Civitas

Social Housing PLC

Annual Report and
Financial Statements
for the year
ended 31 March

2020

CIVITAS SOCIAL HOUSING PLC ("**CSH**", "**Civitas**" or the "**Company**") invests across the UK in care-based community housing and healthcare facilities for the benefit of working age adults with long-term care needs.

Since IPO in 2016, CSH has completed more than 120 individual transactions to build the largest portfolio of its kind in the UK that has been independently valued at £878 million.

The Company provides long-term community-based homes for 4,216 people, across 164 local authority areas that are supported by 117 specialist care providers and 15 housing associations.

The delivery of care in the community is a primary government policy aimed at enabling people with long-term care needs to reside close to family and friends and achieve more independent and fulfilled lives. It delivers better personal outcomes and offers value for money for the public purse that meets the costs of the service.

Residents, whose average age is 32 years, typically reside in their adapted CSH community home for many years and sometimes for their whole life.

As a result of making this provision available, CSH is able to offer shareholders the potential of stable, long-term returns with progressive dividends whilst delivering measurable social impact on a large scale.

Recently, shareholders approved an extension to the Company's investment policy that enables transactions to be entered into directly with the NHS and with major charities, as well as other organisations that are either not for profit and/or in receipt of public funding.

Contents

Social Impact Report Page 6

Chairman's Statement Page 8

Investment Adviser's Report Page 26

Corporate Governance Page 58

What we Do

Social Housing Pioneers

CSH is a leading provider of care-based community housing in the UK. It was established in 2016 by the founders of its Investment Adviser, Civitas Investment Management Limited, from the long-standing conviction that private capital could play a vital and ethical role in the delivery of homes within the social housing sector.

CSH believes that access to a decent home is a basic human right from which so much more can be achieved, particularly for people who are living with a life-long disability.

With millions of people stuck on housing waiting lists across the UK, or trapped in long stay hospitals, Civitas became the first public company to bring large scale equity investment into the sector.

The Company has the dual objectives of achieving both positive financial returns and large scale measurable social impact.

£878.7 million Investment property independently valued (IFRS)

613 Properties

4,216 Tenants

1 Mission

Fund Overview

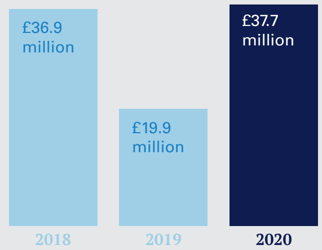
Investment Sectors	• Real Estate • Social Infrastructure • Investment Funds	
Equity Capital Raised	£652 million	
Current IFRS £'000 (31 March 2020)	NAV £670,564	GAV £947,955
Dividend Yield	c.5.0%*	
Target Return	c.8%	
Current Leverage (31 March 2020)	26.9%	
Fund Structure	• Closed Ended • Permanent Capital	

* calculated using the share price as at 26 June 2020.

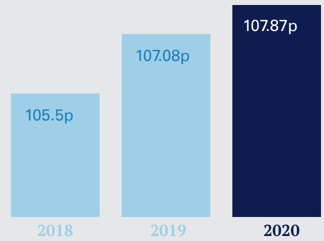
How we Performed

Financial Highlights as at 31 March

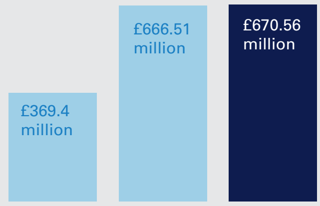
Profit before tax



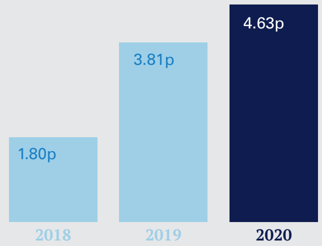
IFRS NAV per share



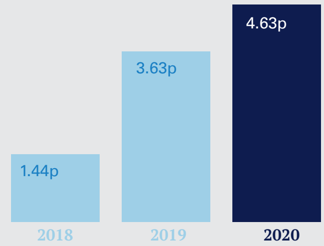
IFRS NAV



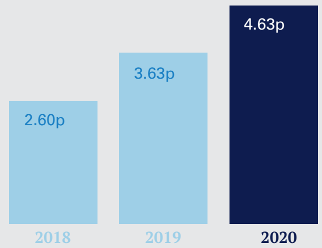
EPRA EPS*



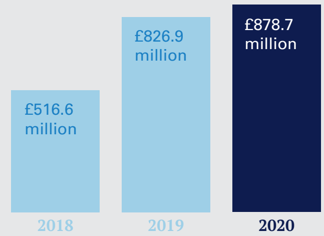
EPRA EPS (diluted)*



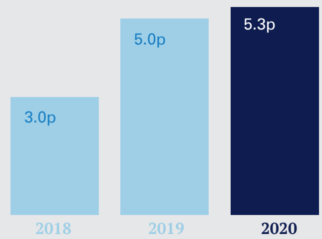
Company adjusted earnings*



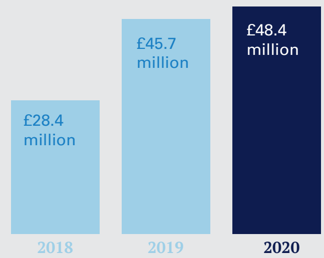
IFRS property valuation



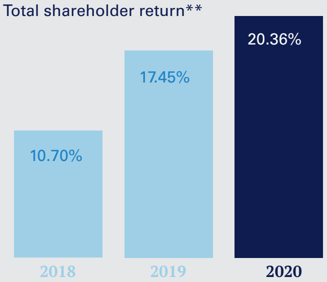
Dividends declared
(Ordinary shares)



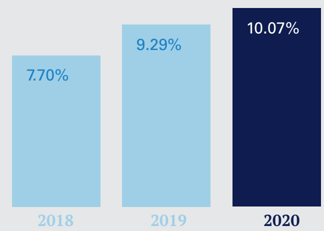
Annualised rent roll



Total shareholder return**



IFRS NAV increase since IPO



Investment property independently valued at £ 878.7m (IFRS)

Total of 5.3p per Ordinary share of dividends declared over the year

NAV

10.07% increase in IFRS NAV per Ordinary share since IPO: 107.87p as at 31 March 2020

Annualised Rent Roll: £48.4m based upon £878.7m of real estate at the end of the year

6.06p per Share Earnings: based on comprehensive income and property revaluations

Weighted Average Unexpired Lease Term: 23.66 years

* See Appendix 1 – Alternative Performance Measure to these financial statements for supporting workings.
** On an Ordinary share held since launch (percentage not annualised).

Key Achievements

Operational Highlights

613 properties acquired → £789 million invested → providing dependable accommodation for 4,216 tenants → based on long-term leases signed with 15 Housing Associations → supported by 117 care providers → across 164 Local Authorities

The Good Economy, the social impact advisory firm, in their third annual independent Social Impact Report on Civitas, noted encouraging evidence that Civitas can deliver on its social objective of increasing the provision of high-quality social homes to improve the quality of life for low income and vulnerable people in social need, while achieving financial returns for investors

Funding

£52.5 million Scottish Widows loan note with an agreed term of ten years with an all-in fixed rate of 2.99%

HSBC £100 million three-year floating rate revolving credit facility

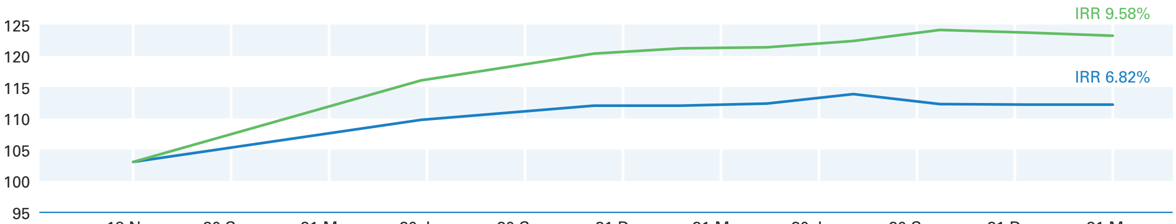
Total bank borrowings of £272.5 million equating to 26.9% of gross assets reflecting the Portfolio Valuation of investment properties

Lloyds £60 million three-year floating rate revolving credit facility

Natwest £60 million five-year fixed rate facility

£212 million value of unencumbered assets and available as security for additional borrowings

Levered IRR* since IPO (IFRS and Portfolio Basis)



	18 Nov 2016	30 Sep 2017	31 Mar 2018	30 Jun 2018	30 Sep 2018	31 Dec 2018	31 Mar 2019	30 Jun 2019	30 Sep 2019	31 Dec 2019	31 Mar 2020
IFRS NAV + cumulative dividends paid	98.00	104.70	107.00	107.05	107.35	108.86	107.24	107.21	107.23	107.23	107.87
Portfolio NAV + cumulative dividends paid	98.00	111.10	115.40	116.25	116.45	117.46	119.24	118.76	118.30	118.30	118.35

Share price performance (pence)

* Alternative performance measure. See Appendix 1 for the calculation.

Social Impact

Embedded social impact strategy – Civitas is an accredited impact investor under IFC Principles

Civitas has embedded social impact and social value objectives in its business model, which have been developed with and tested by specialist social impact advisers such as The Good Economy. All our transactions have to meet both economic and social objectives, set out below:

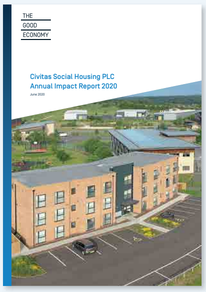
AVAILABILITY
To increase the availability of social housing across England and Wales, particularly for vulnerable people

QUALITY
To improve the quality of social housing.

WELLBEING
To improve wellbeing outcomes for tenants

VALUE FOR MONEY
To offer value for money for the public purse

Regular Social Impact Reporting

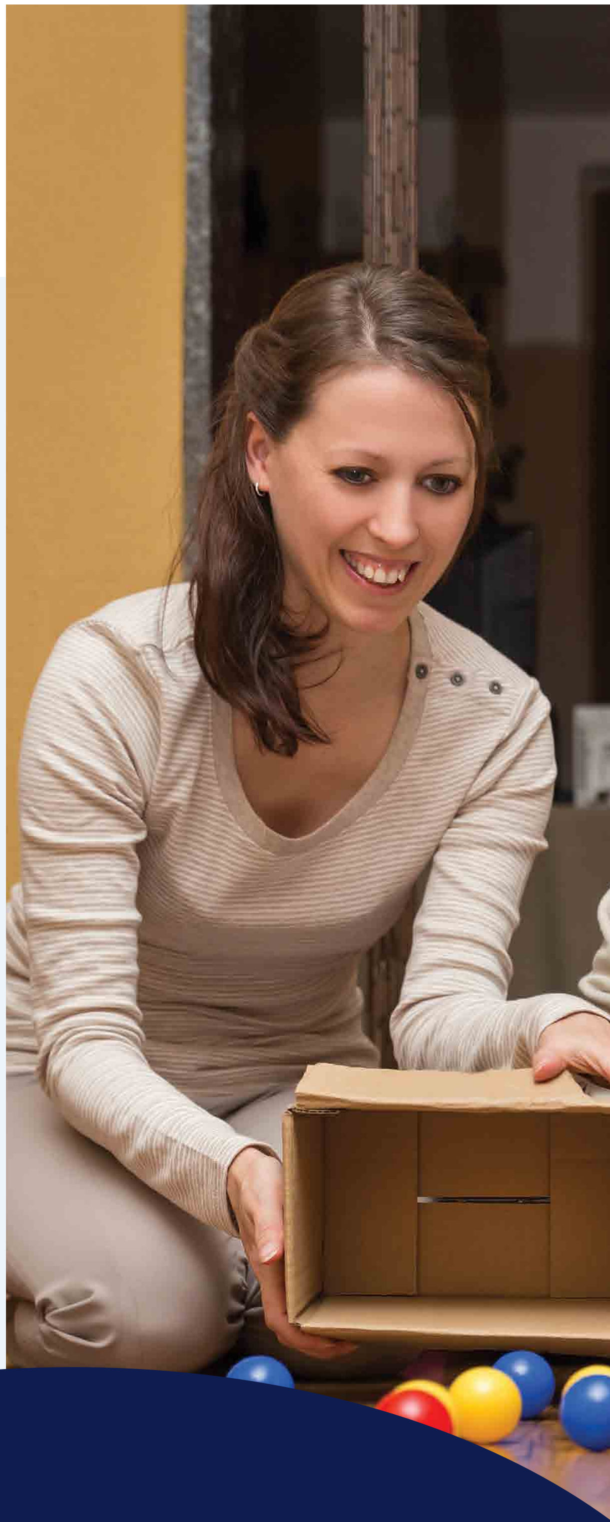


Civitas undertakes bi-annual Social Impact Reports alongside its Company financial statements, the full and most recent report can be found on the Company's website, and an extract found on pages 34 to 41 of this Annual Report.

The Good Economy ("TGE") confirms that Civitas is **"an authentic impact investor according to the IFC Principles for Impact Management".**

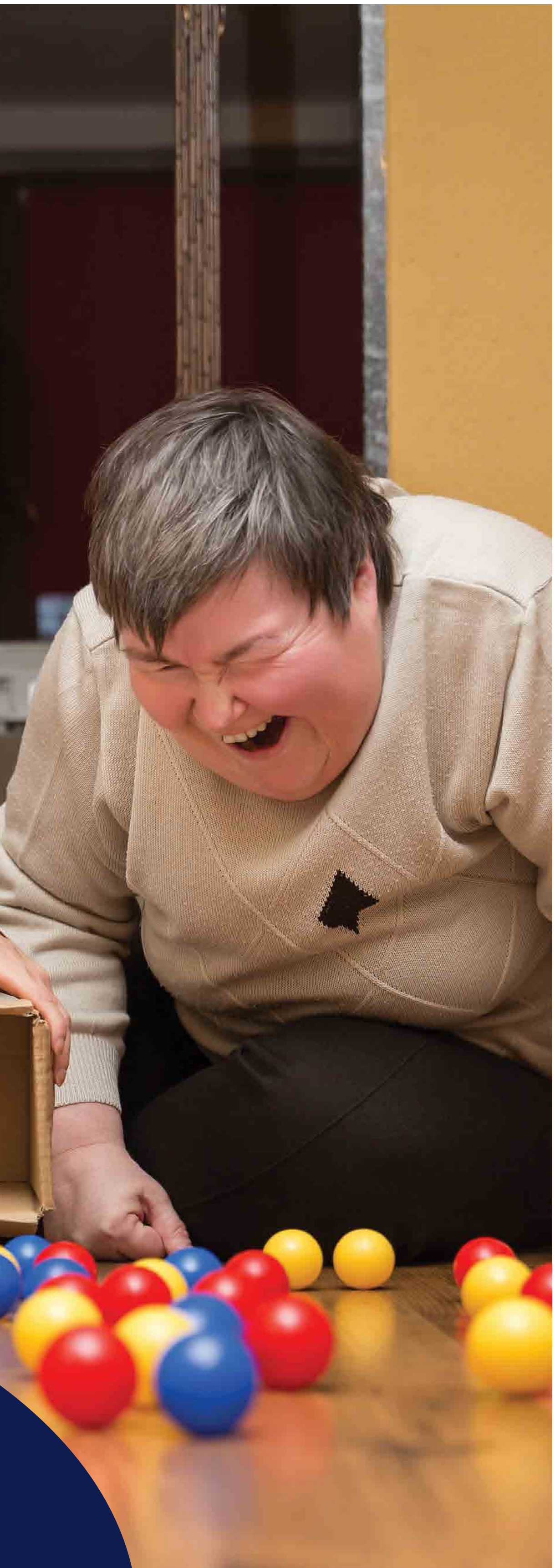
Highlights

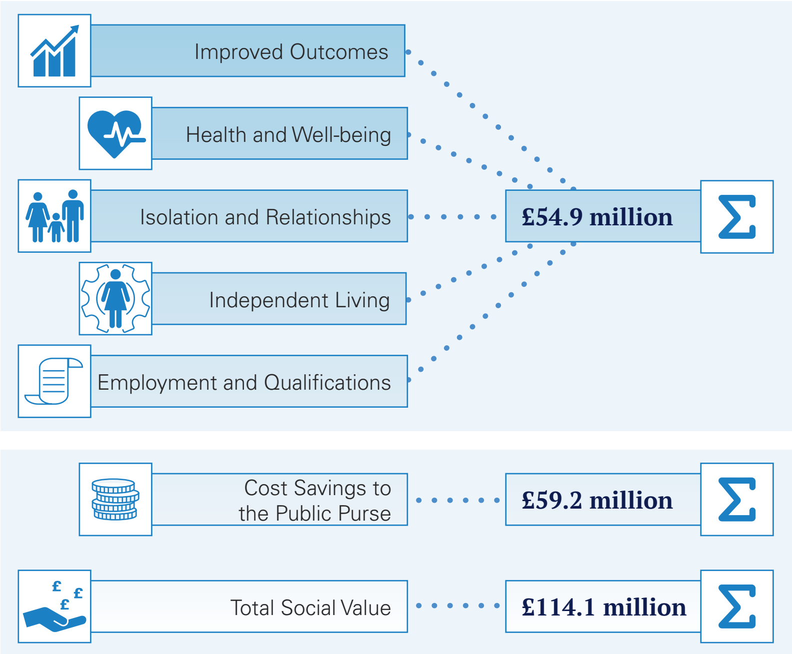
- **64%** of new properties in last six months brought into social housing sector for the first time
- **63%** of professional support workers reported improved tenant mental health and wellbeing
- **£114 million** in Social Value generated on an annual basis
- **£64.7 million** of direct savings to local and national government per year
- **£1 billion+** of direct savings to the taxpayer projected over duration of Civitas leases (25 years)
- **33%** of Civitas properties across portfolio converted to social housing for the first time
- **32 years** average age of tenant

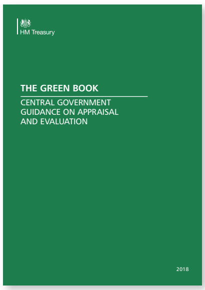


"positive [rate of growth] and evidencing an impact-led rather than deployment-led investment approach."

The Good Economy, June 2020







Research undertaken in March 2019 by the specialist consultancy, The Social Profit Calculator, based on extensive research incorporating:

- site visits
- meetings with tenants and tenants' families
- discussions with LA Commissioners, RPs and RSH
- Government metrics – HM Treasury's Green Book data

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685903/The_Green_Book.pdf

100% dividend cover at the year end on an EPRA run-rate basis.*

Michael Wrobel
Chairman

Dear Shareholder

Introduction

At this time of global crisis, the Board wishes to acknowledge the extraordinary work and commitment shown by all key workers, particularly those in the health and social care sectors. These courageous individuals care for some of the most vulnerable people in our society, enabling them to live in community settings, many of them in homes owned by Civitas.

To date, our financial performance has not been affected by the COVID-19 pandemic. During the most recent quarter, the Company received more than 99% of the rents expected to be paid.

Results

During the year, the Company invested £31 million, excluding purchase costs, in 22 properties with 144 tenancies and exchanged contracts on a small number of other properties for subsequent completion. We also entered into forward purchase agreements for the delivery on completion of a number of newly developed higher acuity facilities in Wales, valued at £12.1 million. The first of these has now been delivered.

Net rental income increased by 28.4% to £45.9 million and profit before tax grew by 89.9% to £37.7 million. Operating cash flow increased by 41.0% to £32.9 million.

The IFRS NAV per share increased during the year from 107.1p per Ordinary share at 31 March 2019 to 107.9p per Ordinary share at 31 March 2020.

As at 31 March 2020, the Company held cash balances of £49.3 million (net of operating and finance amounts due) of which approximately £14 million was allocated in respect of transactions completing in 2020 – £1.8 million in respect of two properties in Telford and one in Sunderland on which the Company has conditionally exchanged, and £12.1 million in relation to two properties in Wales for which the Company has entered into a conditional sale and purchase agreement. We have allocated £10 million (estimated) relating to a capital payment contingent on certain financial obligations being met at the properties in Wales. The remaining cash balances are being held as a cash contingency in the Company. The Company seeks to maintain a prudent approach to the use of leverage, which stood at 27% at the year end, based on a gross portfolio loan-to-value basis. We have a maximum limit of 40%. As at 31 March 2020, the weighted average debt to maturity was 3.4 years and this reflected the post balance sheet extension of the £60 million Lloyds Bank revolving credit facility to November 2021.

The Investment Adviser continues to see a significant pipeline of investment opportunities from a variety of sources, including larger care providers. With limited uncommitted capital resources, the Company is continuing to evaluate options, including raising equity, to fund further investments to enhance shareholder returns.

The Company's latest Social Impact Report prepared independently by The Good Economy has been published, which confirms that we have continued to meet our important social impact objectives.

Dividends

The Company has paid three interim dividends and declared a fourth interim dividend of 1.325p each, which will bring the total for the year just ended to 5.3p in line

* Note: the calculation of run-rate dividend cover is based on all properties that have exchanged and completed, on normalised overheads and the further delivery of certain properties to a value of £12.1m. Of this £12.1m, £2.3m completed during June 2020 with the remainder to complete shortly.

with the Board's target. The EPRA dividend cover on an actual basis over the course of the year to 31 March 2020 was 87.4%. The dividend cover was 100% at the year end on an EPRA run-rate basis*.

COVID-19

The Company is the leading provider of care-based housing in the UK for individuals who are working age adults with learning disabilities, mental health and other significant care needs. Our 4,216 tenants have an average age of c.32 years and do not typically fall into the categories of individuals identified by the NHS as being at high risk for COVID-19.

The monitoring that is being undertaken by our Investment Adviser, along with our housing association and care provider partners, indicates that at the present time the level of incidences of COVID-19 amongst tenants and staff remains low. This may be in part accounted for by the age profiles of the tenants themselves and by the configuration of the Company's portfolio with a focus on self-contained apartments and small housing clusters. This enables a greater degree of control over movement and, therefore, to potential exposure than open plan environments.

However, various changes have been made to the working practices of both housing associations and care providers with the priority of continuing to preserve the health, safety and well-being of tenants and staff. These include the implementation of adapted procedures relating to staff and tenant engagement, enhanced hygiene, social distancing and restricting access to the Company's properties to essential visits. Our Investment Adviser has been able to adapt its working practices, with most staff working from home with the necessary enabling technology. Their safety is also a paramount concern.

On 26 March 2020, as part of the Government's COVID-19 lockdown procedures, the Minister for Local Government and Homelessness wrote to all local authorities identifying the "responsibility to safeguard as many homeless people as we can from COVID-19" and to "bring everyone in". I am pleased to report that we were able, at short notice, to make available 29 self-contained accommodation units for Islington Council, that had just completed a planned refurbishment programme.

Regulation

During the year, the Regulator of Social Housing ("RSH") has continued to raise its concerns about risks and issues within the industry and has issued notices to several of our housing association partners where it considers that governance and financial standing require improvement. Whilst the Company is not itself regulated by the RSH, we take these comments seriously. Our Investment Adviser continues to work with housing associations to enhance their performance and standing with the RSH. It has been instrumental in the establishment of a new not-for-profit community interest company – The Social Housing Family CIC ("CIC") – whose objective is to bring greater skills and resource sharing across housing associations. We are

During the most recent quarter, the Company received more than 99% of the rents expected to be paid.

pleased to note that the CIC has now brought its first housing association, Auckland Home Solutions, under its structure.

The Company's portfolio continues to evolve to encompass a greater number of higher acuity facilities that are themselves regulated by the Care Quality Commission ("CQC"). In this regard, it is pleasing to note that the CQC, in its latest annual report "State of Care 2018/19", commented in support of the provision of community care stating that: "Too many people with a learning disability or autism are in hospital because of a lack of local, intensive community services".

Our Investment Adviser

Our Investment Adviser has changed its name from Civitas Housing Advisors to Civitas Investment Management ("CIM") to better reflect its expanding activities. This has no material impact on our Company other than that the addition of new clients strengthens its capabilities and enables recruitment of additional skills. The Board acknowledges and greatly appreciates the skill and efforts of the team, particularly at this stressful time.

After more than three years of activity within the sector and over 120 completed transactions, our Investment Adviser is regarded as a leading entity within the healthcare and social housing sectors in the UK. It continues to refine and improve processes for both new transactions and the ongoing management of our portfolio and drive best practice within the industry. We are encouraged both by the level of incoming enquiry and the nature and quality of potential counterparties.

Share Price

The Board was concerned by the share price during the early part of the financial year under review. In addition to our Investment Adviser focusing on delivery of our investment objectives, we have implemented a number of initiatives to improve our message to investors, including the appointment of Liberum and Panmure Gordon as joint brokers and Buchanan as PR adviser. In addition, during the year the Company bought 815,000 shares at an average price of 85.8 pence, which are held in Treasury.

The share price has improved in recent months in both absolute and relative terms compared to the general market and to many other real estate companies and funds. In large part, this is due to recognition of the robust characteristics of our business model and the level of demand for specialist supported housing exceeding supply. In addition, we deliver better personal outcomes and value for money compared with institutional provision.

I would like to thank our shareholders for their continuing support.

General Meeting

On 28 May 2020 at a General Meeting of the Company, shareholders approved the recommended proposals to modify the Company's investment objective and investment policy. This now enables the Company to engage with a wider range of counterparties including those, such as the NHS, that have opened discussions regarding the provision of step–down and other specialist accommodation. Whilst such discussions will undoubtedly take time to evolve, I look forward to reporting progress in due course.

Annual General Meeting

The Company's AGM is scheduled to be held on 8 September 2020 at the offices of Buchanan, 107 Cheapside, London EC2V 6DN at 2.00 pm. The Board looks forward to meeting shareholders. In due course, the notice of AGM will be circulated in accordance with the requirements of the Company's Articles of Association.

Due to the current COVID-19 outbreak, many companies have either postponed their AGMs or made alternative arrangements for conducting these meetings. We hope that by 8 September 2020 the Company will be able to hold its AGM in the usual manner. However, given the uncertain nature of this situation, should the Company need to alter its AGM arrangements, it will communicate these changes to shareholders through a regulatory announcement. This information will also be made available on the Company's website. Shareholders are advised to check the website to ensure they have the most up-to-date information available regarding the AGM.

Summary and Outlook

Despite the uncertain environment caused by COVID-19, we consider that the prospects for the Company remain positive and we look forward to continuing to be of help to those individuals with long-term care needs.

We have announced a new target dividend of 5.4p per Ordinary share for the current year ending 31 March 2021. This would be an increase of 1.9% and compares to the Consumer Price Index measure of inflation of 1.5% in March 2020.

Michael Wrobel
Chairman

29 June 2020

We have announced a new target dividend of 5.4p per Ordinary Share for the current year ending 31 March 2021.

How do we Define Specialist Supported Housing

DEFINITION

- ✓ Part of delivering life-long care and support in the community
- ✓ Provides accommodation for residents with life-long care needs including learning disabilities, autism and mental health

BENEFITS

- ✓ Enabling residents to live closer to family and friends
- ✓ Improving quality of life
- ✓ Rehabilitation Value for money for public purse
- ✓ Measurable social impact

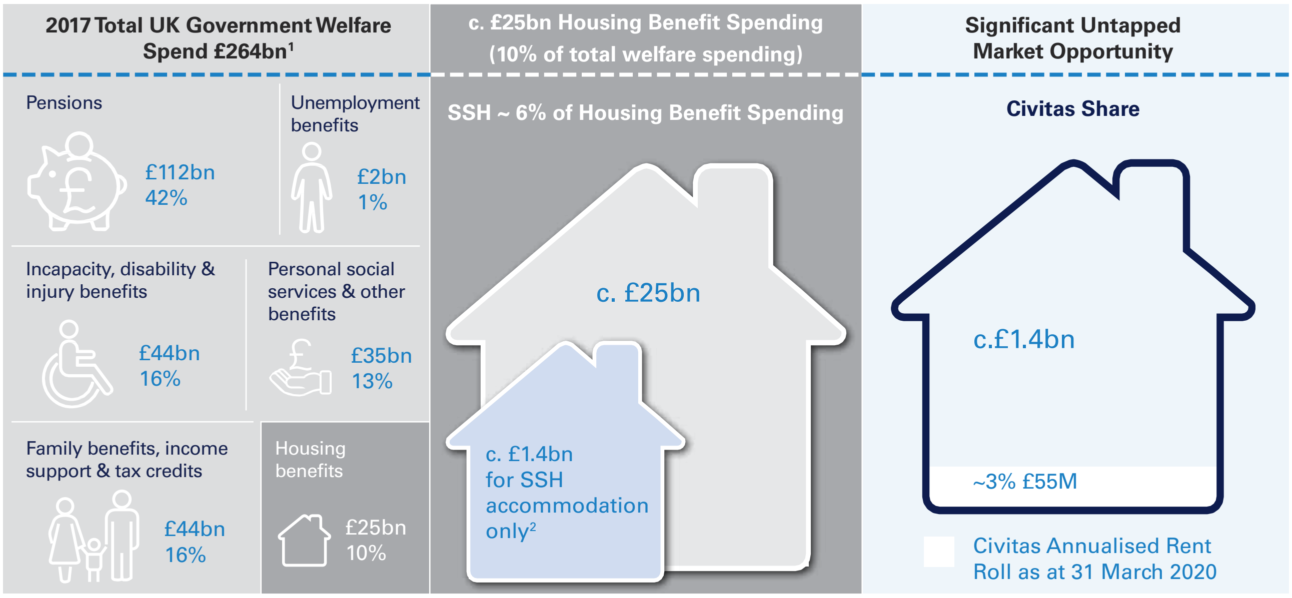
PROPERTIES

- ✓ Typical 1- 20 individual units in each scheme
- ✓ £300,000 to £4m+ scheme size
- ✓ Designated SSH properties with rent paid by government
- ✓ Leased long term to housing associations and other not-for-profit organisations

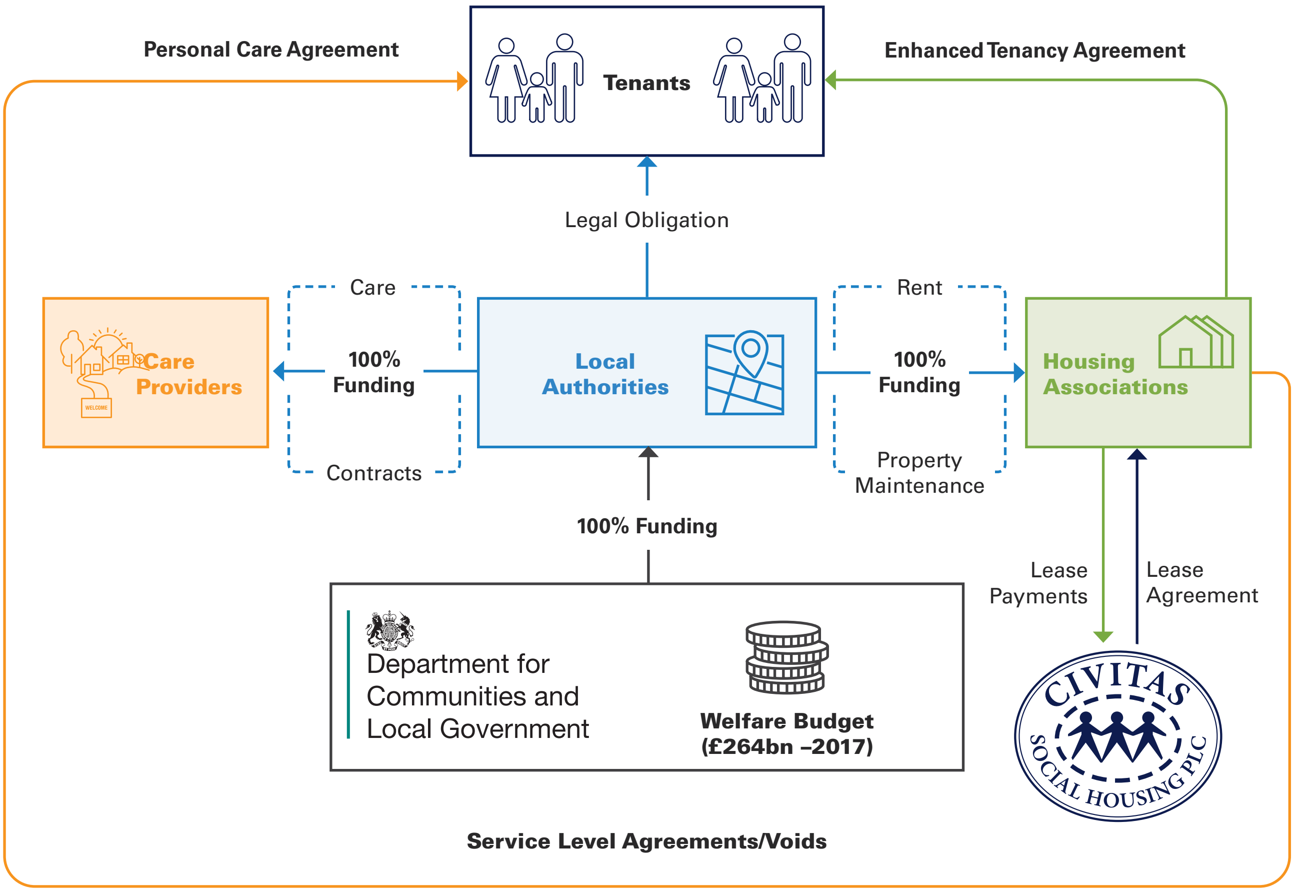
THE RESIDENTS

- ✓ Focus 18-65 years (no upper limit)
- ✓ Average age of resident in Civitas portfolio 32 years

Funding the Specialist Supported Housing Sector



[1] Office for National Statistics.
[2] H.M. Government "Supported Accommodation Revenue", November 2016.

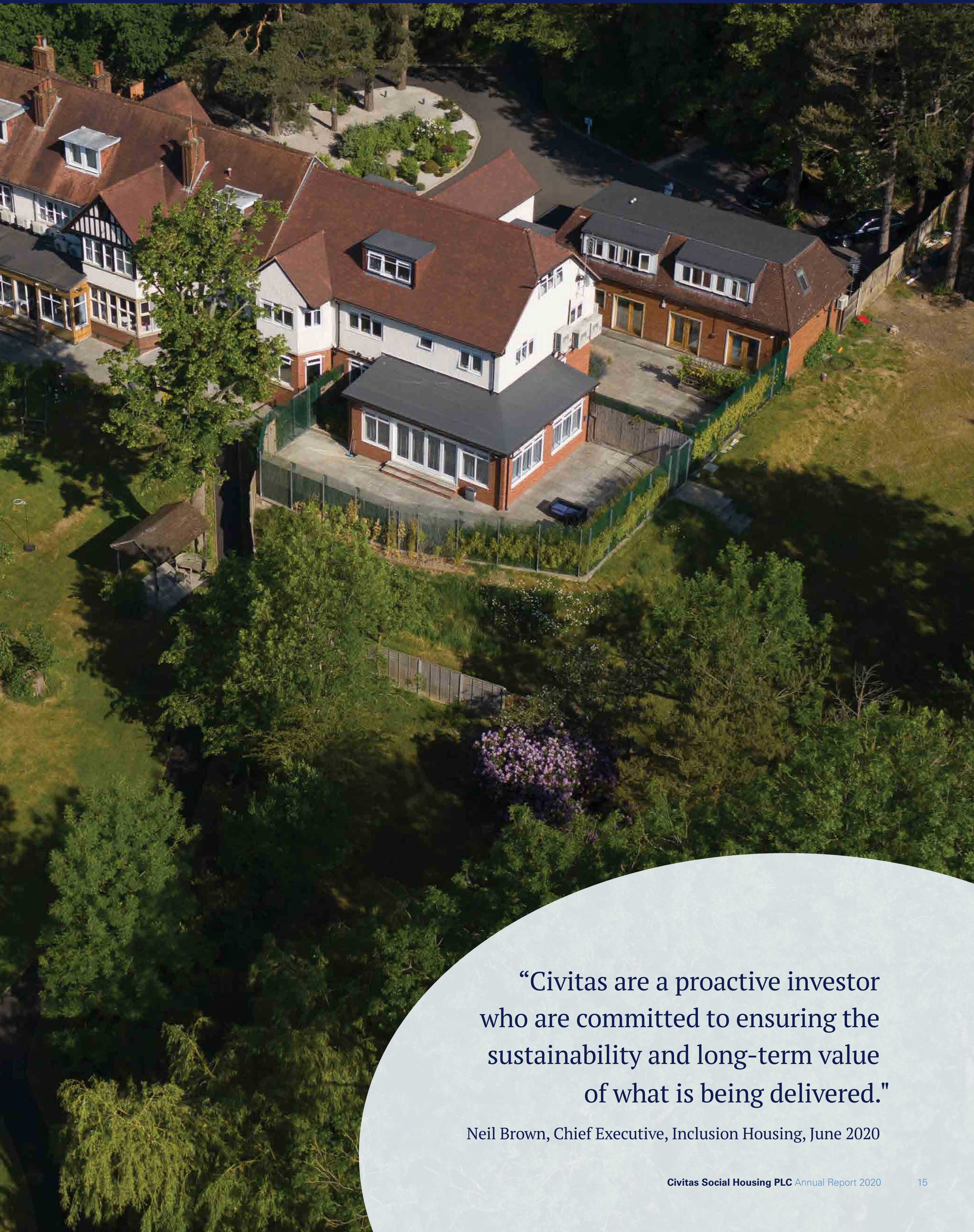


Civitas Continues to Enhance Professionalism in the Sector

CIM/Civitas lead the sector by introducing innovations to protect lease counterparties and future proof investments which continue to evolve over time and to respond to the needs and requirements of the sector, including those indicated by the RSH.

1. Social Impact reviews on all transactions prior to purchase/ commitment
2. Rents agreed with commissioners, independently tested and set at median level
3. New or fully refurbished properties delivered to RPs
4. Onboarding fee paid to each RP for all properties to cover take-on costs
5. Void fund financed for RP to provide additional financial buffer
6. Engagement with care operators and LA commissioners establishes long-term demand and suitability of properties
7. Risk sharing clauses within leases (change in law or formal government policy)
8. "Caps" and "Collar" within leases to protect against inflation
9. Indexation set below recent government approval levels. (CPI vs CPI+1)

LEASE COUNTERPARTY



"Civitas are a proactive investor who are committed to ensuring the sustainability and long-term value of what is being delivered."

Neil Brown, Chief Executive, Inclusion Housing, June 2020

Growing Base of Global Investors

Civitas invests on behalf of a wide range of global, national and local investors seeking exposure to sustainable long-term income together with measurable social impact and high levels of ESG delivery.

By Location

UK & IRELAND	EUROPE
USA	CANADA

By Location

Amsterdam
Birmingham
Boston
Bradford
Bristol
Brussels
Chicago
Columbus
Denver
Douglas
Dublin
Edinburgh
Exeter
Frankfurt
Geneva
Glasgow
Guernsey
Heerlen
Jersey
Liverpool
London
Luxembourg
Montreal
Munich
New York
Oslo
Paris
Perth
Philadelphia
San Francisco
Seattle
Smithfield
Stockholm
Sydney
Toronto
Tunbridge Wells
Vancouver
Windsor
Zurich

Strategy for Growth

Demand for the accommodation provided by Civitas is strong and expected to remain so over the long term. Civitas is a go-to partner for an increasing range of major vendors and counterparties.

Civitas is the market leader with the largest portfolio and deeply ingrained relationships with care providers, local authorities, housing associations and charities across the UK

Now taking delivery of new build higher acuity properties with more opportunities being offered

Continuing to work closely with the CIC to enable it to expand and play a broader role in the sector

Continuing to deepen relationship with important local authorities and counterparties with whom Civitas has long-term relationships

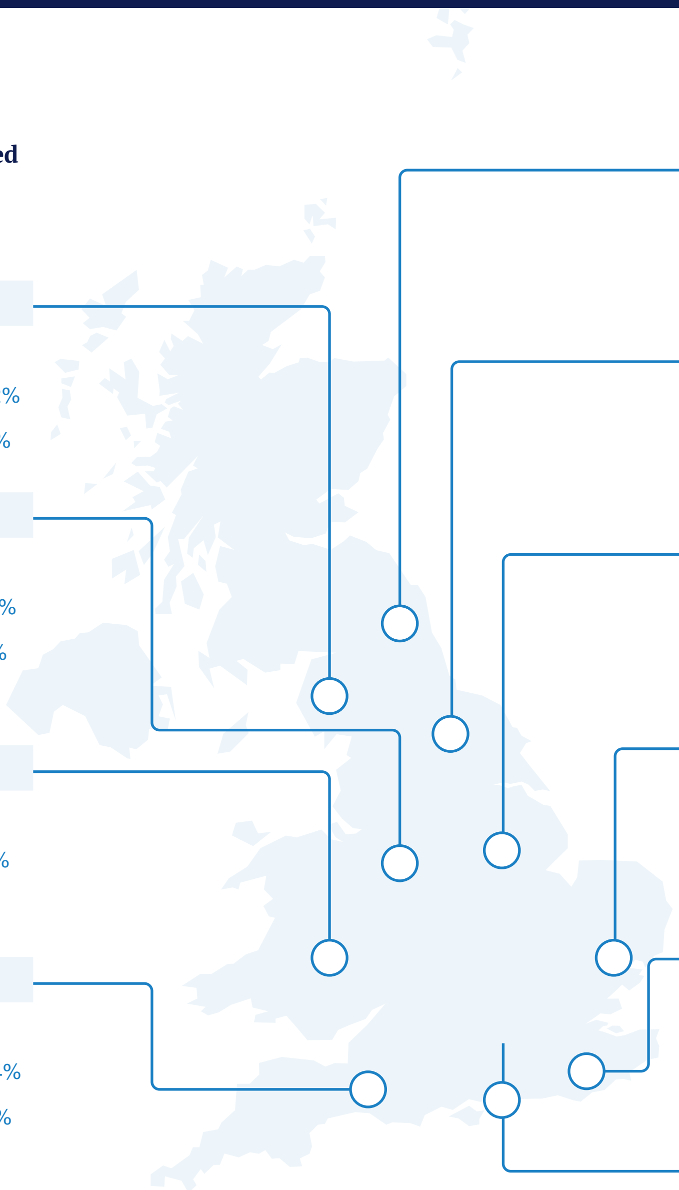
Following recent shareholder consent, opportunity to work with a broader range of counterparties

Enter other significant markets in addition to England and Wales – Scotland and Northern Ireland

CIVITAS SOCIAL HOUSING PLC

Portfolio

Geographically Diversified



North West
Properties 99
% of funds invested 10.2%
% of rental income 10.2%

West Midlands
Properties 99
% of funds invested 11.9%
% of rental income 11.7%

Wales
Properties 15
% of funds invested 8.2%
% of rental income 8.0%

South West
Properties 120
% of funds invested 16.4%
% of rental income 16.3%

North East
Properties 63
% of funds invested 6.9%
% of rental income 6.8%

Yorkshire and the Humber
Properties 49
% of funds invested 10.5%
% of rental income 10.4%

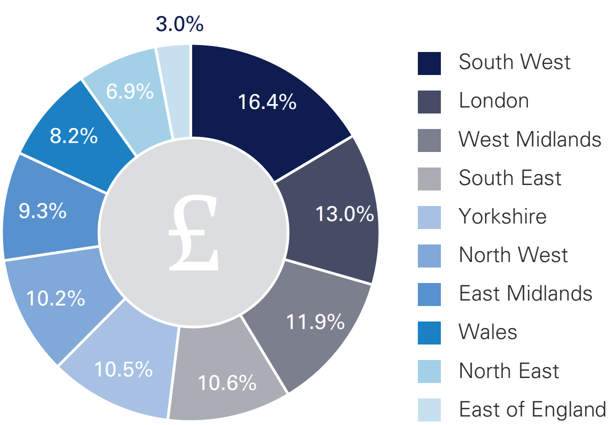
East Midlands
Properties 58
% of funds invested 9.3%
% of rental income 9.1%

East of England
Properties 20
% of funds invested 3.0%
% of rental income 3.0%

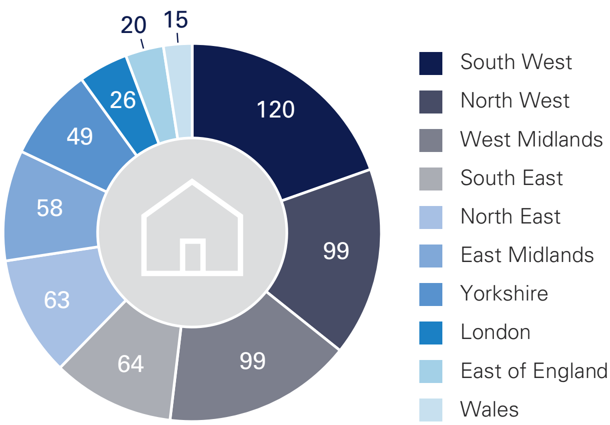
London
Properties 26
% of funds invested 13.0%
% of rental income 14.0%

South East
Properties 64
% of funds invested 10.6%
% of rental income 10.5%

Market Value by Region[1]



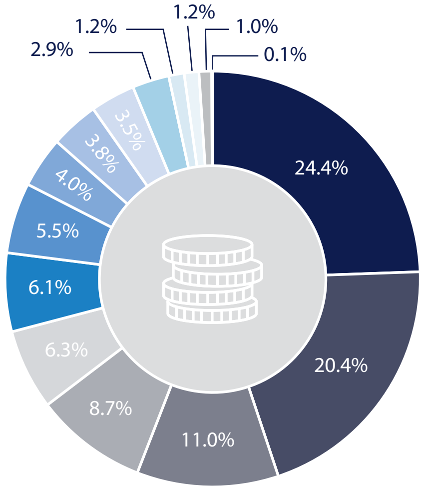
Assets by Region[1]



[1] As at 31 March 2020, including completed properties only.

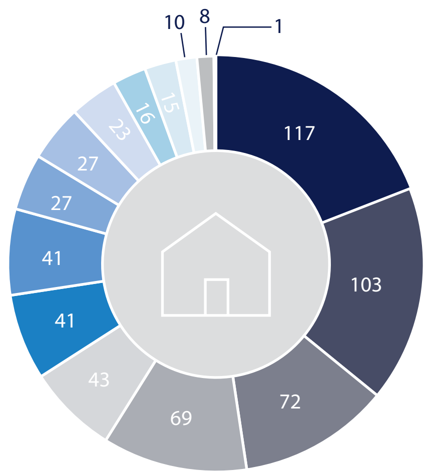
Diversified by Registered Provider

Rental Income by Registered Provider[1]



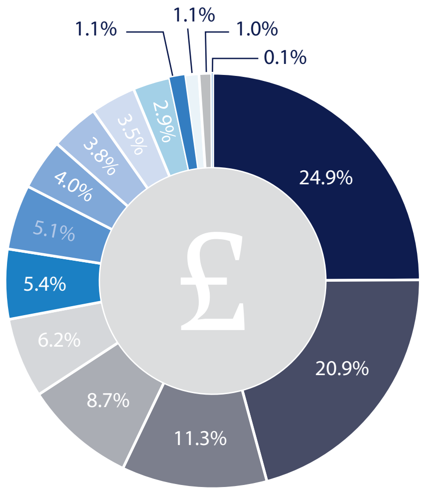
- Auckland
- Falcon
- BeST
- Inclusion
- Westmoreland
- Encircle
- Trinity
- Pivotal
- Harbour Light
- Chrysalis
- New Walk
- My Space
- IKE
- Hilldale
- Blue Square

Assets by Registered Provider[1]



- Falcon
- Auckland
- BeST
- Inclusion
- Trinity
- New Walk
- Westmoreland
- Harbour Light
- Pivotal
- Chrysalis
- Encircle
- Hilldale
- IKE
- My Space
- Blue Square

Market Value by Registered Provider[1]



- Auckland
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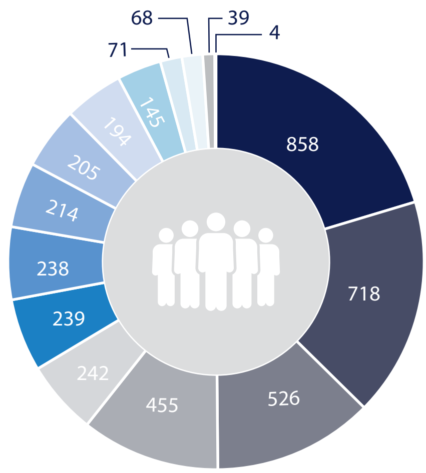
Tenancies by Registered Provider[1]



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- Westmoreland
- Pivotal
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- Hilldale
- Blue Square

[1] As at 31 March 2020, including completed properties only.

Resident story – Kathleen

At one point in her life, Kathleen thought she would be stuck in institutional care forever. She was placed in a juvenile home when she was 13 years old and then went on to spend time in high-security prisons and secure units, as she suffers from complex mental health issues and learning disabilities.

Having spent so long in such environments, it was felt that Kathleen would never be able to live in the community. However, in October 2010, at the age of 55, Kathleen was assessed as being able to move to Clark House. The service manager at Clark House explained how "creating a close working partnership with all community teams and ward staff, as well as receiving specialist training, has enabled us to successfully provide an excellent level of support for Kathleen". The support workers worked closely with Kathleen, her social worker and pyschologists, paying particular attention to positive risk-taking in order to build her confidence in situations in which she is unfamiliar.

After just two years, Kathleen was fully discharged by the Home Office, meaning she had been classed as safe and capable of living in a community.

Kathleen is now 62 years old and is extremely well settled and happy at Clark House. She still requires 57 hours of care per week but is now able go out independently if she wishes and even goes on holiday on her own. Moreover, Kathleen has rebuilt relations with her family with many of her siblings now regular visitors to Clark House.

"Moving to Clark House has proved life transforming for Kathleen. Her mental health has vastly improved and she is now living an independent life that wasn't even considered possible for decades when in institutional care."

Eve Collis,
Service Manager, Clark House

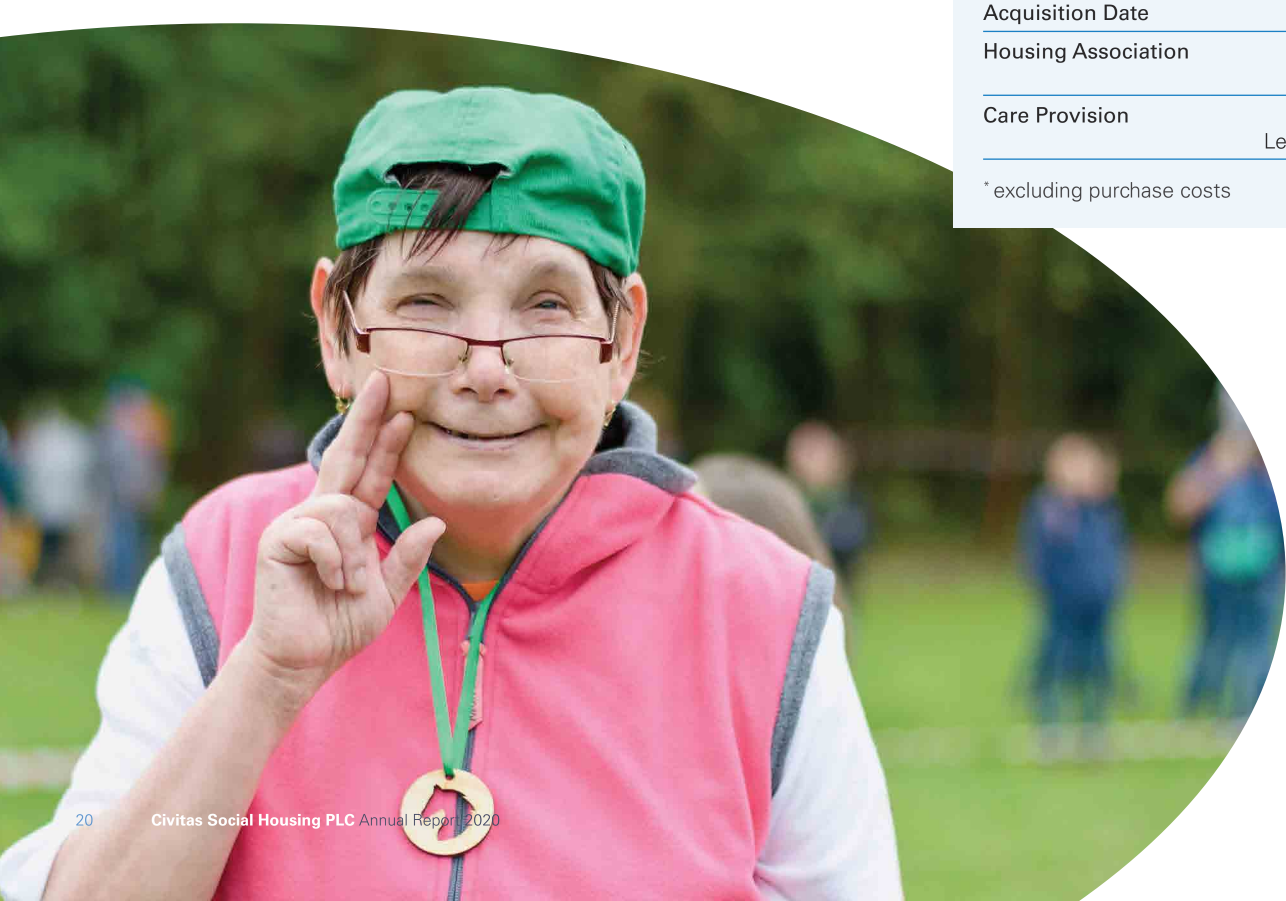
Case Study 1:
Tenants Case Study

High quality accommodation in North East England, adapted for use as Specialist Supported Housing for individuals with mental health conditions and learning disabilities

Key Metrics

Total Investment*	£1.8 million
Units	15
Acquisition Date	May 2017
Housing Association	Falcon Housing Association
Care Provision	Mental Health, Learning Disability

* excluding purchase costs



Case Study 2: Holloway Road

High quality newly-refurbished accommodation utilised for Homelessness during COVID-19

Key Metrics

Total Investment*	£10.1 million
Units	29
Acquisition Date	March 2017
Housing Association	Encircle Housing Association
Care Provision	Homelessness

* excluding purchase costs

In March 2017, Civitas acquired a property on Holloway Road in Islington. At the point of acquisition, the property was used as accommodation for women fleeing domestic violence. This is a modern and well-located property with excellent private outside space in central London.

Over time the opportunity arose to repurpose the property, and to amend its use to a client group which was well served by the property – homelessness accommodation. To facilitate this, the number of units was reduced to 29, interior communal space was extended, and the building's security was improved to ensure the property was fit for its newly amended purpose.

"Working together with Civitas Housing, we were able to deliver 29 self-contained units of accommodation for our most entrenched rough sleepers, ensuring that they are no longer on the streets and exposed to the virus. We appreciate the assistance and support provided by Civitas Housing during this period, they have shown that the spirit of community still exists as to actively sort to provide us options to solve our housing needs."

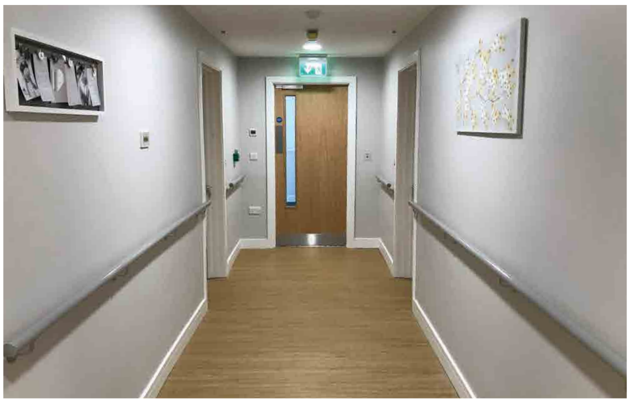
The Head of Private Housing Partnerships, Islington Council

ISLINGTON

Delivery of New Facility, Wales

Communal Outdoor Space

High-Quality Fit Out



Wide Accessible Halls Throughout

Care Provider at the Facility

Community Kitchen Facilities

Professional Nursing Rooms

Bed Hoists / Tracking

Specialist Bathrooms

Final Stage of Development:
New State-of-the-art Healthcare Facility, Wales

Community Kitchen Facilities

Specialist bathrooms

Hydrotherapy Pool with Hoists

Wide Accessible Halls Throughout

Specialist ‘Arjo’ Baths

Bed Hoists / Tracking

Wide Accessible Halls Throughout

Community Washing Facilities

Bathroom Hoists / Tracking

Professional Nursing Rooms

Andrew Dawber
Group Director

Andrew is a founder of CIM and has been active in the social housing sector since 2012. He was part of the team that founded the private investment company, Funding Affordable Homes, and was the adviser and founder of PFI Infrastructure PLC, the first publicly traded social infrastructure fund.

Tom Pridmore
Group Director

Tom is a founder of CIM and a specialist in real estate and residential development finance. He was part of the team that founded the private investment company, Funding Affordable Homes. Tom is a qualified lawyer with over 19 years' experience in real estate investment and development, and is responsible for sanctioning all property investment advice and portfolio monitoring.

Paul Bridge
Chief Executive Officer, Social Housing

Paul is a founder of CIM and has over 20 years' experience working at a senior level in the social housing sector. During his career, Paul has held a variety of non-executive roles in and out of the sector, including Chairman of Thames Valley Charitable Housing Association, Chief Executive of Homes for Haringey, a Registered Provider, where he was responsible for 800 staff and 21,000 homes, and Director at Hyde Group, a major G15 Housing Association.

Subbash Thammanna
Group Chief Financial Officer

Subbash has 20 years' experience in finance roles in the real estate sector, having worked across a variety of private and public structures covering all aspects of financial reporting, control and operations. He joins CIM having held senior finance positions at AEW Europe, Harbert Management Corporation, and most recently as finance director at Henderson Park. Subbash is a Fellow of the Institute of Chartered Accountants in England & Wales (ICAEW).

Eleanor Corey
Transaction Director

Previously from international law firm CMS Cameron McKenna Nabarro Olswang where she has practised in their real estate team for over 12 years. Eleanor has extensive experience in all aspects of real estate management, investment, development and finance, having undertaken a secondment in the in-house corporate real estate team at Lloyds Banking Group, and most recently having been the lead associate on a large town centre regeneration project for a national housebuilder.

"Today, the Company's investment portfolio offers dual exposure to both the social housing and healthcare sectors in the UK.

It provides purpose-built and bespoke properties that support the delivery of mid-to-higher acuity care for working age adults with long-term care needs.

And it delivers this in local community settings supported by government funded care providers and housing managers whose activities are regulated by the Care Quality Commission, the Regulator of Social Housing and overseen by local authority commissioners."

Paul Bridge, Chief Executive Officer, Social Housing

Our Thanks and Appreciation

At the start of this report, we would like to take the opportunity to echo the sentiments expressed by the Chairman on behalf of the Board and to offer our sincere thanks and appreciation to all the staff of our care providers, housing associations and other partners who have continued to work and provide for all the people living in the Company's properties.

Introduction

As we enter our fourth full financial year since IPO, we are pleased to report that considerable progress has been made in positioning the Company's investment portfolio to meet clear long-term needs and shortages in both the social housing and healthcare sectors in the UK.

Our strategy remains the same: to provide high-quality bespoke properties that enable the delivery of mid-to-higher acuity care, that is non-discretionary, that offers better personal outcomes including lower costs and that is funded by the state.

The successful implementation of this strategy has, since IPO, allowed investors to receive stable and progressive dividends that have grown at a rate above inflation. In this regard, we are pleased that a new dividend target of 5.4 pence per Ordinary share has been announced for the year to 31 March 2021.

A summary of specific outcomes and targets met in the year to 31 March 2020 is set out below:

- 100%* EPRA run-rate dividend cover achieved
- Dividend of 5.3 pence per Ordinary share paid/declared
- 41% growth in net operating cash flow to £32.9 million
- IFRS NAV increased to 107.87 pence per Ordinary share
- Rents continue to be indexed at CPI and collected as planned
- Total expense ratio of 1.36%

The Investment Portfolio

The investment portfolio comprises 613 individual properties that are the long-term homes for 4,216 people, each of whom benefits from an average of 45/50 hours (and sometimes much more) of care a week delivered by 117 specialist care providers. The properties are located across 164 local authorities and receive property services from 15 housing associations.

From a financial perspective, the Company's portfolio was independently valued at 31 March 2020 on the basis of an IFRS Red Book valuation at £878.7 million, an increase of £89.6 million (11.3%) over the funds invested of £789.1 million, excluding initial purchase costs. The Valuation is subject to the now standard "Material Valuation Uncertainty due to Novel Coronavirus (COVID-19)" clause that professional valuation firms, including JLL, are adopting across the world in respect of valuations at this time. On 28 May 2020, RICS published an update and concluded that the inclusion of MUCs was no longer appropriate for this asset class.

* Note: the calculation of run-rate dividend cover is based on all properties that have exchanged and completed, on normalised overheads and the further delivery of certain properties to a value of £12.1m. Of this £12.1m, £2.3m completed during June 2020 with the remainder to complete shortly.

Valuations within the portfolio vary on an individual property-by-property basis with the lowest yields (c.5%) currently applying to some of those properties that have the benefit of back-to-back care provider leases.

The most recent transactions undertaken by the Company in March 2020 for £17.8 million are majority supported by back-to-back care provider leases.

As the Company undertakes further investments in the future, it remains the objective to increase the proportion of the portfolio that benefits from such back-to-back leases and to drive up the typical level of acuity of care delivered in the properties.

In this way, the Company offers investors the opportunity of exposure to both social housing and specialist healthcare, both of which are typically composed of local, granular assets.

When we commenced our investment activities in late 2016, we already identified some of the opportunities that we thought would be available in the future from working closely with specialist care providers, the NHS and leading charities as well as with housing associations directly.

We also noted the potential to engage directly with specialist developers and to take a hands-on role in being involved from the outset in the design and specification of new buildings, particularly those suited for higher acuity care, that would then be acquired on completion without forward financing.

Today, with more than 120 individual transactions completed, we have the benefit of being a leading presence in both the social housing and healthcare sectors and the Company has in 2018 and 2019 won the leading healthcare industry Laing Buisson award for Healthcare Investor of the Year.

In reflection of this, in May 2020, the Company sought and received overwhelming approval from shareholders for the proposal to modify the Company's investment policy to allow transactions to be undertaken directly with other not-for-profit organisations, including the NHS as well as other entities in receipt of government funding.

Rental Income and Trading Update

The Company enjoyed strong growth in net rental income with an annualised rent roll of £48.4 million and an actual net rental income of £45.9 million for the year to 31 March 2020.

This compares to actual net rental income of £35.7 million in the year to 31 March 2019, with rental growth being accounted for by properties previously acquired contributing a full year of income and a number of additional acquisitions.

Not included in the results to 31 March 2020 is the rental income associated with the new developments, particularly the higher acuity facilities in Wales on which the Company has exchanged contracts and where the first of the properties have now completed.

At the same time, the Company has continued to enjoy strong rental receipts in line with expectations and unaffected at this time by COVID-19.

It was noted at the time of release of the Company's NAV and Trading Update on 11 May 2020 that the Company had received more than 99% of the rents due to be paid to it during the quarter to 31 March 2020. Since this time, the Company has continued to receive rents as expected and unaffected by COVID-19.

Net cash generated from operations has also shown a significant increase of 41% from £23.3 million as at 31 March 2019 to £32.9 million, reflecting good cost control during the year.

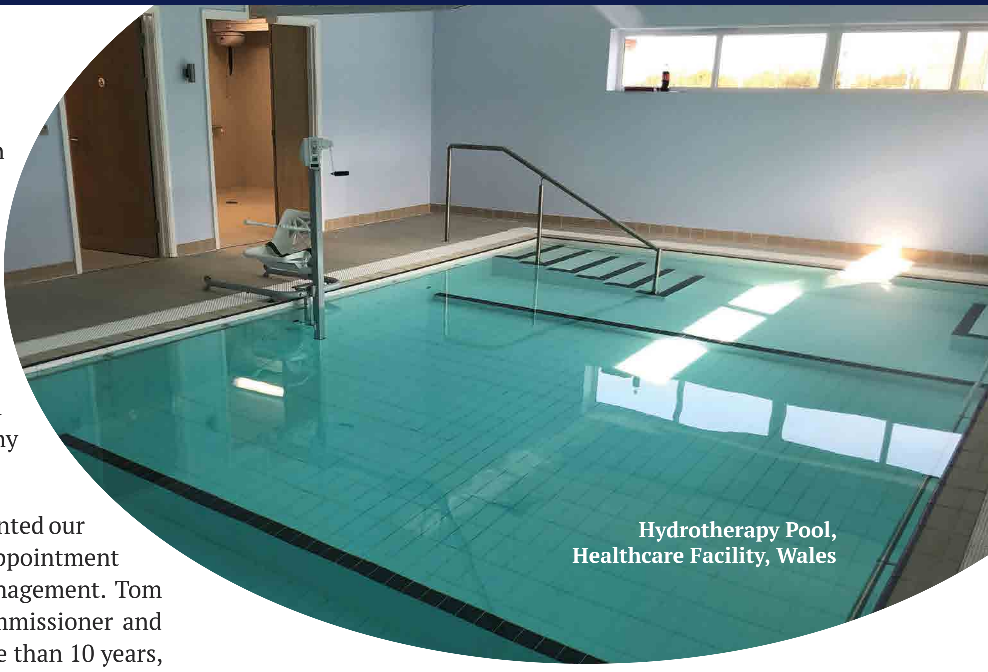
IFRS NAV increased from 107.08p per Ordinary share at 31 March 2019 to 107.87p as at 31 March 2020, a modest increase of 0.7% reflecting the indexation of leases less the costs of capital expenditure that the Company chose to undertake for the long-term benefit of the portfolio.

As at 31 March 2020, the Company held cash balances of £49.3 million (net of operating and finance amounts due) of which approximately £14 million was allocated in respect of transactions completing in 2020 – £1.8 million in respect of two properties in Telford and one in Sunderland which the Company has conditionally exchanged on, and £12.1 million in relation to two properties in Wales for which the Company has entered into a conditional sale and purchase agreement. We have allocated £10 million (estimated) relating to a capital payment contingent on certain financial obligations being met at the properties in Wales. The remaining cash balances are being held as a cash contingency in the Company.

In addition, as at 31 March 2020, the Company owned freehold properties with a value of £212 million that were entirely unencumbered and available as security for additional borrowings in due course.

Asset Management

The active management of the Company's portfolio remains an important component of our day-to-day activities with over 600 individual buildings.



Hydrotherapy Pool,
Healthcare Facility, Wales

Under the Company's leases, the obligation to undertake regular maintenance rests with the lessees, however, the Company does make careful capital investments where we believe that would lead to long-term enhancement and where this is of assistance to our housing association partners. As we know, a property that is well adapted and well maintained will be a positive contributing asset to the Company and to our housing association partners.

Most recently, with this in mind, we augmented our asset management capabilities with the appointment of Tom Falconer as a Director, Asset Management. Tom began his career as a local authority commissioner and has worked within the care sector for more than 10 years, most recently as Group Property Manager for Lifeways Group, a leading specialist care provider.

Tom has a particular focus within the team in his engagement with local authority commissioners and care providers to assist our housing association partners to achieve their lettings and to address any void properties.

We will also be joined shortly by another senior individual in the asset management team who has an established surveying background and who will be focused on the physical enhancement and betterment of properties within the portfolio. Again this will be of assistance to our housing association partners.

During the year, as part of our active management of the portfolio, we undertook the reallocation of certain leases between housing association partners with a view to enhancing portfolio diversification and ensuring that the most relevant housing association is in possession of the Company's leases. We expect to continue to remain active in this regard in the future.

Market Update

The Company operates across the social housing and healthcare sectors in the UK.

Today there is a structural shortage of properties that are capable of hosting mid-to-higher acuity care within local community settings. Such properties are not always available and so are typically highly regarded by both care providers and local authority health commissioners.

The drivers of demand for the Company's portfolio are very much settled within the healthcare sector in the UK and result from long standing government policy to seek closure of remote hospitals in favour of community provision.

The trend for community provision has become established in the UK over the past 25 years and reflects much broader societal change in the manner that care is delivered for people of working age with lifelong care needs.

What has developed more recently over the past 10 to 15 years has been the emergence of specialist housing associations that deliver the augmented property services and who, in turn, enter into leases to secure available properties for their underlying tenants without any form of public funding.

Whilst this is an important development, and one that has been much commented upon by ourselves and others, we have taken the view, as noted earlier, that the time is now right to broaden the nature of the Company's lease counterparties to include entities such as the NHS and other care providers that are in receipt of government funding as well as leading charities and other not-for-profit entities such as community interest companies. Shareholder permission for this was secured at the recent General Meeting on 28 May 2020.

This initiative is likely, over time, to better reflect the increasingly mid-to-higher acuity focus of the Company's property portfolio and also move the dialogue forward with greater focus on the underlying care. It will also offer alternatives to entering into leases with housing associations where that is felt appropriate or it is required.

In the same way that housing associations are regulated by the Regulator of Social Housing ("RSH"), health and social care in England is independently regulated by the Care Quality Commission ("CQC"). This includes all care providers, the NHS and other healthcare providers, facilities of which the Company owns an increasing number to deliver mid-to-higher acuity care.

In its most recent report "State of Health 2018/19", the CQC stated that "Most of the care that we see across England is good quality and, overall, the quality is improving slightly".

They also commented that "Too many people with a learning disability or autism are in hospital because of a lack of local, intensive community services". It is exactly this gap that the Company is seeking to fill.

Our new properties in Wales have both a dedicated rehabilitation facility and an aquatic centre designed for people with care needs. They are amongst the most advanced facilities of their kind in the region.

Considering the comments from the CQC and the range of research that we have commented on previously, there seems little doubt that there exists long-term structural demand for the properties that the Company provides and that there is today significant shortages that are unlikely to be filled any time soon.

It is also apparent that, in the UK, the government is committed to delivering and paying for these services that are typically developed by the private sector and made available for public use without any form of public subsidy.

At the same time, the RSH has become more vocal in commenting on the need for improvement in the performance of a number of housing associations within the sector and on the lease-based model itself.

As we have noted previously, the Company has used its leading position to bring about a number of enhancements that are now becoming standard features in its new leases, including:

- initiating the use of a *force majeure* clause that offers protection to housing associations should government policy reduce their income on a permanent basis; and
- adopting "caps" and "collars" typically set at "0" and "4" per cent. that mitigate against rapid increases in inflation.

More broadly, we have led initiatives such as establishing The Social Housing Family Community Interest Company that is designed to offer additional support, guidance and management skills to its member housing associations. Whilst there is no compulsion to join, we do expect to see the CIC expand its membership over the next year.

We continue to engage with the RSH and to work with them to explore how we can enhance the standing of the sector and the model. For our part, we seek to promote good and sustainable practice in all the transactions that we undertake with a view to increasing the robustness and reliability of our housing association partners and the sector itself.

Our quarterly seminars for all housing association partners have continued to be well supported throughout the year as they seek to share best practice and tackle issues relevant to the market. Since lockdown, these have been substituted by regular one-to-one contact, including with our leading care provider partners.

COVID-19

Turning to the issue of COVID-19, we have sought to keep closely in touch with the Company's counterparties to ascertain the ongoing level of impact within the sector and the Company's portfolio.

As noted previously, we have not seen any impact from a financial perspective and the sector and the Company's portfolio has only seen very modest levels of coronavirus cases that are much lower than within the elderly care sector. In many of our properties, there have to date been no reported instances of COVID-19 and, where they have occurred, these have been isolated.

Working across our counterparties, we have undertaken detailed engagement and made detailed notes of the responses received. For information, whilst preserving personal data, some of the comments received are set out below:

Care Providers:

- "Care providers are presently reporting very few cases of the virus"
- "Due to the client group we are caring for whose average age is under 30 we are finding very few cases of the virus"
- "Care provider staff are self isolating to ensure as their colleagues come off shift a bank of staff is available to provide much needed care"

Housing Associations:

- "We have many phone calls from Local Authority Commissioners asking if we have more homes available. This has increased since the pandemic"
- "Our staff sickness levels have actually dropped during the pandemic as it is clear that increased recognition for care is benefitting morale"

Irrespective of the positive responses received to date and the sense that the market is fully functioning at present, we remain as vigilant as possible and are offering our assistance to our counterparties where we can be of help.

In this regard, as part of the Company's direct response to COVID-19, we were pleased to be able to assist Islington Council in the provision of 29 self-contained accommodation units to help bring in people off the streets who were homeless.

As part of this effort, we worked closely with the council, with the care provider and the housing association attached to the property to coordinate a response that met the urgent timetable required.

In response to our efforts, the Head of Private Housing Partnerships at Islington Council commented that: "Working together with Civitas Housing, we were able to deliver 29 self-contained units of accommodation for our most entrenched rough sleepers, ensuring that they are no longer on the streets and exposed to the virus. We appreciate the assistance and support provided by Civitas Housing during this period, they have shown that the spirit of community still exists as to actively sort to provide us options to solve our housing needs".

Debt Facilities

The debt facilities available to the Company are set out in the table below together with the relevant covenants and associated ratios.

The weighted average debt to maturity is 3.4 years and this reflects the 12-month extension of the £60 million Lloyds Bank revolving credit facility that has been extended, as at the date of signing, in the normal course to November 2021. It is anticipated that this will be refinanced prior to that time.

	Loan Notes		RCF	
Lender	NatWest	Scottish Widows	Lloyds	HSBC
Security	Assets	Assets	Assets	Assets
Facility Size	£60m	£52.5m	£60m	£100m
Drawn	£60m	£52.5m	£60m	£100m
Term	5 years +1 +1	10 years	3 years +1	3 years +1 +1
Cost	2.60% fixed (2.00% margin, 0.60% swap)	2.99% fixed	1.50% margin	1.70% margin

	31 March 2020	31 December 2019
Average cost of debt (%)	**2.46**	2.57
Loan to value (%)	**26.9**	23.3
Weighted average interest cover (times)[1]	**4.5**	4.6
Weighted average debt to maturity (years)[2]	**3.4**	3.7
Total debt drawn down (£m)	**272.5**	228.4
Unencumbered assets (£m)	**212.0**	193.9

[1] Weighted average interest cover is based on secured assets only.
[2] Weighted average debt to maturity excluding unexercised extensions under respective facility agreements.

In terms of new facilities, the Company, as noted above, has £212 million of assets that are presently unencumbered and are available as security for additional lending.

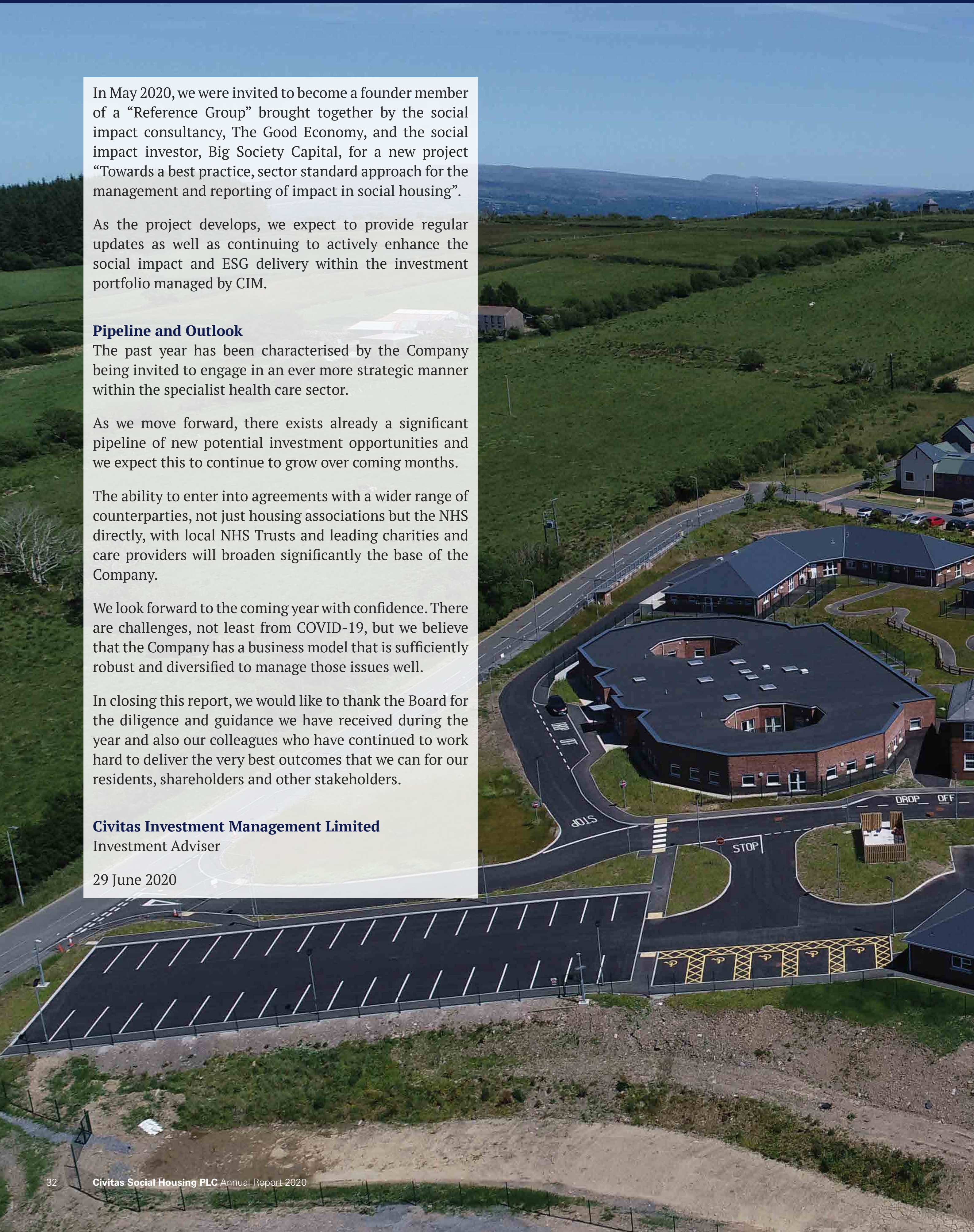
Prior to the lockdown, discussions were commenced with certain existing and new potential lenders in respect of the provision of additional facilities. Whilst these discussions have been held over for a period of time due to the pandemic, these will be picked up and reported on in due course.

Social Impact

We are pleased to note that the latest version of the independent social impact report was published with the Annual Report and Accounts.

This report sets out the performance of the Company in this important area of our work and challenges us against the targets that have been set.

At the same time, we have committed to developing our activities further, particularly with regard to the implementation of ESG policies and activities.



In May 2020, we were invited to become a founder member of a "Reference Group" brought together by the social impact consultancy, The Good Economy, and the social impact investor, Big Society Capital, for a new project "Towards a best practice, sector standard approach for the management and reporting of impact in social housing".

As the project develops, we expect to provide regular updates as well as continuing to actively enhance the social impact and ESG delivery within the investment portfolio managed by CIM.

Pipeline and Outlook

The past year has been characterised by the Company being invited to engage in an ever more strategic manner within the specialist health care sector.

As we move forward, there exists already a significant pipeline of new potential investment opportunities and we expect this to continue to grow over coming months.

The ability to enter into agreements with a wider range of counterparties, not just housing associations but the NHS directly, with local NHS Trusts and leading charities and care providers will broaden significantly the base of the Company.

We look forward to the coming year with confidence. There are challenges, not least from COVID-19, but we believe that the Company has a business model that is sufficiently robust and diversified to manage those issues well.

In closing this report, we would like to thank the Board for the diligence and guidance we have received during the year and also our colleagues who have continued to work hard to deliver the very best outcomes that we can for our residents, shareholders and other stakeholders.

Civitas Investment Management Limited
Investment Adviser

29 June 2020

Extract from The Good Economy Impact Report, 2020

The full Impact Report can be found at www.civitassocialhousing.com

THE
GOOD
ECONOMY

EXECUTIVE SUMMARY

This is the third Annual Impact Report for Civitas Social Housing PLC ("Civitas") which was launched in November 2016 as the first Real Estate Investment Trust (REIT) specialised in investing in social housing, with a focus on specialist supported living. During this 3.5-year period, the Fund has invested £789 million in 613 properties, providing housing for up to 4,216 tenants.

This impact assessment, completed by The Good Economy (TGE), is specifically focused on activity between October 2019 and March 2020. Over this six-month period, Civitas has acquired 14 new properties, of which nine were brought into the social housing sector for the first time, with these properties having the potential to house 102 people.

In our November 2019 report, we stated that "TGE positively views the actions that Civitas has taken to support its partner Registered Providers (RPs)" and this remains the case with the work and support highlighted in this new report.

Since February 2020, the global Covid-19 pandemic has dominated most aspects of society. This has impacted social care in multiple ways and has been widely reported in the media as a particular challenge in elderly care homes. By comparison, Civitas has conducted extensive discussions with the specialist care providers (CPs) who deliver services into Civitas properties, and whilst there have been challenges, these have not been of the same magnitude as for elderly care, reflecting the much younger age profile (c. 32 years) of the tenants.

Civitas has contributed directly to the Covid-19 response though offering 29 of its fully refurbished self-contained units for temporary use by a London Council in responding to the pandemic. The Fund has also encouraged its care provider partners to engage directly with the NHS to ascertain if services can be delivered to assist in combating the pandemic.

Social Impact Assessment

This report provides an assessment of Civitas' performance against its stated impact objectives:

- Increase the supply of specialist housing
- Improve the quality of specialist housing
- Improve tenant wellbeing
- Provide value for money
- Throughout this process, mitigate against negative impact risks

TGE's impact analysis is aligned with the five dimensions of impact as set out by the Impact Management Project.

Increase the supply of specialist housing

Civitas is continuing to grow its portfolio although this has been at a slower pace than in previous years. The Fund has spent much time working with its RPs and care provider partners to continue to add strength to the portfolio and the business operations of its partners.

In the last six months the Fund has acquired 14 more properties (a 2% increase since September 2019). This rate of growth is lower than previous years but TGE are encouraged that most of these new properties (64%) are being brought into the social housing sector for the first time. This compares favourably with the rest of the portfolio where 33% of properties have been brought into the social housing sector for the first time.

Improve the quality of specialist housing

Civitas continues to set aside funding to improve and renovate its homes to ensure they remain fit-for-purpose. In some instances, Civitas has stepped in to repurpose buildings where the layout was not effectively addressing the specific needs of individual tenants and made appropriate changes to remedy any issues that arise. Civitas also undertakes quarterly monitoring visits with its partner RPs and monthly checks of compliance-related issues e.g. Fire Risk Assessment and Gas Certificates. In a portfolio of 613 buildings, there will always be a need to undertake asset management activities above and beyond the lease obligations of the RPs. TGE are pleased to see that Civitas is proactive in this regard and has committed capital to works on its properties.

Improve tenant wellbeing

Survey data suggests that Civitas homes and care provision are having a positive impact on tenant wellbeing. During May to July 2019, a survey was carried out with 205 tenants covering 67% of Civitas' partner RPs and 16% of CPs. 63% of support workers reported that their tenant's mental health had improved since moving into the accommodation and nine out of the ten family members we spoke to stated that the motivation and aspirations of the person cared for had increased. Note that TGE could not carry out a similar survey this year due to Covid-19.

Provide value for money

According to the monetisation calculations completed by the Social Profit Calculator in 2019, the Civitas portfolio is generating £64.7 million of direct fiscal savings to local and national government per year. This is part of the overall £114 million of social value that is generated on an annual basis. This finding is supported by direct evidence from a local authority commissioner at Worcestershire County Council who reported the savings made from a specific Civitas-owned supported housing property. It is also consistent with research on the Specialist Supported Housing sector by the charity Mencap, and with statements that have been made by government ministers on the net benefit to the wider public purse of providing supported housing.

Impact risk mitigation

Civitas is continuing to take action to address the concerns of the Regulator of Social Housing (RSH), working to support its partner RPs whilst at the same time demonstrating the value and positive personal outcomes that are being delivered for up to 4,216 tenants.

Its updated lease agreements (with a force majeure clause and a cap and collar on rent increases) are being used for all new leases. More broadly, Civitas continues to devote considerable time and effort to assisting and working with its RP partners.

The Community Interest Company (CIC), 'The Social Housing Family', sponsored by Civitas Investment Management (CIM), now has one RP as a member. The CIC aims to provide capacity-building support to SSH RPs in the sector and TGE are supportive of Civitas' intent to help strengthen the capacity and financial viability of these small specialist RPs. We have been informed that CIM is in discussions with other RPs about potentially joining the CIC but understand that the decision to become a member rests with individuals RPs and their boards. As progress is made and more members join the CIC, TGE will provide further comment on the impact of the CIC's activities.

Overall, TGE is of the opinion that Civitas has taken active steps in respect of the risks identified by the RSH although it itself is not an RP and much of the response to the RSH rests with the RPs themselves. The Fund has enhanced its newer leases in response to comments made by the RSH and continues to engage with the Regulator and with RPs to seek to further mitigate risk.

THE
GOOD
ECONOMY

Strengths

- **Civitas is investing at large-scale and have established themselves as a leading specialist investment fund in specialised supported housing, an area where there is high demand and social need.**
- **Specialist supported housing has a positive impact on the wellbeing of tenants and contributes to improved mental and physical health.**
- **Civitas has taken a proactive approach to supporting RPs and care providers during the Covid-19 crisis and to exploring how its properties could be used by local authorities and the NHS.**
- **Specialist supported housing is good value for money for the public purse, compared to residential or hospital care.**

Potential Weaknesses and Mitigating Actions

- **The RSH has highlighted what it sees as certain risks to RPs. Civitas needs to remain focused on, where possible, contributing to reducing these risks and ensuring that its funding model works well from the perspective of supporting the long-term sustainability of partner RPs and high-quality supported housing provision.**
  - Consider updating historic leases to incorporate the Force Majeure clause.
  - The CIC currently only has one member. Civitas must continue to work with other RPs and their boards to determine if others feel it is appropriate for them to become members of the CIC, whilst respecting that it is a decision for each respective RP board. TGE will continue to monitor progress in this regard.

- **Civitas is currently at an early stage in working through its portfolio to minimise the environmental impact of its homes.**
  - Environmental performance (as part of ESG) is becoming a key area that asset owners are looking at.
  - TGE welcomes Civitas' development of a strategy to improve the energy efficiency of its homes, and its disclosure of EPC ratings for its portfolio for the first time.

- **The last 12 months has seen a drop in the rate of adding new homes to the portfolio.**
  - There continues to be a large unmet social need for SSH that Civitas is well placed to meet, having developed robust systems and strong partnerships within the sector.
  - Over the last twelve months there have been significantly fewer investments than in previous years.
  - Civitas Investment Management (CIM) have indicated that they have a strong pipeline and would expect to see more investment over the next 12 months.

4 / CASE STUDIES

DEEP DIVE CASE STUDY – BEDWARDINE COURT

Investment date
August 2018

Total potential number of residents
20

About Bedwardine Court

Bedwardine Court is a block of 20 purpose-built supported living flats in Worcester. The building has been designed to promote independence with each tenant having their own self-contained flat consisting of a bedroom, bathroom, hallway, living room and kitchen. Within the building there are also two communal living spaces which are used to host social events and to encourage interaction between tenants, as well as some outdoor amenity space. With 24/7 care on-site, the scheme delivers much needed SSH for tenants with high acuity needs, whilst also providing them with the independence of living in their own flat.

Civitas acquired the scheme upon its completion in 2018. Inclusion Housing are the RP and are responsible for property maintenance and repairs. Lifeways are the CP and are responsible for all care provision. During conversations with Inclusion and Lifeways, TGE heard that the working relationship is well-established and positive with the two organisations having delivered many schemes together.

Inclusion Housing

Inclusion Housing is a Community Interest Company launched in 2007 with the aim of expanding the availability of quality supported housing for individuals with a care need. Today Inclusion provide housing for around 2,500 tenants throughout the country in supported living homes.

Inclusion are one of Civitas' principal partner RPs, providing housing management services to 69 of the Fund's properties, comprising 455 tenancies. Civitas and Inclusion have an established and ongoing delivery partnership, with Inclusion acting as the RP on four of the 14 properties added to the portfolio during the last six months. Inclusion's business model is heavily contingent on the lease-based model provided by funds such as Civitas with an anticipated average growth rate of approximately 350 units per year.

> Civitas are a proactive investor who are committed to ensuring the sustainability and long-term value of what is being delivered.
>
> – Neil Brown, Chief Executive, Inclusion Housing

In February 2019, Inclusion received a Regulatory Judgement from the RSH and was rated as non-compliant with its governance and viability standards, receiving a G3/V3 grading. When TGE discussed the concern of the RSH with the Inclusion team, they made clear that Inclusion are working with the RSH to address its concerns and to improve the long-term financial sustainability of their business model.

THE
GOOD
ECONOMY

Social Need

In Worcestershire, there are more than 2,000 people with a care need. Around 1,500 would be eligible for some form of supported accommodation, and around 800 are currently accommodated in either SSH or residential care. This represents a gap of approximately 700 homes between what the council is currently able to provide and the potential demand.

The last four years in Worcestershire have seen the 'Positive Living Project' rolled out, with a drive to move people out of long-term residential care and into supported living where possible. That period saw approximately 240 moves take place and there are now roughly 450 people in an SSH setting within the local authority. This represents a positive move towards more community-based living options and is symptomatic of the wider policy drive of the Transforming Care Agenda. However, the gap between the supply of and demand for such settings demonstrates the extent of the social need that exists in Worcestershire for more SSH schemes such as Bedwardine Court.

The gap between the supply of and demand for such settings demonstrates the extent of the social need that exists in Worcestershire for more SSH schemes such as Bedwardine Court.

Civitas Social Housing PLC, Annual Impact Report, June 2020

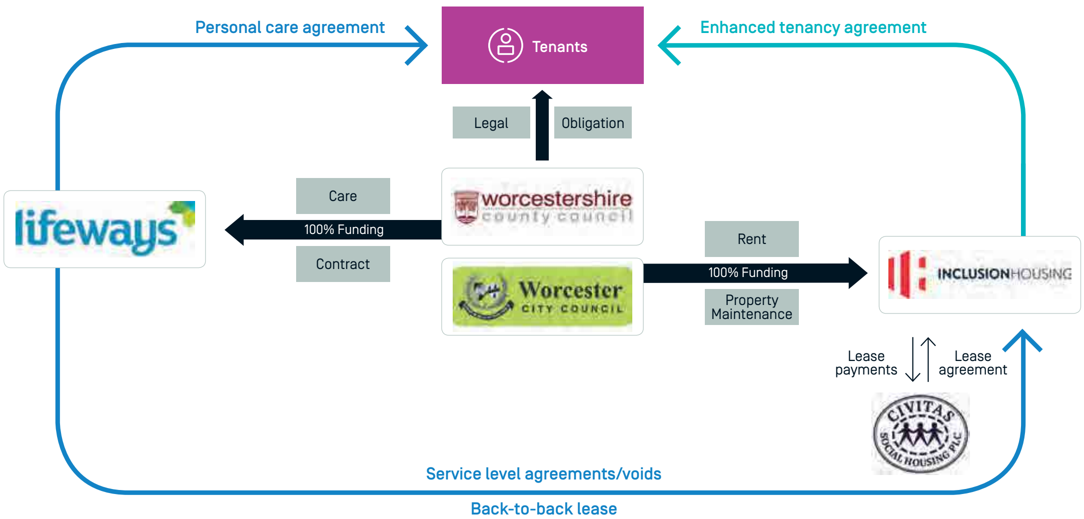
Delivery Process and Partnership

During a conversation with Worcestershire County Council, the local authority for Bedwardine Court, TGE received assurance that the process through which the scheme was delivered was needs-led rather than property-led. In response to a needs analysis, Worcestershire County Council were approached by Lifeways with various sites that they had identified as having the potential for use as an SSH development. The Council turned down some of these sites but approved the Bedwardine Court site because it ticked the relevant boxes for social need, amenities, staff recruitment and proximity to the town centre.

Once the development process began, the Council also then had input on the design of the flats. This was informed by the needs assessment that they had carried out for the Worcester area, with specific design features recommended based on the needs of potential tenants which the Council had already identified. TGE were informed by Lifeways that Worcestershire County Council specifically requested four flats on the ground floor for individuals with a higher level of care need, and this is the reason that this section of the property has its own communal living space specifically for those individuals.

Worcestershire County Council also informed TGE that the delivery process involved them viewing and verifying the proposed rents from Inclusion. Civitas came into the process once this social need had been verified by the local authority, and all parties were on board with delivering the service provision at the agreed rent level. This evidences a needs-led approach which mitigates the impact risk of inappropriate rent-setting, or of delivering a scheme which does not effectively serve an identified social need.

Figure 7 – Stakeholder map for Bedwardine Court



> The kind of partnership working involved in delivering this scheme plays an instrumental role in responding to the need for more supported living.
>
> – Adam Jones, Housing Project Manager, Worcestershire County Council

THE
GOOD
ECONOMY

Tenants

As of March 2020, 12 of the 20 flats are occupied, with tenants coming from a range of backgrounds (see box). It is not unusual in SSH for lettings in a building to take longer due to the needs of the client group although the risk of this to the RP is mitigated by void cover provided by the care provider. The property caters for a range of care needs, with services offered to people with learning or physical disabilities, autism, acquired brain injury (ABI), dual diagnosis and mental health needs. The properties are already specially designed to cater for individuals with care needs, but two of the properties have also had specific adaptations made to meet the tenant's requirements – both have had grab rails fitted in the bathrooms.

All tenants receive core care hours of a minimum of 16 hours per week with a range in terms of the level of additional care required. Bedwardine Court's lowest acuity tenant requires only around 5 hours of additional care while the highest acuity tenant requires 1-to-1 care virtually around the clock. Across the Civitas portfolio, average care hours exceed 40 hours per week, demonstrating the middle- to upper-acuity of the tenants being looked after.

The property can serve a fundamentally different purpose for different tenants. For some with relatively lower care needs, Bedwardine Court can act as a stepping-stone – a transitional property towards more independent community-based living. In such an instance, success would be the property being only a short-term home, with the tenant moving on if progress is made. For others, Bedwardine Court may represent the most independent setting they can reasonably hope to occupy – a move down the care ladder, away from residential or institutional settings. For such a tenant, success would be the property becoming their long-term home, without the requirement to move back towards more restrictive settings.

TGE were informed by Lifeways of one particular tenant of Bedwardine Court who has a mental health diagnosis. Before this individual moved into Bedwardine Court, he was very quiet, would not engage, would not go out and was at risk of being sectioned. However, thanks to the support of the Lifeways team, he now actively engages with people and goes out, has had a reduction in medication and has made positive progress with rebuilding his confidence and mental wellbeing.

Of the 12 residents to have moved in:

WELCOME **5** have come from other supported living services

4 have come from family homes

2 have come from residential care

1 has come from a mental health hospital

> The availability of 24-hour support on-site is a source of mental wellbeing and security for tenants, and the self-contained nature of the flats provides independence with support tailored for each individual's needs.
>
> – Ros Creamer, Community Engagement & Business Development Manager, Lifeways

Value for Money

TGE were informed by the commissioner for Bedwardine Court that the scheme has delivered significant cost-savings to the public care budget. Approximately six individuals now living at Bedwardine Court have moved into the property from more expensive settings, and according to the commissioner, this has delivered a saving to the public budget of approximately £230,000 per year from these tenants alone. The commissioner drew attention to one tenant in particular, who on their own was saving the local authority approximately £2,000 per week.

It must be established that this £230,000 savings figure only factors in the tenants whom TGE were informed were now costing public budgets less compared to their previous setting. Some tenants have come from family homes and other supported living settings and so are likely to be costing similar or maybe even more than previous settings.[9] The net cost-saving for the property as a whole is therefore likely to be less than this, but it still provides a good example of the value for money that SSH can provide for tenants moving away from residential or institutional care.

There are, however, potential impact risks around the fact that only 12 of the 20 units at Bedwardine Court are currently occupied. However, this demonstrates the care that is taken in bringing people into properties and ensuring their suitability to the property. The void costs which are part of the overall on-boarding will be met by the care provider and will be a planned expense, thus mitigating the impact risk to the RP. TGE will look to review the progress made in terms of the level of occupancy at Bedwardine Court for its next Impact Report in November 2020.

9. TGE were only provided by the commissioner with cost-differentials data for those tenants who have moved down the care ladder into Bedwardine Court and so a net cost-saving for the property as a whole could not be estimated.

Corporate Social Responsibility Report

Sustainability
The business model of the Company is to provide long-term suitable homes for individuals with care needs; acting in a sustainable manner is key to achieving this aim. The property of the Company is tailored to meet the future needs of the tenants and, where required, is actively asset managed to provide long-term functionality and value to the wider community.

Environment
During the investment due diligence phase, the Company looks closely at the environmental impact of each potential acquisition, and encourages a sustainable approach for maintenance and upgrading properties. Through partnering with specialist developers and vendors, the high standards the Company expects from each investment in the care-based housing sector is adopted by other companies in the sector.

Once within the portfolio, the properties of the Company are actively asset managed, with opportunities to improve environmental efficiencies factoring heavily in addition to other asset management initiatives.

The Board has considered the requirements to disclose the annual quantity of emissions; further detail on this is included in the Report of the Directors on page 63.

Diversity
The Company does not have any employees or office space and, as such, the Company does not operate a diversity policy with regards to any administrative and management functions.

Whilst recognising the importance of diversity in the boardroom, the Company does not consider it to be in the interest of the Group and its shareholders to set prescriptive diversity criteria or targets. The Board has adopted a diversity policy in respect of appointments to be made to the Board and will continue to monitor diversity, taking such steps as it considers appropriate to maintain its position as a meritocratic and diverse business. The Board's objective is to maintain effective decision-making, including the impact of succession planning. All Board appointments will be made on merit and have regard to diversity regarding factors such as gender, ethnicity, skills, background and experience. See Corporate Governance Statement on page 70.

The Board comprises three male and two female non-executive Directors. During the year, the Board appointed Alison Hadden as a Director. In line with the Company's diversity policy, this appointment was made on the basis of merit as the Board believes that Alison's skills, background and experience will complement those of the other Board members. Alison's appointment also ensured that the Company complied with the Hampton-Alexander Review's target of a minimum 33% representation of women on FTSE 350 boards.

The boards of directors of the Company's subsidiaries, which are non-operational, each comprise up to four male and no female directors.

Human Rights
The Company is not within the scope of the Modern Slavery Act 2015 because it has not exceeded the turnover threshold and is therefore not obliged to make a slavery and human trafficking statement.

The Board is satisfied that, to the best of its knowledge, the Company's principal advisers, which are listed in the Company Information section, comply with the provisions of the UK Modern Slavery Act 2015.

The Company's business is solely in the UK and therefore is considered to be low risk with regards to human rights abuses.

Community and Employees
The Company's properties enable the provision of care to some of the most vulnerable people in the community, ensuring safe and secure accommodation, tailored to meet individual care needs. The Company has increased the provision of care-based housing, bringing new supply to the sector and providing homes to over 4,200 people. All of the Company's properties enable the provision of high levels of care, generating local jobs and helping to support local economies.

The Company has no employees and accordingly no requirement to separately report on this area.

The Investment Adviser is an equal opportunities employer who respects and seeks to empower each individual and the diverse cultures, perspectives, skills and experiences within its workforce.

Strategic Overview

Business Model

1.
An individual with care requirements requires a home.

2.
The Local Authority designs a care package, identifying a care provider and property for the individual.

3a.
The care provider is paid the full amount for the care package and pays rent to the Housing Association.

3b.
The Housing Association is paid the rent directly.

4.
The Housing Association pays Civitas the rent.

Purpose of the Company

The Company was established in 2016 with the purpose of delivering long-term responsible, stable returns to investors and achieving positive measurable social impact and ESG benefits on a large scale. It should achieve this as a result of introducing long-term equity capital into the social housing sector with a particular focus on care-based community housing. By doing so, this would form a bridge between equity investors and the social housing sector and bring together aspects of healthcare with social housing.

The Company has since developed the largest portfolio of care-based community housing in the UK that provides long-term homes for more than 4,200 individuals across half the local authorities in England and Wales.

As a result of this success, the Company has recently extended its mandate to be able to enter into transactions directly with the NHS and with leading charities with an interest in the provision of specialist housing that has a strong care or support element, is consistent with public policy and whose costs are met by the public purse for which it offers value for money.

Investment Objective

The Company's investment objective is to provide shareholders with an attractive level of income, together with the potential for capital growth from investing in a portfolio of Social Homes, which benefits from inflation adjusted long-term leases or occupancy agreements with Approved Providers and to deliver, on a fully invested and geared basis, a targeted dividend yield of 5% per annum[1], which the Company expects to increase broadly in line with inflation.

Investment Policy

The Company's investment policy is to invest in a diversified portfolio of Social Homes throughout the United Kingdom. The Company intends to meet the Company's investment objective by acquiring, typically indirectly via Special Purpose Vehicles, portfolios of Social Homes and entering into long-term inflation adjusted leases or occupancy agreements for terms primarily ranging from 10 years to 40 years with Approved Providers, where all management and maintenance obligations will be serviced by the Approved Providers. The Company will not undertake any development activity or assume any development or construction risk. However, the Company may engage in renovating or customising existing homes, as necessary.

The Company may make prudent use of leverage to finance the acquisition of Social Homes and to preserve capital on a real basis.

The Company is focused on delivering capital growth and expects to hold its Portfolio over the long term and therefore it is unlikely that the Company will dispose of any part of the Portfolio. In the unlikely event that a part of the Portfolio is disposed of, the Directors intend to reinvest proceeds from such disposals in assets in accordance with the Company's investment policy.

[1] The dividend yield is based on the original IPO price of 100 pence per Ordinary share. The target dividends are targets only and do not represent a profit forecast. There can be no assurance that the targets can or will be met and should not be taken as an indication of the Company's expected or actual future results. Accordingly, potential investors should not place any reliance on these targets in deciding whether or not to invest in the Company or assume that the Company will make any distributions at all, and should decide for themselves whether or not the target dividend yields are reasonable or achievable.

Investment Restrictions

The Company invests and manages the Portfolio with the objective of delivering a high quality, diversified Portfolio through the following investment restrictions:

- the Company only invests in Social Homes located in the United Kingdom;
- the Company only invests in Social Homes where the counterparty to the lease or occupancy agreement is an Approved Provider;
- no lease or occupancy agreement shall be for an unexpired period of less than 10 years, unless the shorter leases or occupancy agreements represent part of an acquisition of a portfolio which the Investment Adviser intends to reorganise such that the average term of lease or occupancy agreement is increased to 15 years or above;
- the aggregate maximum exposure to any single Approved Provider is 25% of the Gross Asset Value, once the capital of the Company is fully invested;
- no investment by the Company in any single geographical area, in relation to which the houses and/or apartment blocks owned by the Company are located on a contiguous or largely contiguous basis, exceeds 20% of the Gross Asset Value of the Company on a Portfolio NAV basis;
- the Company only acquires completed Social Homes and will not forward finance any development of new Social Homes;
- the Company does not invest in other alternative investment funds or closed-end investment companies; and
- the Company is not engaged in short selling.

The investment limits detailed above apply at the time of the acquisition of the relevant investment in the Portfolio once fully invested. The Company would not be required to dispose of any investment or to rebalance the Portfolio as a result of a change in the respective valuations of its assets.

Gearing Limit

The Directors seek to use gearing to enhance equity returns. The level of borrowing is set on a prudent basis for the asset class and seeks to achieve a low cost of funds, whilst maintaining the flexibility in the underlying security requirements and the structure of both the Portfolio and the Company.

The Company may, following a decision of the Board, raise debt from banks and/or the capital markets and the aggregate borrowings of the Company is always subject to an absolute maximum, calculated at the time of drawdown, of 40% of the Gross Asset Value.

Debt is secured at asset level, whether over a particular property or a holding entity for a particular series of properties, without recourse to the Company and also potentially at Company level with or without a charge over the Portfolio (but not against particular assets), depending on the optimal structure for the Company and having consideration to key metrics including lender diversity, cost of debt, debt type and maturity profiles. Otherwise there will be no cross-financing between investments in the Portfolio and the Company will not operate as a common treasury function between the Company and its investments.

Use of Derivatives

The Company may choose to utilise derivatives for efficient portfolio management. In particular, the Directors may engage in full or partial interest rate hedging or otherwise seek to mitigate the risk of interest rate increases on borrowings incurred in accordance with the gearing limits as part of the management of the Portfolio.

Cash Management

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

REIT Status

The Directors conduct the affairs of the Company so as to enable it to remain qualified as a REIT for the purposes of Part 12 of the Corporation Tax Act 2010 (and the regulations made thereunder).

Section 172 Statement and Stakeholder Engagement

Overview

The Directors' overarching duty is to act in good faith and in a way that is most likely to promote the success of the Company as set out in section 172 of the Companies Act 2006. In doing so, Directors must take into consideration the interests of the various stakeholders of the Company, the impact the Company has on the community and the environment, take a long-term view on consequences of the decisions they make, as well as aim to maintain a reputation for high standards of business conduct and fair treatment between the members of the Company.

Fulfilling this duty naturally supports the Company in achieving its investment objective and helps to ensure that all decisions are made in a responsible and sustainable way. In accordance with the requirements of the Companies (Miscellaneous Reporting) Regulations 2018, the Company explains how the Directors have discharged their duties under Section 172 below.

To ensure that the Directors are aware of, and understand, their duties, they are provided with the pertinent information when they first join the Board as well as receiving regular and ongoing updates and training on the relevant matters. Induction and access to training is provided for new Directors. They also have continued access to the advice and services of the Company Secretary, and when deemed necessary, the Directors can seek independent professional advice. The Schedule of Matters Reserved for the Board, as well as the Terms of Reference of its committees, are reviewed regularly and further describe Directors' responsibilities and obligations and include any statutory and regulatory duties. The Audit and Management Engagement Committee has the responsibility for the ongoing review of the Company's risk management systems and internal controls and, to the extent that they are applicable, risks related to the matters set out in Section 172 are included in the Company's risk register and are subject to periodic and regular reviews and monitoring.

Stakeholders

A company's stakeholders are normally considered to comprise its shareholders, its employees, its customers, its suppliers as well as the wider community in which the company operates and impacts. The Company is different in that as an investment trust it has no employees and, in terms of suppliers, the Company receives professional services from a number of different providers, principal among them being the Investment Adviser.

During the period under review, the Board discussed which parties should be considered as stakeholders of the Company. Following a comprehensive review, it was concluded that, as the Company is an externally managed investment company with no employees, its key stakeholders comprise those set out in the table on pages 46 to 50. The importance of stakeholders is taken into account at every Board meeting, with discussions involving careful consideration of the longer-term consequences of any decisions and their implications for stakeholders. The following section explains why these stakeholders are considered of importance to the Company and the actions taken to ensure that their interests are taken into account by the Board as part of their decision making.

Our stakeholders	Key areas of interest	How we engage
Shareholders Continued shareholder support and engagement are critical to the existence of the business and the delivery of the long-term strategy of the business.	• Current and future financial performance • Strategy and business model • Corporate governance • ESG performance and sustainability • Dividend	The Board welcomes shareholders' views and places great importance on communication with the shareholders of the Company. The Board is responsible for the content of communication regarding corporate issues and for communicating its views to shareholders. The Board aims to ensure that shareholders are provided with sufficient information to understand the risk/reward balance to which they are exposed by the holding of shares in the Company. Active engagement with shareholders is carried out throughout the year and regular communication is undertaken to ensure that they understand the performance of the business. The Board is committed to maintaining open channels of communication and to engaging with shareholders in a manner which they find most meaningful, in order to gain an understanding of the views of shareholders. These include: **Annual General Meeting** – The Company welcomes and encourages attendance, voting and participation from shareholders at the AGM, at which shareholders have the opportunity to meet the Directors and Investment Adviser and to address questions to them directly. The Investment Adviser attends the AGM and provides a presentation on the Group's performance and its future outlook. The Company values any feedback and questions it may receive from shareholders ahead of and during the AGM and takes action, as appropriate. **Publications** – The Annual Report and Half-Year Results are made available on the Company's website and the Annual Report is circulated to shareholders. These reports provide shareholders with a clear understanding of the Group's portfolio and financial position. In addition to the Annual and Half-Year Reports, regularly updated information is available on the Company website, including quarterly factsheets, key policies, the investor relations policy and details of the investment property portfolio. Feedback and/or questions the Company receives from the shareholders help the Company evolve its reporting aiming to render the reports and updates transparent and understandable. **Shareholder meetings** – Shareholders are able to meet with the Investment Adviser and the Company's Joint Brokers throughout the year and the Investment Adviser provides information on the Company on the Company's website. Feedback from all shareholder meetings with the Investment Adviser and/or the Joint Brokers, and shareholders' views, are shared with the Board on a regular basis. The Chairman and other members of the Board are available to meet with shareholders to understand their views on governance and the Company's performance where they wish to do so. **Shareholder concerns** – The Board gives due consideration to any corporate governance matters raised by shareholders. In the event shareholders wish to raise issues or concerns with the Board or the Investment Adviser, they are welcome to write to the Company at the registered office address set out on page 140. Other members of the Board are also available to shareholders if they have concerns that have not been addressed through the normal channels. **Investor relations updates** – The Board regularly monitors the shareholder profile of the Company. With the majority of shareholders being a combination of institutional investors and private client brokers, the Board receives regular updates on investors' views and attitudes from the Company's Brokers and the Investment Adviser. During the year, several investor update meetings were held between the shareholders and one or more of the Chairman, the Investment Adviser and the Brokers. The results of these meetings were reported to the Board as part of the formal reporting undertaken by both the Investment Adviser and the Brokers. Included in the Report of the Directors on page 62 are details of substantial shareholdings in the Company. On a regular basis (sometimes weekly) and at Board meetings, the Directors receive updates from the Company's Brokers on the share trading activity, share price performance and any shareholders' feedback, as well as an update from the Company's Investor Relations adviser, Buchanan, and the Investment Adviser on any publications or comments by the press. To gain a deeper understanding of the views of its shareholders and potential investors, the Investment Adviser maintains regular contact with them and also undertakes investor roadshows. Any relevant feedback is taken into account when Directors discuss any possible fundraising or the future dividend policy.

Our stakeholders	Key areas of interest	How we engage
Investment Adviser Holding the Company's shares offers investors an investment vehicle through which they can obtain exposure to the Company's portfolio of properties. The Investment Adviser's performance is critical for the Company to successfully deliver its investment strategy and meet its objective to provide shareholders with an attractive level of income, together with the potential for capital growth.	• Current and future financial performance • Shared commercial objectives with the Company • Operational excellence • Long-term development of its business and resources • ESG performance and sustainability	The management of the Company's portfolio is delegated to the Investment Adviser, which manages the assets in accordance with the Company's objectives and policies. At each Board meeting, representatives from the Investment Adviser are in attendance to present reports to the Directors covering the Company's current and future activities, portfolio of assets and its investment performance over the preceding period. Maintaining a close and constructive working relationship with the Investment Adviser is crucial as the Board and the Investment Adviser both aim to continue to achieve consistent long-term returns in line with the Company's investment objective. Important components in the collaboration with the Investment Adviser, representative of the Company's culture are: • operating in a fully supportive, co-operative and open environment and maintaining ongoing communication with the Board between formal meetings; • encouraging open discussion with the Investment Adviser, allowing time and space for original and innovative thinking; • recognising that the interests of the shareholders and the Investment Adviser are for the most part well aligned, adopting a tone of constructive challenge, balanced with robust negotiation of the Investment Adviser's terms of engagement if those interests should not be fully congruent; • drawing on Board members' individual experience and knowledge to support the Investment Adviser in its monitoring of and engagement with other stakeholders; and • willingness to make the Board members' experience available to support the Investment Adviser in the sound long-term development of its business and resources, recognising that the long-term health of the Investment Adviser is in the interests of shareholders in the Company.
Other service providers In order to function as an investment trust with a premium listing on the London Stock Exchange, the Company relies on a diverse range of reputable advisers for support in meeting all relevant obligations.	• Current and future financial performance • Shared commercial objectives with the Company • Operational excellence • Long-term development of the service providers' businesses • Sustainability	The Company's main functions are delegated to a number of service providers, including the Administrator, the Company Secretary, the AIFM, the Registrar, the Corporate Brokers and the Depositary, each engaged under separate contracts. The Board maintains regular contact with its key external providers and receives regular reporting from them, both through the Board and Committee meetings, as well as outside of the regular meeting cycle. Their advice, as well as their needs and views, are routinely taken into account. Through its Audit and Management Engagement Committee, the Board formally assesses their performance, fees and continuing appointment at least annually to ensure that the key service providers continue to function at an acceptable level and are appropriately remunerated to deliver the expected level of service. The Audit and Management Engagement Committee also reviews and evaluates the control environment in place at each service provider.
Housing Associations/ Registered Providers	• Current and future performance • Sustainability • Compliance and property management • Welfare of tenants • Lease obligations	The Company's Housing Association partners are an important part of the investment model as the responsibility for collection of housing benefit and subsequent payment of rent, the maintenance of the properties under the full repairing and insuring leases and, most importantly, the safeguarding of the underlying tenants through the above means, lies with the Housing Associations. The Investment Adviser works closely with the Company's Housing Association partners to improve standards and governance and to introduce practices and procedures that make the Company's investment processes ever more robust. The Investment Adviser has a constant open dialogue with the Housing Association partners, liaising monthly on compliance, health and safety, maintenance and future-proofing schemes, as well as hosting quarterly seminars to discuss current themes/trends affecting the sector, to troubleshoot and it serves as an opportunity to build relationships and share best practice.

Our stakeholders	Key areas of interest	How we engage
Care providers	• Current and future performance • Welfare of tenants • Lease obligations • Void management	At the outset, it is important to note that the Company does not have any legal or operational responsibility for the delivery of care in the properties within the portfolio. However, the Board and the Investment Adviser have taken the view that they wish to have a detailed understanding of the delivery of care and the interaction with the major care providers who deliver this care. Accordingly, the Investment Adviser maintains an active dialogue with many of the care providers to build constructive and informed relationships. At the same time, as part of transaction due diligence at the time of acquisition of properties, the Investment Adviser undertakes due diligence with respect to the operational and financial performance of all care providers who are proposed to deliver care into the particular properties. This includes the financial standing of the care provider, its CQC ratings and the nature of the SLA agreement covering voids between the care provider and the Housing Association. The Investment Adviser is noted as having demonstrated considerable expertise and understanding of the care taking place within its properties.
Tenants	• Greater independence • Maintaining high level of care • Improved personal outcomes	The Company's properties are adapted for the use of individuals with long-term care needs within a community setting with the specific aim of achieving better personal outcomes and independence for the individuals. The sector in which the Company operates is regarded as having achieved significant success in delivering these positive outcomes compared to long-term older style remote institutional care. On a regular basis, members of the Investment Adviser visit properties accompanied by Housing Association and care provider partners to see first hand the nature of the housing and care provision that is being delivered. This is supported by the regular Housing Association seminars at which the wellbeing of tenants is discussed in detail. In addition, the Company undertakes resident case studies through careful and considered interaction via the care provider to assess the positive impact our properties and associated specialised care have had on the individual and their wellbeing.
Regulator of Social Housing	• Financial and operational viability • Governance • Compliance with health and safety, and regulatory standards • Safety and wellbeing of underlying tenants	The Company is not itself regulated by the RSH, but it is important to maintain open and regular dialogue to ensure that the Company and the RSH are working together to improve the sector. The deputy CEO of the RSH was recently invited to attend the Company's Board meeting to share thoughts on the sector and the ways in which the Company could further evolve in order to assist the work of the RSH. This meeting was regarded by both parties as being very useful and constructive. Over the past 18 months, the Investment Adviser has arranged and hosted a number of one-on-one meetings between the Company's shareholders and the RSH. This has enabled shareholders to gain a better understanding of the approach to regulation taken by the RSH. In addition, the Investment Adviser has a regular and ongoing dialogue with the RSH and with the Housing Association partners regulated by the RSH.

Our stakeholders	Key areas of interest	How we engage
Other regulatory authorities The Company can only operate with the approval of its regulators who have a legitimate interest in how the Company operates in the market and treats its shareholders.	• Compliance with statutory and regulatory requirements • Governance based on best practice guidance • Better reporting to shareholders and other stakeholders	The Company regularly considers how it meets various regulatory and statutory obligations and follows voluntary and best practice guidance, and how any governance decisions it makes can have an impact on its shareholders and wider stakeholders, both in the shorter and in the longer term. This year, the Company welcomed the results of the review of the Company's Annual Report and Accounts for the year ended 31 March 2019, undertaken by the Conduct Committee of the Financial Reporting Council ("FRC")*. The FRC had not raised any questions or queries but did make a number of recommendations for improvements to the existing disclosures where they believed this would benefit the users of the financial statements. The Directors welcomed the feedback, and wherever appropriate, the disclosures in this report have been enhanced, incorporating the FRC's suggestions. Specifically, the Company has taken on board the comments related to Alternative Performance Measures and expanded the definitions where relevant, and removed reference to EPRA Net Initial Yield. Note 14 "Dividends" has been updated to include the amount of proposed dividend in addition to the amount per share to comply with the requirements of IAS 1 para 137. ** The FRC's review was based solely on the Company's 2019 Annual Report and Accounts and did not benefit from detailed knowledge of the Company's business or an understanding of the underlying transactions entered into. The FRC provides no assurance that the Company's 2019 Annual Report and Accounts were correct in all material respects as the FRC's role is not to verify information provided but to consider compliance with reporting requirements.*
Local authorities	• Provision of safe and secure quality properties • Sustainability for long-term placements	It is important for the Company to build and maintain relationships with local authorities as they have an important role in identifying areas of high demand, agreeing rents and referrals to the Company's schemes. The Company will engage with the local authority commissioner either directly, or through specialist consultants, Housing Association and care provider partners as part of the Company's due diligence to ensure that each property being acquired has been commissioned by the relevant local authority and that rent levels have been discussed and agreed.
Lenders Availability of funding and liquidity are crucial to the Company's ability to take advantage of investment opportunities as they arise.	• Current and future financial performance of the business • Openness and Transparency • Proactive approach to communication • Operational excellence	The Company has arranged debt facilities from a wide range of lenders and engages with these on a regular basis through regular meetings and presentations to ensure they are informed on all relevant areas of the business. The continual dialogue helps to support the credit relationships.
Communities The Company's assets rely on a strong, positive connection with the local communities in which its business operates.	• Acceptance of care in the community • Availability of local facilities for tenants	A key component of the Company's portfolio is that the properties within it are set within community environments so that individuals are able as part of their care plan to interact with the local community rather than being isolated. This is achieved in consultation with local authorities in determining that the initial settings are appropriately diversified within the respective community and are not clustered in a way that would lead to isolation. This assists the individuals and also ensures appropriate integration within the community. On a day-to-day basis, care providers and Housing Associations operate policies to ensure positive relationships with neighbours and surrounding dwellings. The activities within the Company's properties create employment within the local community for both housing and care workers.

Our stakeholders	Key areas of interest	How we engage
Charity partners	• Delivering needed support to vulnerable adults	The Company supports a number of organisations whose objectives are to provide improved outcomes for vulnerable adults affected by homelessness and other care needs.
	• Improved well-being of vulnerable adults	The Company commits targeted financial support to fund specific programmes which help those affected by homelessness by teaching them skills and offering support to prevent them from being in that position again.
	• ESG performance and sustainability	The Company ensures regular calls and meetings with our charity partners to update on progress and projects being undertaken, as well as attending any event in support of their work.

The above mechanisms for engaging with stakeholders are kept under review by the Directors and will be discussed on a regular basis at Board meetings to ensure that they remain effective.

Culture

The Directors agree that establishing and maintaining a healthy corporate culture among the Board and in its interaction with the Investment Adviser, shareholders and other stakeholders will support the delivery of its purpose, values and strategy. The Board seeks to promote a culture of openness, debate and integrity through ongoing dialogue and engagement with its service providers, principally the Investment Adviser.

The Board strives to ensure that its culture is in line with the Company's purpose, values and strategy. As detailed in the Corporate Governance Statement, the Company has a number of policies and procedures in place to assist with maintaining a culture of good governance, including those relating to diversity and Directors' conflicts of interest. The Board assesses and monitors compliance with these policies as well as the general culture of the Board through Board meetings and, in particular, during the annual evaluation process which is undertaken by each Director (for more information, see the performance evaluation section on page 71).

Key Performance Indicators ("KPIs")

Measure	Explanation	Result
Increase in IFRS NAV per share	Target to achieve capital appreciation whilst maintaining a low risk strategy from enhancing the quality of cash flows from investments, by physical improvement of properties and by creating a significantly diversified, high-quality portfolio.	IFRS NAV increase of 9.9p per share or 10.1% from IPO.
Dividends per share	Targeting 5.4p per share per annum for the coming year growing broadly in line with inflation.	Dividends of 5.3p per share declared for the year to 31 March 2020.
Number of Local Authorities, Housing Associations and care providers	Target risk mitigation through a diversified portfolio (once fully invested) with no more than 25% exposure to any one Local Authority or single Housing Association and no more than 20% exposure to any single geographical area, once the capital of the Company is fully invested.	As at 31 March 2020: • 164 Local Authorities • 15 Housing Associations • 117 Care Providers The Company's largest single exposure is to Auckland Housing Association and currently stands at 24%. The largest geographical concentration is in the South West, being 14.1%.
Loan to Gross Assets	Assets Target debt drawn of 35% of gross assets.	Leverage as at 31 March 2020 of 26.9% of gross assets.

Alternative Performance Measures

Adjusted Performance Measure	Definition	Performance Measure	31 March 2020	31 March 2019
Portfolio NAV	IFRS NAV adjusted to reflect investment property valued on a portfolio basis rather than on an individual asset basis.	Portfolio NAV Portfolio NAV per share	£735,704,000 118.35p	£741,170,000 119.07p
Company Adjusted Earnings	Company Specific Earnings Measure which adds back the finance costs associated with the C share financial liability.	Adjusted Earnings Adjusted Earnings per share	£28,814,000 4.63p	£22,612,000 3.63p

For a reconciliation of the Portfolio NAV to the IFRS results please see note 6 to Appendix 1 on page 142. For detailed workings reconciling the Company Adjusted Earnings to the IFRS results, please see Appendix 1 to these financial statements on pages 141 to 143.

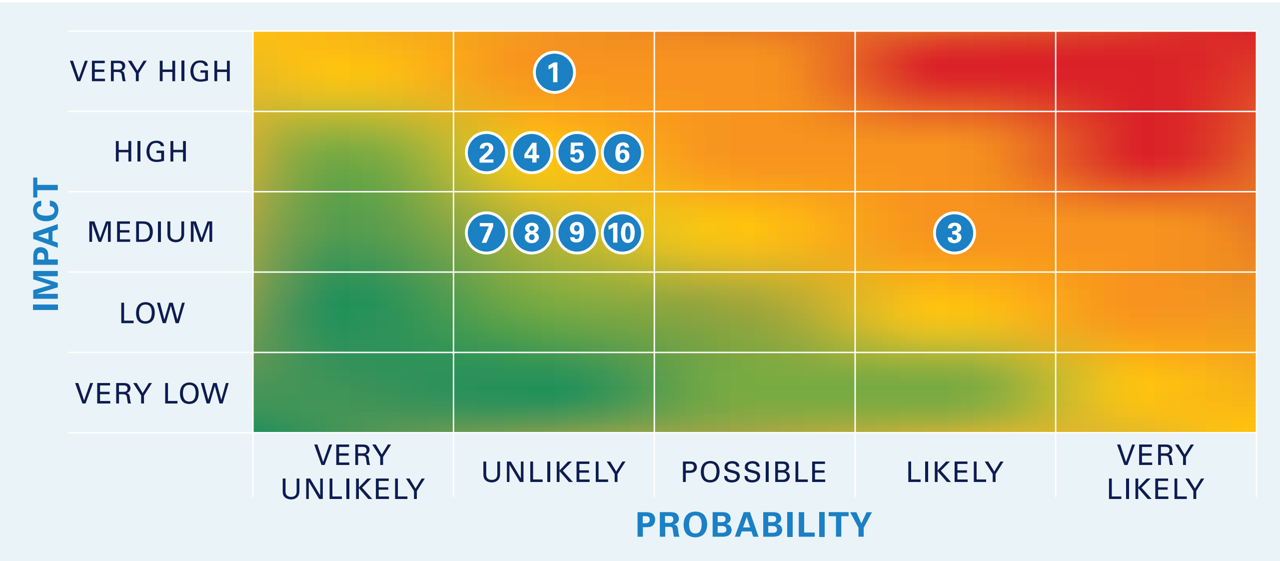
EPRA

The Company is a member of the European Public Real Estate Association ("EPRA"). EPRA has developed and defined the following performance measures to give transparency, comparability and relevance of financial reporting across entities which may use different accounting standards. The Company is pleased to disclose the following measures which are calculated in accordance with EPRA guidance:

EPRA Performance Measure	Definition	EPRA Performance Measure	31 March 2020	31 March 2019
Earnings	Earnings from operational activities.	EPRA Earnings EPRA Earnings per share (basic) EPRA Earnings per share (diluted)	£28,814,000 4.63p 4.63p	£16,212,000 3.81p 3.63p
EPRA NAV	Net Asset Value adjusted to include properties and other investment interest at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.	EPRA Net Asset Value EPRA NAV per share (diluted)	£671,042,000 107.95p	£666,508,000 107.08p
EPRA NNNAV	EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.	EPRA NNNAV EPRA NNNAV per share (diluted)	£667,560,000 107.39p	£665,858,000 106.97p
EPRA Vacancy Rate	Estimated Market Rental Value ("ERV") of vacancy space divided by ERV of the whole portfolio.	EPRA Vacancy Rate	0%	0%
EPRA Costs Ratio	Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	EPRA Costs Ratio EPRA Costs Ratio (excluding direct vacancy costs)	21.48% 21.48%	26.95% 26.98%

For detailed workings reconciling the above measures to the IFRS results, please see Appendix 1 to these financial statements on pages 141 to 143.

The Board considers that the risks detailed below are the principal risks facing the Group currently, along with the risks detailed in note 34 to the financial statements. These are the risks that could affect the ability of the Company to deliver its strategy. The Board confirms that the principal risks of the Company, including those which would threaten its future performance, solvency or liquidity, have been robustly assessed throughout the year ended 31 March 2020, and that processes are in place to continue this assessment. Further details of risk management processes that are in place can be found in the Corporate Governance Statement on pages 71 and 72. The principal and emerging risks and uncertainties relating to the Group are regularly reviewed by the Board along with the internal controls and risk management processes that are used to mitigate these risks. The principal risks and management of those risks are described below:



Principal risks and uncertainties

1. Strategy and competitiveness risks	Impact	How managed/mitigated	
The Company and its operations are subject to laws and regulations enacted by national and local governments and government policy.	Any change in the laws, regulations and/or government policy affecting the Company and its operations may have a material adverse effect on the ability of the Company to successfully pursue its investment policy and meet its investment objective and on the value of the Company and the shares.	The Company focuses on niche real estate sectors where it believes the regulatory framework to be robust. The Board obtains regular updates from professional advisers to monitor developments in regulation and legislation.	**Impact:** **Very high** **Probability:** **Unlikely**

2. Strategy and competitiveness risks	Impact	How managed/mitigated	
As a result of competition from other purchasers of social housing properties, the Company's ability to deploy capital effectively within a reasonable timeframe may be restricted or the net initial yields at which the Company can acquire properties may decline such that target returns cannot be met.	The rate of capital deployment would drop, decreasing returns to shareholders.	The Company has strong links with vendors and a robust pipeline of future acquisitions. The Board regularly reviews the pipeline of potential acquisitions.	**Impact:** **High** **Probability:** **Unlikely**

3. Investment management risk	Impact	How managed/mitigated	
Tenant defaulting under the terms of a lease.	Loss of rental income in the short term.	The portfolio is diversified to reduce the impact of default. Extensive diligence is undertaken on all assets, which is reviewed and challenged by the Board. The Board is provided with regular updates on the tenants with any concerns raised for discussion.	**Impact: Medium** **Probability: Likely**

4. Investment management risk	Impact	How managed/mitigated	
The value of the investments made by the Company may change from time to time according to a variety of factors, including movements in interest rates, inflation, general market pricing of similar investments, share prices and discount.	The valuation of the Company's assets would fall, decreasing the Net Asset Value of the Company.	The Company invests in projects with stable, predetermined, long-term leases in place with CPI or CPI plus 1% indexation and its strategy is not focused on sale of properties. The Board receives regular updates on factors that might impact investment valuations, such as the current COVID-19 pandemic.	**Impact: High** **Probability: Unlikely**

5. Investment management risk	Impact	How managed/mitigated	
Due diligence may not reveal all facts and circumstances that may be relevant in connection with an investment and may not prevent an acquisition being materially overvalued or rental streams being at risk.	The Company would overpay for assets impairing shareholder value, reducing rental income and therefore returns.	The Company undertakes detailed due diligence on the properties, their condition, the proposed rental levels – benchmarking against comparable schemes using both external consultants where required and its own proprietary database – and on the Registered Providers and care providers involved in each property to ensure that the purchase price is robust. The Board considers the due diligence undertaken when approving acquisitions.	**Impact: High** **Probability: Unlikely**

6. Investment management risk	Impact	How managed/mitigated	
Loss of key staff at the Investment Adviser.	Negative investor sentiment leading to a reduction in share price. Reduction in ability to source off market and favourable deals.	The Board considers the risk of the Investment Adviser losing key staff and the succession plans the Investment Adviser has in place.	**Impact: High** **Probability: Unlikely**

7. Investment management risks	Impact	How managed/mitigated	
Failure to monitor that contingent activities are completed by the Registered Providers or other parties.	Deterioration in the underlying quality, and therefore value, of the Company's property.	Contingent actions are regularly monitored and followed up. The Board is kept apprised of any breach of lease obligations.	**Impact: Medium** **Probability: Unlikely**

8. Investment management risks	Impact	How managed/mitigated	
Lack of availability of debt financing or other capital.	The rate of capital deployment would drop, decreasing returns to shareholders.	The Company has strong links with a number of banks and other capital sources. The Board closely considers any new loan facility proposed and receives regular updates on debt and capital markets for consideration.	**Impact: Medium** **Probability: Unlikely**

9. Operational risks, including cyber crime	Impact	How managed/mitigated	
Counterparty failure (custodian, Registered Providers, lenders)	Loss of operational capabilities, potential loss of rental income.	Registered Providers are themselves regulated by the RSH and are required to meet those and other regulatory and legal requirements. In addition, the Company's leases include the obligation to report levels of compliance with regard to health and safety. The Company operates policies that ensure the portfolio is diversified in terms of counterparty risk. Other service providers operate procedures that seek to mitigate risk and the Company seeks to work with parties that have a positive reputation and can demonstrate that they have implemented appropriate risk control over their activities. Details regarding the extent of impact of COVID-19 on the Company's counterparties are set out on pages 30 and 31.	**Impact: Medium** **Probability: Unlikely**

10. Operational risks, including cyber crime	Impact	How managed/mitigated	
Disruption to, or failure, of the systems or general operations of third party providers could prevent accurate reporting and monitoring of the Company's financial position. This includes the risk of cyber crime and potential threat to security, business continuity and reputation.	Loss of operational capabilities, potential regulator actions. Alternative service providers would need to be identified and activities transferred.	The Board monitors the services provided by the Investment Adviser and other service providers and the key elements which are designed to provide effective internal control. All service providers are required to have robust IT security and disaster recovery contingency plans in place.	**Impact: Medium** **Probability: Unlikely**

Going Concern and Viability Statement

Going Concern

The Board regularly reviews the position of the Company and its ability to continue as a going concern at its meetings. The financial statements set out the current financial position of the Company.

The Company acquires high-quality property with a particular focus on property providing care for the long term. The properties acquired are on long-term full repairing and insuring leases in a sector of the market with very high levels of need. The cost base of the Company is proportionately low compared to revenue and there is a high level of certainty over cost to be incurred. On this basis, the Company is expected to be viable well beyond the five-year term considered in the Company's testing below.

As at 31 March 2020, the Company held cash balances of £49.3 million (net of operating and financing amounts due) of which approximately £14 million was allocated in respect of transactions completing in 2020 – £1.8 million in respect of two properties in Telford and one in Sunderland which the Company has conditionally exchanged on, and £12.1 million in relation to two properties in Wales for which the Company has entered into a conditional sale and purchase agreement. We have allocated £10 million (estimated) relating to a capital payment contingent on certain financial obligations being met at the properties in Wales. The remaining cash balances are being held as a cash contingency that the Company retains as a matter of financial prudence. The Board has evaluated the financial position of the Company and is confident in the ability to raise debt and/or equity capital in order to fund the Company's investments for the next 12 months and to facilitate the payment of dividends to shareholders at the targeted rate. Based on this, the Board believes that the Company is in a position to manage its financial risks.

The Directors believe that there are currently no material uncertainties in relation to the Company's ability to continue in operation for a period of at least 12 months from the date of approval of the Company's financial statements and therefore have adopted the going concern basis in the preparation of the financial statements.

Viability Statement

The Directors present the Company's viability statement which summarises the results of their assessment of the Company's current position, its principal risks and prospects over a period to 31 March 2025. The prospects were assessed over a five-year period, acknowledging that the Company will have its first continuation vote in 2022, for the following reasons:

i) the Company's long-term forecast covers a five-year period;

ii) the length of service level agreements between Housing Associations and care providers is typically five years; and

iii) the Company's leases are typically 25 years on fully repairing and insuring leases, enabling reasonable certainty of income over the next five years.

The Company's five-year forecast incorporates assumptions related to the Company's investment strategy and principal risks from which performance results, cash flows and key performance indicators are forecast. The principal risks are set out on pages 52 to 54. Of these risks, those which are expected to have a higher impact on the Company's longer-term prospects are those related to future government housing policies. The Company has considered its strategy over a longer term and, in light of the inherent demand for the Company's

properties and the vulnerable nature of the ultimate tenant, the risk of change in future housing policy is considered to be limited. The principal risks are mitigated by the Company's risk management and internal control processes, which function on an ongoing basis. The Board, via delegation to the Audit and Management Engagement Committee, monitors the effectiveness of the Company's risk management and internal control processes on an ongoing basis. The monitoring activities are described in the Report of the Audit and Management Engagement Committee on pages 65 to 67 and include direct review and challenge of the Company's documented risks, risk ratings and controls, and review of performance and compliance reports prepared by the Company's advisers and the independent external auditors.

The Board of Directors has carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity. Where appropriate, the Company's forecasts are subject to sensitivity analysis, which involves applying severe conditions and flexing a number of assumptions simultaneously. The sensitivities performed were designed to provide the Directors with an understanding of the Company's performance in the event of severe but plausible scenarios, taking full account of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks outlined below:

- reduction in availability of suitable assets for acquisition;
- tenant defaulting under a lease;
- lack of availability for debt financing or other capital; and
- deterioration in economic outlook, such as any negative impact due to Brexit, impact of COVID-19, or change in government housing policy which could impact the fundamentals of the social housing sector, including a negative impact on valuations and rental uplifts.

The remaining principal risks and uncertainties, whilst having an impact on the Company's business, are not considered by the Directors to have a reasonable likelihood of impacting the Company's viability over the five-year period, therefore the scenarios outlined above are the only ones that have been specifically tested. Based on the results of their assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their assessment.

Approval of Strategic Report

The Group Strategic Report was approved by the Board and signed on its behalf by:

Michael Wrobel
Chairman

29 June 2020

Board of Directors

The Directors of the Company who were in office during the period and up to the date of signing the financial statements were:

Michael Wrobel
(Chairman)

Michael has over 40 years' experience in the investment industry. He is the non-executive chairman of The Diverse Income Trust plc. He serves as a trustee director of the BAT UK Pension Fund and is chair of its Investment and Funding Committee. He is also the chairman of trustees of the Thornton's Pension Scheme and Deutsche Bank UK Pension Schemes. Michael is a trustee of the Cooper Gay (Holdings) Limited Retirement Benefits Scheme and acts as an independent investment adviser to a number of Rio Tinto pension schemes. Formerly, Michael was a non-executive director of JPMorgan European Smaller Companies Trust plc and NatWest Smaller Companies PLC. He has served as a director of the Association of Investment Companies, the Investment Management Association and CoFunds. He previously worked at Morgan Grenfell, Fidelity International, Gartmore Investment Management and F&C Management. Michael has an M.A. in Economics from Cambridge University.

Michael was appointed to the Board on 24 October 2016 and has served as Chairman since his appointment.

Caroline Gulliver
(Director)

Caroline is a chartered accountant with over 25 years' experience at Ernst & Young LLP, latterly as an executive director before leaving in 2012. During that time, she specialised in the asset management sector and developed extensive experience of investment trusts. She was a member of various technical committees of the Association of Investment Companies. She is also a non-executive director and audit committee chair for JP Morgan Global Emerging Markets Income Trust plc, International Biotechnology Trust plc and Aberdeen Standard European Logistics Income PLC.

Caroline was appointed to the Board on 24 October 2016 and has served as Audit and Management Engagement Committee Chairman since her appointment.

Peter Baxter
(Director)

Peter has over 30 years' experience in the investment management industry. He is a managing director of Project Snowball LLP, a social impact investment organisation, and a trustee of Trust for London, a charitable foundation. He is also a non-executive director of BlackRock Greater European Investment Trust plc. Previously, he served as Chief Executive of Old Mutual Asset Managers (UK) Ltd, and has worked for Schroders and Hill Samuel in a variety of investment roles. He holds an MBA from London Business School and is an associate of the Society of Investment Professionals.

Peter was appointed to the Board on 24 October 2016 and is the Senior Independent Director.

Alastair Moss
(Director)

Alastair is a property development lawyer with over 20 years' experience and is Co-Head of Real Estate at Memery Crystal LLP. Formerly, he has been a non-executive director and a member of the Audit and Treasury Committees of Notting Hill Genesis Trust. He is a former Chairman of the Investment Committee of the City of London Corporation and chaired its Property Investment Board. He is currently Chair of the City's Planning and Transportation Committee and, as such, is the political lead for all built environment and transport matters in the Square Mile. He is a Trustee of Marshall's Charity. He has also been a board member of Soho Housing Association and was a member of the Area Board of CityWest Homes. He was a Councillor at Westminster City Council for 12 years, including his tenure as Chairman of the Planning & City Development Committee.

Alastair was appointed to the Board on 24 October 2016.

Alison Hadden
(Director)

Alison has over 25 years' experience in the housing industry. She started her career at Dudley Metropolitan Borough Council and Birmingham City Council, and then went on to hold chief executive positions at several major housing associations, including Paradigm Housing, a 13,000-home housing association based in Buckinghamshire. Alison has also been an executive director at Circle Housing, one of the largest housing associations in the UK with over 67,000 homes. In these roles, she has worked with many of the stakeholders in the industry, including the Regulator of Social Housing. Alison was previously the Chair of Housing Plus Group, an 18,000-home housing association group in Staffordshire and Shropshire. She is currently a non-executive director and member of the Audit and Risk Committee of Yorkshire Housing, a 20,000-home housing association operating in the Yorkshire area, and a non-executive director and member of the Governance Committee of Peaks and Plains Housing.

Alison was appointed to the Board on 21 November 2019.

Report of the Directors

The Directors present their Report and the audited financial statements for the year ended 31 March 2020.

Principal Activities

The Company is a closed-ended investment company and is a REIT which was incorporated in England and Wales on 29 September 2016. The Company is the holding company of a number of subsidiaries and its Ordinary shares were admitted to trading on the Main Market of the London Stock Exchange on 18 November 2016. The Company invests in properties or property-holding SPVs, either directly or via a wholly-owned subsidiary, in accordance with the Company's investment objective and policy.

Business Review

A review of the business and future developments is contained in the Chairman's Statement and Investment Adviser's Report. The principal risks and uncertainties are detailed on pages 52 to 54. See note 36 for a summary of the post balance sheet events.

Results and Dividends

The results for the year are shown on page 92.

The following dividends were paid on the Ordinary shares during the year:

First dividend	1.325p per share paid on 7 June 2019
Second dividend	1.325p per share paid on 6 September 2019
Third dividend	1.325p per share paid on 29 November 2019
Fourth dividend	1.325p per share paid on 28 February 2020

Since the year end, the Company has declared the following dividend:

Quarterly dividend	1.325p per share paid on 12 June 2020

No final dividend is being recommended on the Ordinary shares.

Directors

The members of the Board are listed on pages 58 and 59. Alison Hadden was appointed as a Director on 21 November 2019. All other Directors served throughout the period under review.

The Board consists solely of non-executive Directors, each of whom is independent of the Investment Adviser and the Company itself. The Company has no executive directors or employees.

In accordance with Board policy, all Directors will retire and, being eligible, will stand for re-election at the AGM, with the exception of Alison Hadden who will be standing for election at the forthcoming AGM, being the first AGM since her appointment.

Performance evaluation of the Board, its Committee and individual Directors is carried out in accordance with the procedure set out on page 71.

No Director is under a contract of service with the Company and no Director or any persons connected with them had a material interest in the transactions and arrangements of the Company. Details of Directors' remuneration are set out in the Directors' Remuneration Report on pages 75 to 79.

The beneficial interests of the Directors in the securities of the Company are set out in the Directors' Remuneration Report on page 79.

Through their Letters of Appointment, the Company has provided indemnities to the Directors, to the extent permitted by law and the Company's Articles, in respect of liabilities which may arise in connection with claims relating to their performance or the performance of the Company whilst they are Directors. There are no other qualifying third party indemnities in force.

The general powers of the Directors are contained within the relevant UK legislation and the Company's Articles of Association. The Directors are entitled to exercise all powers of the Company, subject to any limitations imposed by the Articles of Association or applicable legislation. As set out on page 61, the Articles of Association may only be amended by way of a special resolution of shareholders.

Capital Structure

Issue of shares

At the AGM held on 5 September 2019, the Directors were authorised to issue equity securities up to an aggregate nominal amount of £622,461 (being approximately 10% of the issued Ordinary share capital). The Company was also authorised to disapply pre-emption rights in respect of equity securities and to issue equity securities for cash up to an aggregate nominal amount equal to £622,461 (being approximately 10% of the issued Ordinary share capital).

No Ordinary shares were issued under these authorities during the year. Ordinary shares would be issued at a price of not less than the net asset value per share at the time of issue.

Proposals for the renewal of the Directors' authority to issue shares will be set out in the Notice of AGM.

Purchase of own shares

At the AGM held on 5 September 2019, the Directors were granted the authority to buy back up to 93,306,960 Ordinary shares, being 14.99% of the Ordinary shares in issue at the time of the passing of the resolution.

During the year, the Company purchased in the stock market 815,000 shares (with a nominal value of £8,150) to be held in treasury, at a cost of £699,000. This represented 0.13% of the issued share capital at 31 March 2019. During the year, no shares were bought back for cancellation.

The share purchases were made with a view to reducing discount volatility and maintaining the middle market price at which the shares traded close to the net asset value.

The remaining authority to buy back up to 92,491,960 shares will expire at the conclusion of the forthcoming AGM, when a resolution for its renewal will be proposed. Further information will be contained in the Notice of AGM, which will be circulated to shareholders in due course.

Current share capital

As at 31 March 2020, and as at the date of this report, there were 622,461,380 Ordinary shares in issue, of which 815,000 shares were held in treasury. The total voting rights of the Company as at 31 March 2020 and 29 June 2020, the date of signing this report, were 621,646,380.

Shareholder Rights

Ordinary shares

Each Ordinary shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every Ordinary share held. The right to attend and vote at general meetings of the Company may be restricted where a shareholder has failed to provide information pursuant to a notice served under section 793 of the Companies Act 2006. The Ordinary shares carry the right to receive dividends declared by the Company. Provided the Company has satisfied all of its liabilities, during the winding-up of the Company, the holders of Ordinary shares are entitled to all of the surplus assets of the Company.

Transfers of shares

There is no restriction on the transfer of the Company's shares other than transfers to more than four joint transferees and transfers of shares which are not fully paid up or where the transferor or any other person whom the Company reasonably believes to be interested in the transferor's shares has been duly served with a notice pursuant to section 793 of the Companies Act 2006.

There are no special rights with regard to control attached to securities; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

Articles of Association

The Company's Articles of Association may only be amended by a special resolution at a general meeting of the shareholders.

Management Arrangements

Investment Adviser

The Board has appointed the Investment Adviser, Civitas Investment Management Limited, to provide investment advice and to manage the property portfolio and the associated day-to-day activities, including management of tenanted properties and marketing activities. CIM is a specialist investor in social housing property, with a focus on specialist social housing and has extensive experience in social housing and real estate investment.

The duties of CIM include the sourcing of investment opportunities that meet the investment criteria of the Company, controlling the acquisition of approved properties, management of all properties within the portfolio, ongoing monitoring of the properties and tenants, maintaining compliance with all relevant rules and regulations, and providing marketing and investor relations services to the Company.

Details of the fees payable to the Investment Adviser are described in note 8 of the financial statements. As set out in the 2019 Annual Report of the Company, with effect from 26 April 2019, the basis for the calculation of the Investment Adviser's fees was changed from Portfolio NAV to IFRS NAV.

The agreement with CIM is terminable on not less than 12 months' notice by either party, such notice not to expire earlier than 30 May 2024.

The performance of the Investment Adviser has been reviewed on an ongoing basis throughout the period by the Board at its quarterly meetings. A formal annual evaluation is also carried out by the Audit and Management Engagement Committee. The Board considers a number of factors including investment performance, the quality and quantity of investment opportunities presented, the skills and experience of key staff and the capability and resources of the Investment Adviser to deliver satisfactory performance for the Company. The Board is satisfied with the performance of the Investment Adviser and considers its continued appointment to be in the best interests of the Company and its shareholders.

AIFM

G10 Capital Limited ("G10" or the "AIFM") has been appointed as the Company's AIFM with effect from 24 August 2017. The AIFM performs certain risk management functions for the Company and oversees the portfolio management functions exercised by CIM. G10 is part of the Luxembourg-based IQ-EQ Group, which provides professional services to the finance industry. The AIFM receives an annual management fee of 0.03% of the total Company NAV for its services, subject to a minimum of £96,000 per annum, and the agreement is terminable on three months' notice by either party.

Depositary

Indos Financial Limited was appointed as the Company's Depositary with effect from 1 June 2018. The Depositary provides cash monitoring, safekeeping and asset verification and oversight functions as prescribed by the Alternative Investment Fund Managers Directive. The Depositary receives an annual fee of £59,000, plus 0.006% of the first £350 million of any new equity capital raised per annum and 0.003% of further equity raised per annum, subject to a maximum fee of £150,000 per annum. The agreement is terminable on six months' notice by either party.

Administrator

The Company has appointed Link Alternative Fund Administrators Limited ("Link") as the Administrator of the Company and its subsidiaries, with effect from 28 February 2018, to undertake the accountancy and other administrative duties of the Company. Link is a specialist administrator for investment funds, providing support functions and expertise tailored for this industry.

The Administrator receives a fixed base fee for the provision of its services to the Company as well as an entitlement to additional variable fees for duties relating to corporate activities. The agreement is terminable on at least six months' notice by either party.

The duties of the Administrator include the maintenance of all Company and subsidiary books and records, excluding those maintained by the Investment Adviser, monitoring compliance with applicable relevant rules and regulations and other administrative duties as required.

Company Secretary

Link Company Matters Limited was appointed as the Company Secretary to the Company with effect from 28 March 2018. The Secretary receives a fixed fee for the provision of its services to the Company. The agreement was for an initial period of one year and thereafter automatically renews for successive periods of 12 months, unless terminated by either party on at least six months' notice.

Review of service providers

The performance of the service providers is reviewed on an ongoing basis throughout the period by the Audit and Management Engagement Committee. The Committee considers a number of factors including performance of duties, the skills and experience of key staff, and the capability and resources of the service provider to deliver satisfactory performance for the Company. The Board is satisfied with the performance of the service providers appointed by the Company and considers their continued appointment to be in the best interests of the Company and its shareholders.

Substantial Shareholdings

At 31 March 2020, the Company had been informed of the following disclosable interests in the share capital of the Company:

	Number of Ordinary shares	Percentage of Total Voting Rights
Investec Wealth & Investment Limited	62,653,811	10.08
East Riding of Yorkshire Council	38,043,800	6.12
Massachusetts Financial Services Company	31,210,592	5.02
Standard Life Aberdeen plc	30,492,544	4.91

No other changes have been notified between 31 March 2020 and the date of this report.

Continuation Vote

The Company has an unlimited life. However, in accordance with its Articles, the Board will propose an ordinary resolution for the Company to continue in its current form to shareholders at the AGM to be held in 2022, and at the AGM held every five years thereafter. If the resolution is not passed, the Directors intend to formulate proposals to be put to shareholders within six months of such resolution being defeated for the reorganisation or reconstruction of the Company.

Listing Rule 9.8.4

The listing rule 9.8.4 outlines a series of requirements for listed companies to disclose certain items. The Directors confirm that there are no disclosures required in relation to Listing Rule 9.8.4.

Financial Instruments

The Company utilises financial instruments in its operations. The financial instruments of the Company at 31 March 2020 comprised trade receivables and payables, other debtors, cash and cash equivalents, non-current borrowings, current borrowings and derivatives.

Other than its fixed interest rate debt facilities, it is the Directors' opinion that the carrying value of all financial instruments on the statement of financial position is equal to their fair value.

Details of the hedging on the NatWest loan can be found in notes 20 and 21 to the financial statements. For a more detailed analysis of the Company's financial risk management, please refer to note 34 of the financial statements.

Greenhouse Gas Emissions

The Board has considered the requirements to disclose the annual quantity of emissions in tonnes of carbon dioxide equivalent for activities for which the Company is responsible. The Board believes that the Company has, from a formal reporting perspective, no reportable emissions as this reporting falls under the lessees' responsibility as part of the terms of their fully repairing and insuring leases; emissions produced from either the registered office of the Company or from the offices of other service providers are deemed to fall under the responsibility of other parties; and the Company has not leased or owned any vehicles which fall inside the scope of the GHG Protocol Corporate Standard.

Regardless of the obligations of other parties, the Company takes the issue of environmental enhancement and emissions seriously as part of its overall ESG strategy and is evaluating the portfolio, working with housing managers, to consider where it can bring about further enhancements and improvements.

Charitable Donations

In addition to its direct investments, the Company plays a broader part within the communities in which it works. Whilst recognising the practical limitations that all financial investors face, Civitas supports voluntary organisations that are active within the broader housing and homelessness environment. Civitas also intends, as part of its broader financial and operational reporting, to provide a commentary on the positive social change and impact that results from the investments that have been made.

The following charitable donations were made during the year:

- The Company is continuing its partnership with the national homelessness charity, Crisis, for a third year, and has committed to a contribution of £40,000 to support its "Renting Ready" programme across the UK in 2020.
- A donation of £15,000 was made to the Choir with No Name to support the Choir with No Name across various locations. The Choir with No Name works with homeless and disadvantaged people and was founded on the premise that singing and taking part in group activities helps to build skills and confidence for the future. From an initial choir in North London in 2008, the Choir with No Name has expanded to Birmingham, South London and Liverpool.
- As part of the continuing efforts to build and contribute to partnerships with organisations that share the Company's objectives, a donation of £5,000 was made to the House of St Barnabas, the first not-for-profit members' club run to support people affected by homelessness.
- A donation of £3,000 was made to sponsor Women in Social Housing, a membership-based network for women who worked across the UK social housing market.

Auditor

In the case of each Director in office at the date the Report of the Directors is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

PricewaterhouseCoopers LLP has expressed its willingness to continue to act as auditor of the Company and a resolution for their re-appointment will be proposed at the 2020 Annual General Meeting.

Approval

The Report of the Directors has been approved by the Board.

By order of the Board

Link Company Matters Limited
Company Secretary

29 June 2020

Report of the Audit and Management Engagement Committee

Caroline Gulliver
Chairman, Audit and Management Engagement Committee

Introduction

The Audit and Management Engagement Committee (the "Audit Committee") oversees the financial reporting process for the Company, with consideration of the internal controls and risk management of the Company, and oversight of the Company's compliance with accounting standards and regulatory requirements.

Composition

The Audit Committee is chaired by Caroline Gulliver. The other members of the Audit Committee are Michael Wrobel, Alastair Moss, Peter Baxter and Alison Hadden. The Audit Committee operates within written terms of reference as determined by the Board. The Board considers that at least one member has recent and relevant financial experience and that the Committee as a whole has competence relevant to the sector in which the Company operates.

Meetings

The Audit Committee meets twice a year; on both occasions, part of the meeting is held with the external auditor without the Investment Adviser present.

Responsibilities of the Audit Committee:

The principal functions of the Audit Committee are to:

- oversee the financial reporting process for the Company and monitor the integrity of the financial statements of the Company and the Group, including their compliance with accounting standards and regulatory requirements;
- to advise the Board, where requested, on whether the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- review and monitor the internal financial control and risk management systems of the Company;
- monitor and review annually whether an internal audit function is required;
- review the Investment Adviser's whistleblowing arrangements;
- approve the appointment, re-appointment or removal of the external auditor, and approve their remuneration and terms of engagement;
- manage the relationship between the Company and the external auditor, including reviewing their independence and objectivity and the effectiveness of the audit process;
- develop and implement a policy on the engagement of the external auditor to supply non-audit services; and
- review and monitor the performance of, and contractual arrangements with, the Investment Adviser, the AIFM and other service providers.

It is within the Audit Committee's terms of reference for its members to seek independent professional advice, at the Company's expense, as required in the furtherance of its duties.

During the period, the Audit Committee carried out its duties as specified in the terms of reference, as follows:

- discussed and agreed the scope of the audit and the audit plan with the external auditor;
- agreed the remuneration of the external auditor;

- reviewed the half-year and annual financial statements and discussed the results of the audit with the external auditor;
- welcomed the results of the review of the Company's Annual Report and Accounts for the year ended 31 March 2019, undertaken by the Conduct Committee of the FRC. Further information about this is set out on page 49;
- reviewed the internal controls of the Company and the Risk Matrix, which is reviewed by the Committee on a six-monthly basis, and carried out an assessment of the effectiveness of the Company's risk management and internal control systems; the Committee has not identified nor been advised of any failings or weaknesses which it has determined to be significant;
- reviewed the performance of the Investment Adviser, the AIFM and other key service providers and made a recommendation to the Board about their continuing engagement; and
- during the year, the Directors monitored the Company's whistleblowing arrangements. No incidents were raised during the period.

Performance Evaluation
The process for the evaluation of the performance of the Committee is disclosed on page 71.

Significant Financial Reporting Issue – Valuation of Investment Property
After discussion with the Investment Adviser, the Audit Committee has determined that the key risks of misstatement of the Company financial statements relate to the valuation of investment property.

This issue was discussed with the Investment Adviser during the period. It was also discussed with the external auditor at the time the Audit Committee reviewed and agreed the external auditor's Company audit plan, when the external auditor reviewed the half-year financial statements and also at both the planning stage and conclusion of the annual audit of the financial statements.

As further explained in note 15 to the financial statements, the approach adopted by the Company is to recognise investment property at fair value, with the fair value of the property being based on valuations performed by independent valuers, Jones Lang LaSalle Limited. The revaluation of investment property gave rise to net revaluation gains of £9.4 million in the period.

The Investment Adviser confirmed to the Audit Committee that the method of valuation has been applied consistently throughout the year and none of the Audit Committee's enquiries, nor the auditor's work, identified any errors or inconsistencies that were material in the context of the financial statements as a whole.

The Investment Adviser also informed the Audit Committee that, during the course of the period, the external valuer was regularly challenged by the Investment Adviser on the assumptions used in the valuation of the Company's portfolio, to ensure robust and appropriate methods were being applied. The Audit Committee discussed the areas of challenge with the Investment Adviser to determine that sufficient challenge had been made.

Both the IFRS and Portfolio NAV valuations are subject to the "Material Valuation Uncertainty due to Novel Coronavirus (COVID-19)" clause in place at 31 March 2020 and removed with effect from 28 May 2020 that professional valuation firms, including Jones Lang LaSalle Limited ("JLL"), are adopting across the world in respect of valuations at this time.

In this regard, the Board is pleased to note that JLL have confirmed to the Company that the declaration "does not mean that the valuation cannot be relied upon" and that specialist supported housing "remains an attractive sector and arguably more so in the current climate".

Misstatements
The Investment Adviser confirmed to the Audit Committee that it was not aware of any material or immaterial misstatements made intentionally to achieve a particular presentation. A prior year adjustment has been made in the Company accounts relating to the year ended 31 March 2018, specifically, dividends amounting to £91.4m, representing a return of capital, which was incorrectly treated as equity and has now been adjusted by way of a reduction in investments in subsidiaries. Further details can be found in note 3 of the Company accounts. The external auditor reported to the Audit Committee that they had found no material misstatements in the course of their work. The Audit Committee confirms that it is satisfied that the auditor has fulfilled its responsibilities with diligence and professional scepticism.

Conclusion in respect of the Annual Report and Financial Statements
Having reviewed the presentations and reports from the Investment Adviser and having consulted where necessary with the external auditor, the Audit Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both

in respect of the amounts reported and the disclosures. The Audit Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised and challenged and are sufficiently robust. Accordingly, the Audit Committee has concluded that the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable, and has recommended their approval to the Board on that basis.

Auditor Appointment and Tenure

PricewaterhouseCoopers LLP was appointed as auditor of the Company on 31 March 2017, and their audit of these financial statements is the fourth audit they have carried out since appointment. Sandra Dowling is the senior statutory auditor. A competitive tender must be carried out by the Company at least every ten years. The Company is therefore required to carry out a tender no later than in respect of the financial year ending 31 March 2026.

Assessment of the Effectiveness of the External Audit Process

As part of its annual review of the effectiveness of the external audit process, the Audit Committee obtained assurance on the quality of the external audit from its own evaluation, the audit feedback documentation and from correspondence and discussions with the audit partner, Investment Adviser and the Administrator. The Auditor demonstrated a good understanding of the Group, and had identified and focused on the areas of greatest financial reporting risk. Its reporting to the Audit Committee was clear, open and thorough. The Audit Committee is satisfied that the Auditor has demonstrated professional scepticism and appropriately challenged management's judgements. The FRC's Audit Quality Inspections Report on the audits carried out by PricewaterhouseCoopers LLP was also considered by the Audit Committee. On the basis of these factors and assessments, the Audit Committee has concluded that the external audit process has been effective.

The Audit Committee assessed the external auditor’s independence, qualifications, relevant experience, and effectiveness of audit procedures. In advance of each audit, the Audit Committee obtains confirmation from the external auditor that they remain independent and that the level of non-audit fees are not an independence threat.

Non-audit Services

The Audit Committee has put into place a policy for the provision of non-audit services to the Company by the auditor. The general intention of the Audit Committee is to avoid the provision of non-audit services by the auditor, other than the review of the half-yearly report, as these have the potential to compromise the independence of the auditor. The Audit Committee acknowledges that in certain situations it may be appropriate for the external auditor to provide such services to the Company for a variety of reasons including cost effectiveness, depth of knowledge and the ongoing relationship between the Board and the external auditor. All non-audit fees are approved by the Audit Committee in advance. Where non-audit fee levels are considered significant, the Audit Committee considers the appropriateness of the independence safeguards put in place by the auditor.

The total fees paid to PricewaterhouseCoopers LLP during the period, net of VAT, totalled £246,000 (2019: £221,000), of which £51,000 (2019: £41,000) was received for non-audit services. For the year ended 31 March 2020, the non-audit service fees related to the review of the half-yearly report (year ended 31 March 2019: non-audit service fees related to the review of the half-yearly report and the review of the C share conversion calculation).

Note 9 to the financial statements details all services provided and total fees paid to PricewaterhouseCoopers LLP for the financial year ended 31 March 2020. The Audit Committee considers PricewaterhouseCoopers LLP to be independent of the Company.

Re-appointment of the Auditor

Taking into account the performance and effectiveness of the Auditor and the confirmation of their independence, the Audit Committee has recommended to the Board that a resolution to re-appoint PricewaterhouseCoopers LLP as the Company’s auditor be put to the shareholders at the forthcoming AGM.

CMA Order

The Company has complied with the provisions of the CMA Order throughout the year ended 31 March 2020.

Caroline Gulliver
Chairman, Audit and Management Engagement Committee

29 June 2020

Corporate Governance Statement

Background

The FCA Listing Rules and Disclosure Guidance and Transparency Rules require listed companies to disclose how they have applied the principles and complied with the provisions of the corporate governance code to which the issuer is subject. The provisions of the UK Corporate Governance Code ("UK Code"), as issued by the FRC in July 2018, are applicable to the year under review and can be viewed at www.frc.org.uk.

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance ("AIC Code") as issued by the AIC in February 2019. The AIC Code addresses all the principles set out in the UK Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company. The FRC has confirmed that AIC member companies who report against the AIC Code will be meeting their obligations in relation to the UK Code and the associated disclosure requirements of the FCA. The AIC Code can be viewed at www.theaic.co.uk.

The Board considers that reporting against the principles and recommendations of the AIC Code provides shareholders with full details about the Company's corporate governance compliance.

Statement of Compliance

Except as set out below and on the following pages, the Company has complied with the provisions of the AIC Code throughout the year ended 31 March 2020.

The UK Code includes provisions relating to:

- the role of the chief executive; and
- executive directors' remuneration.

The Board considers that these provisions are not relevant to the position of the Company, being an externally managed investment company. In particular, all of the Company's day-to-day management and administrative functions are outsourced to third parties. As a result, the Company has no executive Directors, employees or internal operations. The Company has therefore not reported further in respect of these provisions.

The Board

Under the leadership of the Chairman, the Board is responsible for the effective stewardship of the Company's affairs, including corporate strategy, corporate governance, risk assessment and overall investment policy. The Directors have overall responsibility for the review of investment activity and performance, and the supervision of the Investment Adviser which is responsible for the day-to-day management of the portfolio assets.

The Board consists of five non-executive Directors. It seeks to ensure that it has an appropriate balance of skills and experience, and considers that, collectively, it has substantial recent and relevant experience of public company management, the UK real estate sector and investment companies. All the Directors are independent of the Investment Adviser and the AIFM.

In view of the continuing growth in the size of the Company and its portfolio, the Board appointed Alison Hadden as a Director of the Company with effect from 21 November 2019. The Company engaged Odgers Berndtson, an external search consultancy independent of the Company and the Directors, to assist it with this appointment. The Directors considered the desired background and expertise of the new Director in order to complement the skills already on the Board and a shortlist of potential candidates was then provided by Odgers Berndtson. The Directors met with a number of these candidates, following which Ms Hadden was appointed to the Board.

The Board has adopted a schedule of matters reserved for decision by the Board, including *inter alia*, determining the Company's investment objective and policy, and gearing and dividend policies. This schedule of matters reserved for the Board is available on the Company's website.

The Directors ensure that risks are effectively managed through robust policies and procedures, supported by the right values and culture. The Board's primary focus is the sustainable long-term success of the Group to deliver value for shareholders, taking into account other stakeholders.

The Board is responsible for investment decisions, other than to the extent delegated to the AIFM and/or the Investment Adviser, and the appointment, supervision and monitoring of the Company's service providers, including amongst others, the AIFM and the Investment Adviser. The Board is responsible for the interim and annual financial statements of the Company and, in conjunction with the AIFM, also approves the periodic calculation of the Net Asset Value.

The Chairman, Michael Wrobel, was independent of the Investment Adviser at the time of his appointment and is deemed by his fellow Directors to continue to be independent in character and judgement and free of any conflicting relationships. He leads the Board and is responsible for its overall effectiveness in directing the

Company. In liaison with the Company Secretary, he ensures that the Directors receive accurate, timely and clear information. Mr Wrobel considers himself to have sufficient time to commit to the Group's affairs. He has no significant commitments other than those disclosed in his biography on page 58. The role and responsibilities of the Chairman are clearly defined and set out in writing, a copy of which is available on the Company's website.

Peter Baxter is the Senior Independent Director of the Company. He provides a sounding board for the Chairman and serves as an intermediary for the other Directors and shareholders. He also provides a channel for any shareholder concerns regarding the Chairman and takes the lead in the annual evaluation of the Chairman by the other Directors. The role and responsibilities of the Senior Independent Director are clearly defined and set out in writing, a copy of which is available on the Company's website.

The Board has no set policy for the length of tenure of Directors although it keeps in mind the recommendations of the AIC Code during succession planning. It is the Board's policy for all Directors to stand for re-election annually. Recommendations for election/re-election of Directors are made on an individual basis following rigorous review. Directors are appointed under letters of appointment, copies of which are available for inspection at the registered office of the Company and at the AGM.

Board Operation and Culture

The Board meets formally at least quarterly, but also meets on an ad hoc basis, typically every month, for the purpose of considering potential transactions and associated due diligence. The Board will meet to consider and, if appropriate, approve the acquisition of properties recommended by the Investment Adviser. The Investment Adviser prepares an Investment Proposal Paper ("IPP") in respect of the proposed acquisitions which includes details of the transaction and due diligence reports. Upon review of the IPP, the Board contemplates the structure of the transaction, any risks attached to the proposed transaction and how these would be mitigated/managed, and the impact of the transaction on the value of the Group's property portfolio, following advice from the valuers. The Board of Directors has final approval for all acquisitions.

For the purpose of monitoring the portfolio, the Board receives periodic reports from the AIFM and the Investment Adviser, detailing the performance of the Company. The Board delegates certain responsibilities and functions to the Audit and Management Engagement Committee, which has written terms of reference.

To assist the Board in the day-to-day operations of the Company, arrangements have been put in place to delegate authority for performing certain operations to the AIFM, the Investment Adviser and other third-party service providers, such as the Administrator and the Company Secretary.

The Chairman demonstrates objective judgement, promotes a culture of openness and debate, and facilitates effective contributions by all Directors. The Directors are required to act with integrity, lead by example and promote this culture within the Company.

The Board seeks to ensure the alignment of the Company's purpose, values and strategy with the culture of openness, debate and integrity through ongoing dialogue, and engagement with the Investment Adviser and the Company's other service providers. The Board and the Investment Adviser operate in a supportive, co-operative and open environment.

The culture of the Board is considered as part of the annual performance evaluation process which is undertaken by each Director. The culture of the Company's service providers is also considered by the Audit and Management Engagement Committee during the annual review of their performance and while considering their continuing appointment.

The Company maintains Directors' and Officers' liability insurance on behalf of the Directors at the expense of the Company. The Board has agreed arrangements whereby Directors may take independent professional advice in the furtherance of their duties. The Company has also indemnified the Directors in accordance with the provisions of the Articles of Association.

Independence of Directors

The independence of all Directors is reviewed as part of the annual assessment of the Board.

The Board has determined that each Director remains independent in character and judgement and is free of any relationships or circumstances that threaten their independence of the Company or its Investment Adviser. In particular, none of the Directors have ever been executives of the Company or the Investment Adviser, have had a material direct or indirect relationship with the Company or its stakeholders, have received disproportionate fees, have close family relationships with stakeholders or represent significant shareholders.

Board Meetings

A formal agenda is approved by the Chairman and circulated by the Company Secretary in advance of each meeting to the non-executive Directors and other attendees. A typical agenda includes: an analysis of portfolio performance and exposure; an update on the investment pipeline; the Company's financial performance; updates on investor relations; statutory and regulatory compliance; and any corporate governance matters. Relevant papers on the items included on the agenda are circulated in good time to the members of the Board, in advance of the meeting.

The Investment Adviser attends the Board meetings together with representatives from the AIFM and Company Secretary. Representatives of the Company's other advisers are also invited to attend Board meetings from time to time.

The number of Board and Audit and Management Engagement Committee meetings held during the year ended 31 March 2020 along with the attendance of the Directors is set out below:

	Board		Audit and Management Engagement Committee	
	Number entitled to attend	Number attended	Number entitled to attend	Number attended
Michael Wrobel	15	15	2	2
Alastair Moss	15	15	2	2
Alison Hadden*	3	3	1	1
Caroline Gulliver	15	15	2	2
Peter Baxter	15	13**	2	1**

* Appointed as a Director on 21 November 2019.

** Mr Baxter was unable to attend two Board meetings and one Audit and Management Engagement Committee meeting due to personal circumstances. Of these, one Board meeting and the Audit and Management Engagement Committee meeting were held on the same day.

Audit Committee

The Company operates through the Board and its main Board committee, namely the Audit and Management Engagement Committee ("Audit Committee"). The Board evaluates the membership of its Board committees on an annual basis. All Directors are a member of the Audit Committee. Caroline Gulliver, the Chairman of the Audit Committee, is a Chartered Accountant and is considered to have recent and relevant financial experience. The Audit Committee as a whole has competence relevant to the real estate investment company sector. The Chairman is a member of the Audit Committee. but does not chair it. His membership of the Audit Committee is considered appropriate given the small size of the Board and the Chairman's knowledge of the financial services industry. A copy of the terms of reference of the Audit Committee is available from the Secretary and on the Company's website.

The Audit Committee meets at least twice a year and reviews the scope and results of the external audit, its cost effectiveness and the independence and objectivity of the external auditors, including the provision of non-audit services.

The Audit Committee also reviews the terms of the AIFM agreement and the Investment Adviser Agreement, and examines the effectiveness of the Company's internal control systems and the performance of the AIFM, Investment Adviser, Administrator, Depositary, Company Secretary and Registrar, and other service providers.

The Report of the Audit and Management Engagement Committee is set out on pages 65 to 67.

Remuneration and Nomination Committees

Given the size of the Board and the nature of the Company, it is not deemed necessary to form a separate remuneration or nomination committee. The Board as a whole will assess the remuneration and composition of the Board and whether it has the correct balance of skills, experience, knowledge and independence to operate effectively.

Diversity

The Board recognises the benefits of diversity and has adopted a diversity policy. All Board appointments will be made on merit and have regard to diversity in relation to factors such as gender, ethnicity, skills, background and experience. The Board does not consider it to be in the interests of the Company and its shareholders to set prescriptive diversity criteria or targets, but will continue to monitor diversity and take such steps as it considers appropriate to maintain its position as a meritocratic and diverse business. See also the Strategic Report on page 42.

Induction of New Directors

A procedure for the induction of new Directors has been established, including the provision of an induction pack containing relevant information about the Company, its processes and procedures and meetings with the Chairman and relevant persons at the Investment Adviser.

Performance Evaluation

The Board undertakes an annual internal performance evaluation by way of questionnaires designed to assess the strengths and independence of the Board and the Chairman, individual Directors and the performance of the Board's Committee. The areas considered are:

- the frequency and effectiveness of Board and Committee meetings;
- the size, composition and relevant experience of the Board;
- the independence and performance of the Directors and the Board; and
- the training requirements of each Director.

The evaluation process is conducted by the Chairman. Peter Baxter, as the Senior Independent Director, leads the appraisal of the Chairman. The Board is cognisant of the advantages of an external performance evaluation and will keep this option under regular review.

The Company seeks to ensure that the Board has a balance of skills and experience that are complementary and enable the Board to operate efficiently.

All of the Directors have assessed their other ongoing commitments and are satisfied that they can commit the time necessary to execute their duties to the Company.

No significant issues were identified during the evaluation process. The Board considers that all of the current Directors make an effective contribution and have the requisite skills and experience to continue to provide able leadership and direction for the Company. It was agreed that all Directors should be recommended for election/re-election at the forthcoming AGM.

Conflicts of Interest

All Directors have a statutory responsibility to avoid situations where a conflict of interest exists, or may exist, between the Company and an entity that the Director is either directly or indirectly involved with. The Board has procedures in place to identify potential conflicts and resolve any that should arise. In the case of a conflict of interest, the nature and extent of the conflict are assessed against the existing internal control structure, and the results of this assessment and actions taken to resolve the conflict are documented in the minutes of the relevant Board meeting. No conflicts of interest arose during the period.

Health and Safety

Health and safety is of prime importance to the Company and is considered equally with all other business management activities to ensure protection of stakeholders, be they tenants, advisers, suppliers, visitors or others. The Board regularly discusses health and safety issues with the Investment Adviser.

The Company is committed to fostering the highest standards in health and safety as it believes that all unsafe acts and unsafe conditions are preventable. All our stakeholders have a responsibility to support the aim of ensuring a secure and safe environment, and all our stakeholders are tasked with responsibility for achieving this commitment.

Risk Management and Internal Control

The Directors are responsible for the systems of internal control relating to the Company and its subsidiaries, and the reliability of the financial reporting process and for reviewing their effectiveness, ensuring that the risk management and control processes are embedded in day-to-day operations.

An ongoing formal process, in accordance with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, has been established for identifying, evaluating and managing the principal and other risks most likely to impact the Group. This process, which is regularly reviewed, together with key procedures established with a view to providing effective financial control, has been in place throughout the year ended 31 March 2020 and up to the date of this Report.

The Audit Committee has in place a formal procedure for performing an ongoing robust assessment of the Group's risk management and internal control systems. A risk matrix has been established against which the risks identified and the controls in place to mitigate those risks can be monitored. The risks are assessed on the basis of the likelihood of them happening, the impact on the business if they were to occur and the effectiveness of the controls in place to mitigate them. In arriving at its judgement of what risks the Company faces, the Board has considered the Company's operations in the light of the following factors:

- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;

- the threat of such risks becoming reality;
- the Company's ability to reduce the incidence and impact of risk on its performance; and
- the cost to the Company and benefits related to the Company and third parties operating the relevant controls.

The risk matrix is reviewed twice a year by the Audit Committee and at other times as necessary. The principal risks facing the Company are set out on pages 52 to 54 of this Annual Report, together with the processes applied to mitigate those risks.

The Audit Committee is mindful of these key risks as well as considering evolving risks such as cyber security and political risk which have the potential to affect the Group. The Audit Committee ensures that the Board takes appropriate advice and debates the issues facing the Group.

At each Board meeting, the Board receives reports from the Investment Adviser, the Administrator, the AIFM and the Broker in respect of compliance activities, Company financial performance and financial position.

The controls, which are regularly reviewed, aim to ensure that the assets of the Company are safeguarded, proper accounting records are maintained, and the financial information used within the business and for publication is reliable. The risk management process and Company systems of internal controls are designed to manage rather than eliminate the risk of failure to achieve the Company's objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Directors have carried out a review of the effectiveness of the Company's risk management and internal control systems as they have operated over the period and up to the date of approval of the Annual Report. During the course of the review, the Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.

The Directors have considered the appropriateness of establishing an internal audit function and, having regard to the structure and nature of the Company's activities, has concluded that the function is unnecessary. The Audit Committee will review on an annual basis the need for this function and make appropriate recommendations to the Board.

Financial Reporting

The Board operates the following key controls in relation to financial reporting:

- the Board and Audit Committee members review quarterly management reports and supporting documents that are provided by the Investment Adviser;
- the Board has procedures in place for the approval of expenses and payments to third parties; and
- the Audit Committee members and Board review all financial information and announcements prior to publication.

Corporate Responsibility

The Company regards corporate responsibility as integral to how it conducts its business. It is committed to being a good corporate citizen and behaving responsibly with a demonstrated transparency of approach.

To achieve this goal, the Company applies the following principles to its operations:

Business conduct

The Company's investment decisions are made on the basis of generating shareholder value and ensuring the long-term success of the business. The selection of suppliers will be made independently by the Company's Directors upon advice from the Investment Adviser and in the best interests of the Company. The Board will ensure that appropriate controls are in place to guarantee independence from the supply chain.

All customers and suppliers will be treated fairly and responsibly.

The Company will not provide financial support to political parties or politicians.

The Company is resolutely opposed to bribery and corruption. The Company will not use any illegal or improper means to further its business interests, nor will it accept any forms of inducements intended to influence its investment decisions.

Governance

The Company will protect the interests of its shareholders and other stakeholders through compliance with relevant legal and regulatory environments, and through effective management of business risk and opportunity.

The Board will ensure that its members are truly independent, are competent and have the resources and support required to perform their duties optimally, and that the Board's decisions are made in the best interests of the Company. The performance of the Board will be regularly reviewed, and Directors will retire as and when deemed appropriate by the Board in accordance with best practice.

Socially responsible investment

The Board aims to be a socially responsible investor and believes that it is important to invest in specialist social housing properties in a responsible manner in respect of environmental, ethical and social issues. The Investment Adviser's evaluation procedure and analysis of the properties within the portfolio includes research and appraisal of such matters, and takes into account environmental and social policies and other business issues.

Further details on the social impact of the Company's investments are included in the extract from the Good Economy Impact Report in the Strategic Report.

The Company recognises that environmental protection, resource efficiency and sustainable development are necessary to ensure environmental damage is limited and furthermore that where relevant, positive actions should be taken to improve the existing environment for future generations.

Transparency

The Company aims to be transparent, and to ensure that it communicates with its shareholders and other stakeholders in a manner that enhances their understanding of its business.

The Company maintains accounting documentation that clearly identifies the true nature of all business transactions, assets and liabilities, in line with the relevant regulatory, accounting, and legal requirements. No record or entry is knowingly false, distorted, incomplete, or suppressed.

All reporting is materially accurate and complete and in compliance in all material respects with stated accounting policies and procedures. The Company does not knowingly misstate or misrepresent management information for any reason, and the Company expects the same to apply to its suppliers.

The Company may be required to make statements or provide reports to regulatory bodies, government agencies or other government departments, as well as to the media. The Company ensures that such statements or reports are correct, timely, and not misleading, and that they are delivered through the appropriate channels.

The Company provides through its website, its Annual Report, other statements and any appropriate information to enable shareholders and stakeholders to assess the performance of its business. It complies with the applicable laws and regulations concerning the disclosure of information relating to the Company.

Communities

The Company aims to ensure that its properties which are associated with the provision of health services provide significant value-adding facilities in the communities where it invests. The Company aims to ensure that its properties are applied optimally for the use and benefit of communities.

Relations with Shareholders

Details regarding the Company's engagement with its shareholders are set out within the Strategic Report on page 46.

Approval

The Corporate Governance Statement has been approved by the Board.

By order of the Board

Link Company Matters Limited
Company Secretary

29 June 2020

Directors' Remuneration Policy

Introduction

The remuneration policy of the Company is set by the Board. A resolution to approve the Remuneration Policy was passed at the AGM of the Company held on 5 September 2019. The policy provisions set out below will apply until they are next put to shareholders for renewal of that approval, which must be at intervals of not more than three years, or if proposals are made to vary the policy. The Remuneration Policy is binding and sets the parameters within which Directors' remuneration may be set.

Policy

The remuneration policy of the Company is to pay its non-executive Directors fees that are appropriate for the role and the amount of time spent in discharging their duties, that are broadly in line with those of comparable real estate investment companies and that are sufficient to attract and retain suitably qualified and experienced individuals.

The fees paid will be reviewed on an annual basis and may also be reviewed when new non-executive Directors are recruited to the Board. The Directors of the Company are entitled to such rates of annual fees as the Board at its discretion shall from time to time determine. The Chairman of the Board and the Audit and Management Engagement Committee Chairman are entitled to receive fees at a higher level than those of the other Directors, reflecting their additional duties and responsibilities. Annual fees are pro-rated where a change takes place during the financial year.

In addition to the annual fee, under the Company's Articles of Association, if any Director is requested to perform any special duties or services outside his ordinary duties as a Director, he may be paid such reasonable additional remuneration as the Board may from time to time determine.

Directors' Remuneration Components

Component	Director	Rate at 1 April 2020	Purpose of Remuneration
Annual fee	Chairman	£50,000	Commitment as Chairman of a public company[1]
Annual fee	Non-executive Directors	£32,000	Commitment as non-executive Directors of a public company[2]
Additional fee	Chairman of the Audit and Management Engagement Committee	£4,000	For additional responsibilities and time commitment[3]
Additional fee	All Directors	Discretionary	For extra or special services performed in their role as a Director[4]
Expenses	All Directors	n/a	Reimbursement of expenses incurred in the performance of duties as a Director[5]

Notes

[1] The Company's policy is for the Chairman of the Board to be paid a higher fee than the other Directors to reflect the more onerous role.
[2] The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to £250,000 per annum.
[3] The Company's policy is for the Chairman of the Audit and Management Engagement Committee to be paid a higher fee than the other Directors to reflect the more onerous role.
[4] This is a provision of the Company's Articles. Additional fees would only be paid in exceptional circumstances in relation to the performance of extra or special services.
[5] Directors are entitled to claim expenses in respect of duties undertaken in connection with their role as a Director.

The Company has no employees other than the Directors. Accordingly, there are no differences in policy on the remuneration of Directors and the remuneration of employees.

No Director is entitled to receive any remuneration which is performance-related. As a result, there are no performance conditions in relation to any elements of the Directors' remuneration in existence to set out in this Remuneration Policy.

Directors' and Officers' liability insurance cover is maintained by the Company on behalf of the Directors.

Directors are entitled to be paid all expenses properly incurred in attending Board or shareholder meetings or otherwise in or with a view to the performance of their duties.

As all Directors are non-executive and there are no employees, the Company does not operate any share option or other long-term incentive schemes and the Directors' fees are not subject to any performance criteria. No pension or other retirement benefit schemes are operated by the Company for any of its Directors.

Service Contracts

No Director has a service contract with the Company. The Directors are appointed under letters of appointment. Their appointment and any subsequent termination or retirement is subject to the Articles of Association. The Directors' letters of appointment provide that, upon the termination of a Director's appointment, that Director must resign in writing and all records remain the property of the Company. The Director's appointment can be terminated in accordance with the Articles of Association and without compensation. There is no notice period specified in the Articles of Association for the removal of Directors and all Directors are subject to annual re-election by shareholders.

Approach to Recruitment Remuneration

The remuneration package for any new Chairman or non-executive Director will be the same as the prevailing rates determined on the bases set out above. The Board will not pay any introductory fee or incentive to any person to encourage them to become a Director, but may pay the fees of search and recruitment specialists in connection with the appointment of any new non-executive Director.

Views of Shareholders

Any views expressed by shareholders on the fees being paid to Directors would be taken into consideration by the Board when reviewing levels of remuneration.

Remuneration Report

The Board presents its Directors' Remuneration Report in respect of the year ended 31 March 2020. The Board has prepared this report in accordance with the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. An ordinary resolution for the approval of the Directors' Remuneration Report will be put to shareholders at the forthcoming AGM of the Company.

The law requires the Company's auditor to audit certain of the disclosures required. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the auditor's report on pages 83 to 91.

Annual Statement from the Chairman

I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2020.

As the Board has no executive Directors, it does not consider it necessary to establish a separate Remuneration Committee. The Board as a whole is therefore responsible for decisions regarding remuneration. The Board consists entirely of non-executive Directors and the Company has no employees.

The Directors are remunerated for their services at such rate as the Directors shall from time to time determine. The Board has set three levels of fees: one for the Chairman, one for other Directors, and an additional fee that is paid to the Director who chairs the Audit and Management Engagement Committee. Fees are reviewed annually in accordance with the Remuneration Policy. The fee for any new Director appointed will be determined on the same basis.

Directors' fees for the year ended 31 March 2020 were at a level of £50,000 per annum for the Chairman and £32,000 per annum for other non-executive Directors. The Chairman of the Audit and Management Engagement Committee received an additional fee of £4,000 per annum. No changes relating to Directors' remuneration were made during the year and no changes are currently being proposed.

There were no other payments for extra or special services in the year ended 31 March 2020.

At the AGM held on 5 September 2019, shareholders approved the amendment to the Company's Articles of Association which increased the maximum aggregate annual remuneration payable to Directors from £200,000 to £250,000.

The Directors' Remuneration Policy was approved at the AGM held on 5 September 2019. There will be no significant change in the way the Remuneration Policy will be implemented in the course of the next financial year.

Directors' Fees for the Period (audited)

The Directors who served during the year received the following emoluments:

	Year ended 31 March 2020			Year ended 31 March 2019		
Director	Fees	Taxable benefits	Total	Fees	Taxable benefits	Total
Michael Wrobel (Chairman)	£50,000	–	£50,000	£50,000	–	£50,000
Alastair Moss	£32,000	–	£32,000	£32,000	–	£32,000
Alison Hadden[1]	£11,569	£1,073	£12,642	–	–	–
Caroline Gulliver	£36,000	–	£36,000	£36,000	–	£36,000
Peter Baxter	£32,000	–	£32,000	£32,000	–	£32,000
Total	£161,569	£1,073	£162,642	£150,000	–	£150,000

[1] Appointed on 21 November 2019.

The amounts paid to the Directors were for services as non-executive Directors. Taxable benefits included in the above table are in respect of the amounts reimbursed to Directors as travel and other expenses properly incurred by them in the performance of their duties. There are no variable elements in the remuneration payable to the Directors.

Under the Company's Articles of Association, the total aggregate remuneration and benefits in kind of the Directors of the Company is subject to a maximum of £250,000 in any financial year. Any change to this would require shareholder approval.

The Company maintains Directors' and Officers' liability insurance cover, at its expense, on the Directors' behalf.

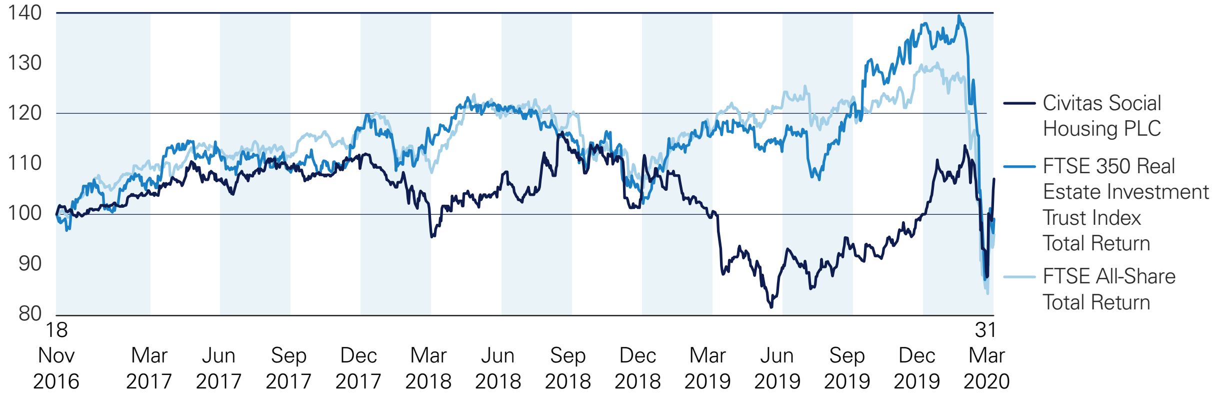
Loss of Office (audited)

The Directors do not have service contracts with the Company but are engaged under letters of appointment under which there is no entitlement to compensation for loss of office. Directors are subject to annual re-election by shareholders.

Company Performance

The following graph compares the performance for the period from IPO on 18 November 2016 to 31 March 2020, the total shareholder return of the Company's Ordinary shares relative to the FTSE All-Share Index and FTSE 350 REIT Index. Although the Company has no formal benchmark, these indices have been selected as the FTSE All-Share represents all companies of a similar capital size, and the constituents of the FTSE 350 REIT Index are UK-based real estate companies and are therefore considered to represent the most appropriate comparative.

Total Shareholder Return (rebased)



Relative Importance of Spend on Pay

The table below sets out, in respect of the year ended 31 March 2020:

a) the remuneration paid to the Directors; and

b) the distributions made to shareholders by way of dividend.

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Directors' remuneration	162	150
Dividends paid to Ordinary shareholders	32,970	17,881
Dividends paid to C shareholders	–	9,966

Directors' Interests (audited)

There is no requirement under the Company's Articles of Association or the terms of their appointment for Directors to hold shares in the Company.

As at 31 March 2020, the Directors (including their connected persons) had beneficial interests in the following number of shares in the Company:

	31 March 2020 Ordinary shares	31 March 2019 Ordinary shares
Michael Wrobel	100,598	100,598
Alastair Moss	11,766	11,766
Alison Hadden[1]	–	–
Caroline Gulliver	58,832	58,832
Peter Baxter	47,065	47,065

[1] Appointed as a Director on 21 November 2019.

There have been no changes to Directors' share interests between 31 March 2020 and the date of this Report.

None of the Directors or any persons connected with them had a material interest in the Company's transactions, arrangements or agreements during the year.

Voting at AGM

The Directors' Remuneration Policy and Directors' Remuneration Report for the year ended 31 March 2019 were approved at the AGM held on 5 September 2019. The votes cast by proxy on these resolutions were:

Resolution	Votes for[1] % of votes cast	Votes against % of votes cast	Votes withheld	Total votes cast
To approve the Directors' Remuneration Report	99.99	0.01	–	320,495,728
To approve the Directors' Remuneration Policy	99.99	0.01	–	320,495,728

[1] Votes 'for' include discretionary proxy votes granted to the Chairman by shareholders.

Approval

The Directors' Remuneration Report was approved by the Board and signed on its behalf by:

Michael Wrobel
Chairman

29 June 2020

Statement of 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 financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Corporate Governance section of the Annual Report, confirm that, to the best of their knowledge that:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

Approval

This Statement of Directors' Responsibilities was approved by the Board and signed on its behalf by:

Michael Wrobel
Chairman

29 June 2020

Alternative Investment Fund Managers Directive

As the Company and the Alternative Investment Fund Manager (the "AIFM") are each domiciled in the United Kingdom, the FCA Handbook rules require that, among other things, the AIFM makes available the following information to shareholders of the Company under the AIFM Directive (as implemented in the UK) and to notify them of any material change to information previously provided.

Investment Policy, Leverage and Liquidity (AIFMD 23(1)(a)(b)(h))

The investment strategy and objectives of the Company, the types of assets it may invest in and the investment techniques it may employ, associated risks and any investment restrictions are laid out in the investment objectives and policy and other sections of the Annual Report.

For information about the circumstances in which the Company may use leverage, the types of sources permitted and the associated risks and any restrictions on the use of leverage and any collateral and asset re-use arrangements, shareholders are directed to the disclosures contained in the investment objectives and policy section of these financial statements as well as specific AIFMD related disclosures further below.

Under the FCA's Listing Rules to which the Company is subject it needs the prior approval of its shareholders to make a material change to its investment policy.

Since the Company is closed-ended without redemption rights, liquidity risk management is limited to the liquidity required to meet the Company's obligations in relation to its financing arrangements. The AIFM utilises various risk assessment methods to measure the risk of portfolio illiquidity to meet the Company's obligations. This measurement enables the provision of management information to the AIFM and the Board of the Company to enable these risks to be monitored and managed.

Legal Relationship with Investors (AIFMD 23(1)(c))

The Company is a public limited company listed on the London Stock Exchange. The Company is incorporated under the laws of England and Wales. The constitutional document of the Company is its articles of association which may only be amended by way of a special resolution of its shareholders. Upon the purchase of shares, an investor becomes a shareholder of the Company. A shareholder's liability to the Company will be limited to the amount uncalled on their shares.

As the Company is incorporated under the laws of England and Wales, it may not be possible for a shareholder located outside that jurisdiction to effect service of process within the local jurisdiction in which that shareholder resides upon the Company. All or a substantial portion of the assets of the Company may be located outside a local jurisdiction in which a shareholder resides and, as a result, it may not be possible to satisfy a judgement against the Company in such local jurisdiction or to enforce a judgement obtained in the local jurisdiction's courts against the Company.

AIFM and its Delegates (AIFMD 23(1)(d), (e) and (f))

The AIFM (G10 Capital Limited) is a limited company with its registered office at 136 Buckingham Palace Road, London SW1W 9SA. G10 Capital Limited is authorised and regulated by the Financial Conduct Authority (FRN 648953). It has been appointed by the Company to manage the Company under an AIFM Agreement with effect from 24 August 2017.

The AIFM is responsible for portfolio management and risk management and monitoring of the assets of the Company and has discretionary authority over the acquisition and disposition of the Company's assets, with power to give guarantees and undertake other transactions on behalf of the Company subject to the provisions of the AIFM Agreement. The AIFM is also responsible for ensuring compliance with the AIFMD.

The AIFM's duties under the AIFM Agreement are owed to the Company as a whole rather than directly to the shareholders, whether individually or in groups. The Board of the Company is responsible under the AIFM Agreement for representing the Company in its dealings with the AIFM.

In order to comply with its regulatory obligations, the AIFM holds professional indemnity insurance.

Depositary and its Delegates (AIFMD 23(1)(d) and (f))

Indos Financial Limited (the "Depositary") has been appointed as the Depositary of the Company under a Depositary Agreement agreed in accordance with AIFMD requirements. The Depositary is a company incorporated in England (registered number 08255973) whose registered office is at 54 Fenchurch Street, London, EC3M 3JY. It is authorised to act as a Depositary by the FCA (FRN 602528). The Depositary is responsible for safekeeping of the Company's investments, including holding in custody those investments which are required to be held in custody and verifying ownership and keeping records of the Company's other investments, and for cash monitoring.

The Depositary's duties under the Depositary Agreement are owed to the Company as a whole and not directly to shareholders, whether individually or in groups.

The investments of the Company are not of a kind required to be held in custody by the Depositary.

Independent Auditors (AIFMD 23(1)(d))
The independent auditors of the Company for the year ended 31 March 2020 were PricewaterhouseCoopers LLP. The auditors' duties are owed to the Company as a whole. They have a statutory responsibility to report to the members of the Company as a whole in relation to the truth and fairness of the Company's state of affairs and profit or loss.

Valuation (AIFMD 23(1)(g))
The assets of the Company are valued in accordance with the provisions set out in the Valuation Policy. The Investment Committee which has been set up by the AIFM in respect of the Company and it's assets adds a further level of oversight to the valuation process as set out on in the Corporate Governance section of the Annual Report.

Fees and Expenses (AIFMD 23(1)(i))
The Company incurs costs in the form of depositary fees, custodian fees, bank fees and charges, marketing fees, auditors' fees, lawyers' fees and other fees.

Fair Treatment of Investors and Preferential Treatment (AIFMD 23(1)(j))
No preferential rights have been granted to any existing shareholder.

The Company and the AIFM are committed to ensuring that all shareholders are treated fairly and in accordance with UK company law. They have not and will not enter into any arrangement with one shareholder which could result in any overall material disadvantage to the other shareholders.

Issue and Redemption of Shareholder Interests in the Company ((AIFMD 23(1)(l))
The Company is closed-ended and does not provide for redemption or repurchase of the interests of ordinary shareholders at their request.

Reporting and Performance (AIFMD 23(1)(k), 23(1)(m) and 23(1)(n))
The historic performance of the Company, to the extent available, has been disclosed to shareholders in the Company's Annual and Half Yearly Reports, which will be sent to shareholders and are available from http://civitassocialhousing.com/.

The latest NAV of the Company is published in the latest Annual or Half Yearly Report or quarterly NAV announcement.

Prime Broker (AIFMD 23(1)(o))
The Company does not have a prime broker.

Method of Making Ongoing/Periodic Disclosures (AIFMD 23(1)(p),23(4),23(5))
Information about the Company's risk profile and risk management, total leverage and any material change to the arrangements for managing the Company's liquidity, the proportion of assets (if any) subject to special arrangements arising from liquidity, the maximum permitted leverage or the grant of rights of re-use of collateral or guarantees in relation to leverage will be provided in the Company's Annual Reports or on the Company's website http://civitassocialhousing.com/.

Risk Profile and Risk Management (AIFMD 23(4)(c))
The appointment of the AIFM as the AIFM of the Company under the AIFMD means that it is responsible for risk management and the ongoing process of identifying, evaluating, monitoring and managing the risks facing the Company in accordance with the requirements of the AIFMD. The Board keeps the AIFM's performance of these responsibilities under review as part of its overall responsibility for the Company's risk management and internal controls.

The principal risks of the Company are set out in the risk management section in the Annual Report. The AIFM's risk management system incorporates regular review of these risks and the establishment of appropriate risk limits and internal control processes to mitigate the risks. The sensitivity of the Company to relevant risks is further detailed in the risk management section in the Annual Report.

Restrictions on the Use of Leverage and Maximum Leverage (AIFMD 23(5))
As specified in the Investment objectives and policy in the Annual Report, The Company has the ability to put up to a maximum leverage of 40% of the Company's Gross Asset Value and the AIFM oversees the use of leverage to ensure that the use of borrowing is consistent with this requirement. Leverage is calculated using gross assets, with various adjustments, divided by net assets.

Under AIFMD, the Company is required to calculate leverage under the two methodologies specified by the Directive, the 'Gross Method' and the 'Commitment Method,' the difference being that the Commitment Method allows certain exposures to be offset or netted. Disclosures are made on the website of the Company.

Independent Auditors' Report

to the members of Civitas Social Housing PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Civitas Social Housing PLC's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2020 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 March 2020; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Management Engagement Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 9 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 April 2019 to 31 March 2020.

Our audit approach

Overview

- Overall Group materiality: £9.5 million (2019: £8.8 million), based on 1% of total assets.
- Overall Company materiality: £7.4 million (2019: £8.1 million), based on 1% of total assets.
- Group Specific materiality: £1.4 million (2019: £2.2 million), based on 5% of European Public Real Estate (‘EPRA’) Earnings, for financial statement line items impacting EPRA Earnings.
- We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate. The Group consists of a single reportable segment.
- Valuation of investment property (Group).
- COVID-19 (Group and Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with the Real Estate Investment Trust (REIT) status section 518 to 609 of the Corporation Tax Act 2010 and the UK and European regulatory principles, such as governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements of the Group and Company. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and the Listing Rules. We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of investment properties. Audit procedures performed by the engagement team included:

- discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, and review of the reports made by management;
- understanding of management’s internal controls designed to prevent and detect irregularities;
- assessment of matters, if any, reported to the Audit and Management Engagement Committee;
- reviewing relevant meeting minutes, including those of the Board of Directors and the Audit and Management Engagement Committee;
- review of tax compliance with the involvement of our tax specialists in the audit;
- designing audit procedures to incorporate unpredictability over the nature, timing and extent of our testing of expenses;
- procedures relating to the valuation of investment properties described in the related key audit matter below; and
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and words.

There are inherent limitations in the audit procedures described above 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 would become aware of it. Also, 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 or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment property (Group) Refer to page 66 (Report of the Audit and Management Engagement Committee), pages 98 and 99 (note 3.1, Significant estimate – valuation of investment property) and pages 108 to 111 (note 15, Investment property). Investment properties are held at fair value of £868.0 million as at 31 March 2020 in the Consolidated Statement of Financial Position. The valuation of the Group's investment property is the key component of the net asset value and underpins the Group's result for the year. The result of the revaluation this year was a gain of £13.3 million, which is accounted for within 'Change in fair value of investment properties' in note 15 (Investment property) and is a significant component of the result for the year. The Group's investment property portfolio consists of specialist social housing properties located in England and Wales which are let to Registered Providers of social housing on long-term leases. Investment property valuations were carried out by a third party valuer, Jones Lang LaSalle Limited ('JLL' or the 'Valuer'). The Valuer, engaged by the Directors, performed their work in accordance with the Royal Institute of Chartered Surveyors ('RICS') RICS Valuation – Professional Standards and the requirements of International Accounting Standard 40 'Investment Property'. The Valuer has included a material valuation uncertainty clause in their valuation report as at 31 March 2020. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the COVID-19 pandemic. This represents a significant estimation uncertainty in relation to the valuation of investment properties.	Given the inherent subjectivity involved in the valuation of the property portfolio, and therefore the need for deep market knowledge when determining the most appropriate assumptions and the technicalities of valuation methodology, we engaged our internal valuation experts (qualified chartered surveyors) to assist us in our audit of this area. *Material valuation uncertainty due to COVID-19* We considered the adequacy of the disclosures made in note 2 (Basis of preparation), note 3 (Significant accounting judgements, estimates and assumptions) and note 15 (Investment property) to the financial statements. These notes explain that the Valuer reported on the basis of a material valuation uncertainty and consequently that less certainty and a higher degree of caution should be attached to the valuations as at 31 March 2020. We discussed this clause with management and obtained sufficient appropriate audit evidence to demonstrate that management's assessment of the suitability of the inclusion of the valuation in the Consolidated Statement of Financial Position and disclosures made in the financial statements are appropriate. *Experience of Valuer and relevance of its work* We read the Valuer's report and confirmed that the approach used was consistent with the RICS guidelines and the requirements of IFRSs as adopted by the European Union. We assessed the Valuer's qualifications and expertise and read their terms of engagement with the Group, determining that there were no matters that affected their independence and objectivity or imposed scope limitations upon them. We also considered fees and other contractual arrangements that might exist between the Group and the Valuer. We found no evidence to suggest that the objectivity of the Valuer was compromised.

Key audit matter	How our audit addressed the key audit matter
In determining the value of a property, the Valuer has taken into account property-specific information including the lease term and rental income payable. They apply assumptions for the yield, discount rate and CPI growth which are influenced by prevailing market conditions and comparable transactions, to arrive at the final valuation as at the valuation date. The valuation of the Group's investment property portfolio was identified as a key audit matter given the valuation is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental streams for that particular property. The wider challenges currently facing real estate investor markets as a result of COVID-19 further contributed to the subjectivity for the year ended 31 March 2020. The significance of the estimates and judgements involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warranted specific audit focus in this area.	*Data provided to the Valuer and legal title* We validated the data provided to the Valuer by management and found that it was consistent with the information we audited. This data included inputs such as current rent, rent indexation (CPI or CPI+1%), and lease term, which we have agreed on a sample basis to executed lease agreements as part of our audit work. We verified legal ownership of properties through independent title deed confirmations on a sample basis. *Assumptions and estimates used by the Valuer* In our testing, which involved the use of our internal real estate valuation experts, we considered the assumptions utilised by the Valuer within the valuation and benchmarked to market evidence. We challenged the Valuer regarding the impact of the regulatory environment on investor sentiment and asset values. We attended meetings with management and the Valuer, at which the valuation methodology and the key assumptions were discussed. We challenged their approach to the valuations, particularly in light of COVID-19, and the rationale behind the more significant valuation assumptions adopted. Where assumptions were outside the expected range or showed unexpected movements based on our knowledge, we undertook further investigations, held further discussions with the Valuer and obtained evidence to support explanations received. The valuation commentaries provided by the Valuer and supporting evidence, enabled us to consider the property specific factors that may have had an impact on value, including recent comparable transactions where appropriate. We concluded that the assumptions used by the Valuer were consistent with our expectations and comparable benchmarking and market transaction information for the asset type, and the disclosures in relation to the material valuation uncertainty within the financial statements are sufficient and appropriate to highlight the increased estimation uncertainty as a result of COVID-19.

Key audit matter	How our audit addressed the key audit matter
COVID-19 (Group and Company) Refer to pages 52 to 57 (Strategic Report – 'Principal risks and risk management' and the 'Going Concern and Viability Statement'), page 66 (Report of the Audit and Management Engagement Committee) and pages 96 to 99 (Notes to the financial statements – note 2, Basis of preparation, and note 3, Significant accounting judgements, estimates and assumptions). The outbreak of the novel coronavirus (known as COVID-19) in many countries is rapidly evolving and the socio-economic impact is unprecedented. It has been declared as a global pandemic and is having a major impact on economies and financial markets. The efficacy of government measures will materially influence the length of economic disruption, but it is probable there will be a recession in the United Kingdom. In order to assess the impact of COVID-19 on the business, management has updated their risk assessment and prepared an analysis of the potential impact on the revenues, profits, cash flows, operations and liquidity position of the Group for the next 12 months and over the next five years. The analysis and related assumptions have been used by management in its assessment of the Group's going concern and viability. The most significant impact to the financial statements has been in relation to the disclosures on the valuation of Investment property. This is described in the key audit matter above. Management's analysis includes base and downside case scenarios. At the balance sheet date, the Group's cash balance is £58.4 million, of which £16.9 million is held as restricted cash and post the year end, the Group has extended the term of the loan presented in current liabilities as at 31 March 2020. In making their assessment, management took into account the covenant headroom on the Group's loan facilities. After considering all of these factors, management has concluded that preparing the financial statements on a going concern basis remains appropriate. No material uncertainty in relation to going concern exists.	We evaluated the Group's updated risk assessment and analysis and considered whether it addresses the relevant threats posed by COVID-19. We also evaluated management's assessment and corroborated evidence of the operational impacts, considering their consistency with other available information and our understanding of the business. Our procedures in respect of the valuation of investment properties are set out in the key audit matter above. We assessed the disclosures presented in the Annual Report in relation to COVID-19 by reading the other information, including the Principal risks and the Viability statement set out in the Strategic Report, and assessing its consistency with the financial statements and the evidence we obtained in our audit. We considered the appropriateness of the disclosures around the increased uncertainty on its accounting estimates and consider these to be adequate. In respect of going concern, we assessed the Directors' going concern analysis in light of COVID-19 and obtained evidence to support the key assumptions used in preparing the going concern model, including assessing covenant headroom within the base and downside case scenarios. We challenged the key assumptions used in preparing the analysis. We obtained evidence to support the loan extension post the year end that was classified as a current liability at the balance sheet date. In conjunction with the above, we have reviewed management's analysis of liquidity and recalculated loan covenant compliance to satisfy ourselves that no breaches are anticipated over the going concern period of assessment. Our conclusions relating to going concern and other information are set out in the 'Going Concern' and 'Reporting on other information' sections of our report, respectively, below.

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

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

	Group financial statements	Company financial statements
Overall materiality	£9.5 million (2019: £8.8 million).	£7.4 million (2019: £8.1 million).
How we determined it	1% of total assets.	1% of total assets.
Rationale for benchmark applied	The key measure of the Group's performance is the valuation of investment properties and the balance sheet as a whole. Given this, we set an overall Group materiality level based on total assets.	The Company's main activity is the holding of investments in subsidiaries. On this basis, we set an overall Company materiality level based on total assets.

In addition to overall Group materiality, a specific materiality was also applied to income statement line items that impact EPRA Earnings, which is based on profit before tax, adjusted to exclude fair value gains/(losses) on investment property and derivatives. We set a specific overall materiality level of £1.4 million (2019: £2.2 million), equating to 5% of EPRA Earnings. In arriving at this judgement, we considered the fact that EPRA Earnings is a secondary financial indicator of the Group (refer to the Strategic Report, page 51, where the term is defined in full).

We agreed with the Audit and Management Engagement Committee that we would report to them misstatements identified during our audit above £474,000 (Group audit) (2019: £443,000) and £370,000 (Company audit) (2019: £407,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

In addition, we agreed with the Audit and Management Engagement Committee we would report to them misstatements identified during our Group audit above £72,000 (2019: £113,000) for misstatements related to financial statement line items impacting EPRA Earnings within the financial statements, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern
In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

Reporting obligation	Outcome
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Report of the Directors and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors. (CA06)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement on pages 71 and 72 about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement on pages 68 to 73 with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company. (CA06)

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 52 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on pages 56 and 57 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 80, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 65 to 67 describing the work of the Audit and Management Engagement Committee does not appropriately address matters communicated by us to the Audit and Management Engagement Committee.
- The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 80, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' 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.

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Management Engagement Committee, we were appointed by the Directors on 31 March 2017 to audit the financial statements for the year ended 17 November 2016 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 17 November 2016, 31 March 2018 to 31 March 2020.

Sandra Dowling (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

29 June 2020

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2020

	Note	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Revenue			
Rental income	5	46,165	35,738
Less direct property expenses	5	(259)	–
Net rental income		45,906	35,738
Directors' remuneration	6	(176)	(163)
Investment advisory fees	8	(6,183)	(6,457)
General and administrative expenses	9	(3,501)	(3,022)
Total expenses		(9,860)	(9,642)
Change in fair value of investment properties	15	9,389	3,652
Operating profit		45,435	29,748
Finance income	10	110	491
Finance expense – relating to bank borrowings	11	(7,342)	(3,975)
Finance expense – C shares amortisation	11	–	(6,400)
Change in fair value of interest rate derivatives	21	(478)	–
Profit before tax		37,725	19,864
Taxation	12	–	–
Profit being total comprehensive income for the year		37,725	19,864
Earnings per share – basic	13	6.06p	4.67p
Earnings per share – diluted	13	6.06p	4.22p

All amounts reported in the Consolidated Statement of Comprehensive Income above arise from continuing operations.

The notes on pages 96 to 128 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
Assets			
Non-current assets			
Investment property	15	867,988	820,094
Other receivables	17	10,755	6,824
		878,743	826,918
Current assets			
Trade and other receivables	17	10,838	5,723
Cash and cash equivalents	18	58,374	54,347
		69,212	60,070
Total assets		947,955	886,988
Liabilities			
Current liabilities			
Trade and other payables	19	(7,743)	(15,324)
Bank and loan borrowings	20	(59,730)	–
		(67,473)	(15,324)
Non-current liabilities			
Bank and loan borrowings	20	(209,440)	(205,156)
Interest rate derivatives	21	(478)	–
Total liabilities		(277,391)	(220,480)
Total net assets		670,564	666,508
Equity			
Share capital	23	6,225	6,225
Share premium reserve	24	292,405	292,405
Capital reduction reserve	25	330,926	331,625
Retained earnings	26	41,008	36,253
Total equity		670,564	666,508
Net assets per share – basic and diluted	27	107.87p	107.08p

These consolidated financial statements on pages 96 to 128 were approved by the Board of Directors of Civitas Social Housing PLC and authorised for issue and signed on its behalf by:

Michael Wrobel
Chairman and Independent Non-Executive Director

29 June 2020

Company No: 10402528

The notes on pages 96 to 128 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Note	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2018		3,500	–	331,625	34,270	369,395
Profit and total comprehensive income for the year		–	–	–	19,864	19,864
Issue of Ordinary shares						
Issue of share capital	23	2,725	292,461	–	–	295,186
Share issue costs	24	–	(56)	–	–	(56)
Dividends paid						
Total interim dividends for the year ended 31 March 2019 (5.00p)	14	–	–	–	(17,881)	(17,881)
Balance at 31 March 2019		6,225	292,405	331,625	36,253	666,508
Profit and total comprehensive income for the year		–	–	–	37,725	37,725
Issue of Ordinary shares						
Shares bought back into treasury	25	–	–	(699)	–	(699)
Dividends paid						
Total interim dividends for the year ended 31 March 2020 (5.30p)	14	–	–	–	(32,970)	(32,970)
Balance at 31 March 2020		6,225	292,405	330,926	41,008	670,564

The notes on pages 96 to 128 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Note	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Cash flows from operating activities			
Profit for the year before taxation		37,725	19,864
– Change in fair value of investment properties		(9,389)	(3,652)
– Change in fair value of interest rate derivatives		478	–
– Rent and incentive straight line adjustments		(87)	(314)
Finance income		(110)	(491)
Finance expense		7,342	10,375
Increase in trade and other receivables		(3,290)	(2,789)
Increase/(decrease) in trade and other payables		126	(149)
Cash generated from operations		32,795	22,844
Interest received		110	491
Net cash flow generated from operating activities		32,905	23,335
Investing activities			
Purchase of investment properties		(17,986)	(267,908)
Acquisition costs		(9,737)	(9,421)
Purchase of subsidiary company		(19,829)	(25,470)
Sale proceeds on sale of subsidiary company		2,221	4,336
Lease incentives paid		(6,844)	(3,178)
Restricted cash held as retention money		(9,726)	(936)
Net cash flow used in investing activities		(61,901)	(302,577)
Financing activities			
Share issue costs paid	24	–	(56)
Cost of shares bought into treasury	25	(699)	–
Dividends paid to equity shareholders		(32,889)	(17,591)
Dividends paid to C shareholders	22	–	(9,966)
Bank borrowings advanced	20	64,053	115,990
Bank borrowing issue costs paid	20	(1,364)	(2,374)
Loan interest paid		(5,804)	(2,958)
Net cash flow generated from financing activities		23,297	83,045
Net decrease in cash and cash equivalents		(5,699)	(196,197)
Unrestricted cash and cash equivalents at the start of the year	18	47,128	243,325
Unrestricted cash and cash equivalents at the end of the year	18	41,429	47,128

The notes on pages 96 to 128 are an integral part of these consolidated financial statements.

1. Corporate information

Civitas Social Housing PLC (the "Company") was incorporated in England and Wales under the Companies Act 2006 as a public company limited by shares on 29 September 2016 with company number 10402528 under the name Civitas REIT PLC, which was subsequently changed to the existing name on 3 October 2016.

The address of the registered office is Beaufort House, 51 New North Road, Exeter, Devon EX4 4EP. The Company is registered as an investment company under section 833 of the Companies Act 2006 and is domiciled in the United Kingdom.

The Company did not begin trading until 18 November 2016 when the shares were admitted to trading on the London Stock Exchange ("LSE").

The Company's Ordinary shares are admitted to the Official List of the Financial Conduct Authority ("FCA"), and traded on the LSE.

The principal activity of the Company is to act as the ultimate parent company of Civitas Social Housing PLC and its subsidiaries (the "Group"), whose principal activity is to provide shareholders with an attractive level of income, together with the potential for capital growth from investing in a portfolio of social homes.

2. Basis of preparation

The Group's consolidated financial statements have been prepared on a going concern basis in accordance with the Disclosure Guidance and Transparency Rules of the FCA and with International Financial Reporting Standards ("IFRS") and IFRS Interpretation Committee ("IFRS IC") interpretations as issued by the IASB and as adopted by the European Union ("EU"), and in accordance with Article 4 of the IAS Regulation and the Companies Act 2006 as applicable to companies using IFRS.

The Group's consolidated financial statements have been prepared on a historical cost basis, as modified for the Group's investment properties and derivatives financial instruments at fair value through profit or loss.

The Group has chosen to adopt EPRA best practice guidelines for calculating key metrics such as net asset value and earnings per share. These are disclosed on page 51 with supporting calculations in Appendix 1 on pages 141 to 143.

2.1. Functional and presentation currency

The financial information is presented in Pounds Sterling which is also the functional currency of the Company, and all values are rounded to the nearest thousand pounds (£'000), except where otherwise indicated.

2.2. Going concern

The Group benefits from a secure income stream from long leases with the Housing Associations, which are not overly reliant on any one tenant and present a well-diversified risk. The Group's cash balance as at 31 March 2020 is £58.4 million, of which £16.9 million is held as restricted cash. Details of this can be found in Note 18.

To date, the Company's financial performance has not been negatively impacted by COVID-19. The Company and its Investment Adviser, Civitas Investment Management Limited ("CIM") are working closely with the Company's major counterparties to monitor the position on the ground and, should it be needed, to offer assistance and guidance where possible. The Board of Directors believes that the Company operates a robust and defensive business model and that social housing and specialist healthcare are proving to be some of the more resilient sectors within the market, given that they are based on non-discretionary public sector expenditure and that demand exceeds supply.

As a result, the Directors believe that the Group is well placed to manage its financing and other business risks and that the Group will remain viable, continuing to operate and meet its liabilities as they fall due.

The Board of Directors believe that there are currently no material uncertainties in relation to the Group's ability to continue for the period of at least 12 months from the date of the Group's consolidated financial statements. The Board is therefore, of the opinion that the going concern basis adopted in the preparation of the consolidated financial statements is appropriate.

2.3. New standards, amendments and interpretations

The following new standards are now effective and have been adopted for the year ended 31 March 2020.

- IFRS 16 Leases: Introduction of a single, on-balance sheet accounting model (effective for annual periods beginning on or after 1 January 2019).

The Directors have assessed that the adoption of this standard does not have a material impact on the Group's financial statements as the Group does not hold any material operating leases as lessee.

- IFRIC 23 Uncertainty over Income Tax Treatments: Clarifies the application of recognition and measurement requirements in IAS 12 Income Taxes, when there is uncertainty over income tax treatments (effective for annual periods beginning on or after 1 January 2019).

The Directors have assessed that the adoption of this new interpretation does not have a material impact on the Group's financial statements.

2.4. New standards, amendments and interpretations effective for future accounting periods

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 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors': (effective for annual periods beginning on or after 1 January 2020) – make amendments to clarify the definition of 'material'. The amendments make IFRSs more consistent but are not expected to have a significant impact on the preparation of the financial statements.

- Amendments to IFRS 3 Business Combinations: Clarifies the definition of a business. A significant change in the amendment is the option for an entity to assess whether substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If such a concentration exists, the transaction is not viewed as an acquisition of a business and no further assessment of the business combination guidance is required. This will be relevant where the value of the acquired entity is concentrated in one property, or a group of similar properties (effective for periods beginning on or after 1 January 2020 with earlier application permitted).

There will be no impact on transition since the amendments are effective for business combinations for which the acquisition date is on or after the transition date.

2.5. Segmental information

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 delegated to the Investment Adviser, who has formed an Executive Team, in order to allocate resources to the segments and to assess their performance.

The internal financial reports received by the Investment Adviser's Executive Team contain financial information at a Group level as a whole and there are no reconciling items between the results contained in these reports and the amounts reported in the consolidated financial statements.

The Directors consider the Group's property portfolio represents a coherent and diversified portfolio with similar economic characteristics and as a result these individual properties have been aggregated into a single operating segment. In the view of the Directors there is accordingly one reportable segment under the provisions of IFRS 8.

All of the Group's properties are based in the UK. Geographical information is provided to ensure compliance with the diversification requirements of the Company, other than this no geographical grouping is contained in any of the internal financial reports provided to the Investment Adviser's Executive Team and, therefore no geographical segmental analysis is required by IFRS 8.

3. Significant accounting judgements, estimates and assumptions

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

3.1. Significant estimate – valuation of investment property

The Group uses the valuation carried out by its independent valuers as the fair value of its property portfolio. The valuation is based upon assumptions including future rental income and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. Further information is provided in note 15.

The Group's properties have been independently valued by Jones Lang LaSalle Limited ("JLL" or the "Valuer") in accordance with the current Royal Institution of Chartered Surveyors' Valuation – Global Standards, incorporating the IVS, and the RICS Valuation – Global Standards 2017 UK national supplement (the RICS "Red Book"). JLL is one of the most recognised professional firms within social housing valuation and has sufficient current local and national knowledge of both social housing generally and Specialist Supported Housing ("SSH") and has the skills and understanding to undertake the valuations competently.

The Valuer has included a material valuation uncertainty clause within their valuation report.

Material Valuation Uncertainty due to Novel Coronavirus (COVID-19)

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

The valuation is therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of these properties under frequent review. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.

On 28 May 2020, RICS published an update and concluded that the inclusion of MUCs was no longer appropriate for *(inter alia)*:

> *specialist supported housing of all types, designated either C2 or C3 use class, let to Registered Providers on FRI leases, and usually with a third-party care provider involved in providing care and support to residents, valued on the basis of Market Value*

This advice was supported by JLL because of a continuation of activity in the specialist supported housing market and they will be following this guidance in future valuation reports. Details of this clause are disclosed in note 15.

With respect to the Group's consolidated financial statements, investment properties are valued at their fair value at each balance sheet date in accordance with IFRS 13, which recognises a variety of fair value inputs depending upon the nature of the investment. Specifically:

- Level 1 – Unadjusted, quoted prices for identical assets and liabilities in active (typically quoted) markets.
- Level 2 – Quoted prices for similar assets and liabilities in active markets.
- Level 3 – External inputs are "unobservable". Value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and a determination of which assumptions should be applied in valuing such assets and with particular focus on the specific attributes of the investments themselves. Given

Notes to the Consolidated Financial Statements continued

the bespoke nature of each of the Group's investments, the particular requirements of due diligence and financial contribution obtained from the vendors together with the recent emergence of SSH, all of the Group's investment properties are included in Level 3.

3.2. Significant judgement – business combinations

The Group acquires subsidiaries that own investment properties. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. Management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. Where such acquisitions are not judged to be the acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based upon their relative fair values at the acquisition date. Accordingly, no goodwill or additional deferred tax arises.

With the exception of one acquisition detailed below, all other corporate acquisitions during the year have been treated as asset purchases rather than business combinations because no integrated set of activities was acquired.

During the year, the Group entered into a transaction to acquire the freehold properties operated by New Directions Flexible Social Care Solutions Ltd and Vision MH Ltd. Upon the acquisition of the companies, investment properties were transferred into other Group companies and the companies, along with their associated operations, were sold to TLC Care Homes Limited. Further details are shown in note 16 to the financial statements.

During the comparative year, the Group entered into a purchase of TLC Care Homes Limited, which carried out operational activities. Upon acquisition, investment properties were transferred into another Group company and the company was sold. Further details are shown in note 16 to the financial statements.

The acquired companies met the definition of a business under IFRS 3, and the transaction was therefore recorded as a business combination.

Because the Group acquired the company with the intent to sell the business, management applied the short-cut method under IFRS 5 – Subsidiaries acquired with a view to resale. Under this method, the subsidiary is recorded at fair value less costs to sell, and there is no requirement to fair value the subsidiary's individual assets and liabilities.

3.3. Significant judgement – operating lease contracts – the Group as lessor

The Group has acquired investment properties that are subject to commercial property leases with Registered Providers. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, particularly the duration of the lease terms and minimum lease payments, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as operating leases.

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all periods presented, unless otherwise stated.

4.1. Basis of consolidation

The consolidated financial statements comprise the financial information of the Group as at the year 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 consolidated 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.

4.2. Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially measured at cost, being the fair value of the consideration given, including expenditure that is directly attributable to the acquisition of the investment property. After initial recognition, investment property is stated at its fair value at the balance sheet date. 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 Consolidated Statement of Comprehensive Income.

Subsequent expenditure is capitalised only when it is probable that future economic benefits are associated with the expenditure. Ongoing repairs and maintenance are expensed as incurred.

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

Significant accounting judgements, estimates and assumptions made for the valuation of investment properties are discussed in note 3.

4.3. Leases

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

The Company has determined that it retains all the significant risks and rewards of ownership of the properties and accounts for the contracts as operating leases as discussed in note 3.

Properties leased out under operating leases are included in investment property in the Consolidated Statement of Financial Position. Rental income from operating leases is recognised on a straight line basis over the term of the relevant leases.

Lease incentive costs are recognised as an asset and amortised over the life of the lease.

4.4. Financial Assets

Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

Trade and other receivables

Trade and other receivables are amounts due in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non–current assets.

Trade receivables are recognised initially at fair value and subsequently are measured at amortised cost using the effective interest method, less impairment provision. The Group holds the trade receivables with the objective to collect the contractual cash flows.

Impairment
The Group's financial assets are subject to the expected credit loss model.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The expected loss rates are based on the payment profiles of sales over a period of up to 36 months before 31 March 2020 or 1 April 2019, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the tenants to settle the receivable. Such forward-looking information would include: changes in economic, regulatory, technological and environmental factors (such as industry outlook, GDP, employment and politics); external market indicators; and tenant base.

Trade receivables are written off when there is no reasonable expectation of recovery.

Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, cash held by lawyers and liquidity funds with a term of no more than three months that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

Within cash and cash equivalents is restricted cash which represents amounts held for specific commitments and retention money held by lawyers in relation to deferred payments subject to achievement of certain conditions, other retentions and cash segregated to fund repair, maintenance and improvement works to bring the properties up to satisfactory standards for the Group and the tenants.

Currently that amount of cash is held in escrow.

4.5. Financial liabilities
The Group recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract.

All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at fair value through profit or loss) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are subsequently measured at amortised cost, unless the Group opted to measure a liability at fair value through profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Trade and other payables
Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost until settled. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Bank and other borrowings
All bank and other borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, all bank and other borrowings are measured at amortised cost, using the effective interest method. Any attributable transaction costs relating to the issue of the bank borrowings are amortised through the Group's Statement of Comprehensive Income over the life of the debt instrument on a straight-line basis.

C share financial liability

C shares are convertible preference shares and under IAS 32 Financial Instruments: Presentation, meet the definition of a financial liability. C shares are recognised on issue at fair value less directly attributable transaction costs. After initial recognition, C shares are subsequently measured at amortised cost using the effective interest rate method. Amortisation is credited to or charged to finance income or finance costs in the Consolidated Statement of Comprehensive Income. Transaction costs are deducted from proceeds at the time of issue.

Derivative financial instruments

Derivative financial instruments, which comprise interest rate swaps for hedging purposes, are initially recognised at fair value at acquisition and are subsequently measured at fair value, being the estimated amount that the Group would receive or pay to sell or transfer the agreement at the period end date, taking into account current interest rate expectations and the current credit rating of the lender and its counterparties. The gain or loss at each fair value remeasurement date is recognised in the Group's Consolidated Statement of Comprehensive Income.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole.

4.6. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

4.7. Taxation

Taxation on the profit or loss for the period not exempt under UK REIT regulations is comprised of current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognised as a direct movement in equity, in which case it is 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, and any adjustment to tax payable in respect of previous periods.

The current tax charge is calculated on profits arising in the period and in accordance with legislation which has been enacted or substantively enacted at the balance sheet date.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax that is provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

4.8. Capital management

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

Capital assets comprise the following:

	31 March 2020 £'000	31 March 2019 £'000
Proceeds from the issue of Ordinary shares and retained earnings thereon	670,564	666,508
Bank and loan borrowings	269,170	205,156
	939,734	871,664

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

The Directors may use gearing to enhance equity returns. The level of borrowing will be on a prudent basis for the asset class and will seek to achieve a low cost of funds, whilst maintaining the flexibility in the underlying security requirements and the structure of the Group.

The Group may, following a decision of the Board, raise debt from banks and/or the capital markets and the aggregate borrowings of the Group will always be subject to an absolute maximum, calculated at the time of drawdown, of 40% of the Gross Asset Value on a fully invested basis.

4.9. Dividends payable to shareholders

Dividends to the Company's shareholders are recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved. In the UK, interim dividends are recognised when paid.

4.10. Rental income

Rental income from investment property is recognised on a straight-line basis over the term of ongoing leases and is shown gross of any UK income tax. Lease incentives are spread evenly over the lease term.

Service charges and other similar receipts are included in net rental and property income gross of the related costs as the Directors consider the Group acts as principal in this respect.

4.11. Finance income

Finance income is recognised as interest accrued on cash and cash equivalent balances held by the Group.

4.12. Finance costs

Finance costs consist of interest and other costs that the Group incurs in connection with bank and other borrowings. Bank interest and bank charges are recognised on an accruals basis. Borrowing transaction costs are amortised over the period of the loan.

After initial recognition, C shares are subsequently measured at amortised cost using the effective interest rate method. Amortisation is credited or charged to finance income or finance costs. Transaction costs are amortised to the earliest conversion period.

4.13. Expenses

All expenses are recognised in the Consolidated Statement of Comprehensive Income on an accruals basis.

4.14. Investment advisory fees

Investment advisory fees are recognised in the Consolidated Statement of Comprehensive Income on an accruals basis.

4.15. Share issue costs

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

4.16. Share held in treasury

The costs, including directly attributable transactions costs, of purchasing the Company's own shares to be held in treasury is deducted from equity and the costs are shown in the Consolidated Statement of Changes in Equity. Consideration received, net of transaction costs, for the resale of these shares is also included in equity. Whilst the Company holds shares in treasury, the calculations for net asset value and earnings per share are adjusted to exclude these shares.

5. Rental income

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Rental income from investment property	45,819	35,424
Rent straight line adjustments	361	459
Lease incentive adjustments	(274)	(145)
Rechargeable costs received	259	–
Rental income	46,165	35,738
Less direct property expenses	(259)	–
Net rental income	45,906	35,738

Rechargeable costs received represent insurance costs paid by the Group and recharged to the Registered Providers.

As per the lease agreement with the Group and Registered Providers, the Registered Providers are responsible for the settlement of all present and future rates, taxes and other impositions payable in respect of the property. As a result, no further direct property expenses were incurred.

6. Directors' remuneration

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Directors' fees	162	150
Employer's National Insurance Contributions	14	13
Total	176	163

The Directors are remunerated for their services at such rate as the Directors shall from time to time determine.

7. Particulars of employees

The Group had no employees during the year (2019: nil) other than the Directors.

8. Investment advisory fees

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Advisory fee	6,131	6,457
Disbursements	52	–
Total	6,183	6,457

On 7 May 2020, Civitas Housing Advisors Limited changed its name to Civitas Investment Management Limited. CIM is the appointed Investment Adviser of the Company. Under the current Investment Management Agreement, the Advisory Fee shall be an amount calculated in respect of each Quarter, in each case based upon the Net Asset Value most recently announced to the market at the relevant time (as adjusted for issues or repurchases of shares in the period between the date of such announcement and the date of the relevant calculation), on the following basis:

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

Notes to the Consolidated Financial Statements continued

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

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

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

The appointment of the Investment Adviser shall continue in force unless and until terminated by either party giving to the other not less than 12 months' written notice, such notice not to expire earlier than 30 May 2024.

During the year, the expiry date period was extended from 30 November 2021 to 30 May 2024.

Prior to 26 April 2019, the Advisory Fee calculation was based upon the higher Portfolio NAV which is defined in Appendix 1 on page 142.

9. General and administrative expenses

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Legal and professional fees	1,081	1,049
Administration fees	1,070	717
Consultancy fees	148	176
Audit fees	246	211
Abortive costs	303	18
Bad debts	–	421
Valuation fees	96	96
Depositary fees	71	60
Grants and donations	88	28
Insurance	49	65
Marketing	269	101
Regulatory fees	14	19
Sundry expenses	65	61
Directors' expenses	1	–
Total	3,501	3,022

Abortive costs represent legal and professional fees incurred in relation to the acquisition of investment properties that were considered but subsequently aborted.

Services provided by the Company's auditors and their associates

The Group has obtained the following services from the Company's auditors and their associates:

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Audit of the financial statements	195	180
Review of the half year financial statements	51	31
Corporate services relating to the C share conversion	–	10
Total	246	221

10. Finance income

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Interest and dividends received on liquidity funds	81	486
Bank interest received	29	5
Total	110	491

11. Finance expense

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Bank charges	2	2
Interest paid and payable on bank borrowings and derivatives	5,795	3,048
Bank borrowing commitment fees	220	207
Amortisation of loan arrangement fees	1,325	718
Finance expenses associated with bank borrowings	7,342	3,975
Amortisation of C share liability	–	6,400
Total	7,342	10,375

12. Taxation

As a UK REIT, the Group is exempt from corporation tax on the profits and gains from its property investment business, provided it meets certain conditions as set out in the UK REIT regulations. For the current year ended 31 March 2020, the Group did not have any non-qualifying profits and accordingly there is no tax charge in the year. If there were any non-qualifying profits and gains, these would be subject to corporation tax.

It is assumed that the Group will continue to be a group UK REIT for the foreseeable future, such that deferred tax has not been recognised on temporary differences relating to the property rental business. No deferred tax asset has been recognised in respect of the unutilised residual current year losses as it is not anticipated that sufficient residual profits will be generated in the future.

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Corporation tax charge/(credit) for the year	–	–
Total	–	–

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

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Group		
Profit before taxation	37,725	19,864
UK corporation tax rate	19.00%	19.00%
Theoretical tax at UK corporation tax rate	7,168	3,774
Effects of:		
Change in value of exempt investment properties	(1,784)	(694)
Exempt REIT income	(6,136)	(4,702)
Amounts not deductible for tax purposes	175	1,296
Unutilised residual current year tax losses	577	326
Total	–	–

The standard rate of corporation tax is currently 19%. The Government has announced that the corporation tax standard rate is to be kept at to 19% for the foreseeable future.

REIT exempt income includes property rental income that is exempt from UK Corporation Tax in accordance with Part 12 of Corporation Tax Act 2010.

13. IFRS Earnings per share

Earnings per share ("EPS") amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of Ordinary shares in issue during the year.

Diluted EPS is calculated by adjusting earnings and the number of shares for the effects of dilutive options and other dilutive potential Ordinary shares (i.e. the C shares).

The calculation of basic and diluted earnings per share is based on the following:

	For the year ended 31 March 2020	For the year ended 31 March 2019
Calculation of Basic Earnings per share		
Net profit attributable to Ordinary shareholders (£'000)	37,725	19,864
Weighted average number of Ordinary shares	622,103,798	425,393,423
Earnings per share – basic	6.06p	4.67p
Calculation of Diluted Earnings per share		
Net profit attributable to Ordinary shareholders (£'000)	37,725	19,864
Add back finance costs associated with the C share liability (£'000)	–	6,400
Total (£'000)	37,725	26,264
Weighted average number of Ordinary shares	622,103,798	425,393,423
Effects of dilution from C shares	–	197,067,957
	622,103,798	622,461,380
Earnings per share – diluted	6.06p	4.22p

14. Dividends

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Dividend of 1.325p for the 3 months to 31 March 2019 (1.25p 3 months to 31 March 2018)	8,248	4,375
Dividend of 1.325p for the 3 months to 30 June 2019 (1.25p 3 months to 30 June 2018)	8,248	4,375
Dividend of 1.325p for the 3 months to 30 September 2019 (1.25p 3 months to 30 September 2018)	8,238	4,375
Dividend of 1.325p for the 3 months to 31 December 2019 (1.25p 3 months to 31 December 2018)	8,236	4,756
Total	32,970	17,881

On 8 May 2019, the Company announced a dividend of 1.325 pence per share in respect of the period 1 January 2019 to 31 March 2019. The dividend payment was made on 7 June 2019 to shareholders on the register as at 17 May 2019.

On 6 August 2019, the Company announced a dividend of 1.325 pence per share in respect of the period 1 April 2019 to 30 June 2019. The dividend payment was made on 6 September 2019 to shareholders on the register as at 16 August 2019.

On 7 November 2019, the Company announced a dividend of 1.325 pence per share in respect of the period 1 July 2019 to 30 September 2019. The dividend payment was made on 29 November 2019 to shareholders on the register as at 15 November 2019.

On 29 January 2019, the Company announced a dividend of 1.325 pence per share in respect of the period 1 October 2019 to 31 December 2019. The dividend payment was made on 28 February 2020 to shareholders on the register as at 7 February 2020.

On 11 May 2020, the Company announced a dividend of 1.325 pence per share in respect of the period 1 January 2020 to 31 March 2020 totalling £8,236,000. The dividend payment was made on 12 June 2020 to shareholders on the register as at 22 May 2020. The financial statements do not reflect this dividend.

15. Investment property

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Balance at beginning of year	826,918	516,554
Property acquisitions	33,194	289,304
Acquisition costs	5,311	10,916
Change in fair value during the year	13,320	10,144
Value advised by the property valuers	878,743	826,918
Adjustments for lease incentive assets and rent straight line assets recognised	(10,755)	(6,824)
Total	867,988	820,094

Notes to the Consolidated Financial Statements continued

Change in fair value of investment properties:	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Change in valuation during the year	13,320	10,144
Adjustment for lease incentives and rent straight line adjustments recognised in assets as:		
Start of the year	6,824	332
End of the year	(10,755)	(6,824)
	9,389	3,652

In accordance with "IAS 40: Investment Property", the investment property has been independently valued at fair value by JLL, an accredited external valuer with recognised and relevant professional qualifications and recent experience of the location and category of the investment property being valued, however, the valuations are the ultimate responsibility of the Directors.

As mentioned in note 3.1, the valuer included the following material valuation uncertainty clause within its valuation report.

Material Valuation Uncertainty due to Novel Coronavirus (COVID-19)

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

The valuation is therefore reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of these properties under frequent review.

For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.

Valuation

JLL valued the Civitas Social Housing PLC property portfolio on the basis of each individual property and the theoretical sale of the properties without the benefit of any corporate wrapper at £878,743,000 as at 31 March 2020 (2019: £826,918,000).

JLL has provided valuation services to the Company with regards to the properties during the year. In relation to the year ended 31 March 2020, the proportion of the total fees payable by the Company to JLL's total fee income was less than 5% and is therefore minimal. Additionally, JLL has a rotation policy in place whereby the signatories on the valuations rotate after seven years.

With the exception of the acquisition detailed in note 16, all corporate acquisitions during the year have been treated as asset purchases rather than business combinations because they are considered to be acquisitions of properties rather than businesses.

The following table provides the fair value measurement hierarchy for investment property:

	Total £'000	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000
Investment properties measured at fair value:				
31 March 2020	867,988	–	–	867,988
31 March 2019	820,094	–	–	820,094

There have been no transfers between Level 1 and Level 2 during any of the years, nor have there been any transfers between Level 2 and Level 3 during any of the years.

The valuations have been prepared in accordance with the RICS Valuation – Professional Standards (incorporating the International Valuation Standards) by JLL, one of the leading professional firms engaged in the social housing sector.

As noted previously, all of the Group's investments are reported as Level 3 in accordance with IFRS 13 where external inputs are "unobservable" and value is the Directors' best estimate, based upon advice from relevant knowledgeable experts.

In this instance, the determination of the fair value of investment property requires an examination of the specific merits of each property that are in turn considered pertinent to the valuation.

These include:

i) the regulated social housing sector and demand for the facilities offered by each SSH property owned by the Group;

ii) the particular structure of the Group's transactions where vendors, at their own expense, meet the majority of the refurbishment costs of each property and certain purchase costs;

iii) detailed financial analysis with discount rates supporting the carrying value of each property;

iv) underlying rents for each property in comparison to the market rent, with consideration given as whether a property is over rented; and

v) a full repairing and insuring lease with annual indexation based on CPI or CPI+1% and effectively 25 years outstanding in most cases with a Housing Association itself regulated by the Homes and Communities Agency.

The following descriptions and definitions relating to valuation techniques and key unobservable inputs made in determining fair values are as follows:

Valuation techniques: market value method

The estimated amount for which a property should exchange between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion. Such marketing to be structured such that the sale is undertaken in such a manner and in a specific market with a view to maximising the value achieved.

There are two main unobservable inputs that determine the fair value of the Group's investment property:

i) The rate of inflation as measured by CPI; it should be noted that all leases benefit from either CPI or CPI+1 indexation.

ii) The discount rate applied to the rental flows.

Key factors in determining the discount rates applied include the regulated social housing sector and demand for each SSH property owned by the Group, costs of acquisition and refurbishment of each property, the anticipated future underlying cash flows for each property, benchmarking of each underlying rent for each property (passing rent), and the fact that all of the properties within the Group's portfolio have the benefit of full repairing and insuring leases entered into by a Housing Association.

As at the balance sheet date, the lease lengths within the Group's portfolio ranged from an effective 25 years to 35 years with a weighted average unexpired lease term of 23.7 years (2019: 24.4). The greater the length then, all other metrics being equal, the greater the value of the property.

Sensitivities of measurement of significant unobservable inputs

As set out within significant accounting estimates and judgements at 3.1 above, the Group's property investment valuation is open to judgements and is inherently subjective by nature. As a result the following sensitivity analysis has been prepared:

Average discount rate and range

The average discount rate used in the Group's property Portfolio Valuation is 5.3% (2019: 5.3%).

The range of discount rates used in the Group's property Portfolio Valuation is from 4.9% to 10.7% (2019: 4.9% to 6.0%).

The table below illustrates the change to the value of investment properties if the discount rate and CPI used for the portfolio valuation calculations are changed:

	-0.5% in discount rate £'000	+0.5% in discount rate £'000	+0.25% in CPI £'000	-0.25% in CPI £'000
Increase/(decrease) in the IFRS fair value of investment properties at:				
31 March 2020	34,733	(32,245)	26,917	(25,846)
31 March 2019	33,203	(30,788)	25,651	(24,711)

16. Subsidiary resale

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Balance at the beginning of the year	–	–
Acquisition	19,829	25,470
Transfer to investment property	(17,608)	(21,134)
Sale proceeds	(2,221)	(4,336)
	–	–

On 11 March 2020, the Group entered into a transaction to acquire the freehold properties operated by New Directions Flexible Social Care Solutions Ltd and Vision MH Ltd. Upon the acquisition of the companies for £19,829,000, investment properties were transferred into other Group companies and the companies, along with their associated operations, were sold to TLC Care Homes Limited for £2,221,000.

On 7 December 2018, the Group acquired a subsidiary, TLC Care Homes Limited, for £25,470,000 consisting of investment property and a care home business with the exclusive intent to sell the subsidiary business. At acquisition, the fair value of the investment property was £21,134,000 and the fair value of the assets and liabilities less selling costs of the care home business was £4,336,000. The care home business was sold immediately following acquisition for £4,336,000.

17. Trade and other receivables

Amounts falling due in less than one year	31 March 2020 £'000	31 March 2019 £'000
Rent receivable	4,307	2,954
Less provision for impairment	–	(421)
Net rent receivable	4,307	2,533
Accrued income	4,267	2,778
Prepayments and other receivables	2,264	412
Total	10,838	5,723

Prepayments and other receivable amounts include prepaid legal and professional fees of £469,000 (2019: £343,000) that have been incurred in connection with acquisitions yet to be completed and £1,695,000 (2019: £nil) in respect of uncompleted works on the property portfolio.

The increase in accrued income relates mainly to rent accrued for the period but not yet demanded. This is due to a number of tenants who are invoiced in arrears.

Amounts falling due after more than one year	31 March 2020 £'000	31 March 2019 £'000
Debtor arising from straight line adjustments	1,152	791
Lease incentives	9,603	6,033
	10,755	6,824

The aged analysis of trade receivables that are past due but not impaired was as follows:

	31 March 2020 £'000	31 March 2019 £'000
Current	1,594	991
< 30 days	657	353
30-60 days	319	499
> 60 days	1,737	1,111
	4,307	2,954
Less provision for impairment	–	(421)
Total	4,307	2,533

The Directors consider the fair value of receivables equals their carrying amount.

The table above shows the aged analysis of trade receivables included in the table above which are past due. The provision for impairment principally relates to First Priority Housing Association ("First Priority").

Other categories within trade and other receivables do not include impaired assets.

Notes to the Consolidated Financial Statements continued

18. Cash and cash equivalents

	31 March 2020 £'000	31 March 2019 £'000
Cash held by solicitors	3,325	17,031
Liquidity funds	10,475	13,394
Cash held at bank	27,629	16,703
Unrestricted cash and cash equivalents	41,429	47,128
Restricted cash	16,945	7,219
Total	58,374	54,347

Liquidity funds refer to money placed in money market funds. These are highly liquid funds with accessibility within 24 hours and subject to insignificant risk of changes in value.

Cash held by lawyers is money held in escrow for expenses expected to be incurred in relation to investment properties pending completion. These funds are available immediately on demand.

Restricted cash represents amounts held for specific commitments and retention money held by lawyers in relation to deferred payments subject to achievement of certain conditions, other retentions and cash segregated to fund repair, maintenance and improvement works to bring the properties up to satisfactory standards for the Group and the tenants. Currently, that amount of cash is held in escrow.

19. Trade and other payables

	31 March 2020 £'000	31 March 2019 £'000
Deferred income	245	14
Acquisition costs accrued	5,068	10,074
Lease incentives payable	–	3,000
Finance costs	1,014	798
Dividends payable	798	717
Accruals	618	616
Income tax and corporation tax payable*	–	105
Total	7,743	15,324

Acquisition costs accrued includes the balance of retention monies of £4,819,000 (2019: £7,219,000) and acquisition costs capitalised.

* Represents tax liabilities incurred by subsidiary companies prior to acquisition by the Group.

20. Bank and loan borrowings

Bank borrowings are secured by charges over individual investment properties held by certain asset-holding subsidiaries. The banks also hold charges over the shares of certain subsidiaries and any intermediary holding companies of those subsidiaries. Any associated fees in arranging the bank borrowings unamortised as at the year end are offset against amounts drawn on the facilities as shown in the table below:

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Balance at start of year	208,447	92,457
Bank borrowings drawn	64,053	115,990
Bank borrowings drawn at end of year	272,500	208,447
Balance at start of year	(3,291)	(1,635)
Less: loan issue costs incurred	(1,364)	(2,374)
Add: loan issue costs amortised	1,325	718
Unamortised costs at end of year	(3,330)	(3,291)
At end of year	269,170	205,156

	Loan Balance* 31 March 2020 £'000	Loan Principal 31 March 2020 £'000	Loan Principal 31 March 2019 £'000
Maturity of bank borrowings:			
Repayable within 1 year	59,730	60,000	–
Repayable between 1 to 2 years	99,004	100,000	55,947
Repayable between 2 to 5 years	58,840	60,000	100,000
Repayable after 5 years	51,596	52,500	52,500
Total	269,170	272,500	208,447

* Loan balance net of unamortised costs.

As disclosed in note 36, after the year end the Lloyds Bank plc £60 million Revolving Credit Facility, which the table shows as repayable within 1 year, was extended in the normal course of business to November 2021.

The Group is party to the following loan facility agreements:

A 10-year Sterling Term Facility Agreement dated 2 November 2017 for up to £52,500,000 with Scottish Widows Limited. Interest is fixed at a total of 2.9936% per annum.

The borrowings include amounts secured on investment property to the value of £170,599,000 (2019: £169,999,000).

A 3-year Sterling Revolving Facility Agreement dated 15 November 2017 for up to £40,000,000 with Lloyds Bank plc. Interest is charged at LIBOR +1.50% margin. During the comparative year, a £20,000,000 increase of this facility was agreed. This facility was due for renewal in November 2020 but, as at the signing date, the loan has been extended in the normal course to November 2021.

The borrowings include amounts secured on investment property to the value of £147,475,000 (2019: £144,166,000).

A 3-year Revolving Credit Facility Agreement dated 28 November 2018 for up to £100,000,000 with HSBC Bank PLC. Interest is charged at LIBOR +1.70% margin.

The borrowings include amounts secured on investment property to the value of £216,026,000 (2019: £208,953,000).

A 5-year loan facility with National Westminster Bank Plc, dated 15 August 2019, for up to £60,000,000. Interest is charged at LIBOR +2.00% margin and has been fixed by way of a 5-year swap. The swap fixes interest on £20 million at 0.7105%

and £40,000,000 at 0.5475%. The loan can be extended for an additional 2 years and there is the option of a further £40 million accordion.

The borrowings include amounts secured on investment property to the value of £129,933,000 (2019: £nil).

A number of covenants are in place under the four agreements. Under the Scottish Widows Limited 10-year facility, historical and projected interest cover must be at least 325% and the loan to value ratio must not exceed 40%. Under the Lloyds Bank plc 3-year revolving credit facility, historical and projected interest cover must be at least 250% and the loan to value ratio must not exceed 55%. Under the HSBC Bank PLC 3-year facility, historical and projected interest cover must be at least 250% and the loan to value ratio must not exceed 60%. Under the National Westminster Bank Plc 5-year facility, historical and projected interest cover must be at least 250% and the loan to value ratio must not exceed 50%. At 31 March 2020, the Group is in compliance with all covenants.

21. Interest rate derivatives

The Group has entered into an interest rate swap with NatWest Markets in order to mitigate the risk of changes in interest rates on its loan with National Westminster Bank Plc under which £60,000,000 is currently drawn.

The swap has a notional value of £60,000,000 and fixes interest at 2.60% (including the 2% margin rate on the bank loan).

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
At start of the year	–	–
Change in fair value during the year	(478)	–
At end of the year	(478)	–

The table below shows the fair value measurement hierarchy for interest rate derivatives:

	Quote prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000
31 March 2020	–	(478)	–
31 March 2019	–	–	–

There have been no transfers between Level 1 and Level 2 during the year nor have there been any transfers between Level 2 and Level 3 during the year.

22. C shares

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
At beginning of year	–	298,752
Dividends paid to C shareholders	–	(9,966)
Amortisation of C share liability	–	6,400
Conversion to Ordinary shares	–	(295,186)
At end of year	–	–

On 10 November 2017, the Company announced the issue of 302,000,000 C shares, issued at £1 per share. The C shares are convertible preference shares. The shares were listed on the London Stock Exchange and dealing commenced on 14 November 2017.

Holders of C shares were not entitled to receive notice of, attend, speak or vote at general meetings of the Company.

Under IAS 32 Financial Instruments: Presentation, the C shares meet the definition of a financial liability rather than equity and are presented in the financial statements as a liability of the Company carried at amortised cost.

The funds were raised in order to finance a number of property acquisitions and C shares were issued rather than Ordinary shares so that the issue costs associated with the fund raise and the costs associated with the property acquisitions did not dilute the Ordinary share NAV.

In order to calculate the net assets attributable to each share class, the results, assets and liabilities attributable to the C shares are identified in a separate pool to the results, assets and liabilities of the Ordinary shares. A share of fund level expenses for the period is allocated to the C shares based on the net assets of each share class pool.

It should be noted that these financial statements include all results, assets and liabilities of both share class pools, however, as the C shares are classified as a liability, net assets are reduced by the value of the C shares liability which is also equivalent to the net assets of the C share pool.

On 21 December 2018, the C shares were converted to Ordinary shares in the ratio 0.902190 new Ordinary shares for every 1 C share held. The conversion ratio was calculated with reference to the respective portfolio net asset values of the C shares and Ordinary shares at close of business on the calculation date.

Accordingly, 272,461,380 Ordinary shares were issued.

23. Share capital

Share capital represents the nominal value of consideration received by the Company for the issue of Ordinary shares.

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Share capital		
At beginning of year	6,225	3,500
Shares issued	–	2,725
At end of year	6,225	6,225
Number of shares issued and fully paid		
Ordinary shares of £0.01 each		
At beginning of year	622,461,380	350,000,000
Shares issued	–	272,461,380
At end of year	622,461,380	622,461,380

On 21 December 2018, the Company issued 272,461,380 Ordinary shares in respect of the conversion of 302,000,000 C shares. The fair value of assets representing the C share pool at that date was £295,186,000.

The Company holds 815,000 Ordinary shares in treasury. The number of Ordinary shares used to calculate the net asset value is 621,646,380.

Notes to the Consolidated Financial Statements continued

24. Share premium reserve

The share premium reserve represents the amounts subscribed for Ordinary share capital in excess of nominal value less associated issue costs of the subscriptions.

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
At beginning of year	292,405	–
Premium arising on shares issued	–	292,461
Share issue costs	–	(56)
At end of year	292,405	292,405

25. Capital reduction reserve

The capital reduction reserve is a distributable reserve to which the value of the cancelled share premium has been transferred. Pursuant to Article 3 of The Companies (Reduction of Share Capital) Order 2008, the balance held in the capital reduction reserve is to be treated for the purposes of Part 23 of the Companies Act 2006 as a realised profit and therefore available for distribution in accordance with section 830 of the Companies Act. The Company has used this reserve for the costs of buying back shares to be held in treasury.

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Balance at the beginning of the year	331,625	331,625
Shares bought back into treasury	(699)	–
At end of year	330,926	331,625

During the year, the Company purchased 815,000 Shares for a total cost of £699,000 to be held in treasury. The shares will continue to be held in treasury until either re-issued or cancelled.

26. Retained earnings

This reserve represents the profits and losses of the Group.

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Balance at the beginning of the year	36,253	34,270
Profit for the year	37,725	19,864
Dividends paid in the year (as per note 14)	(32,970)	(17,881)
At end of year	41,008	36,253

27. Net asset value

Basic NAV per share is calculated by dividing net assets in the Consolidated Statement of Financial Position attributable to ordinary equity holders of the parent by the number of Ordinary shares outstanding at the end of the year.

Net asset values have been calculated as follows:

	31 March 2020	31 March 2019
Net assets (£'000)	670,564	666,508
Number of Ordinary shares in issue at end of year	622,461,380	622,461,380
Number of Ordinary shares held in treasury	(815,000)	–
Number of Ordinary shares excluding treasury shares held by the Company	621,646,380	622,461,380
NAV – basic and diluted	107.87p	107.08p

28. Reconciliation of liabilities to cash flows from financing

	C share liability £'000	Bank borrowings £'000	For the year ended 31 March 2020 £'000
Balance at the beginning of the year	–	205,156	205,156
Cash flows from financing activities			
Loan draw down	–	64,053	64,053
Loan arrangement costs paid	–	(1,364)	(1,364)
Non cash movements			
Amortisation of loan arrangement costs	–	1,325	1,325
	–	269,170	269,170

	C share liability £'000	Bank borrowings £'000	For the year ended 31 March 2019 £'000
Balance at the beginning of the year	298,752	90,822	389,574
Cash flows from financing activities			
Loan draw down	–	115,990	115,990
Loan arrangement costs paid	–	(2,374)	(2,374)
Dividends paid to C shareholders in the year	(9,966)	–	(9,966)
Non cash movements			
Amortisation of loan arrangement costs	–	718	718
Amortisation of C shares liability	6,400	–	6,400
C share conversion	(295,186)	–	(295,186)
	–	205,156	205,156

Summary of non cash transactions

On 21 December 2018, the C shares were converted to Ordinary shares in the ratio 0.902190 new Ordinary shares for every 1 C share held. The conversion ratio was calculated with reference to the respective portfolio net asset values of the C shares and Ordinary shares at close of business on the calculation date. The fair value of assets represented by the C share pool, being the deemed consideration, was £295,186,000.

29. Operating leases

The Group is party to a number of operating leases on its investment properties with Registered Providers. The future minimum lease payments under non-cancellable operating leases receivable by the Group are as follows:

	31 March 2020 £'000	31 March 2019 £'000
Amounts receivable		
< 1 year	48,416	45,685
1-2 years	48,451	45,720
2-5 years	145,545	137,356
> 5 years	886,677	882,407
At end of year	1,129,089	1,111,168

Leases are direct-let agreements with Registered Providers for a term between 15 to 25 years with indexed linked annual rent reviews. All current leases are full repairing and insuring leases; the tenants are therefore obliged to repair, maintain and renew the properties back to the original conditions.

The following table gives details of percentage of annual rental income per Registered Provider:

	31 March 2020 %	31 March 2019 %
Auckland Home Solutions*	22.73	11.26
Falcon Housing Association CIC	20.43	20.89
Bespoke Supportive Tenancies	11.05	11.37
Inclusion Housing CIC	8.74	8.34
Westmoreland Supported Housing Limited	7.97	19.66
Encircle Housing Limited	6.11	6.33
Trinity Housing Association Limited	5.50	5.74
Pivotal Housing Association	3.96	4.09
Harbour Light Assisted Living CIC	3.76	2.42
Chrysalis Supported Association Limited	3.49	3.41
New Walk Property Management CIC	2.87	2.95
My Space Housing Solutions	1.19	1.24
IKE Supported Housing Limited	1.15	1.20
Hilldale Housing Association Limited	0.98	1.03
Blue Square Limited	0.07	0.07
Total	100.00	100.00

* Includes properties reassigned from Westmoreland Supported Housing Limited.

The Group is also party to a number of operating leases on its long leasehold properties. The ground rent payment commitments under these operating leases are negligible so the future minimum lease payments under these leases have not been disclosed in these financial statements.

30. Controlling parties

As at 31 March 2020, there is no ultimate controlling party.

31. Related party disclosures

The Directors are remunerated for their services at such rate as the Directors shall from time to time determine. The aggregate remuneration and benefits in kind of the Directors of the Company (in each case, solely in their capacity as such) in respect of the year ended 31 March 2020 payable out of the assets of the Company is not expected to exceed £200,000.

Fees of £162,000 (2019: £150,000) were incurred and paid to the Directors.

As at 31 March 2020, the Directors held the following number of shares:

Director		31 March 2020 Ordinary shares	31 March 2019 Ordinary shares
Michael Wrobel	Chairman	100,598	100,598
Alastair Moss	Director	11,766	11,766
Alison Hadden	Director	–	–
Caroline Gulliver	Audit and Management Engagement Committee Chair	58,832	58,832
Peter Baxter	Director	47,065	47,065

Remuneration

The Investment Adviser has reviewed its remuneration policies and procedures to ensure incentives are aligned with the requirements of AIFMD. It includes measures to avoid conflicts of interest such as providing staff with a fixed monthly salary and determining discretionary payments by the performance of the Investment Adviser as a whole and not linked to any one AIF in particular. The Investment Adviser and its staff receive no remuneration through profit share, carried interest, co-investment or other schemes related to the Company's performance.

32. Transactions with the Investment Adviser

On 1 November 2016, Civitas Investment Management Limited was appointed as the Investment Adviser of the Company.

Fees of £6,131,000 (2019: £6,457,000) were incurred and paid to CIM. In addition, disbursements of £52,000 were also paid in the year.

As at 31 March 2020, no amounts (2019: £nil) were due to/from CIM.

At 31 March 2020, CIM held 50,000 Ordinary shares in the Company.

33. Consolidated entities

The Company has provided a guarantee under s479C of the Companies Act 2006 in respect of the financial year ended 31 March 2020 for a number of its subsidiary companies (as indicated in the table on the following pages). The guarantee is over all outstanding liabilities to which the subsidiary companies are subject at 31 March 2020 until they are satisfied in full.

The Group consists of a parent company, Civitas Social Housing PLC, incorporated in England and Wales and a number of subsidiaries held directly by Civitas Social Housing PLC, which operate and are incorporated in the UK, Jersey and the Isle of Man.

The Group owns 100% equity shares of all subsidiaries listed below and has the power to appoint and remove the majority of the board of directors of those subsidiaries. The relevant activities of the below subsidiaries are determined by the Board of Directors based on the purpose of each company.

Therefore the Directors concluded that the Group has control over all these entities and all these entities have been consolidated within the consolidated financial statements.

A list of all related undertakings included within these consolidated financial statements are noted below. Indirectly held subsidiary companies are marked by an indentation in the table below.

Notes to the Consolidated Financial Statements continued

Name		Registered number	Principal activity	Country of incorporation	Ownership %
Civitas Social Housing Finance Company 1 Limited	‡	10997707	Finance Company	England & Wales	100.00%
Civitas Social Housing Jersey 1 Limited		124129	Holding Company	Jersey	100.00%
Civitas SPV1 Limited	‡	10518729	Property investment	England & Wales	100.00%
Civitas SPV2 Limited	‡	10114251	Property investment	England & Wales	100.00%
Civitas SPV11 Limited	‡	10546749	Property investment	England & Wales	100.00%
Civitas SPV15 Limited	‡	9777380	Property investment	England & Wales	100.00%
Civitas SPV25 Limited	‡	10791473	Property investment	England & Wales	100.00%
Civitas SPV27 Limited	‡	10883112	Property investment	England & Wales	100.00%
Civitas SPV33 Limited	‡	10546407	Property investment	England & Wales	100.00%
Civitas SPV35 Limited	‡	10588530	Property investment	England & Wales	100.00%
Civitas SPV38 Limited	‡	10738318	Property investment	England & Wales	100.00%
Civitas SPV39 Limited	‡	10547333	Property investment	England & Wales	100.00%
Civitas SPV40 Limited	‡	10738510	Property investment	England & Wales	100.00%
Civitas SPV41 Limited	‡	10738542	Property investment	England & Wales	100.00%
Civitas SPV50 Limited	‡	10775419	Property investment	England & Wales	100.00%
Civitas Social Housing Finance Company 2 Limited	‡	10997698	Finance Company	England & Wales	100.00%
Civitas Social Housing Jersey 2 Limited		124876	Holding Company	Jersey	100.00%
Civitas SPV3 Limited	‡	10156529	Property investment	England & Wales	100.00%
Civitas SPV4 Limited	‡	10433744	Property investment	England & Wales	100.00%
Civitas SPV5 Limited	‡	10479104	Property investment	England & Wales	100.00%
Civitas SPV6 Limited	‡	10674493	Property investment	England & Wales	100.00%
Civitas SPV9 Limited	‡	10536388	Property investment	England & Wales	100.00%
Civitas SPV10 Limited	‡	10535243	Property investment	England & Wales	100.00%
Civitas SPV12 Limited	‡	10546753	Property investment	England & Wales	100.00%
Civitas SPV17 Limited	‡	10479036	Property investment	England & Wales	100.00%
Civitas SPV18 Limited	‡	10546651	Property investment	England & Wales	100.00%
Civitas SPV19 Limited	‡	10548932	Property investment	England & Wales	100.00%
Civitas SPV20 Limited	‡	10588735	Property investment	England & Wales	100.00%
Civitas SPV22 Limited	‡	10743958	Property investment	England & Wales	100.00%
Civitas SPV24 Limited	‡	10751512	Property investment	England & Wales	100.00%
Civitas SPV26 Limited	‡	10864336	Property investment	England & Wales	100.00%
Civitas SPV29 Limited	‡	10911565	Property investment	England & Wales	100.00%
Civitas SPV30 Limited	‡	10956025	Property investment	England & Wales	100.00%
Civitas SPV31 Limited	‡	10974889	Property investment	England & Wales	100.00%
Civitas SPV32 Limited	‡	11007173	Property investment	England & Wales	100.00%
Civitas SPV34 Limited	‡	10738381	Property investment	England & Wales	100.00%
Civitas SPV36 Limited	‡	10588792	Property investment	England & Wales	100.00%
Civitas SPV42 Limited	‡	10738556	Property investment	England & Wales	100.00%
Civitas SPV43 Limited	‡	10534877	Property investment	England & Wales	100.00%
Civitas SPV45 Limited	‡	10871854	Property investment	England & Wales	100.00%
Civitas SPV46 Limited	‡	10871910	Property investment	England & Wales	100.00%
Civitas SPV47 Limited	‡	10873270	Property investment	England & Wales	100.00%
Civitas SPV48 Limited	‡	10873295	Property investment	England & Wales	100.00%

Name		Registered number	Principal activity	Country of incorporation	Ownership %
Civitas SPV51 Limited	‡	10826693	Property investment	England & Wales	100.00%
Civitas SPV52 Limited	‡	10827006	Property investment	England & Wales	100.00%
Civitas SPV63 Limited	‡	10937805	Property investment	England & Wales	100.00%
Civitas SPV64 Limited	‡	10938411	Property investment	England & Wales	100.00%
Civitas SPV70 Limited	‡	10770201	Property investment	England & Wales	100.00%
Civitas SPV71 Limited	‡	10888639	Property investment	England & Wales	100.00%
Civitas SPV72 Limited	‡	10938022	Property investment	England & Wales	100.00%
Civitas SPV74 Limited	‡	11001855	Property investment	England & Wales	100.00%
Civitas SPV75 Limited	‡	11001834	Property investment	England & Wales	100.00%
Civitas SPV80 Limited	‡	11001998	Property investment	England & Wales	100.00%
Civitas Social Housing Finance Company 3 Limited	‡	10997714	Finance Company	England & Wales	100.00%
Civitas SPV8 Limited	‡	10536157	Property investment	England & Wales	100.00%
Civitas SPV28 Limited	‡	10895228	Property investment	England & Wales	100.00%
Civitas SPV53 Limited	‡	11021625	Property investment	England & Wales	100.00%
Civitas SPV55 Limited	‡	11056455	Property investment	England & Wales	100.00%
Civitas SPV57 Limited	‡	11091444	Property investment	England & Wales	100.00%
Civitas SPV60 Limited	‡	11111908	Property investment	England & Wales	100.00%
Civitas SPV61 Limited	‡	10937662	Property investment	England & Wales	100.00%
Civitas SPV66 Limited	‡	10937898	Property investment	England & Wales	100.00%
Civitas SPV77 Limited	‡	11166491	Property investment	England & Wales	100.00%
Civitas SPV78 Limited	‡	11170099	Property investment	England & Wales	100.00%
Civitas SPV79 Limited	‡	11236544	Property investment	England & Wales	100.00%
Civitas SPV81 Limited	‡	11192811	Property investment	England & Wales	100.00%
Civitas SPV82 Limited	‡	11380796	Property investment	England & Wales	100.00%
Civitas SPV83 Limited	‡	11371128	Property investment	England & Wales	100.00%
Civitas SPV85 Limited	‡	11300749	Property investment	England & Wales	100.00%
Civitas SPV95 Limited	‡	11208184	Property investment	England & Wales	100.00%
Civitas SPV97 Limited	‡	11463890	Property investment	England & Wales	100.00%
Civitas SPV103 Limited	‡	11500596	Property investment	England & Wales	100.00%
Civitas SPV105 Limited	‡	11532177	Property investment	England & Wales	100.00%
Civitas SPV106 Limited	‡	11532179	Property investment	England & Wales	100.00%
Civitas SPV107 Limited	‡	11532182	Property investment	England & Wales	100.00%
Civitas SPV116 Limited	‡	11504399	Property investment	England & Wales	100.00%
Civitas SPV117 Limited	‡	11504445	Property investment	England & Wales	100.00%
Civitas Social Housing Jersey 3 Ltd		124877	Holding Company	Jersey	100.00%
Civitas SPV7 Limited	‡	10536368	Property investment	England & Wales	100.00%
Civitas SPV13 Limited	‡	9517692	Property investment	England & Wales	100.00%
Civitas SPV14 Limited	‡	10479041	Property investment	England & Wales	100.00%
Civitas SPV16 Limited	‡	9917557	Property investment	England & Wales	100.00%
Civitas SPV21 Limited	‡	10631541	Property investment	England & Wales	100.00%
Civitas SPV37 Limited	‡	10738450	Property investment	England & Wales	100.00%
Civitas SPV44 Limited	‡	10588783	Property investment	England & Wales	100.00%
Civitas SPV49 Limited	‡	11031349	Property investment	England & Wales	100.00%

Notes to the Consolidated Financial Statements continued

Name		Registered number	Principal activity	Country of incorporation	Ownership %
Civitas Social Housing Finance Company 4 Limited	‡	11906660	Finance Company	England & Wales	100.00%
Civitas SPV23 Limited	‡	10746881	Property investment	England & Wales	100.00%
Civitas SPV54 Limited	‡	11039750	Property investment	England & Wales	100.00%
Civitas SPV59 Limited	‡	11111912	Property investment	England & Wales	100.00%
Civitas SPV69 Limited	‡	11142372	Property investment	England & Wales	100.00%
Civitas SPV73 Limited	‡	10939075	Property investment	England & Wales	100.00%
Civitas SPV84 Limited	‡	11381455	Property investment	England & Wales	100.00%
Civitas SPV86 Limited	‡	11418432	Property investment	England & Wales	100.00%
Civitas SPV87 Limited	‡	10888903	Property investment	England & Wales	100.00%
Civitas SPV88 Limited	‡	10939044	Property investment	England & Wales	100.00%
Civitas SPV90 Limited	‡	10939131	Property investment	England & Wales	100.00%
Civitas SPV91 Limited	‡	10941377	Property investment	England & Wales	100.00%
Civitas SPV92 Limited	‡	11449913	Property investment	England & Wales	100.00%
Civitas SPV93 Limited	‡	11043111	Property investment	England & Wales	100.00%
Civitas SPV94 Limited	‡	11208105	Property investment	England & Wales	100.00%
Civitas SPV96 Limited	‡	11270786	Property investment	England & Wales	100.00%
Civitas SPV100 Limited	‡	11069703	Property investment	England & Wales	100.00%
Civitas SPV101 Limited	‡	9978282	Property investment	England & Wales	100.00%
Civitas SPV102 Limited	‡	11521555	Property investment	England & Wales	100.00%
Civitas SPV109 Limited	‡	11532120	Property investment	England & Wales	100.00%
Civitas SPV112 Limited	‡	11579750	Property investment	England & Wales	100.00%
Civitas SPV114 Limited	‡	11579733	Property investment	England & Wales	100.00%
Civitas SPV115 Limited	‡	11522178	Property investment	England & Wales	100.00%
Civitas SPV118 Limited	‡	11411498	Property investment	England & Wales	100.00%
Civitas SPV121 Limited	‡	11099917	Property investment	England & Wales	100.00%
Civitas SPV122 Limited	‡	11482646	Property investment	England & Wales	100.00%
Civitas SPV126 Limited	‡	11459821	Property investment	England & Wales	100.00%
Civitas SPV127 Limited	‡	10941401	Property investment	England & Wales	100.00%
Civitas SPV129 Limited	‡	11664994	Property investment	England & Wales	100.00%
Civitas SPV130 Limited	‡	11705074	Property investment	England & Wales	100.00%
Civitas SPV131 Limited	‡	11675132	Property investment	England & Wales	100.00%
Civitas SPV132 Limited	‡	11473735	Property investment	England & Wales	100.00%
Civitas SPV145 Limited	‡	11842306	Holding Company	England & Wales	100.00%
Fieldbay Limited	‡	5219012	Property investment	England & Wales	100.00%
Civitas SPV148 Limited	‡	11632633	Property investment	England & Wales	100.00%
Civitas SPV149 Limited	‡	11462691	Property investment	England & Wales	100.00%
Civitas SPV150 Limited	‡	11462555	Property investment	England & Wales	100.00%
FPI CO 324 Ltd	‡	11633019	Property investment	England & Wales	100.00%
Civitas SPV56 Limited	‡	11056465	Property investment	England & Wales	100.00%
Civitas SPV62 Limited	‡	10937528	Property investment	England & Wales	100.00%
Civitas SPV65 Limited	‡	10938467	Property investment	England & Wales	100.00%
Civitas SPV67 Limited	‡	10937929	Property investment	England & Wales	100.00%
Civitas SPV68 Limited	‡	10938269	Property investment	England & Wales	100.00%

Name		Registered number	Principal activity	Country of incorporation	Ownership %
Civitas SPV98 Limited	‡	11478695	Holding Company	England & Wales	100.00%
Snapco Limited		008603V	Property investment	Isle of Man	100.00%
Snapco 2 Limited		009143V	Property investment	Isle of Man	100.00%
Snapco 3 Limited		009144V	Property investment	Isle of Man	100.00%
Snapco 4 Limited		011660V	Property investment	Isle of Man	100.00%
Snapco 5 Limited		012111V	Property investment	Isle of Man	100.00%
Civitas SPV99 Limited	‡	11478707	Holding Company	England & Wales	100.00%
Snapco 6 Limited		012112V	Property investment	Isle of Man	100.00%
Civitas SPV104 Limited	‡	11532174	Property investment	England & Wales	100.00%
Civitas SPV108 Limited	‡	11532135	Dormant	England & Wales	100.00%
Civitas SPV113 Limited	‡	11580068	Property investment	England & Wales	100.00%
Civitas SPV119 Limited	* ‡	11751515	Dormant	England & Wales	100.00%
Civitas SPV120 Limited	* ‡	11801922	Dormant	England & Wales	100.00%
Civitas SPV123 Limited	‡	8253452	Property investment	England & Wales	100.00%
Civitas SPV135 Limited	‡	11579880	Property investment	England & Wales	100.00%
Civitas SPV143 Limited	‡	11546808	Property investment	England & Wales	100.00%
Civitas SPV144 Limited	‡	11546696	Property investment	England & Wales	100.00%
Civitas SPV146 Limited	‡	11861500	Dormant	England & Wales	100.00%
Civitas SPV147 Limited	‡	11861974	Dormant	England & Wales	100.00%
Civitas SPV151 Limited	* ‡	11913037	Dormant	England & Wales	100.00%
Bedford SPV1 Limited (previously Pitsea SPV1 Limited)		12315518	Property investment	England & Wales	100.00%
Civitas SPV133 Limited (previously Carislease 6 Limited)	‡	11698972	Property investment	England & Wales	100.00%
Civitas SPV134 Limited (previously Carislease 3 Limited)	‡	11689461	Property investment	England & Wales	100.00%
Civitas SPV136 Limited (previously NCG PB SPV Limited)	‡	11579760	Property investment	England & Wales	100.00%
Civitas SPV152 Limited	‡	11955719	Property investment	England & Wales	100.00%
Civitas SPV155 Limited	‡	12044281	Property investment	England & Wales	100.00%
Civitas SPV156 Limited	‡	12081093	Property investment	England & Wales	100.00%
Civitas SPV157 Limited	‡	12188610	Property investment	England & Wales	100.00%
Civitas SPV158 Limited	‡	12202674	Property investment	England & Wales	100.00%
Civitas SPV159 Limited		12258313	Property investment	England & Wales	100.00%
Civitas SPV160 Limited		12272906	Property investment	England & Wales	100.00%
Civitas SPV161 Limited	*	12289935	Dormant	England & Wales	100.00%
Civitas SPV162 Limited	*	12289907	Dormant	England & Wales	100.00%
FPI Co 294 Ltd	‡	11519226	Property investment	England & Wales	100.00%
Bridge Property Herts Limited		12435985	Property investment	England & Wales	100.00%
Bridge Propco Limited		12445439	Property investment	England & Wales	100.00%

‡ These entities are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of Section 479A of that Act. These are all entities that have a year end of 31 March 2020.

* These entities have applied to the Registrar of Companies to be struck off.

Notes to the Consolidated Financial Statements continued

The registered addresses for the subsidiaries are consistent based on their country of incorporation and are as follows:

- **England & Wales entities:** Beaufort House, 51 New North Road, Exeter, Devon EX4 4EP
- **Jersey entities:** 12 Castle Street, St Helier, Jersey, JE2 3RT
- **Isle of Man entities:** Knox House, 16–18 Finch Road, Douglas IM1 2PT

34. Financial risk management

34.1. Financial instruments

The Group's principal financial assets and liabilities are those that arise directly from its operations: trade and other receivables, trade and other payables and cash and cash equivalents. The Group's other principal financial liabilities are bank borrowings, the main purpose of which is to finance the acquisition and development of the Group's investment property portfolio, and interest rate derivatives as detailed in notes 20 and 21.

Financial assets are classified as loans and receivables and all financial liabilities are measured at amortised cost, except interest rate derivatives, which are measured at fair value. All financial instruments were designated in their current categories upon initial recognition.

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements:

	Book value 31 March 2020 £'000	Fair value 31 March 2020 £'000	Book value 31 March 2019 £'000	Fair value 31 March 2019 £'000
Financial assets				
Trade and other receivables[1]	8,595	8,595	5,353	5,353
Cash and cash equivalents	58,374	58,374	54,347	54,347
Financial liabilities				
Trade and other payables[2]	7,498	7,498	15,205	15,205
Bank borrowings	269,170	269,174	205,156	205,806
Interest rate derivatives	478	478	–	–

[1] Excludes prepayments and debtors arising on rent smoothing.
[2] Excludes deferred income and tax liabilities.

The Group has four bank loans: a 10-year fixed rate loan of £52.5 million provided by Scottish Widows Limited; a 3-year revolving credit facility variable rate loan of £60 million provided by Lloyds Bank plc; a 3-year revolving credit facility variable rate loan of £100 million provided by HSBC Bank PLC; and a 5-year revolving credit facility variable rate loan of £60 million provided by National Westminster Bank Plc. The fair value of the fixed rate loan is determined by comparing the discounted future cash flows.

Financial risk management

The Group is exposed to market risk, interest rate risk, credit risk and liquidity risk in the current and future periods. The Board of Directors oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks that are summarised below.

34.2. Market risk

The Group's activities will expose it primarily to the market risks associated with changes in property values and changes in interest rates.

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, in particular the impact of COVID 19;
- competition for 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 Group and as a result can influence the financial performance of the Group.

Risk relating to liquidity funds classified as cash and cash equivalents

The Group holds positions in two AAA rated liquidity funds that invest in a diversified range of government and non-government money market securities, which are subject to varying degrees of risk. Some factors that affect the value of the liquidity funds include:

- the performance of the underlying government and non-government money market securities; and
- interest rates.

Variations in the above factors can affect the valuation of assets held by the Group and as a result can influence the financial performance of the Group.

34.3. Interest rate risk

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

The Group's interest rate risk principally arises from long-term borrowings. To manage this, the Group has entered into a fixed rate bank loan and three variable rate bank loans. The Group has entered into an interest rate swap on the 5-year loan facility with National Westminster Bank Plc in order to mitigate the risk of rising interest rates.

At 31 March 2020, 41% (2019: 25%) of the Group's borrowings are subject to a fixed rate of interest.

The exposure of the Group to variable rates of interest is considered upon drawing of any new loan facilities, to ensure that the Group's exposure to interest rate fluctuations is within acceptable levels.

The Investment Adviser monitors the Group's exposure to any changes in interest rate on an ongoing basis, with the Board updated on a quarterly basis of the current exposure of the Group's loan facilities.

As at 31 March 2020, if interest rates had been 200 basis points higher/(lower) with all other variables held constant, the impact on profits after taxation for the year would be as follows:

	31 March 2020 £'000	31 March 2019 £'000
(Decrease)/increase in profits due to interest rates		
200 basis points higher	(8,830)	(2,032)
200 basis points lower	3,662	1,271

The average effective interest rates of financial instruments at 31 March 2020 were as follows:

	31 March 2020 %	31 March 2019 %
Bank borrowings – fixed rate	2.31950	2.99360
Bank borrowings – variable rate	2.80046	2.50180
Cash and cash equivalents	0.11048	0.16795

34.4. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risks from both its leasing activities and financing activities, including deposits with banks and financial institutions.

Debtors and accrued income represent rent due or accrued, these amounts due are diversified between a number of different Housing Associations of differing financial strength, see note 29 for details of the different counterparties. None of the Housing Associations have listed debt and as such do not have a credit rating, however, the diversified nature of this asset supports the credit quality.

The Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit and operational history, and limits exposure to any one tenant. The credit risk is considered to be further reduced as the source of the rents received by the Group is ultimately provided by the government, by way of housing benefit and care provision, via a diverse range of Local Authorities.

For details of provisions for impairment please refer to note 17.

Credit risk related to financial instruments and cash deposits

One of the principal credit risks of the Group will arise with the banks and financial institutions. The Board of Directors believes that the credit risk on short–term deposits and current account cash balances is limited because the counterparties are banks considered to be of good credit quality. In the case of cash deposits held with lawyers, the credit risk is limited because the cash is held by the lawyers within client accounts at banks with high credit quality.

34.5. Liquidity risk

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 Group ensures, through forecasting of capital requirements, that adequate cash is available.

The following table details the Group's maturity profile in respect of its financial instrument liabilities based on contractual undiscounted payments:

	On demand £'000	<1 year £'000	1-5 years £'000	>5 years £'000	Total £'000
31 March 2020					
Trade and other payables	7,498	–	–	–	7,498
Bank borrowings	–	66,896	174,785	55,002	296,683
	7,498	66,896	174,785	55,002	304,181
31 March 2019					
Trade and other payables	15,205	–	–	–	15,205
Bank borrowings	–	5,473	168,877	56,573	230,923
	15,205	5,473	168,877	56,573	246,128

The profile above shows the maturity profile at 31 March 2020 and included within the contracted payments is £24,183,000 (2019: £22,476,000) of loan interest payable up to the point of maturity. As disclosed in note 36, after the year end, the revolving credit facility of £60,000,000 was extended for one year and now matures in November 2021.

35. Capital commitments

At 31 March 2020, the Company had funds committed totalling £22,100,000 (2019: £12,000,000). £12,100,000 relates to two properties (currently under development) for which the Company has entered into a conditional sale and purchase agreement contingent on the completion of development. £10,000,000 (estimated) relates to a capital payment for the same properties contingent on the operators achieving certain financial obligations.

Amounts totalling £850,000 have been allocated for capital works expenditure on properties, subject to future proofing activities to ensure the longevity of occupation by residents.

In addition to the above, as at 31 March 2020 the Company had conditionally exchanged on two properties in Telford and one in Sunderland totalling £1,800,000. One of these properties completed in April 2020 with the remaining two expected to complete over the coming months.

36. Post balance sheet events

Acquisitions

On 20 April 2020, a property in Telford was acquired for £0.6m. On 11 June 2020, the Company completed on the forward purchase agreement of a development in Wales for £2.3m.

Dividends

On 11 May 2020, the Board declared a quarterly dividend in respect of the Ordinary shares for the three months to 31 March 2020 of 1.325 pence per Ordinary share totalling £8,236,000. The dividend was paid on 12 June 2020 to holders of Ordinary shares on the register as at 22 May 2020. The dividend was paid as a REIT property income distribution ("PID").

Other announcements

The Lloyds Bank plc £60m Revolving Credit Facility has been extended in the normal course of business to November 2021.

Company Statement of Financial Position

As at 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 (restated) £'000
Assets			
Non-current assets			
Investment in subsidiaries	8	706,920	676,496
Current assets			
Trade and other receivables	9	4,727	371
Cash and cash equivalents	10	29,011	45,905
		33,738	46,276
Total assets		740,658	722,772
Liabilities			
Current liabilities			
Trade and other payables	11	(191,942)	(131,277)
		(191,942)	(131,277)
Total liabilities		(191,942)	(131,277)
Total net assets		548,716	591,495
Equity			
Share capital	12	6,225	6,225
Share premium reserve		292,405	292,405
Capital reduction reserve		330,926	331,625
Retained earnings/(accumulated losses)	13	(80,840)	(38,760)
Total equity		548,716	591,495

The Company has taken advantage of the provisions of Companies Act 2006 s408 and does not disclose the Company's individual profit and loss account. Losses for the year were £9,110,000 (2019: loss of £14,937,000).

The Company financial statements on pages 129 to 136 were approved by the Board of Directors of Civitas Social Housing PLC and authorised for issue and signed on its behalf by:

Michael Wrobel
Chairman and Independent Non-Executive Director

29 June 2020

Company No: 10402528

The notes on pages 131 to 136 are an integral part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 March 2020

	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Retained earnings/ (accumulated losses)* £'000	Total equity £'000
Balance at 1 April 2018	3,500	–	331,625	85,479	420,604
Prior year adjustment (note 3)				(91,421)	(91,421)
Balance at 1 April 2018 (as restated)	3,500	–	331,625	(5,942)	329,183
Loss and total comprehensive expense for the year	–	–	–	(14,937)	(14,937)
Issue of Ordinary shares					
Issue of share capital	2,725	292,461	–	–	295,186
Share issue costs	–	(56)	–	–	(56)
Dividends paid					
Total interim dividends for the year ended 31 March 2019 (5.00p)	–	–	–	(17,881)	(17,881)
Balance at 31 March 2019	6,225	292,405	331,625	(38,760)	591,495
Loss and total comprehensive expense for the year	–	–	–	(9,110)	(9,110)
Issue of Ordinary shares					
Shares bought back into treasury	–	–	(699)	–	(699)
Dividends paid					
Total interim dividends for the year ended 31 March 2020 (5.30p)	–	–	–	(32,970)	(32,970)
Balance at 31 March 2020	6,225	292,405	330,926	(80,840)	548,716

* The Company's distributable reserves comprise retained earnings and capital reduction reserve. These in aggregate had sufficient realised distributable reserves to support the dividends paid.

The notes on pages 131 to 136 are an integral part of these financial statements.

Notes to the Company Financial Statements

For the year ended 31 March 2020

1. Corporate information

Civitas Social Housing PLC ("the Company") was incorporated in England and Wales under the Companies Act 2006 as a public company limited by shares on 29 September 2016 with company number 10402528 under the name Civitas REIT PLC, which was subsequently changed to the existing name on 3 October 2016.

The address of the registered office is Beaufort House, 51 New North Road, Exeter, Devon EX4 4EP. The Company is registered as an investment company under section 833 of the Companies Act 2006 and is domiciled in the United Kingdom.

The Company did not begin trading until 18 November 2016 when the shares were admitted to trading on the London Stock Exchange ("LSE").

The Company's Ordinary shares have been admitted to the Official List of the Financial Conduct Authority ("FCA"), and are traded on the LSE.

The principal activity of the Company is to act as the ultimate parent company of Civitas Social Housing PLC and its subsidiaries (the "Group"), whose principal activity is to provide shareholders with an attractive level of income, together with the potential for capital growth from investing in a portfolio of social homes.

2. Basis of preparation

The financial statements have been prepared on a historical cost basis and in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100"), Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006 as applicable to companies using FRS 101.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In preparing these financial statements, the Company has taken advantage of all disclosure exemptions conferred by FRS 101.

Therefore, these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of Civitas Social Housing 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:

- share based payments;
- financial instruments; and
- fair value measurement other than certain disclosures required as a result of recording financial instruments at fair value.

In addition, the Company is taking advantage of the exemption of presenting a third balance sheet as a result of the prior year adjustment.

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its own income statement or statement of comprehensive income.

New standards, amendments and interpretations

The following new standards are now effective and have been adopted for the year ended 31 March 2020.

- IFRS 16 Leases: Introduction of a single, on-balance sheet accounting model (effective for annual periods beginning on or after 1 January 2019).

The Directors have assessed that the adoption of this does not have a material impact on the Company's financial statements as the Company does not hold any material operating leases as lessee.

- IFRIC 23 Uncertainty over Income Tax Treatments: Clarifies the application of recognition and measurement requirements in IAS 12 Income Taxes, when there is uncertainty over income tax treatments (effective for annual periods beginning on or after 1 January 2019).

The Directors have assessed that the adoption of this new interpretation does not have a material impact on the Company's financial statements.

Going concern

The financial statements have been prepared on a going concern basis.

As discussed in the Group financial statements on page 96, the underlying assets of the Company benefit from a secure income stream and to date performance has not been negatively impacted by COVID-19.

The Company accounts show an accumulated loss, however this is due to a time-lag on profits from subsidiary companies being moved up the structure in the form of dividends.

The Company has a net current liability position of £158,204,000 (2019: £85,372,000). This balance arises due to the intercompany balances totalling £187,911,000 (2019: £125,232,000) with the Company's subsidiary companies. The amounts principally relate to bank loans drawn in the Company's subsidiary companies in order to finance the purchase of new acquisitions in accordance with the Group's business model. The directors of the subsidiary companies have provided a letter of comfort that they will not seek repayment of these balances within the next 12 months.

After review of these items, the Directors believe there are currently no material uncertainties in relation to the Company's ability to continue for a period of at least 12 months from the date of the Company's financial statements. And therefore it is appropriate that the financial statements have been prepared on a going concern basis.

Significant judgements and sources of estimation uncertainty

The key source of estimation uncertainty relates to the Company's investments in subsidiaries and joint ventures. In estimating the requirement for impairment of these investments, management make assumptions and judgements on the value of these investments using inherently subjective underlying asset valuations, supported by independent valuers.

As disclosed in note 3.1 to the Group financial statements on pages 98 and 99, the underlying assets of the Company have been valued by an external valuer. The Valuation is subject to the now standard "Material Valuation Uncertainty due to Novel Coronavirus (COVID-19)" clause that professional valuation firms, including JLL, are adopting across the world in respect of valuations at this time. On 28 May 2020, RICS published an update and concluded that the inclusion of MUCs was no longer appropriate for this asset class.

There is currently no indication of impairment in the assets of the Company.

3. Prior year adjustment

A prior year adjustment has been made in the Company accounts relating to the year ended 31 March 2018, specifically, dividends amounting to £91.4m, a return of capital, which was incorrectly treated as equity and has now been adjusted by way of a reduction in investments in subsidiaries. The effect of this correction is to reduce the retained earnings reserve by £91.4m with a corresponding reduction of investments in subsidiaries of the same amount. This adjustment has no effect (including no cash effect) in the Group financial statements and does not affect in any way the treatment of dividends paid to shareholders of the Group, all of which have been paid correctly and with the appropriate tax treatment nor does it have any implications at all for the payment of future dividends.

Following the correction of this historic accounting mistreatment, there are no further adjustments that are required in the future.

Comparative figures have been restated.

4. Accounting policies

The financial statements of the Company follow the accounting policies laid out in the Group's consolidated financial statements along with the following accounting policies which have been consistently applied:

Investments in subsidiaries

The investments in subsidiary companies are included in the Company's Statement of Financial Position at cost less provision for impairment.

The investment in a subsidiary company may include both the purchase of shares and an intercompany loan which is subsequently capitalised in return for shares in the subsidiary company. The intercompany loan capitalised is disclosed in note 8 as a transfer between the shares and loan columns.

Loans to subsidiaries

Loans made to subsidiary companies which arise as part of the transactions for the acquisition of investments and are subsequently capitalised by the issue of shares are recognised as investment in subsidiaries at cost. At the point the loan is capitalised, this transaction is recognised as a transfer within the table in note 8.

Amounts due to subsidiary companies

Balances arising with subsidiary companies of a temporary nature are initially recognised at fair value and subsequently measured at amortised cost.

5. Dividends

Details of dividends paid and proposed are included in note 14 of the Group's consolidated financial statements.

6. Employee information

Details of Directors' remuneration are included in note 6 of the consolidated financial statements. The Company had no further employees during the year (2019: nil) other than the Directors.

7. Audit fees

Audit fees in relation to the Company's financial statements total £195,000 (31 March 2019: £180,000). For further details, please refer to note 9 of the Group financial statements on page 105.

8. Investments in subsidiaries

	Shares in subsidiaries £'000	Loans to subsidiaries £'000	For the year ended 31 March 2020 £'000
Balance at the beginning of the year (as restated)	590,208	86,288	676,496
Increase in investments	4,015	28,232	32,247
Loans transferred	84,024	(84,024)	–
Additions due to internal group structure	93,289	–	93,289
Disposals due to internal group structure	(93,289)	(1,823)	(95,112)
At the end of the year	678,247	28,673	706,920

	Shares in subsidiaries £'000	Loans to subsidiaries £'000	For the year ended 31 March 2019 £'000
Balance at the beginning of the year (as previously stated)	446,954	32,180	479,134
Prior year adjustment (note 3)	(91,421)	–	(91,421)
Balance at the beginning of the year (as restated)	355,533	32,180	387,713
Increase in investments	31,576	257,207	288,783
Loans transferred	198,245	(198,245)	–
Additions due to internal group structure	186,294	–	186,294
Disposals due to internal group structure	(181,440)	(4,854)	(186,294)
At the end of the year (as restated)	590,208	86,288	676,496

Internal group restructures have taken place in the year in order to facilitate borrowings. As part of the restructures, a number of subsidiary companies where the assets are used as security for bank loans are now directly held by other Group companies.

9. Trade and other receivables

	31 March 2020 £'000	31 March 2019 £'000
Prepayments and other receivables	3,357	371
Accrued income	1,370	–
Total	4,727	371

Prepayments and other receivable amounts include prepaid legal and professional fees of £469,000 (2019: £343,000) that have been incurred in connection with acquisitions yet to be completed and £1,695,000 (2019: £nil) in respect of uncompleted works on the property portfolio.

10. Cash and cash equivalents

	31 March 2020 £'000	31 March 2019 £'000
Cash held by solicitors	3,419	17,031
Liquidity funds	10,475	13,394
Cash held at bank	338	10,931
Cash and cash equivalents	14,232	41,356
Restricted cash	14,779	4,549
Total cash held at bank	29,011	45,905

Notes to the Company Financial Statements continued

Liquidity funds refer to money placed in money market funds. These are highly liquid funds with accessibility within 24 hours and subject to insignificant risk of changes in value.

Cash held by lawyers is money held in escrow for expenses expected to be incurred in relation to investment properties pending completion. These funds are available immediately on demand.

Restricted cash represents amounts held for specific commitments and retention money held by lawyers in relation to deferred payments subject to achievement of certain conditions, other retentions and cash segregated to fund repair, maintenance and improvement works to bring the properties up to satisfactory standards for the Group and the tenants. Currently, that amount of cash is held in escrow.

11. Trade and other payables

	31 March 2020 £'000	31 March 2019 £'000
Acquisition costs accrued	–	303
Retentions	2,653	4,489
Accruals	580	536
Dividends payable	798	717
Amounts due to subsidiary companies	187,911	125,232
Total	191,942	131,277

12. Share capital

Share capital represents the nominal value of consideration received by the Company for the issue of Ordinary shares.

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Share capital		
At beginning of year	6,225	3,500
Shares issued	–	2,725
At end of year	6,225	6,225

Number of shares issued and fully paid

Ordinary shares of £0.01 each	For the year ended 31 March 2020	For the year ended 31 March 2019
At beginning of year	622,461,380	350,000,000
Shares issued	–	272,461,380
At end of year	622,461,380	622,461,380

On 21 December 2018, the Company issued 272,461,380 Ordinary shares in respect of the conversion of 302,000,000 C shares. The fair value of assets representing the C share pool at the date of conversion was £295,186,000.

The Company holds 815,000 Ordinary shares in treasury. The number of Ordinary shares used to calculate the net asset value is 621,646,380.

13. Retained earnings/(accumulated losses)

This reserve represents the profits and losses of the Company.

	For the year ended 31 March 2020 £'000	For the year ended 31 March 2019 £'000
Balance at the beginning of the year (as previously stated)	–	85,479
Prior year adjustment (note 3)	–	(91,421)
Balance at the beginning of the year (as restated)	(38,760)	(5,942)
Loss for the year	(9,110)	(14,937)
Dividends paid in the year	(32,970)	(17,881)
At end of year	(80,840)	(38,760)

14. Controlling parties

As at 31 March 2020, there is no ultimate controlling party.

15. Related party transactions

For all related party transactions and transactions with the Investment Adviser please make reference to notes 31 and 32 of the Group's consolidated financial statements.

Shareholder Information

Share Information

The Company's Ordinary shares of 1p each are quoted on the Official List of the FCA and traded on the premium segment of the Main Market of the LSE.

SEDOL number	BD8HBD3
ISIN	GB00BD8HBD32
Ticker/TIDM	CSH
LEI	213800PGBG84J8GM6F95

Frequency of NAV Publication

The Company's NAV is released to the LSE on a quarterly basis and published on the Company's website.

Sources of Further Information

Copies of the Company's Annual and Half-Yearly Reports, Stock Exchange announcements and further information on the Company can be obtained from its website: www.civitassocialhousing.com.

Share Register Enquiries

The register for the Company's Ordinary shares is maintained by Link Asset Services. In the event of queries regarding your holding, please contact the Registrar on 0371 664 0300 (calls are charged at the standard geographic rate and will vary by provider; calls outside the UK will be charged at the applicable international rate). Lines are open between 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales. You can also email enquiries@linkgroup.co.uk.

Changes of name and/or address must be notified in writing to the Registrar: Link Asset Services, Shareholder Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Key Dates

June	Annual results announced Payment of first dividend
September	Company's half-year end Annual general meeting Payment of second dividend
December	Half-yearly results announced Payment of third dividend
February	Payment of fourth dividend
March	Company's year end

Association of Investment Companies

The Company is a member of the AIC, which publishes statistical information in respect of member companies. The AIC can be contacted on 020 7282 5555, enquiries@theaic.co.uk or visit the website: www.theaic.co.uk.

Glossary

ALMO means an arm's length management organisation, a not-for-profit company that provides housing services on behalf of a Local Authority.

Approved Provider means Housing Associations, Local Authorities, ALMOs, Community Interest Companies, Registered Charities and other regulated organisations directly or indirectly in receipt of payment from local or central government including the NHS.

Care Provider means a provider of care services to the occupants of Specialist Supported Housing, registered with the Care Quality Commission.

CIM means Civitas Investment Management Limited or CIM (formerly known as Civitas Housing Advisors Limited until its change of name on 7 May 2020).

Community Interest Company or **CIC** means a company approved by the Office of the Regulator of Community Interest Companies as a community interest company and registered as such with Companies House.

Company means Civitas Social Housing PLC, a company incorporated in England and Wales with company number 10402528.

Company Adjusted Earnings means EPRA earnings adjusted to add back the finance cost associated with the C share financial liability.

CMA Order means the Statutory Audit Services Order 2014, issued by the Competition and Markets Authority.

EPRA means the European Public Real Estate Association.

EPRA EPS is the EPRA earnings divided by the weighted average number of shares in issue in the period.

EPRA net asset value (EPRA NAV) is the IFRS net assets excluding the mark-to-market on derivatives and related debt adjustments, the mark-to-market on the convertible bonds as well as deferred taxation on property and derivative valuations. A reconciliation between IFRS net assets and EPRA NAV is included in Appendix 1.

EPRA NNNAV is the EPRA NAV adjusted to reflect the fair value of debt and derivatives and to include deferred taxation on revaluations.

Gross Asset Value means total assets plus the portfolio premium derived from the portfolio valuation.

Group means the Company and its subsidiaries.

Housing Association or **HA** means an independent society, body of trustees or company established for the purpose of providing low-cost social housing for people in housing need generally on a non-profit-making basis. Any trading surplus is typically used to maintain existing homes and to help finance new ones. Housing Associations are regulated by the Homes and Communities Agency.

IFRS Net Asset Value or **IFRS NAV** means the net asset value of the Group on the relevant date, prepared in accordance with IFRS accounting principles.

Investment Adviser means Civitas Investment Management Limited ("CIM"), a company incorporated in England and Wales with company number 10278444, in its capacity as investment adviser to the Company.

IPO means Initial Public Offering.

IRR means internal rate of return.

Levered IRR means the internal rate of return including the impact of debt.

Local Authority or **LA** means the administrative bodies for the local government in England comprising of 326 authorities (including 32 London boroughs).

MUC means material uncertainty clause.

Net Initial Yield means the ratio of net rental income and gross purchase price of a property.

NHS means the publicly funded healthcare system of the United Kingdom comprising The National Health Service in England, NHS Scotland, NHS Wales and Health and Social Care in Northern Ireland, including, for the avoidance of doubt, NHS Trusts.

NHS Trust means a legal entity, set up by order of the Secretary of State under section 25 of, and Schedule 4 to, the National Health Service Act 2006, to provide goods and services for the purposes of the health service.

Portfolio means the Group's portfolio of assets.

Portfolio Net Asset Value or **Portfolio NAV** means the net asset value of the Company, as at the relevant date, calculated on the basis of an independent Portfolio Valuation. See note 6 to Appendix 1 for a reconciliation to IFRS NAV.

Glossary continued

Portfolio Valuation means an independent valuation of the Portfolio by Jones Lang LaSalle Limited or such other property adviser as the Directors may select from time to time, based upon the Portfolio being held, directly or indirectly, within a corporate vehicle or equivalent entity which is a wholly owned subsidiary of the Company and otherwise prepared in accordance with RICS "Red Book" guidelines.

REIT means a qualifying real estate investment trust in accordance with the UK REIT Regime introduced by the UK Finance Act 2006 and subsequently re-written into Part 12 of the Corporation Tax Act 2010.

Registered Providers or **RP** means Housing Associations, Local Authorities and arm's length management organisations, a not-for-profit company that provides housing services on behalf of a Local Authority.

RICS means Royal Institution of Chartered Surveyors.

RSH means the Regulator of Social Housing, the executive non-departmental public body, sponsored by the Ministry of Housing, Communities and Local Government, which is the regulator for Social Homes providers in England and Wales.

Social Homes or **Social Housing** means social rented homes and other accommodation that are offered at rents subsidised below market level or are constituents of other appropriate rent regimes such as exempt rents or are subject to bespoke agreement with entities such as NHS Trusts and are provided by Approved Providers.

Specialist Supported Housing or **SSH** means social housing which incorporates some form of care or other ancillary service on the premises.

SPV means special purpose vehicle, a corporate vehicle in which the Group's properties are held.

Valuation means an independent valuation of the Portfolio by Jones Lang LaSalle Limited or such other property adviser as the Directors may select from time to time, prepared in accordance with RICS "Red Book" guidelines and based upon a valuation of each underlying investment property rather than the value ascribed to the portfolio and on the assumption of a theoretical sale of each property rather than the corporate entities in which all of the Company's investment properties are held.

Company Information

Non-executive Directors
Michael Wrobel, Chairman
Alastair Moss
Alison Hadden (date of appointment: 21 November 2019)
Caroline Gulliver, Chair of the Audit and Management Engagement Committee
Peter Baxter

Registered Office
Beaufort House
51 New North Road
Exeter
Devon EX4 4EP

Registered no: 10402528
www.civitassocialhousing.com

Alternative Investment Fund Manager
G10 Capital Limited
136 Buckingham Palace Road
London SW1W 9SA

Investment Adviser
Civitas Investment Management Limited
13 Berkeley Street
London W1J 8DU

Joint Corporate Brokers
Liberum Capital Limited
Ropemaker Place
25 Ropemaker Street
London EC2Y 9LY

Panmure Gordon (UK) Limited
One New Change
London EC4M 9AF

Company Secretary
Link Company Matters Limited

Administrator
Link Alternative Fund Administrators Limited
Beaufort House
51 New North Road
Exeter
Devon EX4 4EP

Depositary
INDOS Financial Limited
5th Floor
54 Fenchurch Street
London EC3M 3JY

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

Independent Auditors and Reporting Accountants
PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

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

Public Relations Adviser
Buchanan
107 Cheapside
London EC2V 6DN

Tax Adviser
BDO LLP
55 Baker Street
London W1U 7EU

Appendix 1 (unaudited)

Notes to the calculation of EPRA and other alternative performance measures

1. EPRA Earnings

	For the year ended 31 March 2020	For the year ended 31 March 2019
Earnings from operational activities		
Profit after taxation (£'000)	37,725	19,864
Change in fair value of derivative financial instruments (£'000)	478	–
Changes in value of investment properties (£'000)	(9,389)	(3,652)
EPRA Earnings (£'000)	28,814	16,212
Finance costs associated with the C share financial liability (£'000)	–	6,400
Diluted EPRA earnings (£'000)	28,814	22,612
Weighted average number of shares in issue (adjusted for shares held in treasury)	622,103,798	425,393,423
Dilutive elements	–	197,067,957
Adjusted weighted average number of shares in issue (adjusted for shares held in treasury)	622,103,798	622,461,380
EPRA Earnings per share (EPS) – basic	4.63p	3.81p
EPRA Earnings per share (EPS) – diluted	4.63p	3.63p

2. EPRA NAV

Net Asset Value adjusted to include properties and other investment interest at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.

	31 March 2020	31 March 2019
Net assets (£'000)	670,564	666,508
Fair value of derivative financial instruments (£'000)	478	–
EPRA Net assets (£'000)	671,042	666,508
Number of Ordinary shares in issue (adjusted for shares held in treasury)	621,646,380	622,461,380
EPRA Net Assets per share	107.95p	107.08p

3. EPRA NNNAV

EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.

	31 March 2020	31 March 2019
EPRA Net Assets (per above) (£'000)	671,042	666,508
Fair value of derivative financial instruments (£'000)	(478)	–
Adjustment to value bank borrowings at fair value (£'000)	(3,004)	(650)
EPRA NNNAV (£'000)	667,560	665,858
Number of Ordinary shares in issue (adjusted for shares held in treasury)	621,646,380	622,461,380
EPRA NNNAV per share	107.39p	106.97p

4. EPRA Vacancy Rate

Estimated Market Rental Value ("ERV") of vacancy space divided by ERV of the whole portfolio.

	31 March 2020	31 March 2019
Estimated Market Rental Value (ERV) of vacant spaces (£'000)	–	–
Estimated Market Rental Value (ERV) of whole portfolio (£'000)	48,416	45,685
EPRA Vacancy Rate	0%	0%

5. EPRA Costs Ratio

Administrative and operating costs divided by gross rental income.

	For the year ended 31 March 2020	For the year ended 31 March 2019
Total administrative and operating costs (£'000)	9,860	9,642
Gross rental income (£'000)	45,906	35,738
EPRA cost ratio	21.48%	26.98%

6. Portfolio NAV

IFRS NAV adjusted to reflect investment property valued on a portfolio basis rather than individual asset basis.

	31 March 2020	31 March 2019
Net assets (£'000)	670,564	666,508
Adjustment for change to property valuation (£'000)	65,140	74,662
Portfolio net assets (£'000)	735,704	741,170
Number of Ordinary shares in issue (adjusted for shares held in treasury)	621,646,380	622,461,380
Portfolio Net Assets per share	118.35p	119.07p

7. Company Adjusted Earnings

Company specific earnings measure which adds back finance costs associated with the C share financial liability.

	For the year ended 31 March 2020	For the year ended 31 March 2019
Profit after taxation (£'000)	37,725	19,864
Changes in fair value in derivative financial instruments (£'000)	478	–
Changes in value of investment properties (£'000)	(9,389)	(3,652)
EPRA Earnings (£'000)	28,814	16,212
Finance costs associated with the C share financial liability (£'000)	–	6,400
Company Adjusted Earnings (£'000)	28,814	22,612
Weighted average number of shares in issue (adjusted for shares held in treasury)	621,646,380	622,461,380
Company Adjusted Earnings per share (EPS) – basic	4.63p	3.63p

Appendix 1 (unaudited) continued

Notes to the calculation of EPRA and other alternative performance measures

8. IRR

The Internal Rate of Return ("IRR") for the period from launch to 31 March 2020 based on IFRS NAV and portfolio NAV is calculated using dividend cash flows data as follows:

		IFRS NAV basis pence per share	Portfolio NAV basis pence per share
18 November 2016	Investment (net of issue costs)	98.00	98.00
31 May 2017	Interim dividend	0.75	0.75
31 August 2017	Interim dividend	0.75	0.75
30 November 2017	Interim dividend	0.75	0.75
9 March 2018	Interim dividend	0.75	0.75
8 June 2018	Interim dividend	1.25	1.25
7 September 2018	Interim dividend	1.25	1.25
30 November 2018	Interim dividend	1.25	1.25
11 January 2019	Interim dividend	1.11	1.11
28 February 2019	Interim dividend	0.14	0.14
7 June 2019	Interim dividend	1.33	1.33
6 September 2019	Interim dividend	1.33	1.33
29 November 2019	Interim dividend	1.33	1.33
28 February 2020	Interim dividend	1.33	1.33
31 March 2020	NAV	107.87	118.35
IRR		6.82%	9.58%

Notes

Civitas Investment Management Limited
13 Berkeley Street, London W1J 8DU
Telephone: 0203 058 4840
e: enquiries@civitasha.com
w: www.civitasim.com

Supporting

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