a further c.40bps for this valuation loss to be realised, on top of the c.80bps widening since September 2022. The local authority portfolio is under offer and in legals for sale with an expectation that these will complete in early 2024, and allow us to repay the Santander facility. ReSI's other LTV covenants still have ample headroom and ReSI's USS debt on its shared ownership portfolio is fully amortising and so does not have a loan to value debt covenant.

Based on the above information, the Board has made its assessment and remains satisfied that there are no material uncertainties affecting the Group's and/or Company's ability to continue in business for the foreseeable future, being at least 12 months from the date of approval of the financial statements. Accordingly, the Company has adopted the going concern basis in the preparation of these financial statements.

Assessment of Viability

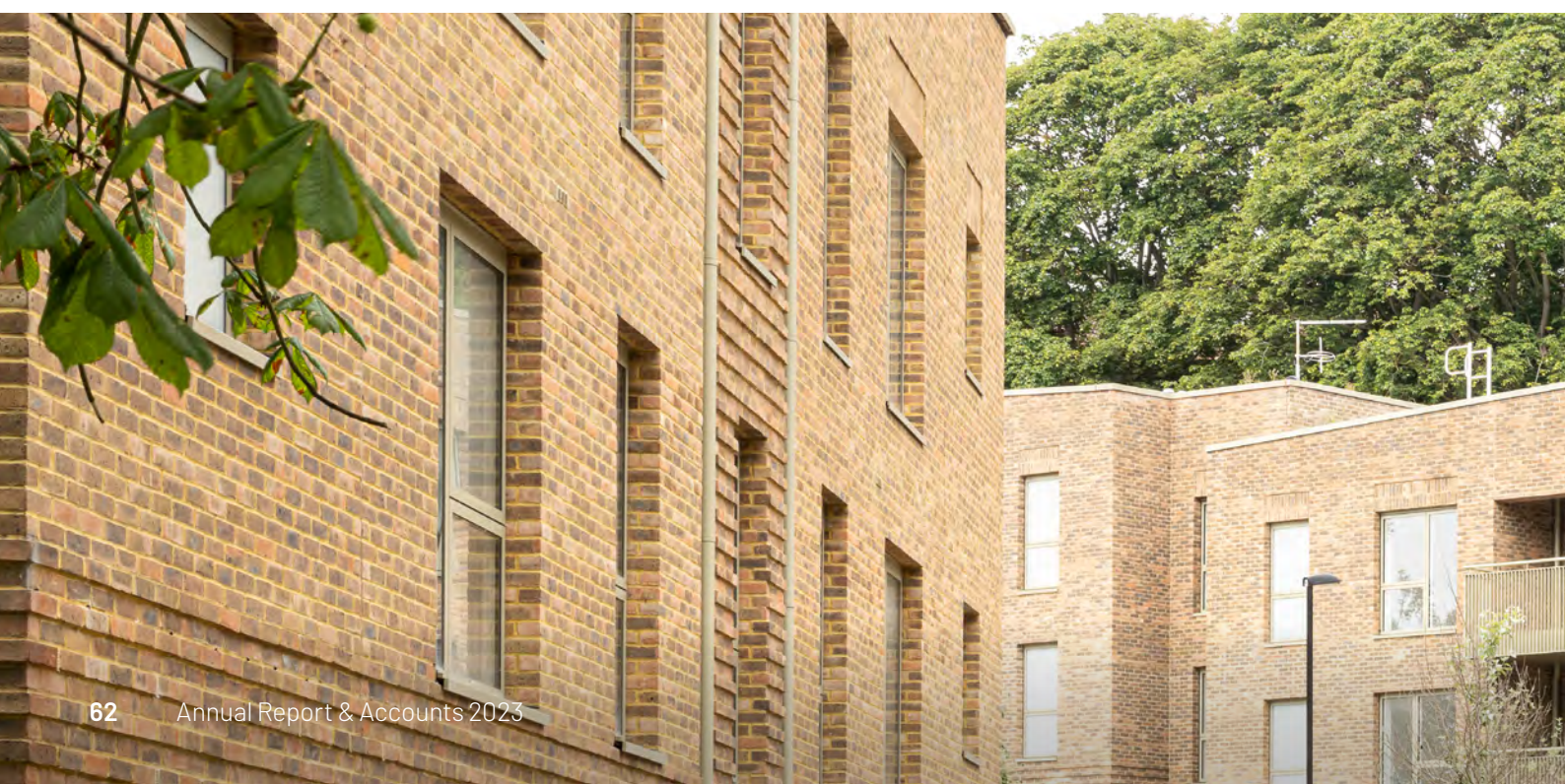
The principal risks and uncertainties section on [pages 58 to 60](#) of this Annual Report summarises those principal matters that the Directors consider could prevent ReSI the Group from delivering on its strategy and is derived from a robust assessment of the principal risks to our business model, future performance, liquidity, and solvency, which is supplemented by financial modelling and stress testing conducted by the Fund Manager. A number of these principal risks, because of their nature or potential impact, could also threaten the Group's ability to continue in business in its current form if they were to occur.

The assumptions underpinning our cash flow forecasts and covenant compliance sensitivity analysis have been tested to explore the resilience of the Group's cash flows and profitability to the potential impact of the Group's significant risks, or a combination of those risks.

Considerations applied to going concern and viability

All of the sensitivity scenarios modelled use a base case scenario comprising of the consummating of no acquisitions other than those already committed, no further capital deployed to support the underlying costs of the business, and no significant changes to governmental, regulatory or taxation policies.

The remaining principal risks, while having an impact on the Group's business model, are not considered by the Directors to have a reasonable likelihood of impacting the Group's viability over the next five years to 30 September 2028.



Sensitivities and mitigating actions

The sensitivity analyses performed were designed to be severe but plausible, and to take full account of the availability of mitigating actions that could be taken to avoid, or reduce, the impact or occurrence of the underlying risks. Mitigating actions that could be taken at the Group's discretion include use of funds available under the revolving credit facility for working capital and the reduction or suspension of dividend payments.

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 30 September 2028. 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 is also considered appropriate given the Company's long-term investment objective. The Board has considered each of the principal risks and uncertainties set out above together with the liquidity and solvency of the Company.

Having considered the matters above, the Board has a reasonable expectation that the Group will be able to continue in operation 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 5-year period.

Approval

The Strategic report was approved by the Board of Directors on 4 December 2023.



Rob Whiteman
Chairman of the Board of Directors

4 December 2023





02

Governance

Board of Directors



Rob Whiteman CBE

Non-executive Chairman

Appointed 9 June 2017

Skills, competence and experience:

Significant knowledge of public service finances and reform and a strong background in public financial management and governance.

Presently Chief Executive of the Chartered Institute of Public Finance & Accountancy (CIPFA) and previously Chief Executive of UK Border Agency (UKBA), Improvement and Development Agency (IDeA), and London Borough of Barking and Dagenham. He previously held various positions in the London Borough of Lewisham from 1996-2005, latterly as Director of Resources and Deputy Chief Executive.

He has been a technical adviser to the board of the International Federation of Accountants (IFAC) in New York since 2013.

Educated at the University of Essex where he gained a BA (Hons) in Economics and Government and is a qualified Chartered Public Finance Accountant (CPFA).

Other roles:

Director of CCAB Limited

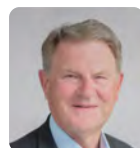
Director of CIPFA Business Ltd

Director of the Koru Project CIC F

Director of Eagles Crest (Poole) Limited

Director of Lilliput Advisory Ltd

Chair, University Hospitals Dorset NHS Foundation Trust



Robert Gray

Senior Non-Executive Independent Director and Chairman of the Audit Committee

Appointed 9 June 2017

Skills, competence and experience:

Extensive business experience, including experience in debt finance and capital markets.

Robert has held roles at J.P. Morgan, and later at HSBC Markets Limited and HSBC Investment Bank in London working initially as Managing Director in 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.

Robert was Chairman of the International Primary Market Association and Vice Chairman and Chairman of the Regulatory Policy Committee of the International Capital Market Association.

Robert was 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

Trustee of Allia Limited

Director and Company Secretary of Prospekt Medical Limited



Elaine Bailey

Non-executive Director

Appointed 27 April 2020

Skills, competence and experience:

Significant housing and construction experience, with a strong background running complex organisations and projects.

Previously the Chief Executive of Hyde Group, the G15 Housing Association with over 50,000 properties providing housing to 100,000 residents, a position she held for five years until 2019. During this time Elaine oversaw the establishment of a five-year development pipeline of 11,000 homes and the launch of several innovative partnerships with housebuilders, contractors, local authorities and other housing associations. Elaine also previously worked in the construction and government services sectors; and worked for some years at Serco.

Actively involved in the government's Building Safety Programme, including as a member of the Industry Safety Standards Steering Group, and a former Non-Executive Director of the Health and Safety Executive Board.

Elaine was educated at Southampton University, where she gained a civil engineering degree and holds an MBA from Imperial College.

Other roles:

Director of Andium Housing Association

Director of McCarthy & Stone Shared Ownership Division

Director of MJ Gleeson plc

Trustee of Greenslade Family Foundation



John Carleton

Non-executive Director

Appointed 9 June 2017

Skills, competence and experience:

A 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 Executive Director of Property Investment at Orbit Group, Director of Places for People Leisure Partnerships, 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.

John was educated at the University of Liverpool and holds an MBA in Finance from Manchester Business School. He 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:

Director of Helping Change Limited

ReSI Housing Non-Executive Directors

ReSI owns ReSI Housing Limited, a for-profit registered provider of social housing. The ReSI Housing Board contains independent directors (who are independent of the Fund Manager and ReSI) and Fund Manager directors. The board of ReSI Housing is comprised of David Orr, Gilian Rowley, Ben Fry, Mark Rogers, Pete Redman and Sandeep Patel. The independent Directors control the Board on matters that they consider may affect ReSI Housing's compliance with the regulatory standards of the Regulator of Social Housing. ReSI Housing's non-executive directors are:



David Orr, CBE

Non-executive Director

Appointed 2 October 2018

Skills, competence and experience:

David is an experienced leader in both executive and non-executive roles. He has over 30 years' experience in Chief Executive roles, most recently at the National Housing Federation. He is Chair of Clarion Housing Association, Chair of the Canal & River Trust, is a previous President of Housing Europe and previous Chair of Reall, an international development housing charity. He is also chair of The Good Home Inquiry, co-chair of #Housing 2030, a joint project for Housing Europe and UNECE, and a member of the Archbishop of Canterbury's Housing, Church and Community Commission. David frequently speaks on the challenge of optimistic leadership and the critical importance of governance. He has wide ranging media experience, is a well-regarded commentator and blogger and has extensive expertise navigating the world of politics and government. In June 2018 David was awarded a CBE.

Other roles:

Chair of Clarion Housing Association

Chair of The Canal & River Trust

Chair of The Good Home Inquiry

Co-chair of #Housing 2030

Board member of Clanmil Housing Association Trustee
National Communities Resource Centre



Gillian Rowley

Non-executive Director

Appointed 11 March 2019

Skills, competence and experience:

Gillian brings to ReSI Housing over 30 years of housing and housing finance expertise, with a focus on policy development within the framework of regulatory standards.

She served as the Non-Executive Director for The Housing Finance Corporation from 2006 – 2012, where she was heavily involved in business strategy, financial policy and governance. This overlapped with her role as the Head of Private Finance at the former social housing regulator, the Homes & Communities Agency, where for 13 years she was responsible for relationships with lenders, investors, advisers, and credit rating agencies operating in the social housing sector. She has also been an authority on all aspects of social housing finance policy, including advising government departments, focusing on areas of regulatory standards, and being responsible for social housing sector guidance on treasury management.



Mark Rogers

Non-executive Director

Appointed 31 August 2023

Skills, competence and experience:

Mark was previously an Executive Director of ReSI Housing and part of the team at Gresham House, having joined TradeRisks and ReSI Capital Management in 2018 to lead the acquisitions function.

Mark stepped down from his executive role, over the summer of 2023, but continues as a Non-executive director of ReSI Housing. Prior to joining, TradeRisks and ReSI Capital Management in 2018, Mark spent 12 years as a Chief Executive of Circle Housing Group, a 65,000 unit housing association, before merging it into the Clarion Group, the largest housing association in the UK. Prior to that, Mark held Chief Executive roles at Anglia Housing Group and Nene Housing Society. He has been a member of the Chartered Institute of Housing since 1986 and has 39 years of social housing experience.



Directors' Report

The Directors are pleased to present their report and accounts, together with the audited financial statements of the Company, for the year ended 30 September 2023.

Residential Secure Income plc, company number: 10683026, (the Company) is a Real Estate Investment Trust (REIT) listed on the premium segment of the Main Market of the London Stock Exchange. The Company's investment strategy focuses on, delivering secure inflation-linked returns from investing in affordable shared ownership, retirement and local authority housing throughout the UK.

The Board is ultimately responsible for all aspects of the Company's affairs, including setting the parameters for monitoring the investment strategy and the review of investment performance and policy. The Board also has ultimate responsibility for all strategic policy issues, the timing, price and volume of any buybacks of Ordinary Shares, corporate governance matters and dividends.

Further information on the Board's role is provided in the Corporate Governance Statement beginning on [page 76](#), which forms part of the Directors' Report.

Powers of the Board

The general powers of the Directors are set out in Article 100 of the Company's Articles of Association. This Article provides that the business of the Company shall be managed by the Board, which may exercise all the powers of the Company, subject to any limitations imposed by applicable legislation, the Articles and any directions given by special resolution of the shareholders of the Company.

Results

The Group's IFRS loss for the year was £23.2mn and the IFRS earnings per share were (12.5)p. The results for the year are shown in the financial statements. Commentary on the results, future developments and post balance sheet events can be found in the Strategic Report, Chairman's Statement and Fund Manager's Report.

Investment property

A summary of the Group's investment property portfolio is included on [page 4](#). A full portfolio listing can be made available on request.

Dividend policy

Following the non-core asset disposals and subsequent dividend rebasing, the Company is targeting, to pay on a quarterly basis an annual dividend of 4.12p, which the Company then expects to progressively increase. It is the Company's intention to pay dividends to shareholders on a quarterly basis and in accordance with the REIT Regime.

The Company is targeting a total return in excess of 8% per annum. As a REIT, the Company is required to meet a minimum distribution test for each accounting period through which 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 is 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 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 the year ended 30 September 2023

In line with the Company's historic dividend policy and target, four equal dividends of 1.29p per Ordinary Share were paid during the year, totalling 5.16p per Ordinary Share, of which 5.16p was paid as PID. These were declared in December 2022 and January, June and July 2023 with the first being the fourth interim dividend for the year ended 30 September 2022.

The Board declared a fourth interim dividend in respect of the quarter to 30 September 2023 of 1.03p per Ordinary Share, which will be payable on 17 January 2024 to shareholders on the register at the close of business on 15 December 2023. The ex-dividend date is 14 December 2023 and the full amount will be paid as PID.

Management – Fund Manager

During the year under review, ReSI Capital Management Limited (part of the Gresham House group) was engaged as the Company's alternative investment fund manager (the Fund Manager), pursuant to a Fund Management Agreement originally dated 16 June 2017 (as amended), to advise the Company and provide certain investment and risk management services.

ReSI Capital Management Limited is authorised and regulated by the Financial Conduct Authority (FCA) as a 'full scope' UK alternative investment fund manager for the purposes of the UK AIFM Regime.

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, which was in July 2022.

Appointment of the Fund Manager

The Board has discretion to monitor the performance of the Fund Manager and, to appoint a replacement Fund Manager.

Since year end, and with effect from 1 October 2023, the Company agreed to novate their appointment of ReSI Capital Management Limited as alternative investment fund manager to Gresham House Asset Management Limited. ReSI Capital Management Limited and Gresham House Asset Management Limited have common ultimate beneficial owners and, accordingly, there is no substantive or operational changes and the fund management delivery team remains unchanged.

The change of the Fund Manager is considered by the Board to be in the best interests of shareholders as a whole. The performance of the current team is satisfactory and the Fund Manager is well placed to manage the assets of the Company according to the Company's strategy.

During the period, the Board, either directly or via its advisors, engaged with shareholders carefully considering all feedback. The Board explored all potential outcomes which may be in the interest of the Company and its members as a whole.

Fund Management Fee

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 £250mn), 0.9% (if over £250mn), 0.8% (if over £500mn) 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. During the period, 607,947 Ordinary Shares were awarded to the Fund Manager as part of the Fund Management Fee.

Since year end, as per the announcement on 3 October 2022, 157,271 Ordinary Shares were purchased in the secondary market at an average price of 60p per share and awarded to the Fund Manager as part of the Fund Management Fee.

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.

Related to the Fund Manager is ReSI Property Management Limited ('RPML'), a wholly owned subsidiary of the Fund Manager that provides property management services to parts of the Group on a cost pass through basis with no profit margin. During the year, RPML charged fees of £1,978,000 (2022: £1,738,000) in respect of costs incurred in providing property management services and £155,000 (2022: £166,000) in respect of non-recurring costs.

Since year end and with effect from 4 December 2023, an amendment to the Fund Management agreement was signed in relation to the measurement of the management fee. To further align itself with shareholders and demonstrate its confidence in reducing the current share price discount to Net Asset Value (NAV), the Fund Manager has agreed with the board to align its management fee more closely to the share price. From 1st January 2024, the management fee will be calculated by reference to the average of ReSI plc market capitalisation and NAV for the relevant quarter, rather than applied to the quarterly NAV only as at present. For further information, see Note 31.

Depository

During the year under review, Thompson Taraz Depository Limited was appointed as depository to provide cash monitoring, safekeeping and asset verification and oversight functions as prescribed by the UK AIFM Regime.

Since year end and with effect from 1 October 2023, the Company approved the replacement of Thompson Taraz Depositary Limited with Indos Financial Limited as the Company's depositary.

Company Secretary

Computershare Company Secretarial Services Limited has been appointed as the Company Secretary of the Company and provides company secretarial services and a registered office to the Company.

Administrator

MGR Weston Kay LLP has been appointed as administrator to the Company. The administration of the Company is delegated and performed in consultation with the AIFM and the Fund Manager. Financial information of the Company is prepared by the administrator and is reported to the Board.

Share capital and shareholders

As at 30 September 2023 the Company's issued share capital comprised 194,149,261 Ordinary Shares, each of 1p nominal value, including 8,985,980 Ordinary Shares held in Treasury. As at 30 September 2023, the Company's total shares in issue with voting rights, excluding treasury shares, were 185,163,281. As at the date of this Annual Report, there has been no change to the Company's issued share capital, total voting rights or Ordinary Shares held in Treasury.

Each Ordinary Share held entitles the holder to one vote. Treasury shares do not hold any voting rights. All shares, excluding those held in Treasury, carry equal voting rights and there are no restrictions on those voting rights.

There are no restrictions on the transfer of Ordinary Shares, nor are there any limitations or special rights associated with the Ordinary Shares. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM. For further information on the details of the forthcoming AGM and ways to engage with the Board, and the Fund Manager, please refer to [page 154](#). Voting deadlines are stated in the notice of meeting and form of proxy and are in accordance with the Companies Act 2006.

Authority of Directors to allot shares

The authority to issue new shares granted at the Annual General Meeting (AGM) held on 31 January 2023 will expire at the conclusion of the forthcoming AGM. The forthcoming AGM will consider the authority for Directors to allot further shares in the capital of the Company under section 551 of the Companies Act 2006 up to 37,032,656 Ordinary Shares (excluding shares held in Treasury) in the capital of the Company (equivalent to approximately 20% of the Ordinary Shares in issue at the date of the notice of this meeting).

If the Directors wish to offer shares (or sell treasury shares which the Company may purchase and elect to hold as treasury shares) for cash, company law requires that unless shareholders have given specific authority for the waiver of their statutory pre-emption rights, the new shares must be first offered to existing shareholders in proportion to their existing holdings. There may be occasions, however, when the Directors will need the flexibility to allot new shares (or to grant rights over shares) for cash or to sell treasury shares for cash without first offering them to existing shareholders in proportion of their holdings in order to make investments in line with the Company's investment policies. This cannot be done unless the shareholders have first waived their pre-emption rights.

Accordingly, the AGM will consider two separate resolutions relating to the Director's ability to allot shares for cash or sell treasury shares for cash up to an aggregate nominal value of £370,326.56 which is equivalent to approximately 20% of the Company's issued Ordinary Share capital (excluding shares held in Treasury) as at the date of the notice of this meeting. This will allow the Company to carry out one or more tap issues, in aggregate, up to 20% of the number of Ordinary Shares in issue at the AGM and thus to pursue specific investment opportunities in a timely manner in the future and without the requirement to publish a prospectus and incur the associated costs.

The Directors are aware that the combined authority to dis-apply pre-emption rights in respect of up to 20% of the Company's issued Ordinary Share capital sought under resolutions 10 and 11 is higher than the 10% typically sought by investment companies. However, the Directors believe that a higher authority is justified to enable the Company to fund future acquisitions in line with the Company's investment policy and strategy for growth.

In accordance with UK Listing Rules, the Company will only issue Ordinary Shares pursuant to this authority at a price that is not less than the prevailing net asset value per share of the Company calculated in accordance with its IFRS accounting policies at the time of issue.

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 year ended 30 September 2023, the Company did not purchase any of its own Ordinary Shares for holding in treasury.

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. Directors will only buyback shares at a discount to the then prevailing net asset value of the shares. 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 AGM held on 31 January 2023 will expire at the conclusion of the forthcoming AGM. The Directors recommend that a new authority to purchase up to 14.99% of the Ordinary Shares in issue (subject to the condition that not more than 14.99% of the Ordinary Shares in issue, excluding treasury shares, at the date of the AGM are purchased) is granted and a resolution to that effect will be put to the AGM to be held on 22 February 2024. 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 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.

Appointment and replacement of directors

In accordance with the Company's Articles of Association, Directors may be appointed by the Board to fill a vacancy following which they will be elected by shareholders by ordinary resolution at an Annual General Meeting or General Meeting of the Company.

Articles of Association

The Company's Articles of Association can only be amended by Special Resolution at a shareholders meeting.

Financial Instruments

The Company's financial instruments comprise its share portfolio, cash balances, borrowings, debtors and creditors that arise directly from its operations, profit or loss balances on derivative instruments and accrued income and expenses. The financial risk management objectives and policies arising from its financial instruments and exposure of the Company to risk are disclosed in note 36 to the financial statements.

Going Concern

The Directors' assessment of the going concern of the Company is set out on [pages 61 to 63](#).

Continuation vote

Under the Articles of Association of the Company, the Directors were 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 AGM thereafter.

The first continuation resolution was presented and passed by shareholders at the AGM on 31 January 2023, with 99.96% of proxy votes cast in favour of the resolution. The next continuation vote is scheduled to be presented to shareholders at the AGM in 2028.

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

Significant shareholdings

As at 30 September 2023, the Directors have been notified of the following shareholdings comprising 3% or more of the issued share capital (excluding treasury shares) of the Company:

Shareholders	Holding	Percentage of voting rights
Schroders plc	20,571,781	11.11%
Close Asset Management Limited	18,427,998	9.95%
CG Asset Management Ltd	13,206,949	7.72%
Halb Nominees Limited	11,560,797	6.76%
City of Bradford – West Yorkshire Pension Fund	9,750,000	5.27%
Gravis Capital Management	9,049,470	5.29%
Premier Miton Group plc	7,699,945	4.50%
City Asset Management PLC	6,958,858	3.76%

Since 30 September 2023 and the date of this Annual Report, the Company has been notified of the following changes to the significant shareholdings:

Shareholders	Holding	Percentage of voting rights
Schroders plc	22,296,708	12.04%
Close Asset Management Limited	4,373,477	2.36%

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 (see [page 51](#) for a discussion on the governance of the company). 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. The Company's policy and the procedures that implement it are designed to support that commitment.

As a result, the Company can confirm that there were no legal actions, fines or sanctions relating to anti-corruption, anti-bribery, anti-competitive behaviour or anti-trust or monopoly laws or regulations in the year to 30 September 2023.

Environmental, Social and Governance (ESG) matters

The Company, the Fund Manager and the broader Gresham House group believe that it is essential to incorporate environmental and social considerations into the Company's business model and decision-making processes.

Gresham House has a clear commitment to sustainable investment as part of its business mission and has achieved a score of 4 out of 5 stars in its most recent PRI (Principles for Responsible Investment) assessment report.

The Company always seeks to work with well-regarded partners to ensure that its investments are fit for purpose and maintained at a high standard in order to meet the needs of lessees and occupiers as well as sustaining their value over the long term.

As a result, the Company can confirm that there were no legal actions, fines or sanctions relating to environmental, social or governance matters in the year to 30 September 2023.

Through ReSI Housing, the Company is able to acquire and hold assets within the social housing regulatory environment, which focusses on good governance and financial viability.

All of the Group's day to day operations and activities are outsourced to third-parties. As such the Group does not have any employees or operations of its own and does not generate any direct greenhouse gas or other emissions or consume any energy reportable under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, implementing the UK Government's policy on Streamlined Energy and Carbon Reporting. Information regarding the portfolio's carbon emissions can be found on [page 46](#).

Under Listing Rule 15.4.29(R), the Company, as a closed ended investment fund, is currently exempt from complying with the Task Force on Climate related Financial Disclosures.

For more information on the Company's environmental and social impact, please see [pages 40 to 50](#).

Employees

The Company has no employees and no share schemes. The Company does not therefore calculate or disclose employee turnover rates, its share of temporary staff or employee training hours. The Board's policy on Diversity is contained in the Corporate Governance Statement on [page 78](#).

The Board is also not entitled to participate in any bonus scheme, with Directors compensated according to the Company's Net Asset Value, ensuring a long-term alignment of interests.

Modern Slavery Act 2015, Bribery Act 2010 and Criminal Finances Act 2017

The Company is not within the scope of the UK Modern Slavery Act 2015 because it does not have employees, customers or meet the turnover threshold, the Company is therefore not obliged to make a slavery and human trafficking statement.

However, the Directors and Fund Manager are satisfied that, to the best of their knowledge, the Company's principal suppliers, as listed in the Directors' report on [pages 70 to 71](#), comply with the provisions of the Modern Slavery Act 2015 and maintain adequate safeguards in keeping with the provisions of the Bribery Act 2010 and Criminal Finances Act 2017.

Annual General Meeting

The AGM of the Company will be held on 22 February 2024 at 12:45pm. The Notice convening the AGM is contained in this Annual Report and can be found on the Company's website at <https://greshamhouse.com/real-assets/real-estate-investment/residential-secure-income-plc/>

The Board is of the opinion that the passing of all resolutions being put to the AGM would be in the best interests of the Company and its shareholders. The Directors therefore recommend that shareholders vote in favour of resolutions 1 to 13, as set out in the Notice of Meeting, as they intend to do in respect of their own shareholdings.

Political donations

The Company's policy is not to make any direct or indirect political donations. No political donations were made during the year under review and no political donations will be paid during the forthcoming year (2022: nil).

Future developments

The outlook for the Company is discussed in the Chairman's Statement on [page 8](#).

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 Annual Report confirms that:

- i. so far as the Directors are aware, there is no relevant audit information of which the Company's independent Auditor is unaware; and
- ii. the Directors have taken all steps that ought to have been taken as Directors to make themselves aware of any relevant information and to establish that the Company's Independent Auditor is 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 AGM.

Regulatory disclosures – information to be disclosed in accordance with Listing Rule 9.8.4

The following table provides references to where the information required by Listing Rule 9.8.4 is disclosed:

Listing Rule	
9.8.4 (1) – Capitalised Interest	The Company has not capitalised any interest in the year under review.
9.8.4 (2) – Unaudited Financial Information	The Company publishes a quarterly NAV statement. The Company published its interim report and unaudited financial statements for the period from 1 October 2022 to 31 March 2023.
9.8.4 (4) – Incentive Schemes	The Company has no incentive schemes in operation.
9.8.4 (5) and (6) – Emolument Waivers	No Director of the Company has waved or agreed to waive any current or future emoluments from the Company.
9.8.4 (7), (8) and (9) – Share Issuance	During the period, the Company has not issued or allotted any equity securities within the meaning of LR 9.8.4 (7), (8) and (9).
9.8.4 (8) and (9) – Companies Part of the Group	Not applicable.
9.8.4 (10) – Significant Contracts	During the period under review, there were no contracts of significance subsisting to which the Company is a party and in which a Director of the Group is or was materially interested or between the Company and a controlling shareholder.
9.8.4 (11) – Controlling Shareholders	The Company is not party to any contracts for the provision of services to the Company by a controlling shareholder.
9.8.4 (12) and (13) – Waiving Dividends	During the period under review, there were no arrangements under which a shareholder has waived or agreed to waive any dividends or future dividends.
9.8.4 (14) – Board Statement re Significant Shareholders	Not applicable.

There are no other disclosures to be made under LR 9.8.4

By order of the Board



For and on behalf of
Computershare Company Secretarial Services Limited
 Company Secretary

4 December 2023

Corporate Governance Statement

Introduction

In this statement, the Company reports on its compliance with the principles and provisions of the Association of Investment Companies Code of Corporate Governance (the AIC Code), as published in February 2019 which provides a framework of best practice for investment companies. The Board is committed to high standards of corporate governance and the Directors are accountable to shareholders for the governance of the Company's affairs.

Statement of Compliance

The AIC Code addresses the principles and provisions set out in the UK Corporate Governance Code (the UK Code), as well as setting out additional provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and provisions of the AIC Code, which has been endorsed by the Financial Reporting Council (FRC), provides more relevant information to its shareholders. The FRC has confirmed that AIC member companies, such as ReSI plc, which report against the AIC Code will be meeting their obligations in relation to the UK Code and the associated disclosure requirements under paragraph 9.8.6 of the Listing Rules.

The UK Code is available on the FRC website (www.frc.org.uk). The AIC Code is available on the AIC website (www.theaic.co.uk), which includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

Throughout the year ended 30 September 2023, the Company has complied with the principles of the AIC Code which incorporates the UK Code, except as set out below:

- **Executive Directors** – The UK Code includes provisions relating to the role of the chief executive and executive directors' remuneration. For the reasons as set out in the AIC Guidance, the Board considers these provisions are not relevant to the Company. ReSI is an externally managed company with a Board comprising entirely of Non-Executive Directors and it does not have any employees, therefore it does not have any executive board members or a chief executive.

- **Internal audit function** – The UK Code includes provisions for an internal audit function. For reasons set out in the AIC Code, the Board considers that these provisions are not relevant to the Company as it is an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third-party service providers, all of which have their own internal audit function. As a result, the Company has no internal operations. The Board has therefore determined that it is not necessary for the Company to have its own internal audit function, although this is reviewed on an annual basis.

The Company has therefore not reported further, in respect of these provisions.

The Board of Directors

The Company has a robust corporate governance framework with oversight provided by a highly experienced, fully independent board. The Board consists of four Non-Executive Directors including the Chairman. All of the Directors have served during the entire year. The Directors are collectively responsible for determining the investment policy and strategy, and have overall responsibility for the Company's activities. The names and biographical details of the Directors, including a list of their other directorships and significant commitments is shown on [pages 65 to 68](#).

The Board believes that during the year ended 30 September 2023 its composition was appropriate for a REIT of the Company's nature and size. The Directors have a broad range of relevant business and financial knowledge, skills and experience to meet the Company's requirements and all of the Directors are able to allocate sufficient time to the Company to discharge their responsibilities effectively.

Reflecting on the current economic environment and the impact this has had on the growth of the Company, the Board has decided to take steps to reduce the size the Board as well as balance the diversity of the Board for the benefit of the Company's members and to help promote the success of the Company. With this in mind, since year end, the Board has agreed that John Carleton will retire as a Director of the Company with effect from 22 February 2024 and accordingly will not stand for re-election at the Company's forthcoming AGM in 2024.

In accordance with the Listing Rules that apply to closed-ended investment entities, and taking into consideration the AIC Code, the Board has reviewed the status of its individual Directors and the Board as a whole. No Director of the Company has served for nine years or more and all Directors remain independent of the Company's Fund Manager. Accordingly, all Directors are considered to be independent in both character and judgement.

The Board leads the appointment process of new Directors, as and when vacancies arise in accordance with the Directors' ongoing succession planning. A formal process for the selection and appointment of new Directors to the Company is followed by the Board. New Director appointments shall be made on the basis of merit against objective criteria as identified by the Board as being desirable to complement the skills and experience of the existing Directors whilst having regard for all diversity factors.

Succession planning and Board composition has remained a focus during the year. The Board considers it to be inappropriate to set a specific tenure limit for any individual Director or the Chairman of the Board. Instead, as set out in the Board tenure and re-appointment policy (Board Tenure Policy), the Board will seek to recruit a new Director on average every 2-4 years to regularly bring the challenge of fresh thinking into the Board's discussions. The Board recognises the benefits of regular refreshment and diversity which brings new perspectives and challenge, whilst also maintaining stability and continuity of corporate memory through longer serving Directors. Through the Board Tenure Policy the Board seeks to achieve a range of skills, experience, backgrounds and lengths of services among its members. This approach will likely result in an average tenure of 3-5 years. The Board does not believe that length of service in itself necessarily disqualifies a Director from seeking reappointment but, when making a recommendation, the Board will take into account the requirements of the AIC Code. Information in respect of the Company's Board Diversity Policy can be found on [page 78](#) of this Annual Report.

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 AGM and shall not be taken into account in determining the number of Directors who are to retire by rotation. In line with best practice and the Board Tenure Policy, Directors will stand for annual re-election and the performance of each Director will be appraised by the Board annually, prior to the AGM. In light of John Carleton's planned retirement with effect from 22 February 2024, he will not seek re-election at the Company's forthcoming AGM in 2024. Accordingly, resolutions to re-elect Rob Whiteman, Robert Gray and Elaine Bailey are contained within the AGM Notice of Meeting. The Directors have appointment letters which do not provide for any specific term. Copies of the Directors' appointment letters are available for inspection on request at the registered office of the Company and will be available at the AGM. Upon joining the Board, new Directors receive a formal induction and relevant training is available to Directors on an ongoing basis.

Insurance and indemnity provisions

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

Responsibilities of the Chairman and Senior Independent Director

The Board appointed Robert Whiteman as Chairman of the Company, in March 2018. The Chairman is responsible for leading the Board and for its overall effectiveness in directing the affairs of the Company. The Chairman ensures that all Directors receive accurate, timely and clear information and help promote a culture of openness and debate in Board meetings by facilitating the effective contribution of other Directors. The Chairman also takes a leading role in ensuring effective communications with shareholders and other stakeholders.

Robert Gray was appointed Senior Independent Director of the Company on 16 September 2021. The Senior Independent Director provides a channel of communication for any shareholder concerns regarding the Chairman and leads the Chairman's annual performance evaluation.

In accordance with the AIC Code, the Board has reviewed and approved a policy setting out the responsibilities of the Chairman and the Senior Independent Director.

Audit Committee

The Board delegates certain responsibilities and functions to the Audit Committee as is clearly set out and defined in its terms of reference, which can be inspected at the registered office of the Company and viewed on the Company's website (<https://greshamhouse.com/real-assets/real-estate-investment/residential-secure-income-plc/>). In accordance with the AIC Code, the Audit Committee comprises the whole Board, all of whom are independent and have relevant financial expertise. Robert Gray who is the Chairman of the Audit Committee has relevant financial experience and has held similar roles at other organisations. The Committee as a whole has competence relevant to the sector in which the Company operates. The Committee meets at least twice a year to review the integrity and content of the interim and annual financial statements, including the ongoing viability of the Company. The Committee also reviews the scope and results of the external audit, its cost effectiveness, quality and the independence and objectivity of the external Auditors, including the provision of non-audit services. A report of the Audit Committee is included in this Annual Report as set out on [pages 83 to 85](#).

Other Committees

The fully independent Board additionally fulfils the responsibilities of a nomination committee and remuneration committee. Given the size of the Board and the size and nature of the Company, which has no employees or executive directors, it has not been considered necessary by the Board to establish separate nomination or remuneration committees at this time.

It is the responsibility of the Board as a whole to determine and approve the Directors' fees, following proper consideration and having regard to the industry generally, the role that individual Directors fulfil in respect of Board and committee responsibilities, the time committed to the Company's affairs and the remuneration levels generally within the sector. Detailed information on the remuneration arrangements for the Directors can be found in the Directors Remuneration Report on [pages 86 to 89](#).

It is the responsibility of the Board as a whole to undertake a formal review of the balance, effectiveness and diversity of the Board and consider succession planning, identifying the skills and expertise needed to meet the Companies strategic objectives. The Board is also responsible for reviewing the appointment of a Senior Independent Director, membership of the Board's Committees, and the re-appointment of those Directors standing for re-election at AGMs.

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. Furthermore, in this capacity, the Board reviews the terms of the Fund Management Agreement and examines the effectiveness of the Company's internal control systems and the performance of the Fund Manager, depositary, administrator, company secretary and the registrar.

Board and Audit Committee meeting attendance

Directors	Board (6 meetings held)	Audit Committee (3 meetings held)
Rob Whiteman	6	3
Robert Gray	6	3
John Carleton	6	3
Elaine Bailey	6	3

There were six Board meetings and three Audit Committees meetings held during the year to 30 September 2023. Additional sub-committee meetings of the Board were also held during the year in respect of payment of dividends, approval of NAV, approval of financial statements and results, and other administrative matters and approval of documentation. All Directors also attended a Company Strategy Session in March 2023.

Board diversity

The Board Diversity Policy sets out the approach to diversity on the Board and the process which the Board will follow when making new appointments. All Board appointments will be made on merit and against objective criteria, having due regard to the benefits of diversity on the Board including of gender, ethnicity, sexual orientation, disability or educational, professional and socio-economic backgrounds and cognitive and personal strengths and taking care that appointees have enough time available to devote to the position, in the context of the overall balance of skills and backgrounds that the Board needs to maintain in order to remain effective.

It is the Board's ongoing intention that, to the extent that there are any changes to the current composition of the Board, it shall take into account the recommendations of the FTSE Women Leaders Review, the Hampton-Alexander Review, the Parker Review, the FCA Listing Rules and Disclosure Guidance and Transparency Rules.

Whilst recognising the importance and benefits of diversity in the boardroom, the Board does not consider it to be in the interest of the Company and its shareholders to set prescriptive diversity criteria or targets as all appointments must be made on merit. However, diversity generally, including gender and ethnicity, will be taken into consideration with evaluating the skills, knowledge, and experience desirable to fill each Board vacancy. The objective of the Board Diversity Policy is to ensure that all Board appointments will be made on merit, in the context of the skills, knowledge and experience that are needed for the Board to be effective.

The Board appraises its collective set of cognitive and personal strengths, independence and diversity on an annual basis, and especially during the recruitment process, so as to ensure alignment with the Company's strategic priorities and aims. The Board is satisfied with the composition of the Board, taking into consideration the steps being taken to reduce the size the Board as well as balance the diversity of the Board. One Director (25% increased to 33% from 22 February 2024) of the ReSI Board, Elaine Bailey, is female.

The below tables set out the directors' gender or sex and ethnic background: In accordance with Listing Rule 9 Annex 2.1, the below tables, show the gender and ethnic background of the Directors as at 30 September 2023.

Board gender identity or sex

	Number of board members	Percentage of the board	Number of senior positions on the board
Men	3 (2 as of 22 February 2024)	75% (67% as of 22 February 2024)	Not applicable*
Women	1	25% (33% as of 22 February 2024)	
Not specified/prefer not to say	–	–	

Board ethnic background

	Number of board members	Percentage of the board	Number of senior positions on the board
White British or other White (including minority white groups)	4	100%	Not applicable*
Mixed/Multiple Ethnic Groups	0	0	0
Asian/Asian British	0	0	0
Black/African/Caribbean/Black British	0	0	0
Other ethnic group, including Arab	0	0	0
Not specified/prefer not to say	0	0	0

* This column is not applicable as the Company is an externally managed real estate investment trust and does not have executive management functions, specifically it does not have a chief executive officer or chief financial officer. The chair of the Board and the Senior Independent Director are both men. The chair of the Audit Committee is also male.

The information presented in the above tables was collected on a self-reporting basis by the Directors, who were asked to indicate which of the categories specified in the prescribed tables were most applicable to them.

As at 30 September 2023, the Company has not met the following targets on board diversity set out in the FCA Listing Rule 9.8.6R(9):

- a. At least 40% of individuals on its board are women
- b. At least one of the senior board positions is held by a women

- c. At least one individual on its board is from a minority ethnic background

Although supportive of the targets, the Company has not been able to meet the targets set by the FCA Listing Rules. For reasons set out above, the target of at least one senior board positions held by a women is not applicable to the Company.

As a Board of four Directors, the size of the Board and the Company provides a challenge to achieving the FCA Listing Rules gender and ethnicity diversity targets and it is recognised that any change of the membership of the Board will have a significant impact on the representation of any particular group of people. Although as at the publication of this Annual Report, there have been no changes to the Board that have impacted the Company's ability to meet these targets, John Carleton will not be standing for re-election at the 2024 AGM, which will increase the gender diversity of the Board from 25% to 33% women.

In light of the current economic environment and the impact this has had on the growth of the Company, the Board does not believe that at this time it would be in the best interests of the Company and its members to incur the expense of appointing an additional director.

In order to take steps towards embedding the Board Diversity Policy and the Board Tenure Policy, encouraging diversity, and achieving the FCA Listing Rule diversity targets, the Board will continue to review succession plans during the year ending 30 September 2024. The centrepiece of which will be the gender and ethnic diversity of the Board. In accordance with the Company's Board Diversity Policy, an objective of the Company when appointing new directors to the Board shall be to have a long list of potential non-executive directors including diverse candidates of appropriate merit. The Board will ensure that active steps are taken to search for, and attract, gender and ethnically diverse candidates when recruiting new directors.

Performance evaluation

On an annual basis, the Board evaluates its own performance and the performance of the Audit Committee, the Chairman and individual Directors. For the period under review the evaluation was facilitated by the Company Secretary and was carried out by way of a detailed questionnaire.

The Chairman led the evaluation, which covered the functioning and dynamics of the Board as a whole, composition and diversity of the Board, the effectiveness of the Audit Committee and the contribution made by each Director. Each Director completed a self-evaluation questionnaire in order to reflect on their personal commitment and contributions during the period. The results were reviewed by the Chairman and discussed with the Board. The Board confirmed that the results of the performance evaluation were positive, and it was concluded that the Board continued to function effectively and there are no significant concerns among the Directors about the Board's effectiveness. The resulting actions agreed by the Directors will be monitored during the year ending 30 September 2024. The Board remains satisfied that all current Directors continue to contribute effectively and have the skills and experience relevant to the leadership and direction of the Company.

A separate evaluation of the Chairman was led by the Senior Independent Director, Robert Gray. Directors completed a Chairman evaluation questionnaire, the responses of which were reviewed by the Senior Independent Director who then met with the Chairman to discuss and address any points of action.

The Board monitors the performance of the Fund Manager and believes the continuing appointment of the Fund Manager to be in the best interests of shareholders as a whole. For further information see [page 70](#).

During the period, the Board reviewed and re-evaluated the need for an externally facilitated board evaluation. Taking into consideration the current activities of the Company, it was agreed that undertaking an external board evaluation in the period was not, at this time, appropriate or in the best interest of the Company. The Board recognise the benefits of an external evaluation and will continue to consider whether an external evaluation would be beneficial and in the interests of the Company as a whole.

Internal control review and assessment process

The AIC Code requires the Board to review the effectiveness of the Company's system of internal controls. The Board recognises it has ultimate responsibility for the Company's risk management and system of internal controls, and for reviewing and monitoring their effectiveness. The risk management process and system of internal controls are designed to manage, rather than eliminate, the risk of failure to achieve the Company's objectives. It should be recognised that such systems can only provide reasonable, rather than absolute, internal assurance against material misstatement or loss.

The Board has undertaken a risk assessment and review of the Company's internal controls framework and the Company's risk appetite in the context of the Company's overall investment objective. The Board, through delegation to the Audit Committee, has undertaken a robust assessment and review of the emerging and principal risks facing the Company. A statement of the principal risks and uncertainties faced by the Company can be found on [pages 58 to 60](#).

The Board believes that the existing arrangements represent an appropriate framework to meet the 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 Annual Report. The monitoring and review includes all material controls, covering financial, operational and compliance. Given the nature of the Company's activities and the fact that most functions are sub-contracted, the Directors have obtained information from key third-party service providers regarding the controls operated by them. The Board has concluded that the Company's risk management and internal control system, and those of the key third-party service providers, are adequate to meet the needs of the Company.

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 AIFM, the Fund Manager, Company Secretary, Corporate Broker, Tax Adviser, Depositary, Public Relations Adviser and Registrar 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 90](#) and the Going Concern and Viability Statement is on [pages 61 to 63](#). The Independent Auditor's Report is on [pages 92 to 99](#).

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 key service providers. 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, Corporate Broker, Company Secretary and the Depositary provide reports, 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 for ensuring that Board and Committee procedures are followed and that applicable regulations are complied with. The Company Secretary is also responsible for ensuring the timely delivery of information and reports and for ensuring that statutory obligations of the Company are met.

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

Matters reserved for the Board and delegated authorities

There is a clear division of responsibilities between the Chairman, the Directors, the Fund Manager and the Company's third-party service providers. To retain control of key decisions and ensure there is a clear division of responsibilities between the running of the Board and the running of the business, the Board has identified 'reserved matters' that only it can approve. The Board has delegated a number of responsibilities and authorities to the Fund Manager, in accordance with the Fund Management Agreement, which has been reviewed during the period and the Board has agreed that it remains appropriate. These responsibilities include the level of borrowing, which is based on the characteristics of the relevant property and asset class and identifying new investment opportunities for the Company, performing due diligence in relation to potential investments, approving and executing such investments and monitoring existing investments. The Fund Manager presents potential transactions to the Board at regular Board meetings. The Board and the Committee receive sufficient, reliable and timely information in advance of meetings and are provided with or given access to all necessary resources and expertise to enable them to fulfil their responsibilities and undertake their duties in an effective manner.

Principal risks

The Directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its position, business model, future performance, solvency or liquidity. The principal risks and how they are being managed is set out in the Strategic Report on [pages 58 to 60](#). As part of its risk process, the Board seeks to identify emerging risks to ensure that they are effectively managed as they develop and recorded in the risk matrix.

Annual General Meeting

At least twenty-one days' notice shall be given to all the members and to the Auditors of an AGM. All other general meetings shall also be convened by not less than twenty-one days' notice to all those members and to the Auditors unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than fourteen days prior to the general meeting, 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 AGM to reduce the period of notice for general meetings, other than the AGM, to not less than fourteen days.

Shareholder relations

The Company encourages all shareholders to attend and vote at the AGM and seeks to provide a minimum of twenty one working days' notice of that meeting. The Notice of Meeting sets out the business of the AGM and any item not of an entirely routine nature is explained in the Directors' Report. Separate resolutions are proposed for each substantive issue. The Board and the Fund Manager are available to discuss issues affecting the Company, and shareholders have the opportunity to address questions to the Fund Manager, the Board including the Chairman and the Chairman of the Audit Committee.

The Fund Manager has a structured programme of meetings with key shareholders and reports back to the Board on its findings. A detailed list of the Company's shareholders is reviewed at each Board meeting.

The Half-Yearly and Annual reports of the Company are prepared by the Board and its advisers to present a full and readily understandable review of the Company's performance. Copies of which are dispatched to shareholders by post or electronically as requested and are also on the Company's website (<https://greshamhouse.com/real-assets/real-estate-investment/residential-secure-income-plc/>). Half year and annual investor presentations, as well as factsheets, reports and policies are also made available on the Company's website.

The Chairman and the Board welcome direct feedback from shareholders.

Further details of the Company's engagement with stakeholders and how the Board has regard to those stakeholders in the Board's decision-making processes are set out in the Strategic Report on [pages 53 to 57](#).

Exercise of voting powers and stewardship code

The principles of best practice of the Stewardship Code are not applicable to the Company's operations, being a REIT that does not hold the shares of other companies.

Social and environmental policy

Please see the Environmental and Social Impact report on [pages 40 to 50](#) for details.



For and on behalf of
Computershare Company Secretarial Services Limited
Company Secretary

4 December 2023

Report of the Audit Committee

Role of the Audit Committee

The AIC Code of Corporate Governance (the UK Code) recommends that boards should establish an audit committee 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 UK Code. The terms of reference of the Audit Committee can be found on the Company's website at <https://greshamhouse.com/real-assets/real-estate-investment/residential-secure-income-plc/>.

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 Company's external Auditor, BDO LLP (the Auditor);
- to review the annual accounts and half-yearly financial report;
- to review the day-to-day management of the Company by the Fund Manager and its adherence to agreed investment parameters; and
- assessment of the Company's internal financial controls and risk management systems.

Composition

All of the independent Directors of the Company are members of the Audit Committee. The Audit Committee as a whole has recent and relevant financial experience. As endorsed by the AIC Code, the Chairman of the Company is a member of the Audit Committee. The Board and the Audit Committee believe that the Chairman of the Company being a member of the Audit Committee is appropriate as he was independent on appointment and remains independent. His contributions are beneficial to the Audit Committee due to his recent and relevant financial experience. Details of the Committee members' experience can be found on [pages 65 to 66](#).

Meetings

There have been three Audit Committee meetings during the year ended 30 September 2023. These meetings were aligned with key dates for financial reporting and the audit cycle of the Company. Attendance is included in the Corporate Governance Statement [page 78](#).

During these meetings the Audit Committee has:

- reviewed the Company's financial statements for the half year and year end and made formal recommendations to the Board;
- reviewed the Company's going concern and viability statements;
- reviewed the internal controls and risk management systems of the Company and its third-party service providers including cyber-security;
- reviewed the Company's risk register reflecting the current and emerging risks faced by the Company;
- agreed the audit plan and fees with the Auditor, including the principal areas of focus;
- reviewed its own performance; and
- reviewed its Terms of Reference.

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 year ended 30 September 2023:

A. Investment property valuation

The valuation of investment property is the most material matter in the production of the financial statements. Savills Advisory Services Limited has been appointed to value the Company's property investments, in accordance with the Regulated Investment Company requirements, on a quarterly basis. The Audit Committee reviewed a copy of the annual valuation report once it had been completed and has received a presentation from the valuer. Investment properties are valued at their fair value in accordance with IFRS 13 and IAS 40, 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 as at 30 September 2023 is appropriate.

B. Fair value of debt (debt held at fair value through profit and loss)

The Group's debt held at fair value through profit or loss is fair-valued as of the year-end and based on the relevant gilt rate and discounted cash flows. The Audit Committee has reviewed the assumptions underlying the debt valuations and concluded that the valuation at the Company's year-end is appropriate.

C. Revenue recognition

Ensuring that the Group's rental income is accounted for in accordance with accounting standards presents an inherent risk. The Audit Committee has reviewed the Company's procedures in place for revenue recognition and has concluded that revenue has been appropriately recognised.

D. Shared ownership

Shared ownership is a form of tenure in which a long lease is granted in respect of a property alongside payment of an initial stake in that property (the First Tranche). Proceeds of First Tranche sales are included within turnover and the related proportion of the cost of the asset recognised within cost of sales. Shared ownership properties are split proportionately between Inventories and Investment properties based on the current element relating to First Tranche sales. The valuations for the investment property element are valued by Savills as part of the investment property valuation process and the inventory element is held at cost (defined as the lower of net realisable value or cost). The Audit Committee has reviewed the Savills valuation report for the relevant period, the Company's assessment of the split of investment property and inventory, and the Company's procedures in place for the valuation of shared ownership and has concluded that it has been appropriately recognised.

E. Internal Controls and Risk Management

Through the powers conferred upon the Audit Committee by the Board, the Audit Committee is responsible for ensuring that suitable internal controls systems are implemented by the Fund Manager and other third-party service providers, and further ensuring that those control systems are continuously reviewed and remain effective. The Audit Committee has reviewed the internal controls of third-party service providers and the Fund Manager during the period.

In addition, with the assistance of the Fund Manager and third-party services providers, the Audit Committee identifies the principal risks and uncertainties faced by the Company and determines strategies to ensure that they are mitigated. Further details on the principal risks and uncertainties that face the Company can be found on [pages 58 to 60](#).

External Audit

The Audit Committee monitors and reviews the effectiveness of the external audit process for the publication of the Annual Report and makes recommendations to the Board on the re-appointment, remuneration and terms of engagement of the Auditor.

Audit Fees

The audit fee incurred for the audit of the 2023 Annual Report and Accounts was £259,000 (30 September 2022: £228,000 – including overrun fees of £50,000). The Audit Committee continues to monitor the level of audit fees carefully.

Provision of non-audit services

The Audit Committee has a Non-Audit Services Policy to govern the supply of any non-audit services provided by the 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. On 18 September 2023, the Board reviewed and approved the Non-Audit Services Policy following a review of its ongoing effectiveness and adequacy.

BDO LLP were paid fees of £45,000 in respect of non-audit services in the year to 30 September 2023 (2022: £34,000). These services were in respect of the interim review of the Interim Report for the period ended 31 March 2022 (£34,000). When reviewing the suitability of BDO LLP to carry out this service the Audit Committee assesses a number of factors, including but not limited to: assessing whether there are any threats to independence and objectivity resulting from the provision of such services, the nature of the service provided and whether the skills and experience of BDO LLP make it the most suitable supplier. The Audit Committee has considered the non-audit work of the Auditor during the year ended 30 September 2023 and does not consider that this compromises its independence. In addition, the Audit Committee has received assurances from the Auditor that its independence is not compromised by the supply of these services. The fees set out above are exclusive of VAT and disbursements.

Audit tenure

BDO LLP has been appointed as the Company's Auditor since the Company's incorporation in 2017, following a competitive process and review of the Auditor's credentials. The appointment of the external Auditor is reviewed annually by the Audit Committee and the Board and is subject to approval by shareholders. Following a review of the service provided by the Company's Auditor and consideration of conducting an audit tender, the Audit Committee were satisfied with the Auditors performance and have decided that no further action would be taken. The current appointment of BDO LLP is compliant with all existing regulations and the Board and the Audit Committee agree that the Auditor remains independent. In accordance with the requirements relating to the appointment of audit firms, the Company will be required to conduct an audit tender no later than for the financial year beginning 1 October 2027. In addition, in line with the requirement for the audit partner to be rotated at least every five years, Richard Levy, was appointed as the audit partner from the audit for the financial year beginning 1 October 2021.

Effectiveness of external audit and continuing appointment of the Auditor

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 Auditor and a presentation of the results of the audit following completion of the main audit testing. Following the presentation of the results of the audit, the Audit Committee conducted a review of the Auditor which included a discussion of the audit process and the ability of the Auditor to fulfil its role. The feedback provided by the Fund Manager regarding the audit team's performance on the audit was positive. The Auditor demonstrated a good understanding of the Group and had identified and focused on the areas of increased financial reporting risk. Its reporting to the Audit Committee during the period was clear and thorough. The Audit Committee is satisfied that the Auditor has appropriately challenged the Fund Manager's judgements.

The Audit Committee acknowledged that the audit team during the period, including the audit partner, comprised of staff with appropriate levels of knowledge and experience of the sector in which the Company operates. Following the above review, the Audit Committee concluded that the external audit process has been effective. Taking into consideration the performance and effectiveness of the Auditor and the confirmation of their independence, the Audit Committee has agreed that the re-appointment of BDO LLP should be recommended to the Board and the shareholders of the Company at the forthcoming AGM. BDO LLP has confirmed its willingness to continue in office.

Internal audit function

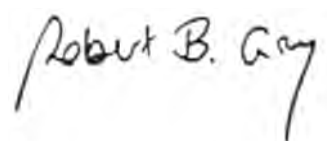
The Audit Committee has considered the need for an internal audit function and considers that this is not appropriate given the size, nature and circumstances of the Company. The Audit Committee keeps the needs for an internal audit function under periodic review.

CMA Order

Throughout the year ended 30 September 2023, the Company has complied with the provisions of the Statutory Audit Services Order 2014, issued by the Competition and Markets Authority (CMA Order).

Conclusion with respect to the Annual Report and financial statements – fair, balanced and understandable financial statements

The Audit Committee has concluded that the Annual Report for the year ended 30 September 2023, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Audit Committee has reported its conclusions 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.



Robert Gray
Chairman of the Audit Committee

4 December 2023

Directors' Remuneration Implementation Report

The Board has prepared this report in accordance with the requirements of the Large and Medium Sized Companies and Groups (Accounts and Reports)(Amendment) Regulations 2013.

The law requires the Company's Auditor to audit certain disclosures provided. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Independent Auditor's Report on pages 92 to 99.

The Board consists entirely of Non-Executive Directors and the Company has no employees therefore the Company has not reported on those aspects of remuneration that relate to Executive Directors. As detailed on page 78, it is not considered appropriate for the Company to establish a separate Remuneration Committee. Accordingly, the Board as a whole considers and approves the Directors' remuneration.

Remuneration Policy

The Company is required to ask shareholders to formally approve the Directors' Remuneration Policy, on a three-yearly basis. Any change to the Directors' Remuneration Policy requires shareholder approval. A binding ordinary resolution to approve the Directors' Remuneration Policy was last proposed and approved by shareholders at the AGM of the Company held on 14 January 2022. The resolution was passed with proxies representing 99.16% of the shares voted being in favour of the resolution.

There are no proposed changes to the policy, and therefore it is intended that the provisions of this policy continue for the year ended September 2024. A copy of the policy is included in the Company's Annual Report for the year ended 30 September 2021. The Directors' Remuneration Policy will next be put forward for approval at the AGM to be held in 2025.

Directors' Remuneration Implementation Report

The Directors' Remuneration Implementation Report is presented for approval by shareholders on an annual basis and will be put forward as an ordinary resolution at the forthcoming AGM. 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 Auditor's opinion is on page 97.

A non-binding ordinary resolution to approve the Directors' Remuneration Implementation Report contained in the Annual Report for the period ended 30 September 2022 was put forward and passed at the AGM held on 31 January 2023.

The votes cast by proxy were as follows:

Directors' Remuneration Report

	Number of votes	Percentage of votes cast
For and discretionary	109,110,051	99.61%
Against	425,253	0.39%
Votes Withheld	13,149	–

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 and below.

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 believes that these fees set out in the Remuneration Policy 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.

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 but are subject to re-election by shareholders at a maximum interval of three years. However, in line with best practice and the Company's Tenure and Re-appointment Policy all Directors are annually considered by the Board for re-election. Rob Whiteman, Robert Gray and Elaine Bailey will retire and stand for re-election on a voluntary basis at the AGM on 22 February 2024.

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 year ended 30 September 2023.

Directors' emoluments for the year ended 30 September 2023 (audited)

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

	Fees from 1 October 2022 to 30 September 2023 £'000	Fees from 1 October 2021 to 30 September 2022 £'000	Annual percentage change in fees %
Robert Whiteman	50	50	0
Robert Blackburn Gray	35	35	0
John Carleton	35	35	0
Elaine Bailey	35	35	0
	155	155	

When reviewing any change in Directors' fees from previous financial periods, it is important to note that the remuneration of the Directors is linked to the Net Asset Value of the Company.

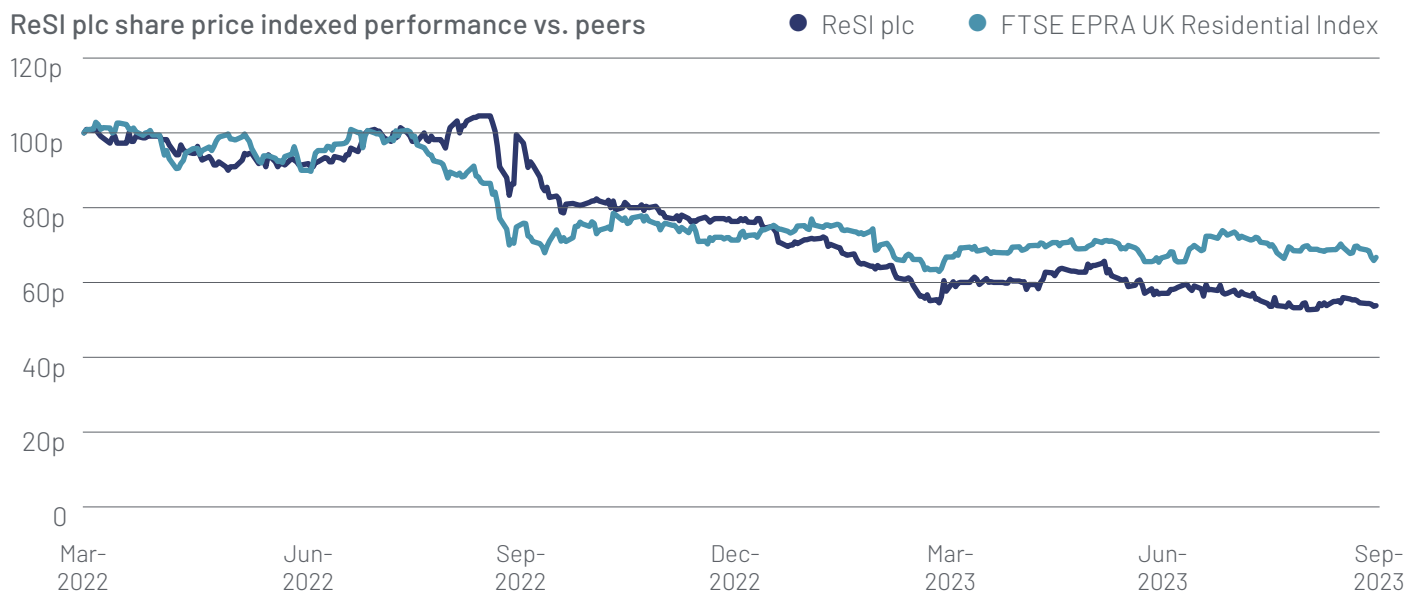
There are no other taxable benefits payable by the Company which may be deemed to be taxable. None of the above fees were paid to third parties.

The Directors do not receive pension benefits, long-term incentive schemes or share options.

Performance

The following chart shows the performance of the Company’s share price by comparison to the principal relevant indices. The Board believes that these indices are the most representative comparator for the Company, given the Company’s investment objective.

ReSI plc share price indexed performance vs. peers



Relative importance of spend on pay

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

	2023 £’000	2022 £’000	Change £’000
Net Property Income	18,514	17,526	988
Directors’ fees	155	155	0
Operating expenses	3,805	3,221	584
Dividends paid and payable to shareholders	9,553	9,194	359

The management fee and expenses have been included to give shareholders a greater understanding of the relative importance of spend on pay. It also provides Directors Fees as percentage of Dividends and Expenses

Directors’ holdings (audited)

There are no requirements pursuant to the Company’s Articles of Association for the Directors to own shares in the Company. As at 30 September 2023, the Directors’ beneficial shareholdings were as follows:

	30 September 2023	30 September 2022
Robert Whiteman	100,000	80,000
Robert Blackburn Gray	399,238	207,148
John Carleton	4,850	4,850
Elaine Bailey	5,000	5,000

There have been no changes in the Director’s beneficial shareholdings between 30 September 2023 and the date of this report.

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 year ended 30 September 2023:

- a. the major decisions on Directors’ remuneration;
- b. any substantial changes relating to Directors’ remuneration made during the financial year ended 30 September 2023; and
- c. the context in which the changes occurred and decisions have been taken.



Rob Whiteman
Chairman of the Board of Directors

4 December 2023

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 UK adopted international accounting standards 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 UK adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- 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.

They are responsible for such internal control as they determine 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 Implementation Report and Corporate Governance Statement that complies with that law and those regulations. These can be found on [pages 2 to 63](#), [69 to 75](#), [86 to 89](#) and [76 to 82](#) 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 provide the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Website publication: The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website (<https://greshamhouse.com/real-assets/real-estate-investment/residential-secure-income-plc/>). Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Directors’ responsibility statement

Each of the Directors, whose names and titles are listed on [pages 65 to 66](#), confirms that to the best of their knowledge:

- the financial statements have been prepared in accordance with UK adopted international accounting standards 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 position, performance, business model and strategy.

For and on behalf of the Board



Rob Whiteman
Chairman

4 December 2023

Independent Auditors' Report

Opinion on the financial statements

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 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Residential Secure Income plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2023 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, 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 the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

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 ended 11 July 2017 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 7 years, covering the period ended 11 July 2017 and the periods ended 30 September 2018 to 30 September 2023. We remain independent of the Group and the Parent Company 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. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- using our knowledge of the Group and its market sector together with the current general economic environment to assess the Directors' identification of the inherent risks to the Group's business and how these might impact the Group's ability to remain a going concern for the going concern period, being the period to 5 December 2024, which is at least 12 months from when the financial statements are authorised for issue;
- obtaining an understanding of the Directors' process for assessing going concern including an understanding of the key assumptions used;
- obtaining the Directors' going concern assessment and:
 - assessing the Group's forecast cash flows with reference to historic performance and challenging the Directors' forecast assumptions in comparison to the current performance of the Group;
 - testing the inputs into the forecasts for reasonableness based on historic activity and corroboration to contractual agreements;
 - agreeing the Group's available borrowing facilities and the related terms and covenants to loan agreements;

- obtaining forecast covenant calculations to check for any potential future covenant breaches. We also considered the covenant compliance headroom for sensitivity to both future changes in property valuations and the Group's future financial performance;
- reviewing evidence to support the Directors' assumptions regarding the repayment or refinancing of the Santander Revolving Credit Facility and assessing the implication of refinancing on the Group's forecasts and going concern status;
- considering board minutes, and evidence obtained through the audit and challenging the Directors on the identification of any contradictory information in the forecasts and the impact the going concern assessment;
- analysing the Director's stress testing calculations and challenging the assumptions made using our knowledge of the business and of the current economic climate, to assess the reasonableness of the downside scenarios selected and the appropriateness of the Directors' mitigating actions; and

- reviewing the disclosures in the financial statements relating to going concern to check that the disclosure is consistent with the Directors going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	100% (2022: 100%) of Group revenue 100% (2022: 100%) of Group profit/(loss) before tax 100% (2022: 100%) of Group investment property 100% (2022: 100%) of Group total assets		
Key audit matters	2023	2022	
	KAM 1	Valuation of investment properties	Valuation of investment properties
Materiality	<i>Group financial statements as a whole</i> We determined materiality for the Group financial statements as a whole to be £3,888,000 (2022: £4,275,000) which was set at 1% (2022: 1%) of Group total assets.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group operates solely in the United Kingdom and through one segment, investment property. The Group audit team carried out full scope audits of each of the six significant components of the Group using the materiality level set out below and specific audit procedures on the insignificant components. The Group audit team performed all the work necessary to issue the Group and Parent Company audit opinion, including undertaking all of the audit work on the risks of material misstatement identified in the key audit matters section below.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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, including 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.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Valuation of investment properties</p> <p>Refer to note 3 (significant accounting judgements and estimates) and note 15 (investment property) to the Group financial statements.</p> <p>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 year.</p> <p>The valuation of investment property requires significant judgement and estimates by management with the involvement of their independent external Valuer, including discount rates used, inflation assumptions and staircasing rates for the shared ownership properties.</p> <p>There is also a risk that:</p> <ul style="list-style-type: none"> ■ inaccurate inputs to the valuation model could result in misstatements ■ management may influence the significant judgements and estimates in respect of property valuations in order to achieve performance targets to meet market expectations ■ property valuations have not been disclosed appropriately in the financial statements in accordance with UK adopted international accounting standards <p>Therefore, we considered the valuation of investment properties to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <p>Experience of Valuer and relevance of their work</p> <p>With the assistance of our real estate valuation experts, we read the independent external Valuer's report and assessed whether the approaches used were consistent with the requirements of accounting standards. We assessed the Valuer's competence and capabilities and read their terms of engagement with the Group, and considered if there were any matters that affected their independence and objectivity, or imposed scope limitations upon them.</p> <p>Data provided to the Valuer</p> <p>We checked the data provided to the Valuer by management including 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), future costs, void rates, staircasing rates and bad debts (which we have assessed based on past experience of the portfolio).</p> <p>Assumptions and estimates used by the Valuer</p> <p>We met with the Valuer and gained an understanding of the valuation methods and assumptions used. We benchmarked the valuation to our expectations developed using independently obtained data in relation to discount rates and capitalisation yields. With the assistance of our own real estate valuation experts, we considered the methodology applied and challenged the assumptions utilised by the Valuer, corroborating their explanations where relevant. This included considering if there was any evidence of management bias in relation to the valuations.</p> <p>We checked the accuracy of the valuation models by reperforming the discounted cash flow calculations using the same inputs and assumptions as those used by the Valuer.</p> <p>Financial statement disclosures</p> <p>We assessed whether the disclosures in the financial statements relating to investment properties are appropriate and in accordance with relevant accounting standards.</p> <p>Key observations:</p> <p>Based on the procedures performed, we found the estimates and assumptions used appropriate in the context of the valuation of the Group's investment properties.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2023	2022	2023	2022
Materiality	£3,888,000	£4,275,000	£1,698,000	£1,898,000
Basis for determining materiality	1% of total assets	1% of total assets	1% of total assets	1% of total assets
Rationale for the benchmark applied	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 users of the financial statements in assessing the financial performance of the Group.		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 users of the financial statements in assessing the financial performance of the Parent Company.	
Performance materiality	£2,916,000	£3,206,000	£1,273,500	£1,423,500
Basis for determining performance materiality	75% of materiality. This was on the basis of our risk assessment, together with our assessment of the Group's overall control environment and our past experience of the audit which has indicated a low number of corrected and uncorrected misstatements in the prior period and Management's willingness to investigate and correct these.		75% of materiality. This was on the basis of our risk assessment, together with our assessment of the Parent Company's overall control environment and our past experience of the audit which has indicated a low number of corrected and uncorrected misstatements in the prior period and Management's willingness to investigate and correct these.	

Specific materiality

We determined that for other account balances, classes of transactions and disclosures that impact the calculation of adjusted earnings (as defined in note 13 of the Group financial statements) a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. We concluded that specific materiality for these areas should be £402,000 (2022: £447,000), which was set at 5% of adjusted earnings. Adjusted earnings excludes the impact of fair value movements and one-off debt arrangement costs.

The specific materiality applied to the Parent Company was £100,000 (2022: £130,000) respectively, calculated as a proportion of Group specific materiality.

Component materiality

We set materiality for each significant component of the Group based on a percentage of between 1.5% and 61% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £56,000 to £2,379,000 (2022: £92,000 to £2,546,000) and component specific materiality from £24,000 to £390,000 (2022: £28,000 to £416,000). In the audit of each significant component, we further applied performance materiality levels of 75% (2022: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £194,000 (2022: £85,000) for items audited to financial statement materiality, and £20,000 (2022: £25,000) for items audited to specific materiality.

The Parent Company reporting threshold was £94,000 (2022: £37,000) and specific reporting threshold applied was £20,000 (2022: £25,000).

We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor’s report thereon. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors’ statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company’s compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	<ul style="list-style-type: none">▪ The Directors’ statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 61 to 63; and▪ The Directors’ explanation as to their assessment of the Group’s prospects, the period this assessment covers and why the period is appropriate set out on page 63.
Other Code provisions	<ul style="list-style-type: none">▪ Directors’ statement on fair, balanced and understandable set out on page 91;▪ Board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 82;▪ The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 81; and▪ The section describing the work of the audit committee set out on pages 83 to 85

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors’ report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> the information given in the Strategic report and the Directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic report and the Directors’ report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Group and 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.</p>
Directors’ remuneration	<p>In our opinion, the part of the Directors’ remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none"> 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.

Responsibilities of Directors

As explained more fully in the Directors’ Responsibilities, 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- our understanding of the Group and the industry in which it operates;
- discussion with management and those charged with governance; and
- obtaining and understanding of the Group’s policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be the Companies Act 2006, UK Listing Rules, the REIT tax regime requirements and legislation relevant to the rental of properties.

Our procedures in respect of the above included:

- review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- review of financial statement disclosures and agreeing to supporting documentation;
- involvement of REIT tax experts in the audit; and
- review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- obtaining an understanding of the Group’s policies and procedures relating to:
 - detecting and responding to the risks of fraud; and
 - internal controls established to mitigate risks related to fraud.
- review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- involvement of forensics specialists within the audit team to assess the susceptibility of the financial statements to material fraud;

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls, revenue recognition relating to the treatment of first tranche sales and staircasing of shared ownership properties, the valuation of investment properties and the valuation of index linked debt.

Our procedures in respect of the above included:

- assessing significant estimates made by management for bias, which included the valuation of the Group’s investment property valuations as detailed under the key audit matters, and the valuation of the index linked debt;
- testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- assessing the index linked debt valuations with the assistance of our valuation experts; and
- assessing the accounting treatment for a sample of first tranche sales and staircasing transactions in accordance with the requirements of the applicable accounting standards.

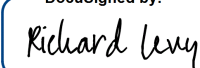
We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

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.

DocuSigned by:

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Richard Levy (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom

4 December 2023

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



03

Financials

Consolidated Statement of Comprehensive Income

For the year ended 30 September 2023

		2023 £'000	2022 £'000
Income	6	33,554	31,785
Cost of sales	6	(15,040)	(14,259)
Net income		18,514	17,526
Fund management fee	7	(1,885)	(1,867)
General and administrative expenses	7	(1,456)	(1,128)
Aborted fundraising costs	7	(273)	-
One-off expenses	7	(191)	(225)
Administrative expenses		(3,805)	(3,220)
Operating profit before property disposals and change in fair value		14,709	14,306
Loss on disposal of investment properties		(11)	(24)
Change in fair value of investment properties	11	(38,944)	3,200
Change in fair value of borrowings	11	7,747	1,809
Debt one-off fees	10	(155)	(369)
Operating (loss)/profit before finance costs		(16,654)	18,922
Finance income	10	220	67
Finance costs	10	(6,720)	(5,655)
(Loss)/profit for the period before taxation		(23,154)	13,334
Taxation	12	-	-
(Loss)/profit for the period after taxation		(23,154)	13,334
Other comprehensive income:		-	-
Total comprehensive income for the period attributable to the shareholders of the Company		(23,154)	13,334
(Loss)/earnings per share – basic and diluted – pence	13	(12.5)	7.4

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

The notes on [pages 105 to 138](#) form part of these financial statements.

Consolidated Statement of Financial Position

Company number 10683026

As at 30 September 2023

	Note	2023 £'000	2022 £'000
Non-current assets			
Investment properties	15	376,727	406,127
Total non-current assets		376,727	406,127
Current assets			
Inventories – shared ownership properties	14	431	1,203
Trade and other receivables	16	3,470	3,390
Deposits paid for property purchases		–	827
Cash and cash equivalents	17	8,805	15,984
Total current assets		12,706	21,404
Total assets		389,433	427,531
Current liabilities			
Trade and other payables	18	6,833	4,891
Borrowings	19	23,327	14,285
Lease liabilities	27	1,005	994
Total current liabilities		31,165	20,170
Non-current Liabilities			
Borrowings	19	158,420	175,420
Recycled Capital Grant Fund	21	585	205
Lease liabilities	27	30,584	30,348
Total non-current liabilities		189,589	205,973
Total liabilities		220,754	226,143
Net assets		168,679	201,388
Equity			
Share capital	22	1,941	1,941
Share premium	23	14,605	14,605
Treasury shares reserve	23	(8,295)	(8,293)
Retained earnings	24	160,428	193,135
Total interests		168,679	201,388
Total equity		168,679	201,388
Net asset value per share – basic and diluted (pence)	28	91.1	108.8

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



Rob Whiteman
Chairman

4 December 2023

The notes on [pages 105 to 138](#) form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 September 2023

	Note	2023 £'000	2022 £'000
Cash flows from operating activities			
(Loss)/profit for the period		(23,154)	13,334
Adjustments for items that are not operating in nature:			
Loss/(gain) in fair value of investment properties	11	38,944	(3,200)
Movement in rent smoothing adjustments	11	(1,192)	(1,148)
Profit in fair value of borrowings	11	(7,747)	(1,809)
Loss on disposal of investment properties		11	24
Shares issued in lieu of management fees	30	482	467
Finance income	10	(220)	(67)
Finance costs	10	6,720	5,655
Debt one-off fees	10	155	369
Operating result before working capital changes		13,999	13,625
Changes in working capital			
(Increase)/decrease in trade and other receivables		(80)	659
Decrease in inventories		772	2,597
Increase/(decrease) in trade and other payables		2,129	(2,754)
Net cash flow generated from operating activities		16,820	14,127
Cash flow from investing activities			
Purchase of investment properties	15	(11,833)	(30,635)
Grant received	15	1,148	672
Disposal of investment properties		3,396	1,475
Deposits used for acquisition		-	(513)
Interest received	10	220	67
Net cash flow from investing activities		(7,069)	(28,934)
Cash flow from financing activities			
Share issue (net of issue costs)	22	-	14,635
Purchase of own shares		(484)	(245)
New borrowings raised	19	16,800	28,100
New borrowing costs	19	(18)	(215)
Bank loans repaid	19	(17,281)	(4,978)
Finance costs	20	(6,394)	(5,681)
Dividend paid	26	(9,553)	(9,195)
Net cash flow generated from financing activities		(16,930)	22,421
Net increase in cash and cash equivalents		(7,179)	7,614
Reclassification of restricted cash balances	17	-	2,684
Cash and cash equivalents at the beginning of the period	17	15,984	5,686
Cash and cash equivalents at the end of the period	17	8,805	15,984

The notes on [pages 105 to 138](#) form part of these financial statements.

Consolidated Statement of Changes In Equity

For the year ended 30 September 2023

	Share capital £'000	Share premium £'000	Treasury shares reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 30 September 2021	1,803	108	(8,515)	188,996	182,392
Profit for the period	–	–	–	13,334	13,334
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	13,334	13,334
Contributions by and distributions to shareholders					
Issue of shares	138	14,862	–	–	15,000
Share issue costs	–	(365)	–	–	(365)
Issue of management shares	–	–	467	(467)	–
Share based payment charge	–	–	–	467	467
Purchase of own shares	–	–	(245)	–	(245)
Dividends paid	–	–	–	(9,195)	(9,195)
Balance at 30 September 2022	1,941	14,605	(8,293)	193,135	201,388
Loss for the period	–	–	–	(23,154)	(23,154)
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	(23,154)	(23,154)
Contributions by and distributions to shareholders					
Issue of management shares	–	–	482	(482)	–
Share based payment charge	–	–	–	482	482
Purchase of own shares	–	–	(484)	–	(484)
Dividends paid	–	–	–	(9,553)	(9,553)
Balance at 30 September 2023	1,941	14,605	(8,295)	160,428	168,679

The notes on [pages 105 to 138](#) form part of these financial statement

Notes to the Consolidated Financial Statements

For the year ended 30 September 2023

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 The Pavilions, Bridgwater Road, Bristol, BS13 8FD.

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

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

2. Basis of preparation

These consolidated financial statements cover the year to 30 September 2023, including comparative figures to the year to 30 September 2022, and include the results and net assets of the Group.

The consolidated financial statements have been prepared in accordance with:

- UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards
- The Disclosure and Transparency Rules of the Financial Conduct Authority

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 and the Company have the resources to continue in business for the foreseeable future, as set out in the going concern statement on [pages 61 to 63](#).

ReSI is subject to covenants on debt secured on its shared ownership and retirement properties (which are ringfenced to that particular portfolio) and on its holding company working capital facility with Santander (see note 19 on [pages 124 to 125](#)). Sensitivity analysis has been performed, showing headroom on all covenants (see Fund Manager Report on [page 36](#)), including all debt servicing and valuation metrics. Due to the long-term nature of the company's assets and their strong underlying cash flows, the Directors do not forecast a breach of any debt covenants.

The Santander facility includes a contractual clean down provision requiring the facility to be paid down on the 31 December 2024. It can subsequently be redrawn five business days later. The clean down is expected to be met via the sale of the local authority portfolio, for which the Group has received a number of offers and which are in an advanced sales process with reputable purchasers, with financial close expected in early 2024. In the event sales do not complete, the Board have assessed and concluded mitigants are in place, as described on [pages 61 to 63](#), which will enable the clean down to be met.

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

b) Changes to accounting standards and interpretations

Adoption of new and revised standards

In the current financial year, the Group has adopted a number of minor amendments to standards effective in the year issued by the IASB as adopted by the UK Endorsement Board, none of which have had a material impact on the Group.

There was no material effect from the adoption of other amendments to IFRS effective in the year. They have no significant impact on the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

Standards and interpretations in issue not yet adopted

The following are new 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:

- Amendments to IAS 1 which are intended to clarify the requirements that an entity applies in determining whether a liability is classified as current or non-current. The amendments are intended to be narrow-scope in nature and are meant to clarify the requirements of IAS 1 rather than modify the underlying principles (effective for periods beginning on or after 1 January 2024).

The amendments include clarifications relation to:

- How events after the of the reporting period affect liability classification
- What the rights of an entity must be in order to classify a liability as non-current
- How an entity assesses compliance with the conditions of a liability (e.g. bank covenants)
- How conversion features in liabilities affect this classification

The amendment is not expected to have an impact on the presentation of classification of the liabilities in the Group based on rights that are in existence at the end of the reporting period.

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information. IFRS S1 set out general requirements for the disclosure of material information about sustainability-related financial risks and opportunities and other general reporting requirements (periods beginning after 1 January 2024).
- IFRS S2 Climate-related Disclosures. IFRS S2 set out disclosure requirements that are specific to climate-related matters (period beginning after 1 January 2024).

The Group acknowledges the issue of these new standards by the International Sustainability Standards Board (ISSB) and will monitor the consultation and decision process being undertaken by the UK Government and FCA in determining how these standards are implemented by UK companies.

There are other new standards and amendments to standards and interpretations which have been issued that are effective in future accounting periods, and which the Group has decided not to adopt early. None of these are expected to have a material impact on the consolidated financial statements of the Group.

3. Significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below.

a) Basis of consolidation

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

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

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

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

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

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

b) Acquisitions and business combinations

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

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

c) Investment properties

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

Investment property is recognised as an asset when it is probable that the economic benefits that are associated with the property will flow to the Group and it can measure the cost of the investment reliably. This is usually on legal completion.

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

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

Significant accounting judgements, estimates and assumptions made for the valuation of investment properties are discussed in note 4.

d) Inventories

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

e) Shared ownership

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

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

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

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

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

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

f) Share issue costs

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

g) Revenue

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

Gross rental income – Gross rental income is non-contingent rental income, recognised on a straight-line basis over the term of the underlying lease and is included in the Group Statement of Comprehensive Income. Any contingent element of rental income is recognised on an as-received basis. Lease incentives granted are recognised as an integral part of the net consideration for the use of the property and are therefore recognised on the same, straight-line basis over the term of the lease. Contractual fixed annual rent increases and lease incentives are recognised on a straight-line basis over the term of the lease.

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

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

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

Property sales consist of one performance obligation – the transfer of the property to the shared owner. The transaction price is fixed and specific in the sales contract. Revenue is recognised at a point in time, when control of the property passes. Control is considered to pass on legal completion of the property sale.

h) Cost of sales

Included within First Tranches cost of sales are costs relating to the first tranche sale portion of newly acquired shared ownership properties. These costs include a share of expenditure incurred for acquisition of those properties in proportion to the First Tranche percentage sold, direct overheads and other incidental costs incurred during the course of the sale of those properties.

i) Expenses

The Group recognises all expenses on an accruals basis.

j) Finance income and expense

Finance income comprises interest receivable on funds invested. Financing expenses comprise interest payable, interest charged on head lease liabilities and amortisation of loan fees.

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

k) Taxation

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

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

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

l) Dividend payable to shareholders

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

m) Financial instruments

Financial assets

Recognition of financial assets

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

Initial measurement and classification of financial assets

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

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

At 30 September 2023, the Group had the following non-derivative financial assets which are held at amortised cost:

Cash and cash equivalents

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

Trade and other receivables

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

Impairment of financial assets

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

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

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

Stage 1

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

Stage 2

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

Stage 3

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

De-recognition of financial assets

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

Financial liabilities

Recognition of financial liabilities

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

Initial measurement and classification of financial liabilities

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

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

Fair value through profit or loss

This category comprises certain of the Group's borrowings and out-of-the-money derivatives where the time value does not offset the negative intrinsic value. The Group's loans with USS held at fair value through profit and loss may be recorded at a different value to the notional value of the borrowings due to changes in the expected future rate of inflation versus the date the debt was drawn, impacting gilt rates. The designation to value a loan at fair value through profit and loss is irrevocable and was made to correct an accounting mismatch as the value of the loan is linked to the shared ownership investment portfolio. The decision to link the loan to RPI was made to ensure that returns are matched to rent proceeds received (also linked to RPI). They are carried in the Consolidated Statement of Financial Position at fair value with changes in fair value recognised in the Group Statement of Comprehensive Income as either a fair value movement (note 11) or in the finance income or expenses line (note 10), except where the movement relates to a change in own credit risk which is recognised in other comprehensive income.

At 30 September 2023, 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 or at fair value, with attributable transaction costs fully expensed if an election is made to hold at fair value through profit or loss. 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 or at fair value if elected to hold at fair value through profit or loss.

De-recognition of financial liabilities

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

n) Derivative instrument and hedge accounting

Derivative financial instruments, comprising interest rate swaps held 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. Movements in fair value are recognised in profit and loss as part of finance costs.

o) Leases**The group as lessor**

A lease is classified as a finance lease if substantially all of the risks and rewards of ownership transfer to the lessee. In the case of properties where the Group has a leasehold interest, this assessment is made by reference to the Group's right of use asset arising under the head lease rather than by reference to the underlying asset. If the Group substantially retains those risks, a lease is classified as an operating lease.

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

The group as lessee

Where an investment property is held under a head lease, the lease liability is capitalised at the lease commencement at the present value of the minimum lease payments. Each lease payment is allocated between repayment of the liability and a finance charge to achieve a constant rate on the outstanding liability. The corresponding rental obligations, net of finance charges, are included in liabilities. Investment properties held under head leases are subsequently carried at their fair value. The carrying value of lease liabilities are remeasured when the variable element of the future lease payments dependent on a rate or index is revised, using the same discount rate as at the lease commencement date.

p) Share based payments

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 external 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 discount rates and comparable market transactions. Further information is provided in note 15.

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 is one of the most recognised professional firms within residential and social housing property valuation and has sufficient current local and national knowledge and has the skills and understanding to undertake the valuations competently.

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 15

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 (the 'fair value hierarchy'). 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.

Borrowings held at fair value

Some of the Group's borrowings are held at fair value.

The inputs/assumptions on which these borrowings have been valued include the relevant inflation-linked gilt rate at the date of valuation and the future rate of RPI inflation. Further information is provided in note 19.

If these assumptions prove to be inaccurate, this may have an impact on the carrying value of the Group's borrowings held at fair value, which could in turn have an effect on the Group's financial position and results.

In the fair value hierarchy, borrowings valued at fair value are included in Level 2 as they are based on observable market data (inflation-linked gilt yields).

Judgements:

Shared ownership properties

First Tranche Sales

The Group estimates the proportion of shared ownership properties that will be sold as First Tranche sales and therefore classified as inventory rather than investment property. The assumptions on which the proportion has been based include, but are not limited to, matters such as the affordability of the shared ownership properties, local demand for shared ownership properties, and general experience of First Tranche shared ownership sales in the social housing sector. The First Tranche sales percentage used is consistent with values used by the valuers. As at 30 September 2023, the average First Tranche sales percentage assumed for vacant shared ownership properties was 25%. If there is a change in percentage used, this will affect the proportion of inventory and investment property recognised with a higher assumed First Tranche sale percentage resulting in a higher inventory value and lower investment property value.

5. Operating segments

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

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

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

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

6. Income less cost of sales

	Net property income £'000	First tranche sales £'000	2023 Total £'000	2022 Total £'000
Gross Rental income	27,930	–	27,930	25,670
First tranche property sales	–	5,624	5,624	6,115
Total income	27,930	5,624	33,554	31,785
Service charge expenses	(5,522)	–	(5,522)	(4,927)
Property operating expenses	(4,241)	–	(4,241)	(3,717)
Impairment of receivables	(70)	–	(70)	(10)
First tranche cost of sales	–	(5,207)	(5,207)	(5,605)
Total cost of sales	(9,833)	(5,207)	(15,040)	(14,259)
Net rental income/gross profit before ground rents	18,097	417	18,514	17,526
Ground rents disclosed as finance lease interest	(978)	–	(978)	(996)
Net rental income/gross profit after ground rents disclosed as finance lease asset	17,119	417	17,536	16,530

Included within gross rental income is a £1,192,000 (2022: £1,148,000) rent smoothing adjustment that arises as a result of IFRS 16 'Leases' which require rental income in respect of leases with rents increasing by a fixed percentage being accounted for on a straight-line basis over the lease term. During the year this resulted in an increase in rental income, with an offsetting entry being recognised in profit or loss as an adjustment to the investment property revaluation (see note 11 & 15).

Gross rental income includes service charges collected from tenants, included in rent collected but not separately invoiced, of £5,518,000 during the year (2022: £4,622,000). Service charge expenses, as reflected in the cost of sales, also includes amounts paid in respect of properties which were vacant during the period of £4,000 (2022: £305,000).

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

7. Administration Expenses

	2023 £'000	2022 £'000
Fund management fee (note 30)	1,885	1,867
Administration expenses (note 8 and note 9)	1,456	1,119
Aborted acquisition costs	–	9
Aborted fundraising costs	273	–
One-off expenses	191	225
	3,805	3,220

Aborted fundraising costs of £273,000 (30 September 2022: £nil) represent sunk costs incurred in relation to an aborted equity raise in Autumn 2022 which was postponed following the market dislocation in September 2022. During the year, due to the persistent discount to net asset value the equity raise was aborted with all costs incurred written off in full.

In July 2021, the property and lettings management of the ReSI's retirement portfolio was transferred from Girlings to ReSI Property Management Limited, a subsidiary of the Fund Manager, and now property management services are provided at cost. The transfer has led to improved performance on the retirement portfolio, as evidenced in void reductions, and is expected to drive further cost efficiencies and operational improvements.

One off expenses of £191,000 (30 September 2022: £225,000) comprise restructuring costs of £165,000 (30 September 2022: £166,000) to move ReSI Property Management Limited into 3 regional teams which led to redundancy costs. During FY 2022 these charges related to residual set-up costs associated with the transfer to ReSI Property Management Limited which straddled the 2021-year end. £26,000 (30 September 2022: £59,000) was incurred in relation to costs associated with improving the energy efficiency of the Group's retirement portfolio.

8. Directors' fees and expenses

	2023 £'000	2022 £'000
Fees	155	155
Taxes	17	17
	172	172
Fees paid to directors of subsidiaries	53	48
	225	220

The Group had no employees during the year (2022: Nil) other than the Directors and Directors of subsidiaries.

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

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

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

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

During the year ending September 2022, the Net Asset Value of the Company increased to over £200mn therefore the Directors became eligible for a fee increase under the Remuneration Policy. However, in consideration of the macro-economic environment and ensuing impact on the Company and wider listed investment trust market, the Directors agreed to waive an increase in fees.

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

9. Fees paid to the Company's Auditor

	2023 £'000	2022 £'000
Audit fees		
Parent and consolidated financial statements	125	75
Audit of subsidiary undertakings	201	143
Additional fees payable to the auditors in relation to prior year audit	62	18
Total audit fees	388	236
Audit related services		
Review of interim report	57	42
Non-audit fees		
Corporate Finance Fees	–	44
Total fees	445	322

Fees paid to the Company's Auditors are inclusive of irrecoverable VAT. These fees have increased significantly partly due to additional audit work now required under IAS 315.

10. Net finance costs

	2023 £'000	2022 £'000
Finance income		
Interest income	220	67
	220	67
Finance expense		
Interest payable on borrowings	(5,365)	(4,300)
Amortisation of loan costs	(288)	(268)
Debt programme costs	(89)	(91)
Lease interest	(978)	(996)
	(6,720)	(5,655)
Net finance costs	(6,500)	(5,588)
One-off shared ownership facility set up costs	–	(300)
Debt one-off fees	(155)	(69)
Debt one-off costs	(155)	(369)

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

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

Debt one-off fees incurred in the year relate to costs incurred in charging assets to the facility with Scottish Widows Limited.

11. Change in fair value

	2023 £'000	2022 £'000
(Loss)/gain on fair value adjustment of investment properties	(37,752)	4,348
Adjustments for lease incentive assets and rent straight line assets recognised		
Start of the year	2,070	922
End of the year	(3,262)	(2,070)
	(38,944)	3,200
Gain on fair value adjustment of borrowings (note 19)	7,747	1,809
Shared ownership facility set up costs	-	(300)
	(31,197)	4,709

Gain on fair value adjustment of borrowings arises from debt raised against the shared ownership portfolio, which the Company elected to fair value through profit and loss in order to address an accounting mismatch as the value of the loan is linked to the shared ownership investment portfolio. In the prior year the Group incurred costs of £0.3mn (equivalent to 0.2 basis points on the drawn balance per annum over 45 years) in relation to further £20mn drawdown of debt under the shared ownership 45-year £300mn facility. With the election made to value this debt at fair value through profit or loss, all fees associated with this debt have been expensed upfront.

12. Taxation

	2023 £'000	2022 £'000
Current tax	-	-
Deferred tax	-	-
	-	-

The tax charge for the period varies from the standard rate of corporation tax in the UK applied to the profit before tax. The differences are explained below:

	2023 £'000	2022 £'000
(Loss)/profit before tax	(23,154)	13,334
Tax at the UK corporation tax rate of 25% (2022: 19%)	(5,788)	2,533
<i>Tax effect of:</i>		
UK tax not payable due to REIT exemption	(3,329)	(1,995)
Investment property revaluation not taxable	9,736	(608)
Expenses that are not deductible in taxable profit	(691)	(27)
Unutilised residual current year tax losses	72	97
Tax charge for the year	-	-

The Company and its subsidiaries operate as UK Group REIT. Subject to compliance with certain rules, the UK REIT regime exempts the profits of the Group's property rental business from UK corporation tax. To operate as a UK Group REIT a number of conditions had to be satisfied in respect of the Company, the Group's qualifying activity and the Group's balance of business. All conditions have been met.

13. Earnings per share

EPRA Earnings per share

	2023 £'000	2022 £'000
(Loss)/earnings per IFRS income statement	(23,154)	13,334
Changes in value of investment properties	38,944	(3,200)
Losses on disposal of investment properties	11	24
Profits on sales of trading properties	(417)	(510)
Changes in fair value of financial instruments and associated close-out costs	(7,747)	(1,809)
EPRA earnings	7,637	7,839
Deduction of non-recurring set up costs	191	225
Deduction of debt set up costs	155	369
Deduction of aborted acquisition costs	273	9
Profits on sales of trading properties	417	510
Adjusted EPRA earnings	8,673	8,952
Weighted average number of ordinary shares (thousands)	185,163	180,159
IFRS earnings per share (pence)		
– 2023 (pence)	(12.5)	
– 2022 (pence)		7.4
EPRA earnings per share (pence)		
– 2023 (pence)	4.1	
– 2022 (pence)		4.4
Adjusted EPRA earnings per share (pence)		
– 2023 (pence)	4.7	
– 2022 (pence)		5.0

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.

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

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

Dividend coverage for the year ended 30 September 2023 is 91% based on an adjusted earnings figure of £8.67mn and dividends paid over the year of £9.55mn.

14. Inventories – finished properties available for sale

	2023 £'000	2022 £'000
Shared ownership properties	431	1,203
	431	1,203

The costs of inventories recognised in cost of sales as an expense in the year is £5,207,000 (2022: £5,605,000). The amount of inventories written down to net realisable value is Nil (2022: Nil).

15. Investment properties

	2023 £'000	2022 £'000
At beginning of period	406,127	372,335
Property acquisitions at cost	11,163	30,827
Grant receivable	(1,148)	(672)
Capital expenditure	1,497	652
Property disposals	(3,407)	(1,498)
Movement in head lease gross up	247	135
Change in fair value during the period	(37,752)	4,348
At end of period	376,727	406,127
Valuation provided by Savills	345,138	374,785
Adjustment to fair value – finance lease asset	31,589	31,342
Total investment properties	376,727	406,127

The investment properties are divided into:

	2023 £'000	2022 £'000
Leasehold properties	282,073	293,734
Freehold properties*	63,065	81,051
Head lease gross up	31,589	31,342
Total investment properties	376,727	406,127

* Includes Feuhold properties, the Scottish equivalent of Freehold.

The table below shows the total value of the Group's investment properties including committed properties with purchase contracts exchanged at 30 September 2023. Consistent with the valuation provided by Savills, the adjustment to fair value in respect of finance lease assets for ground rents receivable has been excluded to show the value of the asset net of all payments to be made (including ground rent payments).

	2023 £'000	2022 £'000
Total investment properties	376,727	406,127
Adjustment to fair value – finance lease asset	(31,589)	(31,342)
Committed properties with purchase contracts exchanged	–	8,635
Total investment properties including committed properties with purchased contracts exchanged	345,138	383,420

Included within the carrying value of investment properties at 30 September 2023 is £3,262,000 (2022: £2,070,000) in respect of the smoothing of fixed contractual rent uplifts as described in note 6. The difference between rents on a straight-line basis and rents actually receivable is included within the carrying value of the investment properties but does not increase that carrying value over the fair value.

The historical cost of investment properties at 30 September 2023 was £347,117,000 (2022: £339,012,000).

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

The carrying values of investment property as at 30 September 2023 agree to the valuations reported by external valuers, except that the valuations have been:

Increased by the amount of finance lease liabilities recognised in respect of investment properties held under leases of £31,589,000 (£31,342,000 at 30 September 2022) representing the present value of ground rents payable for the properties held by the Group under leasehold – further information is provided in note 27. This is because the independent valuations are shown net of all payments expected to be made. However, for financial reporting purposes in accordance with IAS 40, "Investment Property", the carrying value of the investment properties includes the present value of the minimum lease payments in relation to these leases. The related lease liabilities are presented separately on the Statement of Financial Position.

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

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

The Group has pledged substantially all of its investment properties to secure loan facilities granted to the Group (see note 19).

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 2023 is categorised as Level 3.

ReSI's properties are valued by Savills using a discounted cash flow ("DCF") methodology applying a discount rate to estimated future cash flows to arrive at a net present value of the properties.

There are multiple key unobservable inputs that play material roles in determining the Group's fair value of investment property:

- 1 The discount rates applied to projected rental cash flows (and to staircasing cash flows for shared ownership properties):
 - a. Effectively, the discount rate is representative of both the long-term cost of borrowing and the risks implicit in the properties concerned, as well as the risk associated with the cash flow assumptions reflected in the valuation.
 - b. Everything else being equal, there is a negative relationship between the discount rate and the property valuation, such that an increase in the discount rate will decrease the valuation of a property and vice versa.
 - c. Weighted average nominal rental discount rates applied across the shared ownership and retirement portfolio valuations at 30 September ranged from 7.3% to 8.9%.
- 2 Projected rates of inflation (both CPI and RPI):
 - a. The majority of ReSI's leases are inflation-linked (subject to inflation floors and, for some leases, inflation caps). Additionally, some of ReSI's operating expenses are subject to inflationary pressures. Changes in inflation assumptions can have a material impact on the Group's valuations.
 - b. The relationship between inflation and income growth (and resulting rental values) is generally positive, as the majority of the Group's revenues are inflation-linked (subject to certain inflation caps and floors in certain leases in ReSI's portfolio), however, inflation can also increase operating expenses, potentially offsetting some or all of inflation-linked revenue growth, all else being equal.
 - c. Forecast inflation rates applied for different years across the portfolio valuations at 30 September ranged from 2.0% to 7.0% for CPI and 2.7% to 6.3% for RPI.
- 3 House price growth for shared ownership properties
 - a. Projected house price growth plays a significant role in determining the prevailing open market value at which shared ownership residents staircase.
 - b. Everything else being equal, there is a positive relationship between future house price growth and the property valuation, such that an increase in future house price growth will increase the valuation of a property and vice versa. HPI forecasts applied for different years to the shared ownership valuations ranged from -12.5% to +7.5%.
- 4 Staircasing rates for shared ownership properties:
 - a. Shared ownership residents have the option to incrementally purchase from ReSI additional shares in their homes at the prevailing open market value. This process, known as "staircasing", generates additional cash flow to the Group, and the rate of staircasing partly determines the amount of cash flow from equity purchases that the Group may receive in any given period of time.
 - b. The relationship between future staircasing rates and property valuation may be either positive or negative depending on the discount rate and house price growth assumptions used for a given property. If a zero rate of staircasing is assumed this would result in an increase in the valuation of ReSI's shared ownership properties as Savills apply a higher discount rate to staircasing cash flows as compared to rental cash flows. Equally, if it assumed that a property staircases immediately this would also result in increase in the valuation of ReSI's shared ownership properties as these properties are valued at a discount to their Open Market Value (the price at which shared owners staircase).
 - c. Staircasing rates applied to shared ownership valuations ranged from 2.0% to 3.0%.

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 discount rates 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 discount rates and rental values. The impact on valuation from the change in key factors has been modelled below by Savills:

Key inputs	Key inputs	Sensitivity modelled	Valuation at 30 September 2023 £mn	+ Updated Valuation £mn	- Updated Valuation £mn
Retirement	Regional Discount Rate	+/- 25bps	201,804	195,108	207,181
	Consumer Price Index (CPI) ¹	+/- 25bps	201,804	192,282	210,420
	Retail Price Index (RPI) ²	+/- 25bps	201,804	209,717	192,794
Shared ownership	Rental Discount Rate	+/- 25bps	123,434	121,733	125,025
	Retail Price Index (RPI)	+/- 25bps	123,434	125,611	120,444
	House Price Index (HPI)	+/- 25bps	123,434	124,985	121,765
	Staircasing Sensitivity Analysis	+/- 100bps	123,434	121,807	124,886

16. Trade and other receivables

	2023 £'000	2022 £'000
Trade debtors	469	385
Prepayments	2,836	2,623
Other debtors	165	382
	3,470	3,390

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

The expected loss rates are based on the Group's historical credit losses experienced since inception to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. Both the expected credit loss provision and the incurred loss provision in the current and prior years are immaterial. No reasonably possible changes in the assumptions underpinning the expected credit loss provision would give rise to a material expected credit loss.

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

1. Applied to operating expenses and rents at the end of contractual periods

2. Applied to contractual rent increases

17. Cash and cash equivalents

	2023 £'000	2022 £'000
Cash at bank	3,221	12,739
Cash held as investment deposit	2	2
	3,223	12,741
Restricted cash	5,582	3,243
	8,805	15,984

The Group has defined restricted cash as cash which is subject to restrictions with a third party where the terms of the account do not prevent the Group from accessing the cash. Included within cash at the year-end was an amount totalling £5,582,000 (£3,243,000 at 30 September 2022) held in separate bank accounts which the Group considers restricted cash. Restricted cash is cash where there is a legal restriction to specify its type of use. This is typically where the Group has agreed to deposit cash with a bank as part of a joint arrangement with a tenant under a lease agreement, or to provide additional security to a lender over loan facilities, or under an asset management initiative.

£1,411,000 (2022: £1,324,000) was held by the managing agent of the retirement portfolio in respect of tenancy rental deposits. Other funds were held by the management agent in an operating account to pay service charges in respect of the ReSI Housing due on 1 October 2023.

£3,811,000 (2022: £1,564,000) was held by US Bank in respect of funds required as a debt service reserve for the shared ownership debt.

£360,000 (2022: £354,000) was held in respect of a service charge reserve fund.

Cash held as investment deposit relates to cash invested in a money market fund, which is invested in short-term AAA rated Sterling Investments. As the fund has a short maturity period, the investment has a high liquidity. The fund has £13.7bn AUM, hence the Group's investment deposit represents an immaterial proportion of the fund.

18. Trade and other payables

	2023 £'000	2022 £'000
Trade payables	2,328	1,173
Accruals	2,615	1,238
VAT payable	3	4
Deferred income	117	797
Other creditors	1,770	1,679
	6,833	4,891

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.

19. Borrowings

	2023 £'000	2022 £'000
Loans	183,899	192,126
Unamortised borrowing costs	(2,152)	(2,421)
	181,747	189,705
Current liability	23,327	14,285
Non-current liability	158,420	175,420
	181,747	189,705
The loans are repayable as follows:		
Within one year	23,327	14,285
Between one and two years	3,043	9,851
Between three and five years	8,699	9,088
Between six and ten years	14,261	14,887
Between eleven and twenty years*	105,381	29,452
Over twenty years	27,036	112,142
	181,747	189,705

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

Movements in borrowings are analysed as follows:

	Fair value through profit or loss £'000	Held at amortised cost £'000	2023 £'000	2022 £'000
At 30 September 2022	77,703	112,002	189,705	168,339
Drawdown of facility	–	16,800	16,800	28,100
New borrowing costs	–	(18)	(18)	(215)
Amortisation of loan costs	–	288	288	268
Fair value movement	(7,747)	–	(7,747)	(1,809)
Repayment of borrowings	(676)	(16,605)	(17,281)	(4,978)
At 30 September 2023	69,280	112,467	181,747	189,705

The table below lists the Group's borrowings:

Lender	Drawn on original facility		Outstanding debt net of unamortised issue costs		Maturity date	Annual interest rate %
	2023 £'000	2022 £'000	2023 £'000	2022 £'000		
Held at amortised cost						
Scottish Widows Ltd	97,000	97,000	91,972	92,506	Jun-43	3.5 Fixed (average)
National Westminster Bank Plc	–	21,550	–	12,704	Jul-23	1.50% over SONIA
Santander	20,650	7,100	20,495	6,791	May-25	2.25% over SONIA
	117,650	125,650	112,467	112,001		
Held at fair value						
Universities Superannuation Scheme	77,500	77,500	69,280	77,704	May-65	0.94% (average)*
	77,500	77,500	69,280	77,704		
Total borrowings	195,150	203,150	181,747	189,705		

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

The Group elected to fair value through profit and loss the Universities Superannuation Scheme borrowings. The notional outstanding debt at 30 September 2023 was £76.9mn (2022: £77.5mn) with an amortised cost of £87.2mn (2022: £82.7mn).

The Universities Superannuation Scheme borrowings have been fair valued by calculating the present value of future cash flows, using the gilt curve and a credit spread reflecting the high credit strength of the borrower at the date of valuation. The credit spread used for the valuation as at 30 September 2023 was 1.47% (2022: 1.81%).

In accordance with IFRS 13, the Group's borrowings held at fair value have been assigned a valuation level in the fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). The Group's borrowings held at fair value as at 30 September 2023 are categorised as Level 2.

Everything else being equal, there is a negative relationship between the credit spread and the borrowings valuation, such that an increase in the credit spread (and therefore the future interest payable) will reduce the valuation of a borrowing liability and vice versa. A 10-basis point increase in the credit spread would result in a reduction of the liability by £0.9mn.

The fair value of borrowings held at amortised cost at 30 September 2023 was £88.1mn (£90.5mn at 30 September 2022). The fair value of the long term fixed Scottish Widows facility at 30 September 2023 was £67.4mn (£70.6mn at 30 September 2022).

The Scottish Widows facility is secured by a first charge over retirement properties with a fair value of £200.3mn.

The Universities Superannuation Scheme facility is secured by a first charge over shared ownership properties with a fair value of £123.4mn, cash of £0.6mn and restricted cash balances of £3.8mn.

The revolving capital facility with Santander UK plc has a £25mn limit at a margin of 2.25%. There is a commitment fee of 2.25% on 30% of the undrawn balance of the facility. As at the year end, £20.7mn had been drawn down under the facility. The facility bears interest at SONIA plus 2.25%.

20. Financial instruments

The table below sets out the categorisation of the financial instruments held by the Group as at 30 September 2023. Borrowings held at amortised cost have a fair value of £88.1mn. The carrying amount of other financial instruments approximates to their fair value.

	2023 £'000	2022 £'000
Financial assets		
<i>Loans and receivables</i>		
Trade and other receivables	634	767
Cash and cash deposits	8,805	15,984
	9,439	16,751
Financial liabilities		
<i>At amortised cost</i>		
Borrowings	112,467	112,002
Trade and other payables	6,713	4,090
	119,180	116,092
<i>At fair value through profit or loss</i>		
Borrowings	69,280	77,703
	69,280	77,703
	188,460	193,795

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 and rental/letting agreements to ensure any fall in the property market should not result in significant impairment to rental cash flows. The average unexpired length of lease in the portfolio is 143 years (2022: 155 years). 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 residential property market for Retirement Homes, Shared Ownership and Local Authority housing 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 interest rate exposure profile of the Group's financial assets and liabilities as at 30 September 2023 and 30 September 2022 were:

	Nil rate assets and liabilities £'000	Floating rate assets £'000	Fixed rate liability £'000	Fixed rate Inflation- linked liability £'000	Floating rate liability £'000	Total £'000
2023						
Trade and other receivables	634	-	-	-	-	634
Cash and cash equivalents	-	8,805	-	-	-	8,805
Trade and other payables	(6,713)	-	-	-	-	(6,713)
Bank borrowings	-	-	(91,972)	(69,280)	(20,495)	(181,747)
Obligations under finance leases	-	-	(31,589)	-	-	(31,589)
	(6,079)	8,805	(123,561)	(69,280)	(20,495)	(210,610)
2022						
Trade and other receivables	767	-	-	-	-	767
Cash and cash equivalents	-	15,984	-	-	-	15,984
Trade and other payables	(4,090)	-	-	-	-	(4,090)
Bank borrowings	-	-	(92,507)	(77,703)	(19,495)	(189,705)
Obligations under finance leases	-	-	(31,342)	-	-	(31,342)
	(3,323)	15,984	(123,849)	(77,703)	(19,495)	(208,386)

The Group has primarily financed its activities with fixed rate or inflation-linked debt, which reduces the Group's exposure to changes in market interest rates. If market interest rates increased by 1% the Group's finance costs for existing debt facilities would increase by £206,500. Conversely, if market interest rates decreased by 1% the Group's finance costs for existing debt facilities would decrease by £206,500.

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

	2023 £'000	2022 £'000
Trade and other receivables	634	767
Cash and cash equivalents	8,805	15,984
	9,439	16,751

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 residents 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 Fund Manager, with high credit ratings assigned by international credit rating agencies.

Note 27 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 Group has been in compliance with all financial covenants on its external borrowings throughout the year.

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 £'000	Two to five years £'000	More than five years £'000	Total £'000
2023				
Borrowings	23,327	11,742	146,678	181,747
Interest on borrowings	5,227	15,601	49,980	70,808
Obligations under finance leases	1,005	4,000	130,946	135,951
Payables and accruals	6,713	–	–	6,713
	36,272	31,343	327,604	395,219
2022				
Borrowings	14,285	18,456	156,964	189,705
Interest on borrowings	3,824	14,611	53,435	71,870
Obligations under finance leases	994	3,975	127,953	132,922
Payables and accruals	4,090	–	–	4,090
	23,193	37,042	338,352	398,587

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 19), cash and cash equivalents (note 17) and equity attributable to the shareholders of the Company (comprising share capital, retained earnings and the other reserves as referred in notes 22 to 24).

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.

	2023 £'000	2022 £'000
Obligations under finance leases	31,589	31,342
Borrowings (book value)	181,747	189,705
Cash and cash equivalents	(8,805)	(15,984)
Net debt	204,531	205,063
Equity attributable equity holders	168,679	201,388
Net debt to equity ratio	1.21	1.02
Borrowings excluding finance lease liability	181,747	189,705
Available cash	(6,998)	(12,675)
Net debt excluding lease liability and cash	174,749	177,030
Total assets less finance lease gross up and cash	349,040	380,205
Loan to Value ("LTV") leverage ratio	0.50	0.47

* Available cash includes amounts held by US Bank in respect of funds required as a debt service reserve for the shared ownership debt but excludes other restricted cash balances.

The LTV leverage ratio has been presented to enable a comparison of the group's borrowings as a proportion of Gross Assets as at 30 September 2023 to its medium term target LTV leverage ratio of 0.50.

f) Reconciliation of financial liabilities to financing activities:

	Borrowings due within one year (note 19) £'000	Borrowings due in more than one year (note 19) £'000	Lease liabilities (note 27) £'000	Interest payable £'000	Total £'000
At 1 October 2022	14,285	175,420	31,342	564	221,611
<i>Cash flows</i>					
Borrowings advanced	–	16,800	–	–	16,800
Borrowings repaid	(17,281)	–	–	–	(17,281)
Debt arrangement fees paid	–	(18)	–	–	(18)
Interest and commitment fees paid	–	–	–	(6,394)	(6,394)
<i>Non-cash flows</i>					
Reclassification of borrowings	26,323	(26,323)	–	–	–
Amortisation of debt set up fees	–	288	–	–	288
Change in fair value of borrowings	–	(7,747)	–	–	(7,747)
Recognition of headlease liabilities acquired	–	–	247	–	247
Interest and commitment charge	–	–	–	6,586	6,586
At 30 September 2023	23,327	158,420	31,589	756	214,092

	Borrowings due within one year (note 19) £'000	Borrowings due in more than one year (note 19) £'000	Lease liabilities (note 27) £'000	Interest payable £'000	Total £'000
At 1 October 2021	2,984	165,355	31,207	489	200,035
<i>Cash flows</i>					
Borrowings advanced	–	28,100	–	–	28,100
Borrowings repaid	(4,978)	–	–	–	(4,978)
Debt arrangement fees paid	–	(215)	–	–	(215)
Interest and commitment fees paid	–	–	–	(5,681)	(5,681)
<i>Non-cash flows</i>					
Reclassification of borrowings	16,279	(16,279)	–	–	–
Amortisation of debt set up fees	–	268	–	–	268
Change in fair value of borrowings	–	(1,809)	–	–	(1,809)
Recognition of headlease liabilities acquired	–	–	135	–	135
Interest and commitment charge	–	–	–	5,756	5,756
At 30 September 2022	14,285	175,420	31,342	564	221,611

21. Recycled Capital Grant

	2023 £'000	2022 £'000
Grants brought forward	205	38
Transfer on staircasing	380	167
At 30 September 2023	585	205

ReSI's shared ownership portfolio has been supported by grant funding, which is designed to facilitate the delivery of affordable housing projects. In some circumstances, typically when a shared owner staircases, ReSI will be required to recycle the grant into the purchase of new properties within three years or to repay it to the relevant grant provider.

On disposal/staircasing of a grant funded property, the Group initially recognises a liability in the Recycled Capital Grant fund. If the disposal receipts are not subsequently recycled, the grant will be repaid.

The balance at 30 September 2023 was £585,000 (2022: £205,000).

22. Share capital account

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

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

Rights, preferences and restrictions on shares

All Ordinary Shares carry equal rights; 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.

23. Reserves

The nature and purpose of each of the reserves included within equity at 30 September 2023 are as follows:

- Share premium reserve: represent the surplus of the gross proceeds of share issues over the shares, net of the direct costs of equity issues.
- Treasury shares reserve: represent value of shares purchased by the Company in excess of nominal value.

	£'000
Share premium	
At 30 September 2022 and 30 September 2023	14,605
	£'000
At 30 September 2022	(8,293)
Purchase of treasury shares	(484)
Transferred as part of Fund Management fee	482
At 30 September 2023	(8,295)

The only movement in these reserves during the year are disclosed in the statement of changes in equity.

The Company held 8,985,980 shares in treasury as at 30 September 2023 (2022: 8,985,980).

24. Retained earnings

	£'000
At 30 September 2022	193,135
Profit for the period	(23,154)
Share based payment charge	482
Issue of management shares	(482)
Dividends	(9,553)
At 30 September 2023	160,428

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

25. Group entities

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

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

Name of entity	Registered address
ReSI Portfolo Holdings Limited	5 New Street Square, London EC4A 3TW
RHP Holdings Limited	5 New Street Square, London, England. EC4A 3TW
The Retirement Housing Limited Partnership	First Floor, 2 Tangier Central, Castle Street, Taunton, Somerset, TA1 4AS
ReSI Housing Limited	5 New Street Square, London EC4A 3TW
Wesley House (Freehold) Limited	5 New Street Square, London EC4A 3TW
Eaton Green (Freehold) Limited	5 New Street Square, London EC4A 3TW

All group entities are UK tax resident.

26. Dividends

	2023 £'000	2022 £'000
Amounts recognised as distributions to shareholders in the period:		
4th interim dividend for the year ended 30 September 2021 of 1.29p per share	–	2,208
1st interim dividend for the year ended 30 September 2022 of 1.29p per share	–	2,209
2nd interim dividend for the year ended 30 September 2022 of 1.29p per share	–	2,389
3rd interim dividend for the year ended 30 September 2022 of 1.29p per share	–	2,389
4th interim dividend for the year ended 30 September 2022 of 1.29p per share	2,389	–
1st interim dividend for the year ended 30 September 2023 of 1.29p per share	2,388	–
2nd interim dividend for the year ended 30 September 2023 of 1.29p per share	2,388	–
3rd interim dividend for the year ended 30 September 2023 of 1.29p per share	2,388	–
	9,553	9,195
Amounts not recognised as distributions to shareholders in the period:		
4th interim dividend for the year ended 30 September 2021 of 1.29p per share	–	2,389
4th interim dividend for the year ended 30 September 2023 of 1.03p per share	1,903	–
Categorisation of dividends for UK tax purposes:		
<i>Amounts recognised as distributions to shareholders in the period:</i>		
Property Income Distribution (PID)	9,553	7,345
Non-PID	–	1,850
	9,553	9,195

On 18 January 2023, the Company declared its final dividend of 1.29p per share for the period 1 Jul 2022 to 30 September 2022.

On 1 February 2023, the Company declared its first interim dividend of 1.29p per share for the period 1 January 2023 to 31 March 2023.

On 14 July 2023, the Company declared its second interim dividend of 1.29p per share for the period 1 July 2023 to 30 September 2023.

On 11 September 2023, the Company declared its third interim dividend of 1.29p per share for the period 1 July 2023 to 30 September 2023.

On 5 December 2023, the Company announced the declaration of a fourth interim dividend of 1.03 pence per share for the period 1 July 2023 to 30 September 2023 which will be payable on 17 January 2024 to Shareholders on the register at the close of business on 15 December 2023.

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

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

27. Lease arrangements

The Group as lessee

The interest expense in respect of lease liabilities for the period was £978,000 (2022: £996,000).

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

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

The total cash outflow in respect of leases was £978,000 (2022: £996,000).

At 30 September 2023, the Group had outstanding commitments for future minimum lease payments under non-cancellable leases, which fall due as follows:

	Less than one year £'000	Two to five years £'000	Six to ten years £'000	Ten to twenty years £'000	More than twenty years £'000	Total £'000
As at 30 September 2023						
Minimum lease payments	1,005	4,000	5,000	10,001	115,945	135,951
Interest	–	(292)	(433)	(1,512)	(102,125)	(104,362)
Present value at 30 September 2023	1,005	3,708	4,567	8,489	13,820	31,589

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

The above commitment is in respect of ground rents payable for properties held by the Group under leasehold. There are 2,207 properties (2022: 2,182) held under leasehold with an average unexpired lease term of 123 years (2022: 155 years).

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

The Group as lessor

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

	2023 £'000	2022 £'000
Receivable within 1 year	8,689	7,987
Receivable between 1-2 years	6,353	5,817
Receivable between 2-3 years	5,359	5,723
Receivable between 3-4 years	5,160	4,728
Receivable between 4-5 years	4,441	4,530
Receivable between 5-10 years	22,166	19,039
Receivable between 10-20 years	44,283	37,978
Receivable after 20 years	435,467	373,735
	531,918	459,537

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

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

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

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

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

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

	2023 £'000	2022 £'000
Receivable within 1 year	29,138	25,099
Receivable between 1-2 years	25,118	21,547
Receivable between 2-3 years	20,940	18,590
Receivable between 3-4 years	18,154	15,286
Receivable between 4-5 years	15,328	13,221
Receivable between 5-10 years	56,214	44,784
Receivable between 10-20 years	69,698	54,455
Receivable after 20 years	451,628	382,089
	686,218	575,071

28. Net asset value per share

	2023 £'000	2022 £'000
Net assets	168,679	201,388
	168,679	201,388
Ordinary shares in issue at period end (excluding shares held in treasury)	185,163,281	185,163,281
Basic NAV per share (pence)	91.1	108.8

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

EPRA Net Tangible Assets (NTA) per share

	2023 £'000	2022 £'000
IFRS NAV per the financial statements	168,679	201,388
Revaluation of trading properties	66	93
Fair value of financial instruments	(17,292)	(4,997)
Real estate transfer tax	–	–
EPRA NTA	151,453	196,484
Fully diluted number of shares	185,163	185,163
EPRA NAV per share (pence)	81.8	106.1

EPRA NTA is equivalent to EPRA Net Reinstatement Value

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

The Group has debt which it elected to carry at fair value through profit and loss. In accordance with the EPRA Best Practice Recommendations, EPRA NTA reflects the amortised cost of the debt rather than its fair value.

29. Contingent liabilities and commitments

ReSI's shared ownership portfolio has been supported by £15.0mn of grant funding. In some circumstances, typically when a Shared Owner staircases, ReSI will be required to recycle the grant into the purchase of new properties within three years or to repay it to the grant providing body (see note 21).

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

30. Related party disclosure

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

For the year ended 30 September 2023, the Directors of the Group are considered to be the key management personnel. Details of amounts paid to Directors for their services can be found within note 8, Directors' fees and expenses.

For the year ended 30 September 2023, ReSI Capital Management Limited acted as alternative investment fund manager (the "Fund Manager") pursuant to the Fund Management Agreement. The Fund Manager has responsibility for the day-to-day management of the Company's assets in accordance with the Investment policy subject to the control and directions of the Board. The Fund Management agreement is terminable on not less than 12 months' notice.

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

- a. on that part of the Net Asset Value up to and including £250mn, an amount equal to 1% p.a. of such part of the Net Asset Value;
- b. on that part of the Net Asset Value over £250mn and including £500mn, an amount equal to 0.9% p.a. of such part of the Net Asset Value;
- c. on that part of the Net Asset Value over £500mn and up to and including £1,000mn, an amount equal to 0.8% p.a. of such part of the Net Asset Value; or
- d. on that part of the Net Asset Value over £1,000mn, an amount equal to 0.7% p.a. of such part of the Net Asset Value.

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

For the year ended 30 September 2023, the Company incurred £1,885,000 (2022: £1,867,000) in respect of fund management fees of which £315,000 was outstanding as at 30 September 2023 (2022: £nil). The above fee was split between cash and equity as per the Fund Management Agreement with the cash equating to £1,414,000 (2022: £1,401,000) and the equity element of £471,000 (2022: £467,000) being paid as 601,947 Ordinary Shares (2022: 444,717) at an average price of £0.78 per share (2022: £1.05 per share).

In addition, the Fund Manager was paid a fee, pursuant to the Fund Management Agreement, of £nil (2022: £143,000) in respect of its arrangement of borrowings for the Group and £nil was outstanding at 30 September 2023 (September 2022: £nil).

On the 4 December 2023, an amendment to the Fund Management agreement was signed in relation to the measurement of the management fee as described in note 31.

During the period the Directors and the Fund Manager received dividends from the Company of £23,000 (2022: £15,000) and £109,000 (2022: £149,000) respectively.

ReSI Property Management Limited ('RPML') is a wholly owned subsidiary of ReSI Capital Management Limited and provides property management services to the Group on a cost pass through basis with no profit margin. During the year, RPML charged fees of £1,978,000 (2022: £1,738,000) in respect of costs incurred in providing property management services and £155,000 (2022: £166,000) in respect of non-recurring costs to cover redundancy costs as we restructured the RPML team into 3 regional teams.

31. Post balance sheet event

On 1 October 2023, Residential Secure Income PLC changed its alternative investment fund manager from ReSI Capital Management Limited ("RCML") to Gresham House Asset Management Limited ("GHAM"). Both RCML and GHAM are wholly owned subsidiaries of Gresham House plc. The change of AIFM arises as a result of a rationalisation of regulatory permissions within the Gresham House plc group and will have no impact on the day-to-day management of ReSI plc's portfolio as the current team will continue to manage its assets.

Alongside this change of alternative investment fund manager Residential Secure Income PLC changed its depositary from Thompson Taraz Depositary Limited to Indos Financial Limited.

On 4 December 2023, an amendment to the Fund Management agreement was signed in relation to the measurement of the management fee. To further align itself with shareholders and demonstrate its confidence in reducing the current share price discount to Net Asset Value ("NAV"), the Fund Manager has agreed with the board to align its management fee more closely to the share price. From 1st Jan 2024, the management fee will be calculated by reference to the average of ReSI plc market capitalisation and NAV for the relevant quarter, rather than applied to the quarterly NAV only as at present. For example, based on a current discount of around 30% this would result in a fee reduction of 15% for the relevant quarter.

The existing fee percentages will apply to the average of Market Capitalisation and NAV (i.e. at the same basis points as currently applied to the quarterly NAV). Should the amount be greater than the prevailing NAV for the quarter in question, the fee will be capped at the relevant percentage of NAV, meaning that no fee increase would result from ReSI plc's shares trading at a premium to NAV over the quarter.

"Market Capitalisation" for these purposes means the average over the previous quarter of the mid-market price for an ordinary share in the Company ("Ordinary Share"), as derived from closing mid-market price published in the Daily Official List of the London Stock Exchange for each Business Day in the relevant quarter, multiplied by the number of Ordinary Shares in issue on the last Business Day of the relevant quarter, excluding any Ordinary Shares held by the Company in treasury for all or such part of the quarter in question.

The NAV for the relevant quarter shall continue to be calculated, and the management fee payable, in the current manner.

There have been no other significant events that require disclosure to, or adjustment in the financial statements as at 30 September 2023.

Company Statement of Financial Position

Company Number 10683026

As at 30 September 2023

	Note	2023 £'000	2022 £'000
Non-current assets			
Investment in subsidiary undertakings	5	169,913	189,018
Total non-current assets		169,913	189,018
Current assets			
Trade and other receivables	6	86	715
Cash and cash equivalents		80	42
Total current assets		166	757
Total assets		170,079	189,775
Current liabilities			
Trade and other payables	7	1,400	367
Total current liabilities		1,400	367
Net assets		168,679	189,408
Equity			
Share capital	8	1,941	1,941
Share premium		14,605	14,605
Own shares reserve		(8,295)	(8,293)
Retained earnings		160,428	181,155
Total interests		168,679	189,408
Total equity		168,679	189,408

The notes on [pages 141 to 143](#) 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 (loss)/profit attributable to the Parent Company for the year ended 30 September 2023 amounted to £(11.2)mn (2022: £6.8mn).

These financial statements were approved and authorised for issue by the Board of Directors on 4 December 2023 and signed on its behalf by:



Rob Whiteman
Chairman

4 December 2023

Company Statement of Changes in Equity

For the year to 30 September 2023

	Share capital £'000	Share premium £'000	Own shares reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 30 September 2021	1,803	108	(8,515)	183,522	176,918
Profit for the period	–	–	–	6,828	6,828
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	6,828	6,828
Contributions by and distributions to shareholders					
Issue of shares	138	14,862	–	–	15,000
Share issue costs	–	(365)	–	–	(365)
Issue of management shares	–	–	467	(467)	–
Share based payment charge	–	–	–	467	467
Purchase of own shares	–	–	(245)	–	(245)
Dividend paid	–	–	–	(9,195)	(9,195)
Balance at 30 September 2022	1,941	14,605	(8,293)	181,155	189,408
Loss for the period	–	–	–	(11,174)	(11,174)
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	(11,174)	(11,174)
Contributions by and distributions to shareholders					
Issue of shares	–	–	–	–	–
Share issue costs	–	–	–	–	–
Issue of management shares	–	–	482	(482)	–
Share based payment charge	–	–	–	482	482
Purchase of own shares	–	–	(484)	–	(484)
Dividends paid	–	–	–	(9,553)	(9,553)
Balance at 30 September 2023	1,941	14,605	(8,295)	160,428	168,679

The notes on [pages 141 to 143](#) form part of these financial statements.

Notes to Company Financial Statements

For the year to 30 September 2023

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").

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 adopted 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

2. Significant accounting judgements and estimates

In preparing the financial statements of the Company, the Directors have made the following judgements:

- Determine whether there are any indicators of impairment of the investments in subsidiaries. Factors taken into consideration in reaching such a decision include the financial position and expected future performance of the subsidiary entities.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are in line with group with the company specific policies set out below:

Investment in subsidiaries

The investments in subsidiary companies are included in the Company's statement of financial position at cost less provision for impairment.

4. Fees paid to the Company's Auditor

The remuneration of the auditor in respect of the Company's consolidated and individual financial statements for the year was £180,000 (2022: £137,000). Fees payable for audit and non-audit services provided to the company and the rest of the Group are disclosed in the note 6 to the Group financial statements.

5. Investments

	2023 £'000	2022 £'000
At beginning of period	189,018	174,390
Additions	–	14,628
Impairment reversal/(impairment)	(19,105)	–
At end of period	169,913	189,018

Investments represent investment in subsidiary undertakings are subject to review for impairment indicators.

The impairment reversal is included in administrative expenses in the Company's statement of comprehensive income.

The impairment of the Company's investments in subsidiary undertakings has been determined by the comparing the Company's cost of investment in each subsidiary with the fair value of each subsidiaries' assets and liabilities. The investments are categorised as Level 3 in the fair value hierarchy.

The Company had the following subsidiary undertakings at 30 September 2023:

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

Name of entity	Registered address
ReSI Portfolio Holdings Limited	5 New Street Square, London, EC4A 3TW
RHP Holdings Limited	5 New Street Square, London, EC4A 3TW
The Retirement Housing Limited Partnership	First Floor, 2 Tangier Central, Castle Street, Taunton, Somerset, TA1 4AS
ReSI Housing Limited	5 New Street Square, London, EC4A 3TW
Wesley House (Freehold) Limited	5 New Street Square, London, EC4A 3TW
Eaton Green (Freehold) Limited	5 New Street Square, London, EC4A 3TW

All group entities are UK tax resident.

6. Trade and other receivables

	2023 £'000	2022 £'000
Amounts due from group undertakings	–	697
Prepayments	45	18
Other debtors	41	–
	86	715

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

All amounts fall due for repayment within one year.

7. Trade and other payables

	2023 £'000	2022 £'000
Amounts owed to group undertakings	215	–
Trade payables	443	37
Accruals	742	330
	1,400	367

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

8. Share capital

Details of the share capital of the Company are disclosed in note 22 to the Group financial statements.

9. Related party transactions

Details of related party transactions are disclosed in note 30 to the Group financial statements.

Supplementary Information

The Group is a member of the European Public Real Estate Association ("EPRA"). EPRA has developed and defined performance measures to give transparency, comparability and relevance of financial reporting across entities which may use different reporting standards.

The Group presents adjusted earnings per share ("EPS"), dividend per share, total accounting return, total cost ratio, LTV ratio and EPRA Best Practice Recommendations, calculated in accordance with EPRA guidelines, as Alternative Performance Measures ("APMs") to assist stakeholders in assessing performance alongside the Group's statutory results reported under IFRS. APMs are among the key performance indicators used by the board to assess the Group's performance.

EPRA Best Practice Recommendations have been used to facilitate comparison with the Group's peers through consistent reporting of key real estate specific performance measures. Certain other APMs may not be directly comparable with other companies adjusted measures and are not intended to be a substitute for, or superior to, any IFRS measures of performance.

1. EPRA Earnings Recurring earnings from core operational activities

	2023 £'000	2022 £'000
(Loss)/earnings per IFRS income statement	(23,154)	13,334
Changes in value of investment properties	38,944	(3,200)
Losses on disposal of investment properties	11	24
Profits on sales of trading properties	(417)	(510)
Changes in fair value of financial instruments and associated close-out costs	(7,747)	(1,809)
EPRA Earnings	7,637	7,839
Basic number of shares	185,163	180,159
EPRA Earnings per Share (EPS) (Pence)	4.12	4.35

Adjusted EPRA Earnings per share

	2023 £'000	2022 £'000
Company specific adjustments:		
Exclude debt one-off fees costs	155	369
Exclude one-off administration costs	191	225
Exclude one-off aborted acquisition costs	10	9
Exclude one-off aborted fundraise costs	263	-
Include shared ownership first tranche sales	417	510
Company specific Adjusted EPRA Earnings	8,673	8,952
Company specific Adjusted EPRA Earnings EPRA per share (pence)	4.68	5.00

2. EPRA Net Tangible Assets (NTA)

	2023 £'000	2022 £'000
IFRS NAV per the financial statements	168,679	201,388
Revaluation of trading properties	66	93
Fair value of financial instruments	(17,292)	(4,997)
Real estate transfer tax	–	–
EPRA NTA	151,453	196,484
Fully diluted number of shares	185,163	185,163
EPRA NAV per share (pence)	81.8	106.1

The Group has debt which it elected to carry at fair value through profit and loss. In accordance with the EPRA Best Practice Recommendations, EPRA NTA should reflect the amortised cost of the debt rather than its fair value. In the current period, an adjustment has been made for £12.3mn which represents the difference between fair value and what amortised cost would have been had the Group carried the debt at amortised cost.

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

3. EPRA Net Reinstatement Value (NRV)

	2023 £'000	2022 £'000
IFRS NAV per the financial statements	168,679	201,388
Revaluation of trading properties	66	93
Fair value of financial instruments	(17,292)	(4,997)
Real estate transfer tax	–	–
EPRA NRV	151,453	196,484
Fully diluted number of shares	185,163	185,163
EPRA NRV per share (pence)	81.8	106.1

4. EPRA Net Disposable Value (NDV)

	2023 £'000	2022 £'000
IFRS NAV per the financial statements	168,679	201,388
Revaluation of trading properties	66	93
Fair value of financial instruments	26,558	23,974
Real estate transfer tax	–	–
EPRA NDV	195,303	225,455
Fully diluted number of shares	185,163	185,163
EPRA NDV per share (pence)	105.5	121.8

5. EPRA Net Initial Yield (NIY) AND EPRA “Topped Up” NIY

	2023 £'000	2022 £'000
Investment property – wholly owned	345,138	374,785
Trading property (including share of JVs)	431	1,203
Completed property portfolio	345,569	375,988
Allowance for estimated purchasers’ costs estimated as 6% of property portfolio	20,734	22,559
Gross up completed property portfolio valuation	366,303	398,547
Annualised cash passing rental income	28,836	24,809
Property outgoings	(9,833)	(8,653)
Annualised net rents	19,003	16,156
Add: notional rent expiration of rent-free periods or other lease incentives	–	–
Topped-up net annualised rent	19,003	16,156
EPRA NIY	5.2%	4.1%
EPRA Topped up NIY	5.2%	4.1%

In accordance with the EPRA Best Practice Recommendations, EPRA NIY should be based on net passing cash rental. The prior period annualised rental income has been updated to reflect this.

6. EPRA Vacancy Rate

	2023 £'000	2022 £'000
Estimated Rental Value of vacant space	1,060	1,368
Estimated rental value of the whole portfolio	30,114	27,292
EPRA Vacancy Rate	3.5%	5.0%

7. EPRA Cost Ratios

	2023 £'000	2022 £'000
Administrative/operating expense line per IFRS income statement	3,805	3,221
Net service charge costs/fees	5,552	4,927
Management fees less actual/estimated profit element	2,099	1,739
Other property operating expenses	2,212	1,988
Service charge costs recovered through rents but not separately invoiced	(5,138)	(4,622)
EPRA Costs (including direct vacancy costs)	8,530	7,253
Direct vacancy costs	(659)	(527)
EPRA Costs (excluding direct vacancy costs)	7,841	6,726
Gross Rental Income less ground rents – per IFRS	26,952	24,673
Less: service fee and service charge costs components of Gross Rental Income	(5,138)	(4,622)
Gross Rental Income	21,814	20,051
EPRA Cost Ratio (including direct vacancy costs)	39%	36%
EPRA Cost Ratio (excluding direct vacancy costs)	36%	34%

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

Gross rental income includes service charges collected from tenants, included in rent collected but not separately invoiced, of £5,518,000 during the period (2022: £4,622,000 Service charge expenses, as reflected in the cost of sales, also includes amounts paid in respect of properties which were vacant during the period of £4,000 (2022: £305,000).

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

8. EPRA LTV

	2023 £'000	2022 £'000
Borrowings	181,747	189,705
Net payables	3,516	–
Less cash	(8,805)	(15,984)
Net debt	176,458	173,721
Investment properties at fair value	345,138	374,785
Net receivables	–	325
Total property value	345,138	375,110
EPRA LTV	51%	46%

9. AIC Ongoing Ratio

	2023 £'000	2022 £'000
Total expenses ratio		
Management fee	1,885	1,867
Fund operating expenses	846	742
	2,731	2,609
Average Net Asset Valuation*	185,034	191,890
Annualised total expenses ratio	1.5%	1.4%

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

10. Net rental yield

The net yield on the Group's fair value of investment property represents the unlevered rental income return on the Group's capital deployed into acquisition of investment properties. In previous periods net yield was calculated on the Group's historic cost of investment property.

	2023 £'m	2022 £'m
Annualised net rental income at balance sheet date	18.0	16.5
Fair value of investment properties	345.1	374.8
Net yield	5.2%	4.4%

11. Total Return on NTA

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

	2023 £'mn	2022 £'mn
Operating profit before property disposals and change in fair value	14.7	14.3
Valuation movement of investment properties	(39.0)	3.2
Finance costs	(6.7)	(6.0)
Debt Indexation	(4.5)	(5.2)
Revaluation of trading properties	–	(0.2)
Property return	(35.5)	6.1
IFRS NAV at beginning of the prior year	201.4	182.4
Revaluation of trading properties	0.1	0.3
Fair value of financial instruments	(5.0)	2.0
Real estate transfer tax	–	–
Opening EPRA NTA	196.5	184.7
Movement in share capital	–	14.9
Increase/(decrease) in the year	(45.0)	(3.1)
Closing EPRA NTA	151.5	196.5
Total return on opening NTA (%)	(18.1%)	3.3%

12. Total Return on IFRS NAV

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

	2023 £'mn	2022 £'mn
Net income	(23.2)	13.3
Share issuance costs	–	(0.3)
Total Return	(23.2)	13.0
Net Asset Value at the beginning of the year	201.4	182.4
Total IFRS return on opening NAV (%)	(11.5%)	7.1%

13. Loan to Value Ratio

The LTV leverage ratio has been presented to enable a comparison of the group's borrowings as a proportion of Gross Assets as at 30 September 2023 to its medium target LTV leverage ratio of 0.50.

	2023 £'000	2022 £'000
Borrowings excluding lease liability	181,747	189,705
Available cash	(6,998)	(12,675)
Net debt excluding lease liability and cash increase/(decrease) in year	174,749	177,030
Total assets less finance lease gross up and cash	349,040	380,206
Loan to Value ("LTV") leverage ratio	0.50	0.47



04

Other
Information

Glossary

Administrator	The Company's administrator from time to time, the current such administrator being MGR Weston Kay LLP.
AIC	Association of Investment Companies.
Alternative Investment Fund or "AIF"	An investment vehicle under the UK AIFM Regime. the Company is classified as an AIF.
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	The articles of association of the Company.
Company Secretary	The Company's company secretary from time to time, the current such company secretary being Computershare Company Secretarial Services Limited.
Discount	The amount, expressed as a percentage, by which the share price is less than the net asset value per share.
Depository	Certain AIFs must appoint depositaries under the requirements of the AIFM Regime. A depository's duties include, inter alia, safekeeping of assets, oversight and cash monitoring. The Company's current depository is Indos Financial Limited.
Dividend	Income receivable from an investment in shares.
DSCR	Debt service cover ratio
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.
Fund Manager	Gresham House Asset Management Limited, a company incorporated in England and Wales with company number 09447087 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	A regulated independent society, body of trustees or company established for the purpose of providing social housing.
HMRC	HM Revenue & Customs
ICR	Interest cover ratio
Investment company	A company formed to invest in a diversified portfolio of assets.
Liquidity	The extent to which investments can be sold at short notice.

Loan to Value (LTV) Ratio	Ratio of total debt outstanding, excluding the finance lease liability, against the total assets excluding the adjustment for finance lease gross up.
Net assets	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	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	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	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	A Property Rental Business fulfilling the conditions in section 529 of the CTA 2010.
REIT	Real estate investment trust.
Rental growth	The change in gross rental income in a period as a result of rent increases, tenant renewals or a change in tenants. Applies to changes in gross rents on a comparable basis and excludes the impact of acquisitions, disposals and changes resulting from refurbishments.
Reversionary Surplus	The increase in valuation if the portfolio is valued on a vacant possession basis compared to the IFRS fair value.
RPI	The Retail Price Index (RPI) is a measure of inflation, which in turn is the rate at which prices for goods and services are rising.
Share buyback	A purchase of a company's own shares. Shares can either be bought back for cancellation or held in treasury.
Share price	The price of a share as determined by a relevant stock market.
Shared Owner	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.
Total return	A measure of performance that takes into account both income and capital returns.
Treasury shares	A company's own shares which are available to be sold by a company to raise funds.
UK AIFM Regime	Together, The Alternative Investment Fund Managers Regulations 2013 (as amended by The Alternative Investment Fund Managers (Amendment etc.)(EU Exit) Regulations 2019) and the Investment Funds Sourcebook forming part of the FCA Handbook, in each case as amended from time to time.

Company Information

Directors

Robert Whiteman
(Non-executive Chairman)

Robert Gray
(Senior Independent Director)

John Carleton
(Non-executive Director)

Elaine Bailey
(Non-executive Director)

Registered Office

The Pavilions
Bridgwater Road
Bristol
BS13 8FD

Company Information

Company Registration Number: 10683026
Incorporated in the United Kingdom

Fund Manager

Gresham House Asset Management Limited
5 New Street Square
London
EC4A 3TW

Corporate Broker

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

Legal and Tax Adviser

Cadwalader, Wickersham & Taft LLP
100 Bishopsgate
London
EC2N 4AG

Tax Adviser

Evelyn Partners Group Limited
45 Gresham Street
London
EC2V 7BG

Depository

Indos Financial Limited
The Scalpel 18th Floor
52 Lime Street
London
EC3M 7AF

Administrator

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

Company Secretary

Computershare Company Secretarial Services Limited
The Pavilions
Bridgwater Road
Bristol
BS13 8AE

Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS13 8AE

Auditors

BDO LLP
55 Baker Street
London
W1U 7EU

Public Relations Adviser

Kaso Legg Communications Ltd
40 Queen Street
London
EC4R 1DD

Valuers

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

Notice of Annual General Meeting

Annual General Meeting 2024

In line with the requirements of the Companies Act 2006 (the Act), the Company will hold an Annual General Meeting (AGM) of shareholders to consider the resolutions laid out in the Notice of Meeting below.

Shareholders are permitted to attend the AGM in person and any shareholders wishing to do so are requested to register their interest in attending by emailing the Company Secretary at ReSI-CoSec@Computershare.co.uk by Monday 19 February 2024.

Should a shareholder have a question that they would like to raise at the AGM, either of the Board or the Fund Manager, the Board request that they either ask the question in advance of the AGM via email to ReSI-CoSec@Computershare.co.uk by Monday 19 February 2024 or alternatively, a shareholder may attend the AGM and ask the question at the meeting at the appropriate time. If appropriate, the Company will publish the responses on its website <https://greshamhouse.com/real-assets/uk-housing/residential-secure-income-plc/> as soon as reasonably practicable after the conclusion of the AGM.

AGM voting

Each of the resolutions to be considered at the AGM will be voted on by way of a show of hands unless a poll is validly demanded. A member present in person or by proxy shall have one vote on a show of hands.

Details of how to vote, either electronically, by proxy form or through CREST, can be found in the Administrative Notes to the Notice of AGM on [pages 160 to 162](#).

The results of the AGM will be announced to the London Stock Exchange and placed on the Company's website, as soon as practicable after the conclusion of the AGM.

Resolutions

Resolutions 1 to 9 will be proposed as ordinary resolutions. An ordinary resolution requires a simple majority of votes cast, whether in person or by proxy, to be cast in favour of the resolution for it to be passed. Resolutions 10 to 13 will be proposed as special resolutions. A special resolution requires a majority of not less than 75% of the votes cast, whether in person or by proxy, to be cast in favour of the resolution for it to be passed.

Voting results

The results of the voting will be announced through a regulatory information service and will be published on our website <https://greshamhouse.com/real-assets/uk-housing/residential-secure-income-plc/> as soon as reasonably practicable after the conclusion of the AGM.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Residential Secure Income plc (the Company) will be held at the offices of Computershare, the Company Secretary, Floor 3, Moor House, 120 London Wall, London, EC2Y 5ET on 22 February 2024 at 12.45 p.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 13 will be proposed as special resolutions.

Ordinary Resolutions

1. To receive the Company's Annual Report and Accounts for the year ended 30 September 2023, with the reports of the Directors and Auditor thereon.
2. To approve the Directors' Remuneration Implementation Report included in the Annual Report for the year ended 30 September 2023.
3. To re-elect Robert Whiteman as a Director of the Company.
4. To re-elect Robert Gray as a Director of the Company.
5. To re-elect Elaine Bailey as a Director of the Company.
6. To re-appoint BDO LLP as Auditor to the Company to hold office until the conclusion of the next general meeting at which the Company's annual accounts are laid before the meeting.
7. To authorise the Directors to fix the remuneration of the Auditor until the conclusion of the next Annual General Meeting of the Company.
8. To authorise the Directors to declare and pay all dividends of the Company as interim dividends and for the last dividend referable to a financial year not to be categorised as a final dividend that would ordinarily be subject to shareholder approval.

9. That the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Act (in substitution for all subsisting authorities to the extent unused) to exercise all the powers of the Company to allot Ordinary Shares of one penny each in the capital of the Company up to an aggregate nominal amount equal to £370,326.56 (equivalent to approximately 20% of the Ordinary Shares in issue (excluding shares held in Treasury) at the date of the notice of this meeting) during the period commencing on the date of the passing of this resolution and expiring (unless previously varied, revoked or renewed by the Company in a general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2025 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.

Special Resolutions

10. That, subject to the passing of resolution 9, in substitution for all subsisting authorities to the extent unused but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are generally and unconditionally authorised for the purposes of sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash either pursuant to the authority conferred by resolution 9 or by way of sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment or sale, provided this authority shall be limited to (a) the allotment or sale of equity securities up to an aggregate nominal amount equal to £185,163.28 (equivalent to approximately 10% of the issued Ordinary Shares of the Company (excluding shares held in Treasury) at the date of this notice); and (b) the allotment or sale of equity securities at a price not less than the prevailing Net Asset Value per share, and shall (unless previously varied, revoked or renewed by the Company in general meeting) expire at the conclusion of the Annual General Meeting of the Company to be held in 2025 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, subject to the passing of resolution 9 and in addition to the authority granted in resolution 10, in substitution for all subsisting authorities to the extent unused but without prejudice to the exercise of any such power prior to the date hereof, the Directors be and are generally and unconditionally authorised for the purposes of sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash either pursuant to the authority conferred by resolution 9 or by way of sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment or sale, provided this authority shall be limited to (a) the allotment or sale of equity securities up to an aggregate nominal amount equal to £185,163.28 (equivalent to approximately 10% of the issued Ordinary Shares of the Company (excluding shares held in Treasury) at the date of this notice); and (b) the allotment or sale of equity securities at a price not less than the prevailing Net Asset Value per share, and shall (unless previously varied, revoked or renewed by the Company in general meeting) expire at the conclusion of the Annual General Meeting of the Company to be held in 2025 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.
12. That the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of 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 27,755,975 (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 2025 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.

- 13. 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

The Pavilions,
Bridgwater Road,
Bristol,
England,
BS13 8FD

By order of the Board

For and on behalf of Computershare Company Secretarial
Services Limited

Company Secretary

4 December 2023

Notes to the Resolutions

Notes to resolution 1

Ordinary resolution: Annual report and accounts for the year ended September 2023

The Directors are required to present the annual report and accounts, which incorporate the Strategic report, Directors' Report, the Auditor's Report and the financial statements for the year ended 30 September 2023. These are contained in the Company's Annual Report and Audited Financial Statements for the year ended 30 September 2023 (the Annual Report).

Notes to resolution 2

Ordinary resolution: Directors' Remuneration Implementation Report

In accordance with the requirements of the remuneration reporting regime which came into force on 1 October 2013, the Board is required to give notice to shareholders of the intention to propose an ordinary resolution to approve the Directors' Remuneration Implementation Report for the financial year ended 30 September 2023. The Directors' Remuneration Implementation Report, which can be found on [pages 86 to 89](#) of the Annual Report, gives details of the Directors' remuneration and remuneration policy for the year ended 30 September 2023.

The Company's auditor, BDO LLP, has audited those parts of the Directors' Remuneration Implementation Report which are required to be audited and their report may be found in the Annual Report. The Directors' Remuneration Implementation Report has been approved by the Board and signed on its behalf by the Company Secretary. The vote on the Directors' Remuneration Implementation Report is advisory in nature and therefore not binding on the Company.

Notes to resolutions 3-5

Ordinary resolution: Re-election of directors

In line with best practice and the Board Tenure Policy, the Board has resolved that all Directors will be submitted for re-election on an annual basis. Robert Whiteman, Robert Gray and Elaine Bailey will retire, and being eligible, offer themselves for re-election. John Carleton will retire from the Board with effect from 22 February 2024 and will not stand for re-election.

The Board has carefully considered whether each of the Non-Executive Directors is free from any relationship that could materially interfere with the exercise of his or her independent judgement. It has concluded that each Non-Executive Director is independent. The Board has also reviewed and concluded that each Non-Executive Director standing for re-election possesses the necessary mix of skills and experience to continue to contribute effectively to the Company's long-term sustainable success. Further, notwithstanding their other appointments, the Board is satisfied that each Non-Executive Director standing for re-election is able to commit sufficient and appropriate time to their board responsibilities.

Full biographies for Robert Whiteman, Robert Gray and Elaine Bailey are set out in the Company's Annual Report on [pages 65 to 66](#).

Notes to resolution 6

Ordinary resolution: Re-appointment of auditor

The appointment of BDO LLP as auditor of the Company ends at the conclusion of the AGM. BDO LLP have indicated their willingness to stand for reappointment as auditor of the Company until the conclusion of the AGM in 2025. The Audit Committee considers the reappointment of the external auditor each year before making a recommendation to the Board. The Board recommends the reappointment of the auditors.

The effectiveness of the external auditor is evaluated by the Audit Committee. The Committee assessed BDO LLP's approach to providing audit services as it undertook this year's audit. On the basis of such assessment, the Committee concluded that the audit team was providing the required quality in relation to the provision of the services. The audit team had shown the necessary commitment and ability to provide the services, together with a depth of knowledge, robustness, independence and objectivity as well as an appreciation of complex issues.

The Audit Committee assesses the independence of the external auditor on an ongoing basis and the external auditor is required to rotate the lead audit partner every five years and other senior audit staff every seven years. In accordance with the requirements relating to the appointment of audit firms, the Company will be required to conduct an audit tender no later than for the financial year beginning 1 October 2027. The current lead partner was appointed from the audit for the financial year beginning 1 October 2021. No partners or senior staff associated with the audit may transfer to the Group.

Notes to resolution 7

Ordinary resolution: Remuneration of auditor

The Audit Committee reviews the fee structure, resourcing and terms of engagement for the external auditor annually. The Board is seeking authority for the Audit Committee to fix the auditor's remuneration. Fees paid to the external auditor for the year were £259,000 (2022: £228,000).

The Audit Committee is satisfied that this level of fee is appropriate in respect of the audit services provided and that an effective audit can be conducted for this fee. BDO LLP were paid fees of £45,000 in respect of non-audit services in the year to 30 September 2022 (2022: £34,000). These services were in respect of the interim review of the Interim Report for the period ended 31 March 2022 (£34,000). The consolidated financial statements provides details of the remuneration of the Company's external auditor. This can be found on [page 116](#) of the Annual Report.

Notes to resolution 8

Ordinary resolution: Policy of paying quarterly interim dividends

The purpose of the renewal is to provide flexibility to the Company to continue implementing its quarterly interim dividend policy.

Notes to resolution 9

Ordinary resolution: Authority to allot

The purpose of this resolution is to grant the Board the authority to allot ordinary shares in accordance with Section 551 of the Act up to up to 37,032,656 Ordinary Shares (excluding shares held in Treasury) in the capital of the Company (equivalent to approximately 20% of the Ordinary Shares in issue at the date of the notice of this meeting). While the Directors have no present intention of exercising this authority, they consider it important to have the maximum flexibility commensurate with good corporate governance guidelines, to raise finance to enable the Company to respond to investment opportunities, market developments and conditions. No ordinary shares will be issued for cash at a price less than the prevailing net asset value per ordinary share at the time of issue pursuant to this authority. This authority shall expire at the conclusion of the Company's AGM to be held in 2025, 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.

Notes to resolutions 10 and 11

Special resolution: Disapplication of pre-emption rights

If the Directors wish to exercise the authority under resolution 9 and offer shares (or sell treasury shares which the Company may purchase and elect to hold as treasury shares) for cash, company law requires that unless shareholders have given specific authority for the waiver of their statutory pre-emption rights, the new shares must be first offered to existing shareholders in proportion to their existing holdings. There may be occasions, however, when the Directors will need the flexibility to allot new shares (or to grant rights over shares) for cash or to sell treasury shares for cash without first offering them to existing shareholders in proportion of their holdings in order to make investments in line with the Company's investment policies. This cannot be done unless the shareholders have first waived their pre-emption rights.

These Resolutions will, if passed, authorise the Directors to do this by allowing the Directors to allot shares for cash or sell treasury shares for cash up to an aggregate nominal value of £370,326.56, which is equivalent to approximately 20% of the Company's issued Ordinary Share capital as the date of this Notice (being the latest practicable date prior to the publication of this notice).

In the event that resolution 10 is passed, but resolution 11 is not passed, the Directors will only be authorised to issue Ordinary Shares up to an aggregate nominal value of £185,163.28, which represents approximately 10% of the Company's issued Ordinary Share capital (excluding shares held in Treasury) as the date of this Notice (being the latest practicable date prior to the publication of this notice).

Resolutions 10 and 11 will allow the Company to carry out one or more tap issues, in aggregate, up to 20% of the number of Ordinary Shares in issue at the AGM and thus to pursue specific investment opportunities in a timely manner in the future and without the requirement to publish a prospectus and incur the associated costs.

The Directors are aware that the combined authority to dis-apply pre-emption rights in respect of up to 20% of the Company's issued Ordinary Share capital sought under resolutions 10 and 11 is higher than the 10% typically sought by investment companies. However, the Directors believe that a higher authority is justified to enable the Company to fund future acquisitions in line with the Company's anticipated acquisition pipeline. In addition, the higher authority is expected to broaden the Company's asset base which will increase the diversity of the portfolio. It will also allow the Company to broaden its investor base and enhance the size and liquidity of the Company's share capital, and spread the fixed operating costs over a larger capital base, thereby reducing the Company's ongoing charges ratio.

In accordance with UK Listing Rules, the Company will only issue Ordinary Shares pursuant to this authority at a price that is not less than the prevailing net asset value per share of the Company calculated in accordance with its IFRS accounting policies at the time of issue. In addition, the Directors will not sell treasury shares at less than such net asset value per share.

Resolutions 10 and 11 will be proposed as special resolutions to provide the Company with the necessary authority. If given, the authority will expire at the conclusion of the next AGM of the Company in 2025 or, if earlier on the expiry of 15 months from the passing of this resolution. The Directors intend to renew such authority in respect of 10% of the Company's issued Ordinary Share capital (excluding shares held in Treasury) at successive AGMs in accordance with current best practice.

Notes to resolution 12

Special resolution: Purchase of own shares

The current authority of the Company to make market purchases of up to approximately 14.99 per centum of its issued share capital expires shortly. This resolution seeks renewal of such authority until the next AGM, or the expiry of 15 months after the passing of the resolution is earlier. The price paid for shares will not be less than the nominal value nor more than the maximum amount permitted to be paid in accordance with the rules of the Financial Conduct Authority in force as at the date of purchase. This power will be exercised only if, in the opinion of the Directors, a repurchase would be in the best interests of shareholders as a whole. Any shares repurchased under this authority will either be cancelled or held in Treasury at the discretion of the Board for future re-sale in appropriate market conditions.

The authority sought would replace the authority previously given to the Directors. The maximum number of ordinary shares authorised to be purchased pursuant to the authority represents approximately 14.99 per centum of the total number of ordinary shares in issue (excluding shares held in Treasury) as at the date of this Notice.

This authority shall expire at the conclusion of the Company's next AGM to be held in 2025.

Notes to resolution 13

Special resolution: Notice of General Meetings

Under the provisions in the Act, listed companies must call general meetings (other than an annual general meeting) on at least 21 clear days' notice unless the company:

- a. has obtained shareholder approval for the holding of general meetings on 14 clear days' notice by passing an appropriate resolution at its most recent annual general meeting; and
- b. offers the facility for shareholders to vote by electronic means accessible to all shareholders.

To enable the Company to utilise the shorter notice period of 14 days for calling such general meetings, shareholders are asked to approve this resolution. The shorter notice period would not be used as a matter of routine for such meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole. If granted, this authority will be effective until the Company's next annual general meeting.

Recommendation

The Directors consider that all the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole. The Directors unanimously recommend that shareholders vote in favour of all the resolutions, as they intend to do in respect of their own beneficial holdings of shares.

Administrative notes to the Notice of Annual General Meeting

Website address

1. Information regarding the meeting, including the information required by section 311A of the Act, is available from <https://greshamhouse.com/real-assets/uk-housing/residential-secure-income-plc/>

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 Tuesday, 20 February 2024 or, if this meeting is adjourned, at close of business on the day two days prior to the adjourned meeting, shall be entitled to vote at the meeting.

Appointment of Proxies

3. Members entitled to vote at the meeting (in accordance with note 2 above) are entitled to appoint a proxy to vote in their place. If you wish to appoint a proxy please use the Form of Proxy 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. Additional forms may be obtained by contacting the Company's registrars, Computershare Investor Services PLC helpline on 0370 889 3181. Shareholders can access their information at www.investorcentre.co.uk.

4. You can appoint the Chairman of the Meeting, or any other person. 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 marking the resolutions For and Against using the voting methods stated in notes 6 and 7 below. If you wish to abstain from voting on any resolution please mark these resolutions 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 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 Act 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

6. You can vote either:
 - by logging on to www.eproxyappointment.com and following the instructions. Shareholders will need their shareholder reference number, PIN and control number to submit a proxy vote this way (which will be provided via email or on their paper form of proxy);
 - You may request a hard copy form of proxy directly from the registrars, Computershare Investor Services on Tel: 0370 889 3181; or
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

To be valid, a form of proxy should be lodged with the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgewater Road, Bristol, BS99 6ZY so as to be received not later than 48 hours before the time appointed for the meeting or any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.

Appointment of a 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: 3RA50) 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 12.45 p.m. on Tuesday, 20 February 2024 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 Computershare Investor Services PLC 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 Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY.

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 Act 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.

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 Act 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 Act, 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 194,149,261 Ordinary Shares of 1p each. The total number of Ordinary Shares with voting rights is 185,163,281. 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 Computershare Investor Services PLC shareholder helpline: 0370 889 3181;
 - in writing to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ.

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.





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