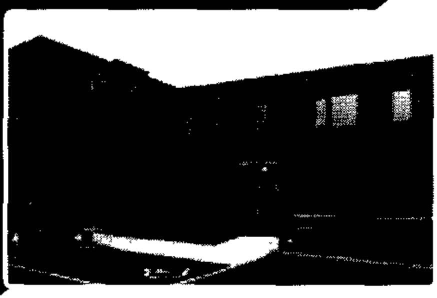
Civitas Social Housing PLC

Annual Report and Financial Statements for the year ended 31 March 2019



CIVITAS SOCIAL HOUSING PLC is a market leading Real Estate Investment Trust investing in social housing, with a particular focus on specialist social housing in England and Wales.

The properties in the portfolio provide homes and enable the provision of care to vulnerable individuals with life-long care needs whose rent is paid for from the Government Welfare Budget out of Housing Benefits.

The demand for specialist social housing is significant and growing, with substantial numbers of people housed in properties that are inappropriate to support their needs and enable them to best interact with society. Civitas invests in specially tailored properties that support the care needs of the residents, whether that be existing, adapted residential properties within the community, newly built properties, or properties repurposed from other uses.

The Civitas portfolio is very well diversified and at the period end was in partnership with

- 15 Housing Associations,
- 115 care providers, and
- 157 Local Authorities.

The key aim of Civitas Social Housing PLC from a social impact perspective is to improve the quality of specialist social housing properties and increase the quantity of specialist social housing whilst demonstrating value for money for the public purse.

Civitas is seeking to develop a high quality portfolio, that offers exposure to stable, well-diversified returns while delivering real social benefit and impact.

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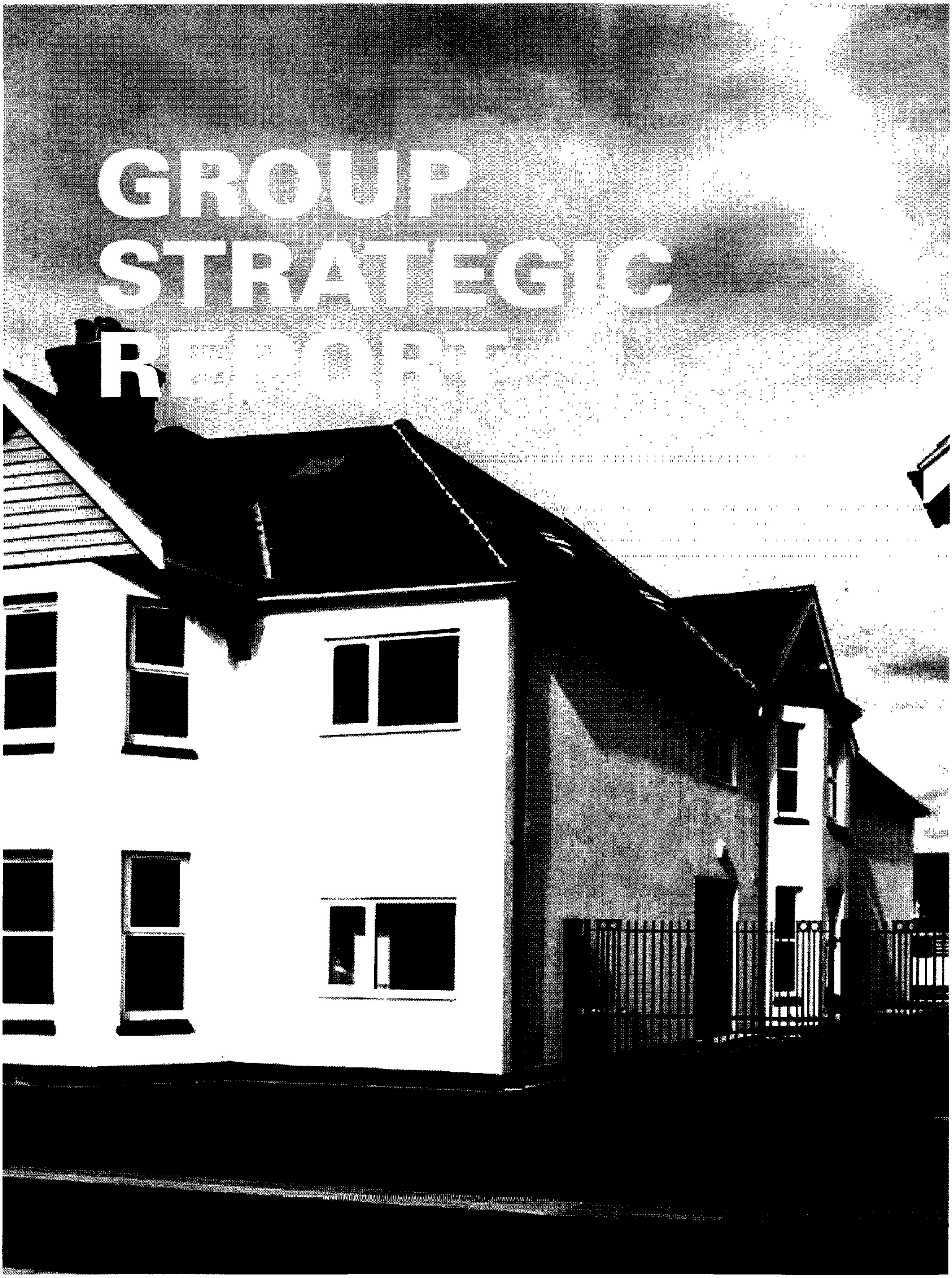
GROUP STRATEGIC REPORT



How we Performed

Financial Highlights as at 31 March

	2019	2018*
Profit before tax	£19.9 million	£36.9 million
EPRA EPS**	3.81p	1.80p
IFRS property valuation	£826.9 million	£510.6 million
Dividends declared (C shares)	3.3p per share	

	2019	2018
IFRS NAV per share	107.1p	105.5p
EPRA EPS** (diluted)	3.63p	1.44p
Dividends declared (Ordinary shares)	5.0p per share	3.0p per share
IFRS NAV increase since IPO	9.29%	7.70%

	2019	2018
IFRS NAV	£666.5 million	£369.4 million
Company adjusted earnings**	3.63p	2.60p
Annualised rent roll	£45.7 million	£28.4 million
Total shareholder return***	17.45%	10.70%

* Period from launch on 18 November 2016 to 31 March 2018
** See Appendix 1 to these financial statements for supporting workings.
*** On an Ordinary share held since launch (percentage not annualised).

Investment property independently valued at £826.9m (IFRS)

NAV

9.3% increase in IFRS NAV per Ordinary share ("Share") since IPO 107.1p as at 31 March 2019

4.7p per Share Earnings based on comprehensive income and property revaluations

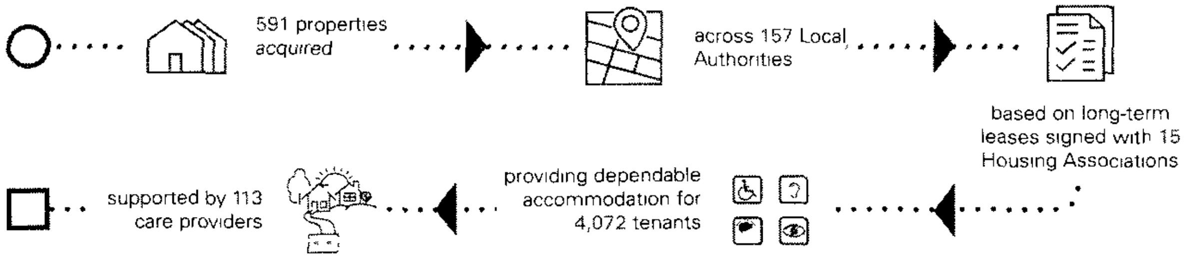
Total of 5p per Ordinary share of dividends declared over the year

Annualised Rent Roll £45.7m based upon £826.9m of real estate at the end of the year

Weighted Average Unexpired Lease Term, 24.4 years

Key Achievements in the Period

Operational Highlights



The Good Economy, the social impact advisory firm, in their second 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

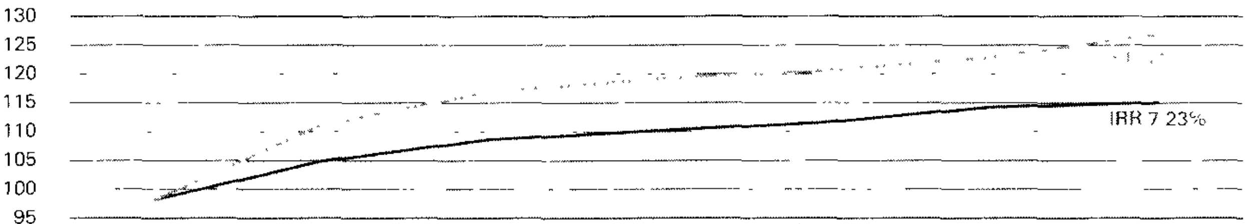
Total bank borrowings of £208 5 million equating to 22% of gross assets reflecting the Portfolio Valuation of investment properties

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

£350 million IPO with proceeds fully invested by December 2017

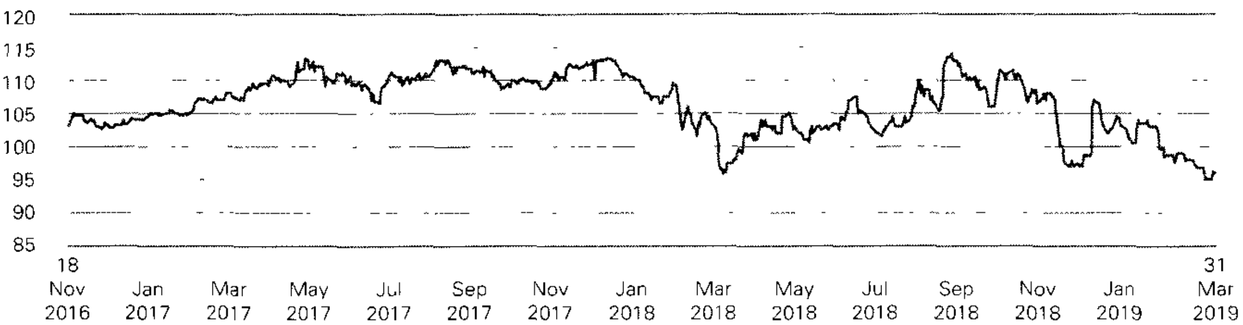
£302 million of capital raised through a C share issue in November 2017

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
IFRS NAV + cumulative dividends paid	98.00	104.70	108 50	110.05	111 60	114.36	115 10

Share price performance (pence)



* Alternative performance measure See Appendix 1 for the calculation

Chairman's Statement

Michael Wrobel Chairman

I am pleased to present the Company's second annual shareholder report, including the audited consolidated financial statements for the year ended 31 March 2019.

The Company has made considerable progress through the year. We have deployed all the equity proceeds and £208.4 million of borrowings, the latter representing an LTV of 22% of gross assets. At the end of the year, the Company's property portfolio was valued at £820.1 million, having increased from £516.2 million and including a revaluation gain of £3.7 million. The valuation represents a net initial yield of 5.27% compared to an average net initial yield on purchase of 5.67% (after initial purchase costs).

The Company's IFRS NAV has increased by 1.5% to 107.08p per share. The total return from IPO to 31 March 2019 is 7.23% p.a. (on an IFRS basis) and 11.93% p.a. (on a Portfolio Valuation basis), incorporating profit for the period of £19.9 million.

During the period the annualised rent roll increased by 61% to £45.7 million, resulting in EPRA earnings of £22.6 million and EPRA diluted earnings per share of 3.63p. For the financial year ended 31 March 2019, the Company's ongoing charges were 1.36%.

The Company has declared total dividends of 5.075p per Ordinary share for the year ended 31 March 2019, comprised of three quarterly dividends on the Ordinary shares of 1.25p (in line with the target in the launch IPO Prospectus) and a final dividend of 1.325p per Ordinary share, an increase of 6% over the equivalent quarter and ahead of the inflationary increase originally envisaged. The Company intends to target a dividend of 5.3p per Ordinary share for the financial year ending 31 March 2020.

The Board is grateful for the support and encouragement of the Company's shareholders and the hard work of our advisers and service providers. The Company along with its Investment Adviser is delivering positive financial and social outcomes which are providing direct savings to tax payers.

Portfolio

During the year, a total of 177 properties were acquired, having met the Company's stringent due diligence requirements. At the year end the overall portfolio comprised 591 properties located across half the Local Authorities in England and Wales and leased to 15 Housing Associations, with support provided by 113 care providers. As well as representing the largest and most diversified portfolio of supported housing, the Company's reputation as a knowledgeable and reliable counterparty has materially enhanced the levels of incoming investment enquiry.

The Company now provides homes to over 4,000 tenants with learning disabilities, autism, mental health disorders and also for women's refuge.

Following the events at First Priority Housing Association, where in May 2018 we assigned all our leases on the same terms to Falcon Housing Association, we have increased the extent of our interaction with the care providers who provide primary care services to the tenants in our properties and who support payment against voids. We have also used specialist consultants to speak directly with all Local Authority commissioners on an individual basis to confirm their full support for each property acquired.

Civitas's Social Impact and Continuing Political Commitment to the Sector

The Company's provision of supported housing continues to make a significant positive social impact. This is driven by the cost advantage enjoyed by Local Authorities and the improved well-being of tenants and their families, compared to institutional care. This is based on independent verification, using HM Treasury Green Book metrics and reports from The Social Profit Calculator and The Good Economy Partnership. Further information is available on the Company's website[1].

These benefits are also contributing to increasing long-term demand. It is most likely that this growth will need to be financed by the private sector. In this regard Laing Buisson[2] reports that none of the political parties seeks to pose any ideological threat to the independent social care sector and that, driven by lower costs and better value for money, over 93% of publicly paid adult specialist care services are now outsourced to the independent sector.

Against this background, in 2018 the government announced that it will continue to fund all supported housing rents through the welfare system (Housing Benefit) and will not subject rents to mainstream Local Housing Allowance caps.

This confirmation of the government's long-term commitment to supported housing has been reflected by the Company's experience on the ground, in direct interaction with Local Authorities, namely that properly commissioned properties will achieve long-term Local Authority commissioner support for the appropriate rent levels required to support the Company's leases.

Regulation and Improving Industry Standards

Given the specialist sector's growth, the Regulator of Social Housing ("RSH") has begun to review many of the Housing Associations with whom we work, for the first time. The RSH has also published a report on the risks facing the industry and the consequent need for risk mitigation plans. During a panel discussion at the Social Housing Finance Conference in London, the RSH referred to the industry's "growing pains" and areas that require improvement, whilst noting that there were no inherent problems with the industry model. We are aligned with this approach and our Investment Adviser offers its team's considerable social housing expertise to assist our counterparties, for example, on governance structures and adding operational skills.

[1] http://civitassocialhousing.com/investor-relations/reports-ans-publications

[2] Laing Buisson Adult Specialist CareThird Edition 2019.

The structure of the industry and inherent risks are accounted for by Jones Lang LaSalle, when undertaking the independent valuation of our properties. There have been no material impacts on our ability to collect the rental income due from our leases.

Share Price and Rating

The Board notes the recent share price performance of the Company and its peer group and the resultant move from a premium to a discount to the Net Asset Value. The Board regularly monitors the share rating and reviews options by which we can seek to improve the position. All options considered will take into account the interests of shareholders as a whole and be balanced against protecting the Company's long-term standing in the sector and its relationships with important counterparties with whom the Company is negotiating asset purchases.

AGM and AGM Resolutions

The third Annual General Meeting ("AGM") of the Company will be held at 2.00 p.m. on Thursday, 5 September 2019 at 3 More London Riverside, London, SE1 2AQ. There will be a presentation from the Investment Adviser, Civitas Housing Advisors Limited. The full AGM notice has been posted to all shareholders and also can be found on the Company's website[1].

Within the AGM notice, the Company has included a shareholder resolution asking for approval to amend the Company's investment policy to allow investments to be made Scotland and Wales. Both these parts of the UK have a welfare benefit system that is similar to that in England and Wales with policies that are regarded as at least as supportive of the provision of social housing as those in England and Wales. The Company's core focus will remain England and Wales.

Scotland and Northern Ireland have experienced issues of shortage in respect of affordable housing and the Company wishes to be in a position to consider investments in these parts of the UK, should any meet its criteria for investment.

In addition, the Company is also seeking shareholder approval to increase the maximum aggregate annual remuneration payable to Directors from £200,000 to £250,000 as set out in the Company's Articles of Association. The Board is currently in the process of seeking to appoint at least one additional Director to broaden the skills and diversity of the Board, and therefore this proposed change will provide headroom for future appointments and future increases in remuneration. As set out in the Directors' Remuneration Report for the year ended 31 March 2019, no increase in the current level of Directors' fees is being proposed.

Outlook

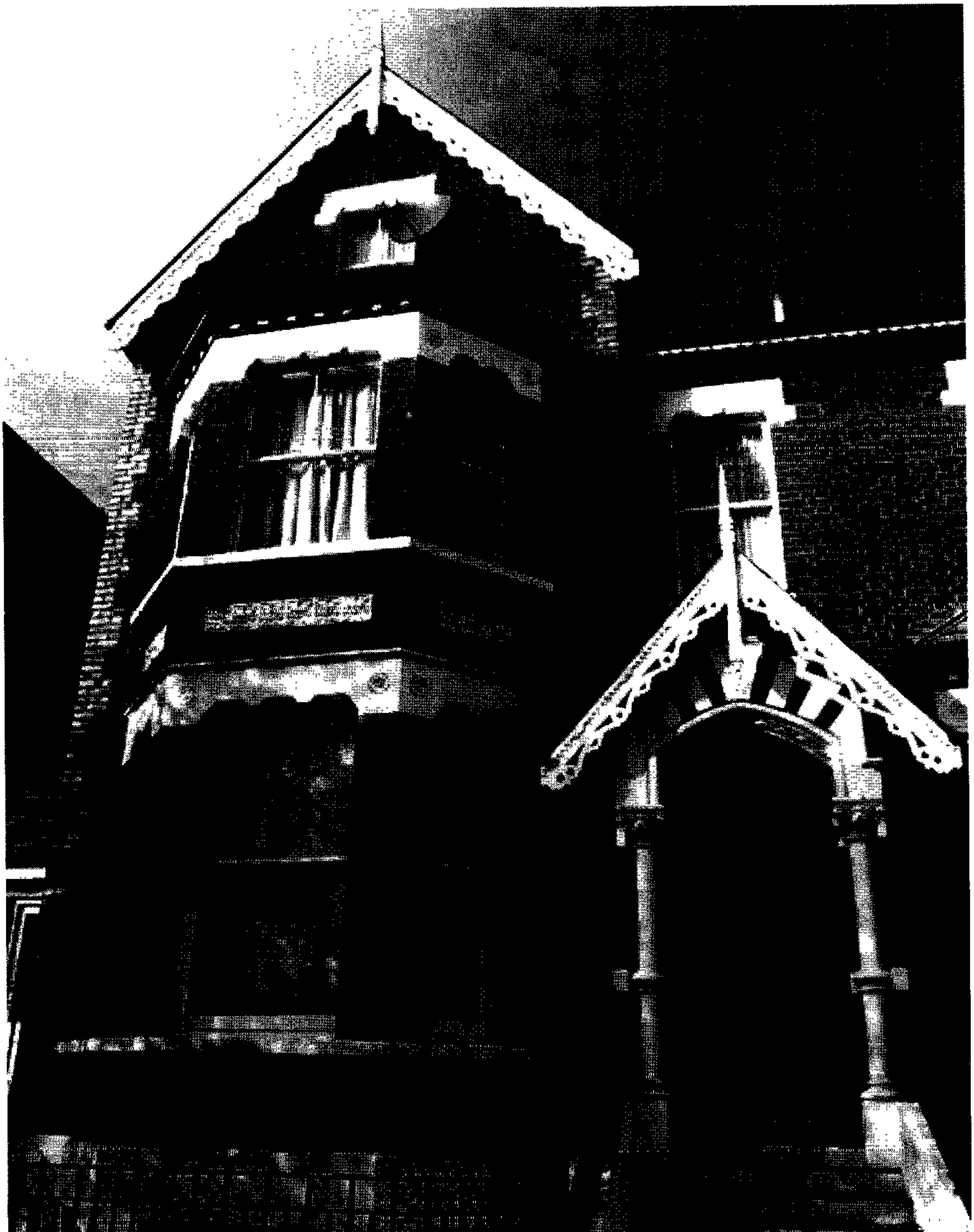
The UK has a chronic shortage of supported housing, with demand expected to increase further due to a range of factors including medical advances at birth and a growing and ageing population. The Government sponsored Personal Social Services Research Unit projects a 55% growth in supported housing needs for working age adults with learning disabilities between 2015 and 2030.

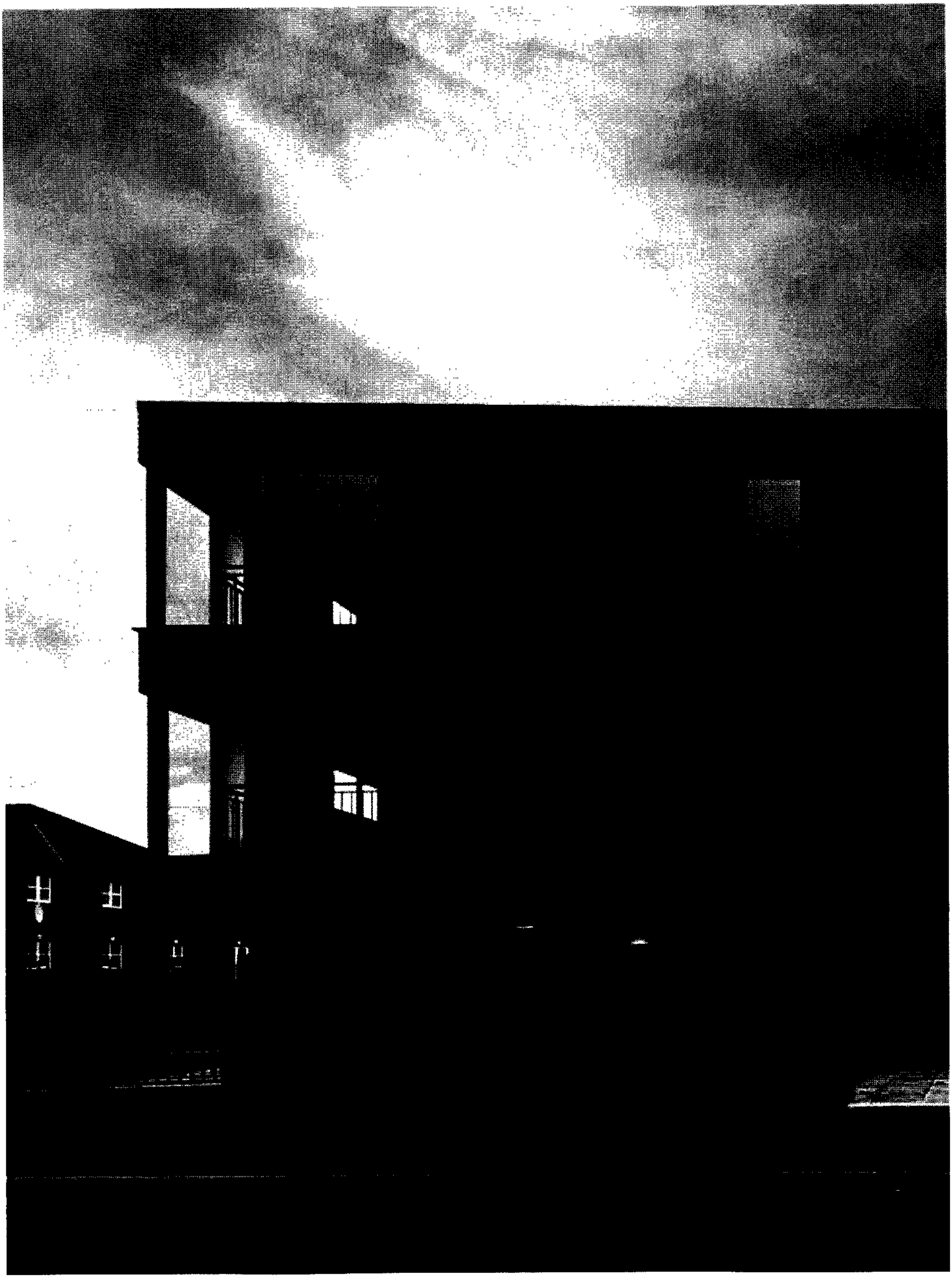
This demand-supply imbalance along with continued government commitment to fund supported accommodation provides strong fundamentals for continued investment into the supported housing sector.

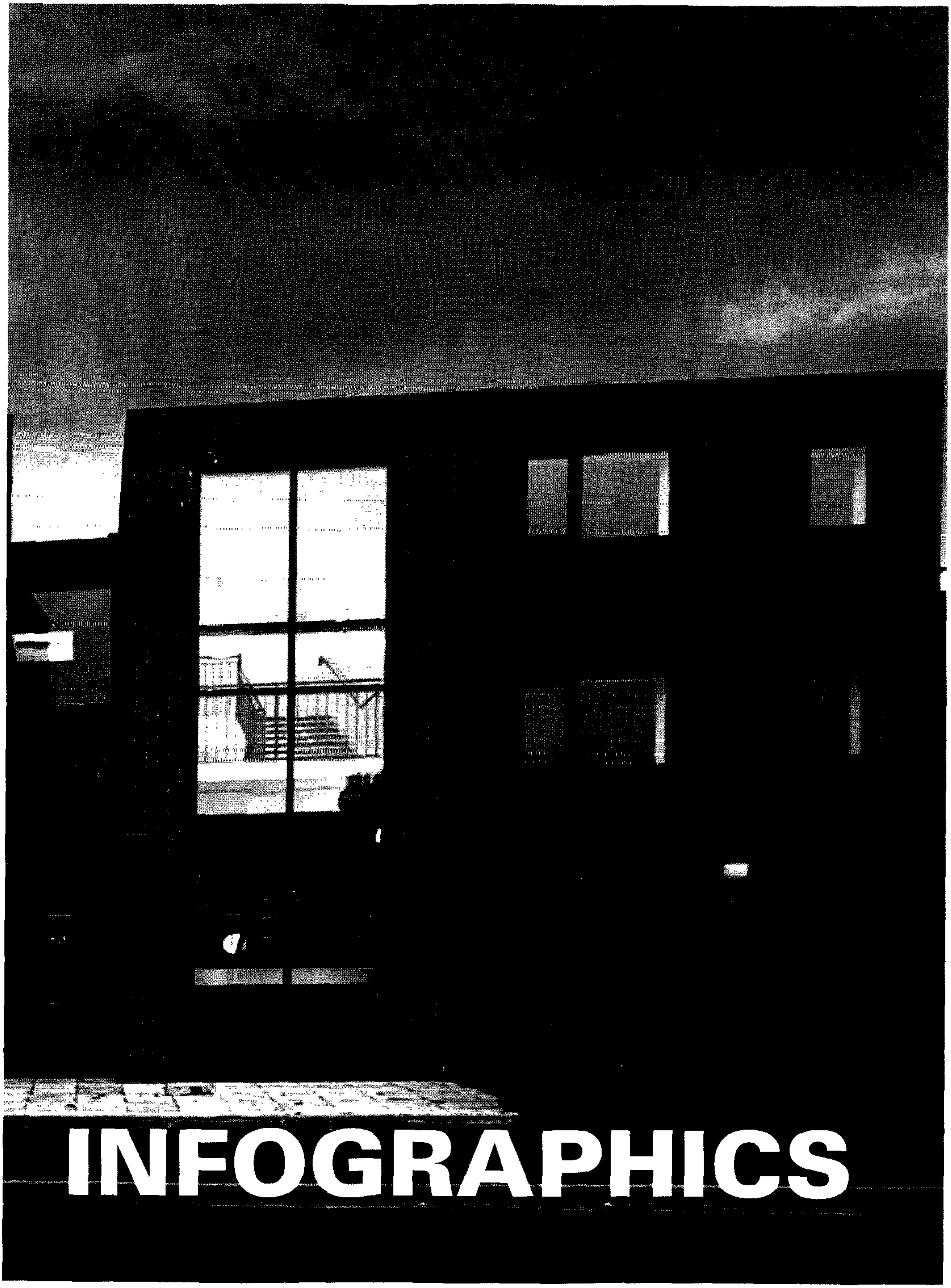
The Company will continue to build on the successful and disciplined deployment to date and to seek opportunities to further enhance the portfolio within our capital resources. The Investment Adviser has a pipeline of properties under negotiation and in various stages of due diligence. Our confidence is reflected in our intention to target a dividend of 5.3p for the current financial year to 31 March 2020.

Michael Wrobel
Chairman
21 June 2019

[1] http://civitassocialhousing.com/investor-relations/reports-and-publications





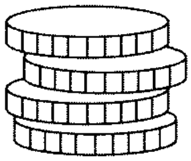

INFOGRAPHICS

Infographics

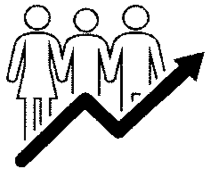
Social Housing – A Sector in High Demand

Over 4.0 million social homes (2.8 million managed by Housing Associations)

1 in 5 homes is a social home



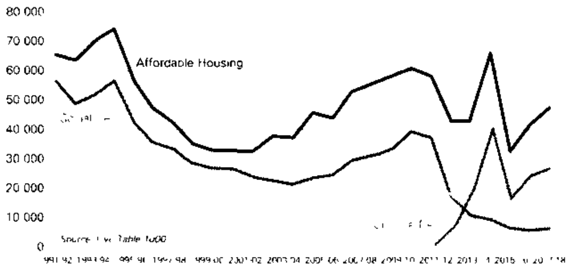
£20 billion turnover[1] (Housing Associations only)



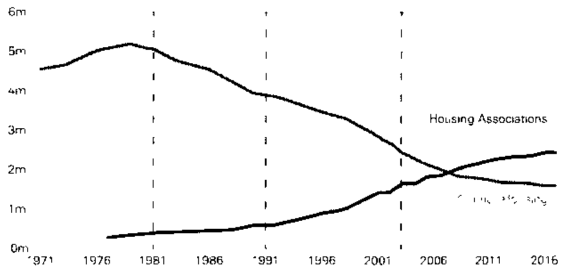
4.5 million waiting list[2] (1 in 15 million families)

Affordable homes delivery since 1991-92

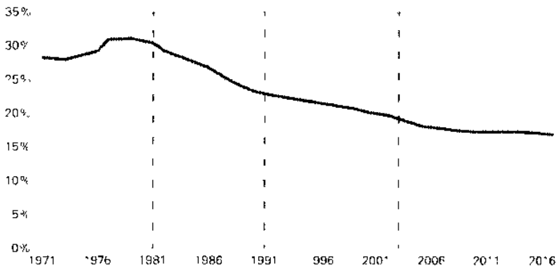
Supply of affordable housing completions by tenure, England, 1991 92 to 2017-18[3]



Dwelling stock rented from local authorities and housing associations in England, annual figures 1971-2017[4]



Dwelling stock rented from local authorities and housing associations as a % of all stock, England, 1971-2017[4]



SOURCES:

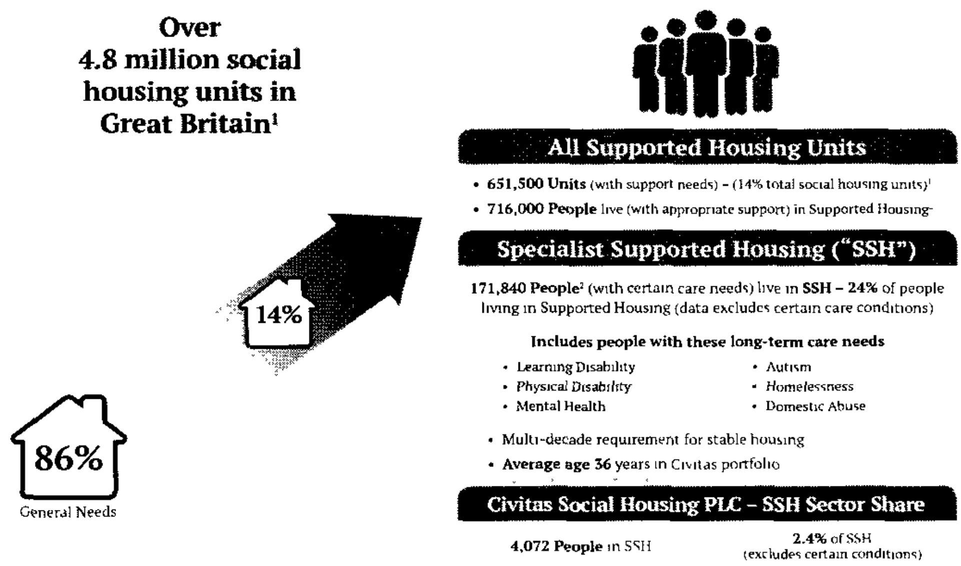
[1] Sector Risk Profile – Regulator of Social Housing 2018.

[2] The Guardian – June 2018.

[3] Affordable Housing Supply 2018 – Ministry of Housing, Communities & Local Government.

[4] What's Happening to Rented Social Housing in England? Full Facts, December 2018.

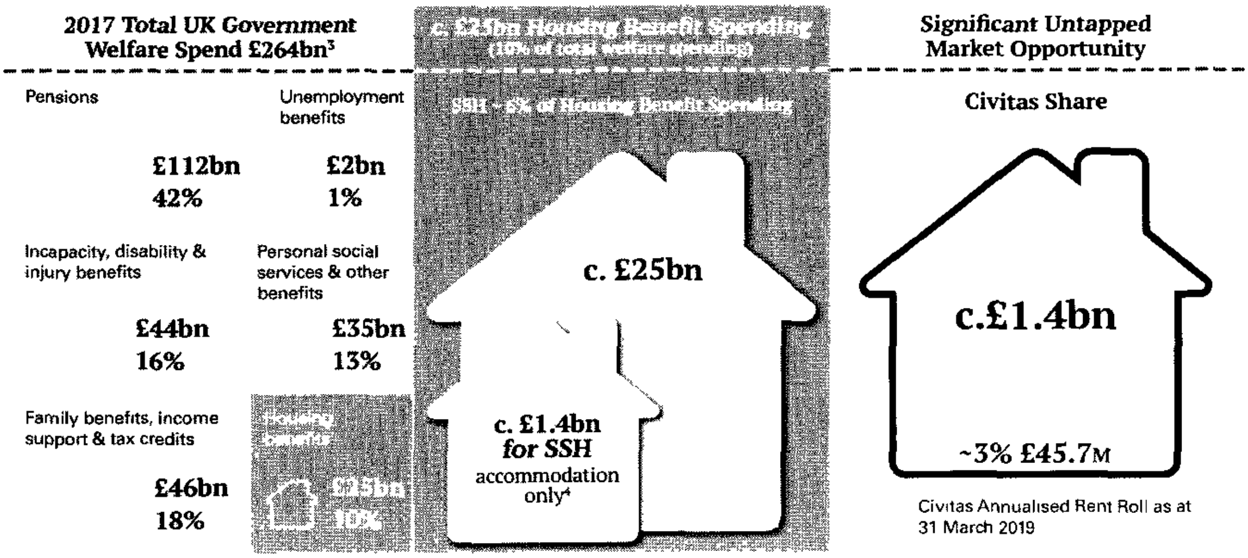
Supported Housing: A Vital Role in Society



[1] Department for Communities & Local Government – "Supported Accommodation Review". November 2016

[2] House of Commons, First Joint Report of the Communities and Local Government and Work and Pensions Committees – "Future of Supported Housing": May 2017

Funding the Specialist Supported Housing Sector



[3] Office for National Statistics

[4] H.M. Government "Supported Accommodation Revenue", November 2016

Infographics continued

SSH – Costs of Housing Provision

Government Analysis[1]	
Working Age People with Care Needs	
Weekly Rent – Range	
£133	**£277**
Physical Disability	Women's Refuge

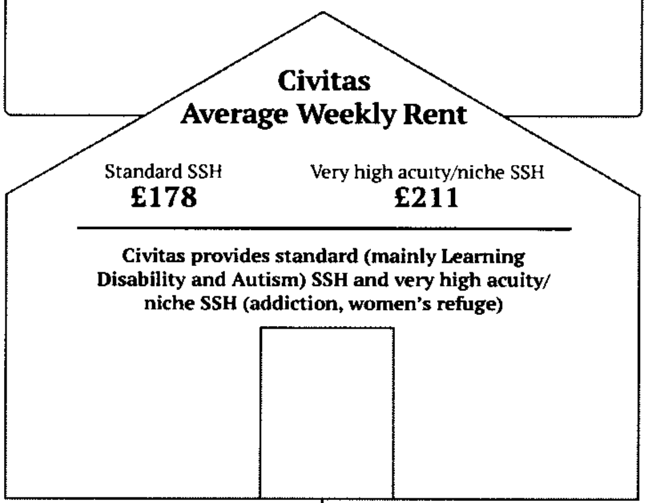
Why does it cost more?

- 24 hour staffing
- Installation and monitoring of CCTV
- Enhanced fire and monitoring safety equipment
- Bespoke adaptations and construction
- Long lead time to place and secure tenants

Mencap Analysis[2]	
Working Age People with Care Needs	
Weekly Rent – Range	
£183.60	**£194.43**
Shared SSH	Self-Catered SSH

Why does it cost more?

- Mencap data is focused on broader mental health and excludes more expensive provision noted by the Government such as women's refuge accommodation



"In supported living, the whole focus is on the outcomes for the person and the small achievements, which to you or I are not huge achievements. If someone makes a cup of tea for the first time, someone who really has high support needs and is both deaf and blind, we celebrate those things. That is the value for money.[1]"

Anne Lawn, Head of Operations at Sense

[1] House of Commons Library "Future of Supported Housing": April 2017.
[2] Mencap and Housing LIN "Funding Supported Housing for All": April 2018.

SSH – Offers Value for Money

Average weekly cost of SSH	
Housing cost per week (including service charge)	£232
Care package cost per week	£1,337
Total	**£1,569**

Average weekly cost of Registered Care	
Placement cost per week[1]	£1,760
Total	**£1,760**

1 Care and accommodation together

Average weekly cost of In-patient Settings (Hospital)	
Placement cost per week[1]	£3,500
Total	**£3,500**

1 Care and accommodation together

"While supported housing is more expensive than general needs accommodation it generates substantial cost savings for other parts of the public sector."

Source House of Commons Communities and Local Government and Work and Pensions Committees – April 2017

"The net benefit of providing supported housing to the wider public purse was estimated to be £3.5 billion per year."

Source Marcus Jones MP Minister for Local Government – 2017

"Significant cost savings to the social care budget arose from Supported Housing."

Source Caroline Nokes MP, Parliamentary Under Secretary of State for Welfare Payments – 2017

Annual savings resulting from Supported Housing	
Older tenants	£3,000 per person/year
Learning Disabilities and Mental Health	£15,500 per person/year

"A stay on an acute ward in the NHS could amount to many multiples of the cost of the average daily rent for working age people in Supported Housing."

Source Gillian Connor, Head of Policy and Development

Infographics continued

SSH – Demand Outstrips Supply

What is driving increased demand for Specialist Supported Housing (growing 5/6% a year)?

Medical advance
(survival rates at birth)

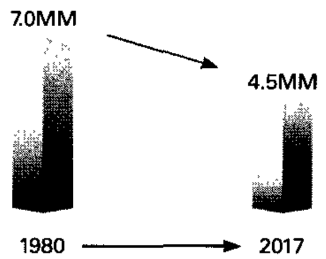
Longer life expectancy

Closure of long-stay hospitals

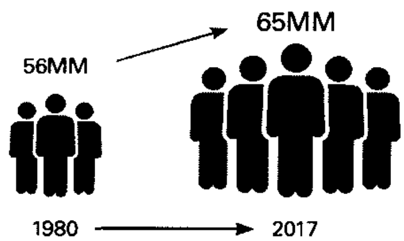
Government policy to promote Care in the Community

At the same time:

UK Social Housing Stock



UK Population



National Housing Federation

125,196
lettings needed for people of working age during 2015/16

109,556
places available for people of working age during 2015/16

15,640
shortfall in supported housing for people of working age during 2015/16

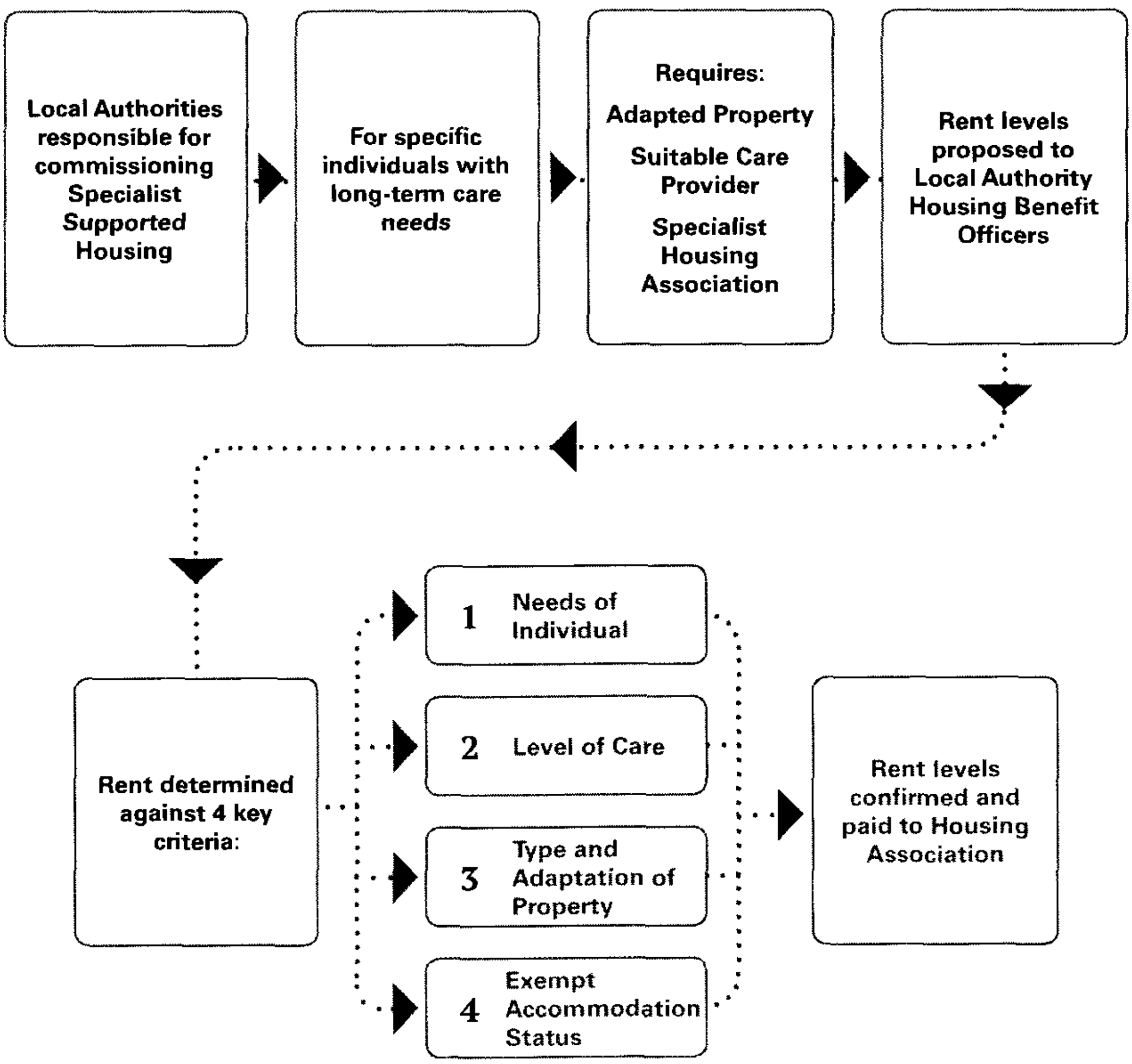
If the current trend continues:

29,053
annual shortfall in supported housing by 2019/20

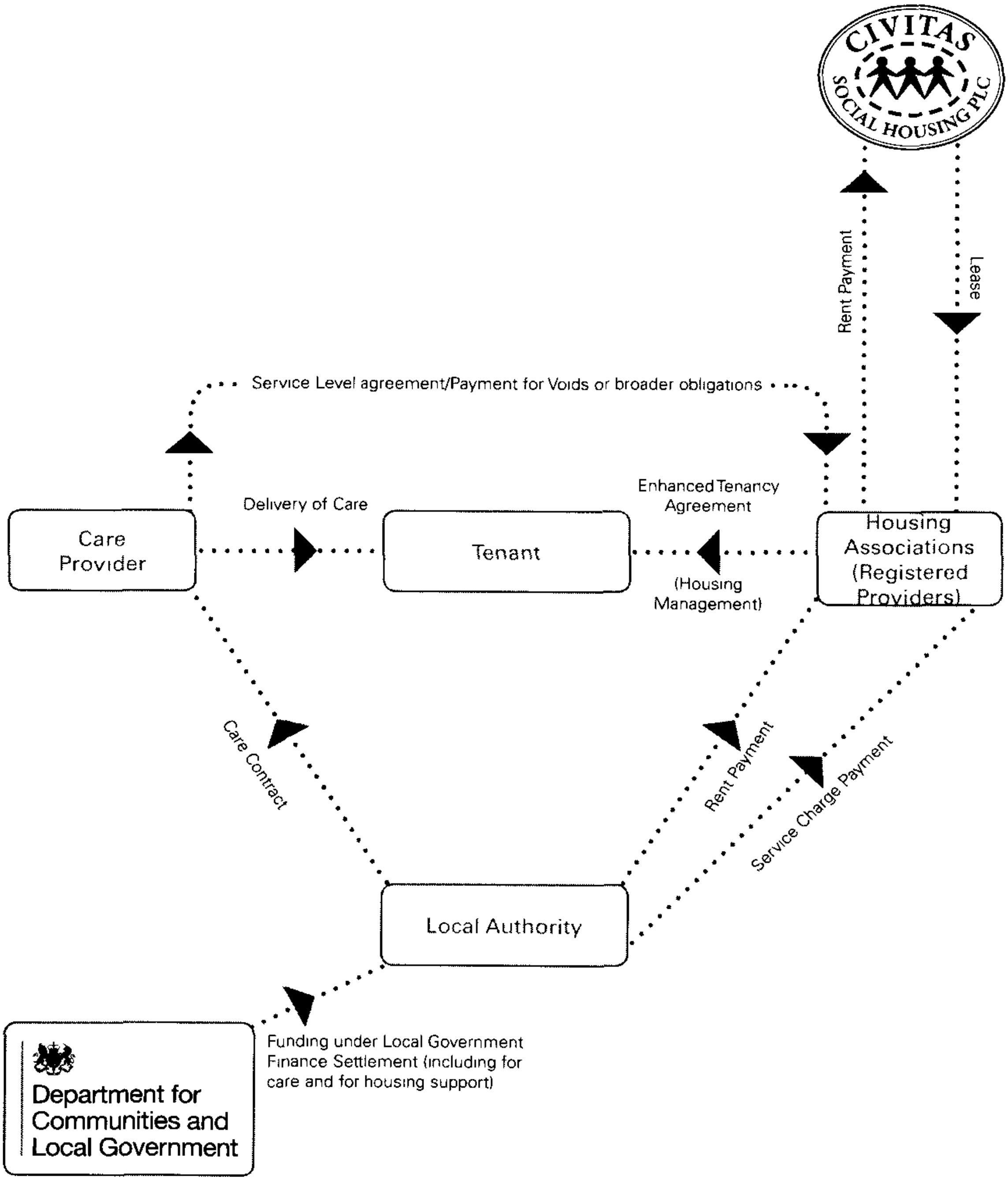
46,771
annual shortfall in supported housing by 2024/25

SSH – Local Authority Commissioning

Central Government (Housing Benefit) meets cost of Specialist Supported Housing via Local Authorities

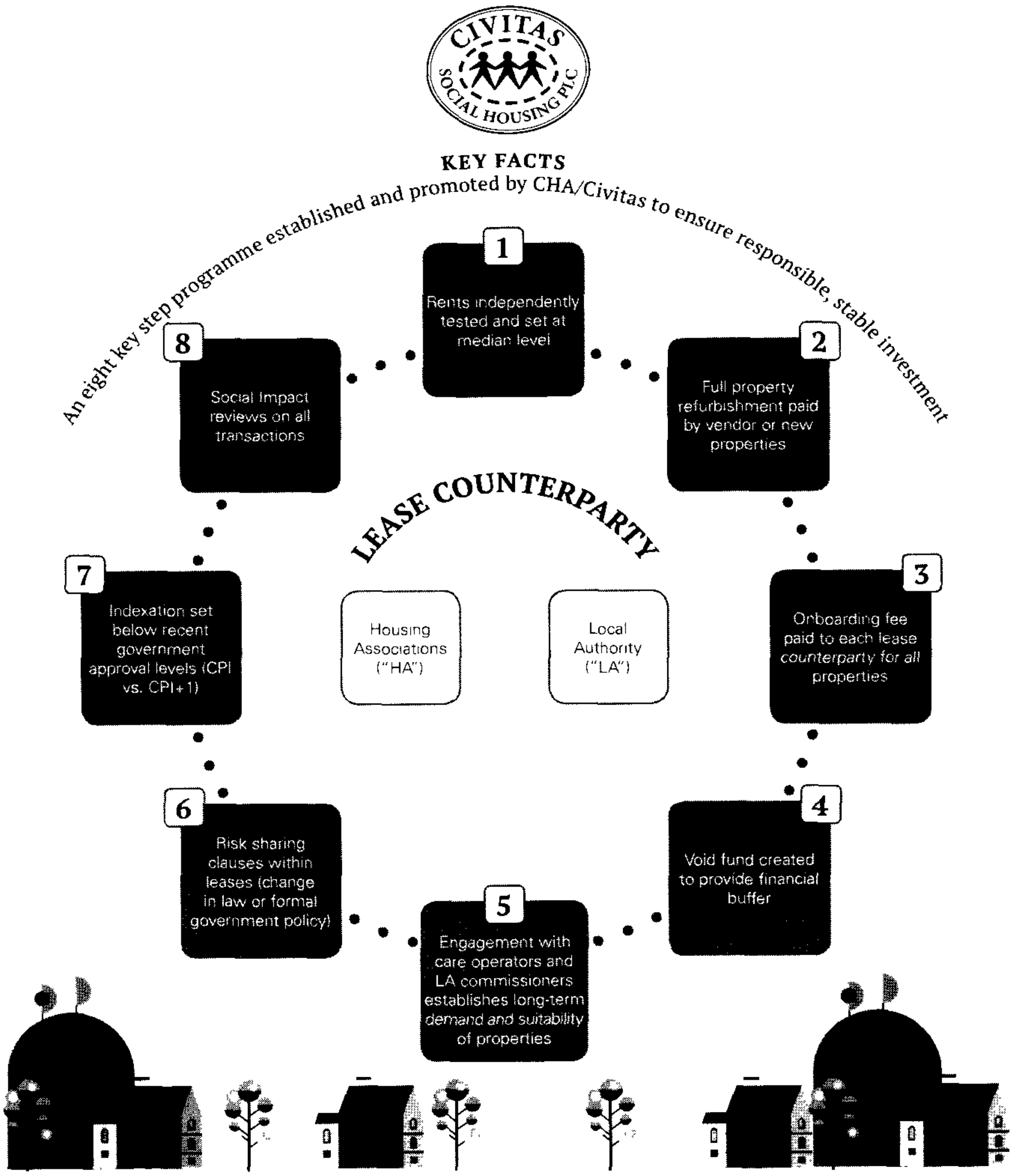


SSH – Contractual Framework



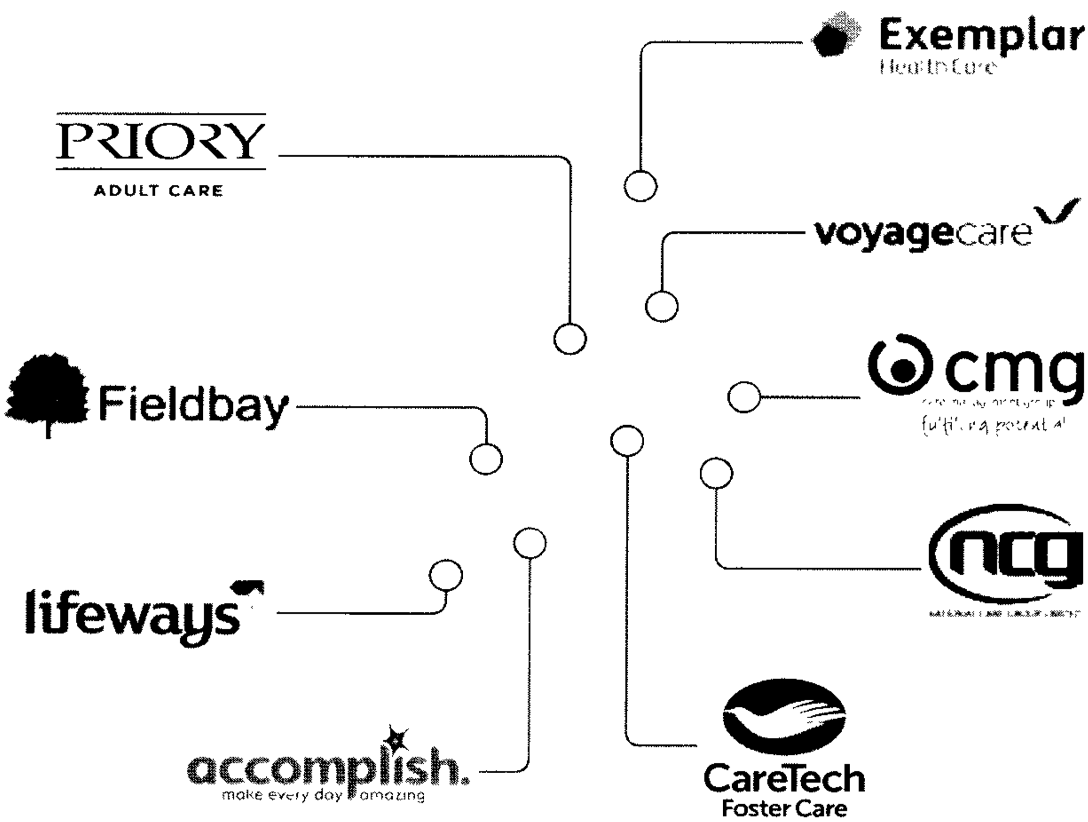
Civitas is Enhancing Professionalism in the Sector

CHA/Civitas lead the sector by introducing innovations to protect lease counterparties and future proof investments



Infographics continued

Examples of existing care provider relationships, England and Wales



Civitas Housing Association Partners

AHS

BeST

blue square

CHRYSALIS SUPPORTED ASSOCIATION (CSA) LTD

encircle

FALCON HOUSING ASSOCIATION

Hilldale

IKE SUPPORTED HOUSING

INCLUSIONHOUSING

MYSPACE

New walk

Pivotal

TRINITY

W.S.H.A.

Housing Associations' comments

Mark Adams, Harbour Light

"Harbour Light Assisted Living has been working with Civitas Social Housing PLC for a couple of years now, we have always found them to be a very robust partner in terms of their sector involvement and in seeking out new approaches to better the provision of essential supported living services. Civitas brings the benefits of a large corporate structure, in transparency, resource and expertise and is able to assist and support housing provider partners effectively as a result. We look forward to working with and developing our own housing provision for the many vulnerable adults we support for many years to come."

Colin Mackell, Chrysalis

"Working with Civitas ensures that Chrysalis are supported to develop services with key strategic partners to deliver effective housing care and support solutions to some of the UK's most vulnerable clients. Civitas have always supported our ambition, our development and have been a valued partner in the past and will continue to be in the future. It is because of funds like Civitas that vital, lifesaving and life enhancing services are able to be realised and we look forward to a very productive future working together."

Neil Brown, Inclusion

"The benefit for us of working with Civitas is that we share a common purpose of delivering real social impact through the provision of high-quality accommodation and services. Delivering real improvements in the wellbeing of the people we house, who are among the most vulnerable people in society."

Kevin Appleby, BeST

"Civitas have been great to work with and we have particularly valued their committed approach and the diverse skills and professionalism of their team in supporting us. We look forward to working with them on the future acquisitions of much needed community-based supported housing for vulnerable adults."

Infographics continued

Geographically Diversified

North West
- Properties 95
- % of funds invested 10.1%
- % of rental income 10 1%

West Midlands
- Properties 94
- % of funds invested 11 9%
- % of rental income 11.9%

Wales
- Properties 15
- % of funds invested 8.3%
- % of rental income 8 3%

South West
- Properties 112
- % of funds invested 14.7%
- % of rental income 14 5%

North East
- Properties 63
- % of funds invested 7.0%
- % of rental income 7.0%

Yorkshire
- Properties 49
- % of funds invested 10.9%
- % of rental income 10.7%

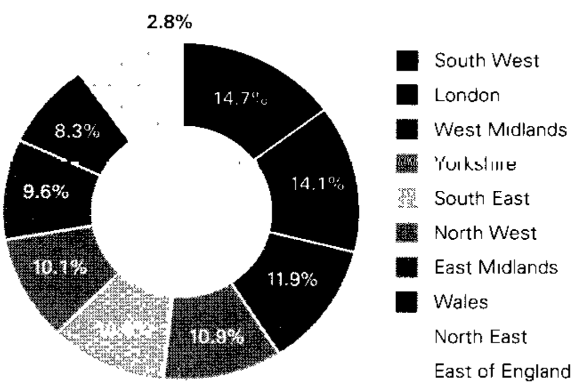
East Midlands
- Properties 58
- % of funds invested 9.6%
- % of rental income 9 5%

East of England
- Properties 18
- % of funds invested 2.8%
- % of rental income 2.7%

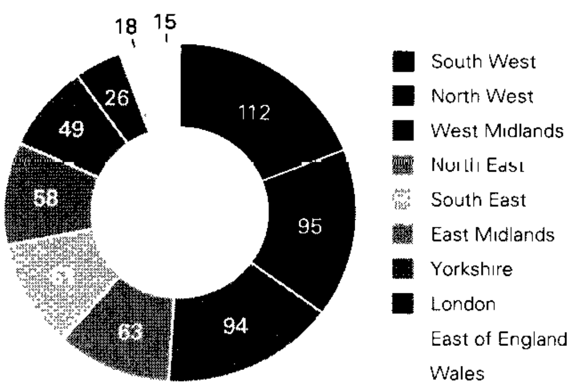
London
- Properties 26
- % of funds invested 14.1%
- % of rental income 14 5%

South East
- Properties 61
- % of funds invested 10.6%
- % of rental income 10.8%

Market Value by Region[1]



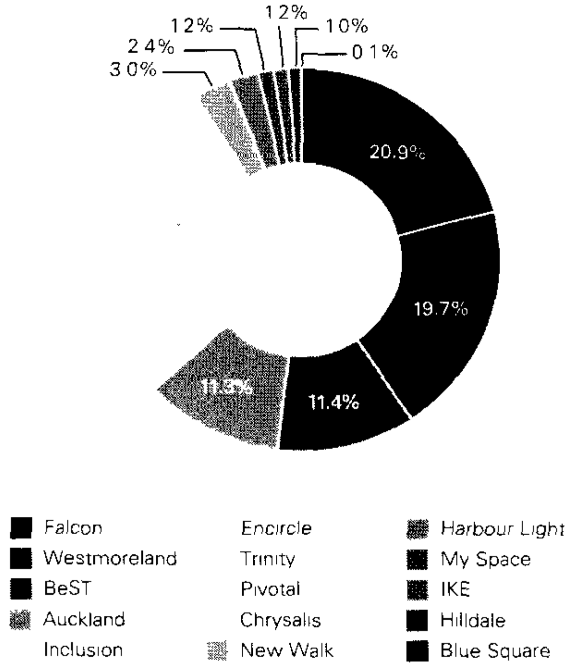
Assets by Region[1]



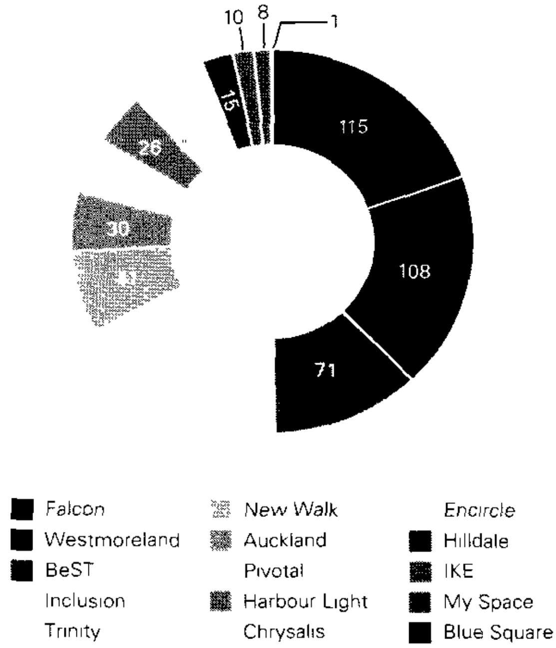
[1] As at 31 March 2019, including completed properties only.

Diversified by Registered Provider

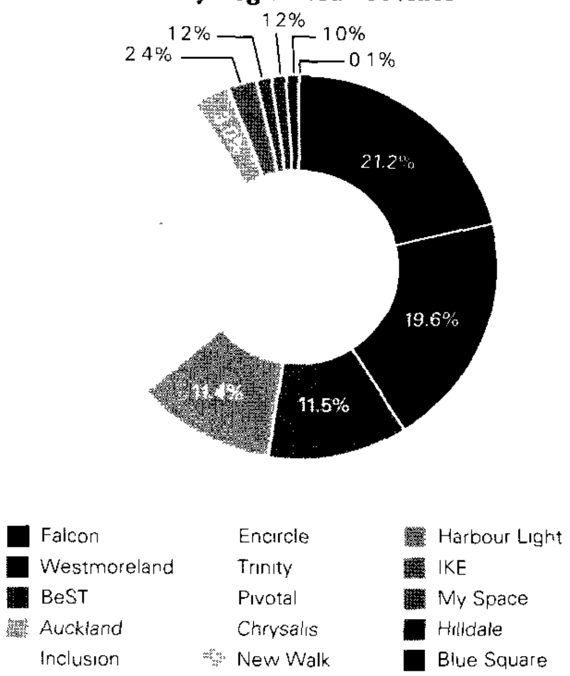
Rental Income by Registered Provider[1]



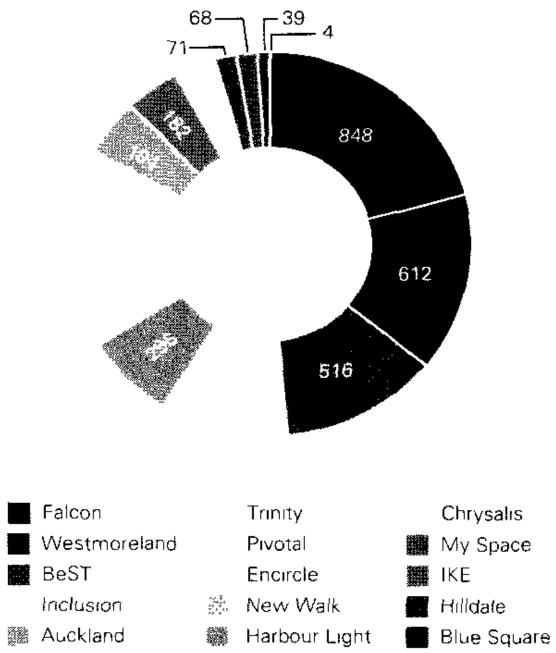
Assets by Registered Provider[1]



Market Value by Registered Provider[1]



Tenancies by Registered Provider[1]



[1] As at 31 March 2019, including completed properties only.

Case Studies

Case Study: Comer Road

High quality supported living accommodation comprising 20 state-of-the-art self-contained apartments

Key Metrics	
Total Investment*	£4.2 million
Yield on Cost*	5.5%
IFRS Net Initial Yield	5.3%
Units	20
Purchase Date	August 2018

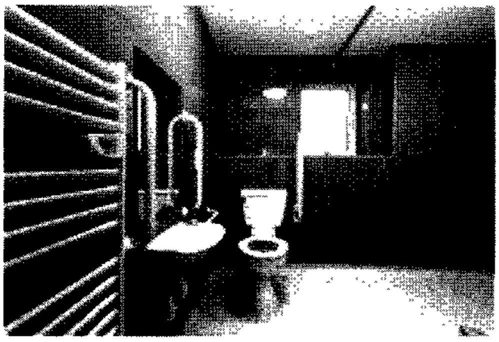
High-Quality living accommodation:

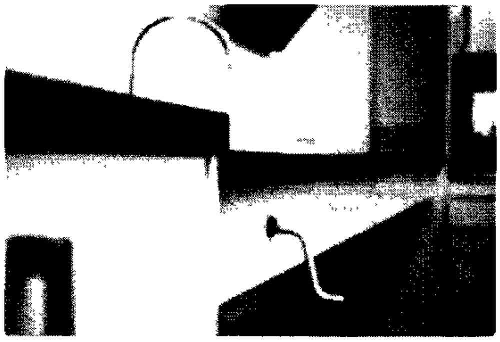
- 20 state-of-the-art self-contained apartments
- 24-hour care and support for individuals with learning disabilities

Purpose built to high specification:

- En-suite wet rooms
- Facilities with alarm technologies
- Assistive technology enabled control panels
- Concierge control
- Wheelchair access
- Living spaces tailored to needs

* excluding purchase costs.

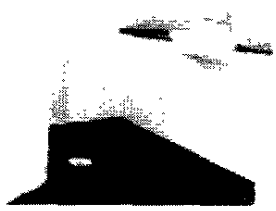




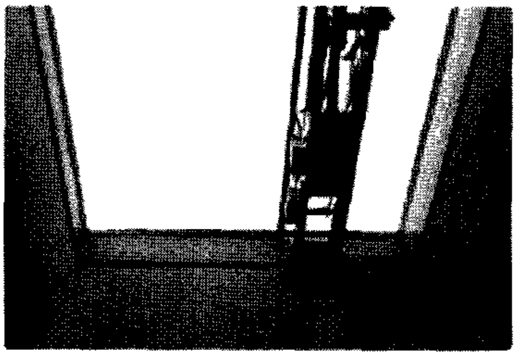
Case Study: Beamish Court

High quality supported living accommodation comprising 12 state-of-the-art self-contained apartments

Key Metrics	
Total Investment*	£4.2 million
Yield on Cost*	5.5%
IFRS Net Initial Yield	5.5%
Units	12
Purchase Date	October 2017



High-Quality living accommodation:
- 12 state-of-the-art self-contained apartments
- 24-hour care and support for individuals with learning disabilities



Purpose built to high specification:
- En-suite wet rooms
- *Facilities with alarm technologies*
- Assistive technology enabled control panels
- Concierge control
- Wheelchair access
- Living spaces tailored to needs

* excluding purchase costs.

Case Studies continued

Case Study: Prinstead House

Prior to its refurbishment in 2017, Prinsted in Surrey was a private residence. The building had interesting features and was a fantastic space, but due to a lack of investment the property needed some vital improvements and was not living up to its potential.

A refurbishment was needed to reconfigure the building, creating new homes for multiple residents on a shared basis.

Key Financial Metrics	
Total Investment*	£2 6 million
Yield on Cost*	6 0%
IFRS Net Initial Yield	5 3%
Units	8
Purchase Date	April 2017
Key Metrics	**% Value**
Time/Value/Scheme	7.2
Specification/Property	56 3
Scheme Adaptations	10 9
Cost Contributions	13 5
Developer's Margin	12 1
	100.0 (£2 6m)

Transforming Prinsted
- Work began in May 2017
- Worked closely with our partners to ensure a smooth transition into supported living accommodation
- Required extensive refurbishment, stripping areas of the property back to the structure and installing new facilities
- Decoration undertaken to ensure homely and inviting for all who live there

Making a home at Prinsted
- Transformed to provide a home for eight people on a shared basis
- All bedrooms include en-suite facilities, with kitchenettes, a shared open plan living area and a large bathroom
- A sensory room has been created, along with a large utility room
- Externally, an outbuilding was given an upgrade, transforming it into a day office
- Prinsted is situated near to shops and is close to Gatwick Airport and links to M23 and M25
- The property is ideally placed for residents and provides a comfortable home for all

Case Study: Foresters

Built during the early 1900s, Foresters comprises two large semi-detached villas, full of character and full of potential. That's exactly what we believed when we became aware of this property in Dorset, which had the makings of a fantastic scheme.

Not only were the properties situated close to the town centre of Weymouth, making them highly accessible, they also had the capabilities to provide space for multiple residents. We were keen to bring this building up to date, with new features in classic surroundings, and couldn't wait to get started.

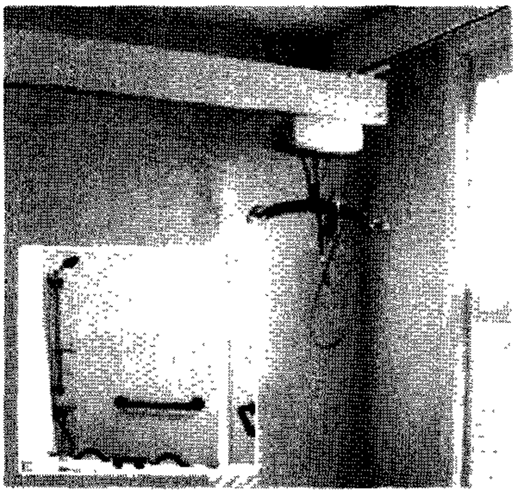
Key Financial Metrics	
Total Investment*	£2 5 million
Yield on Cost*	6 0%
IFRS Net Initial Yield	5 3%
Units	15
Purchase Date	June 2017
Key Metrics	**% Value**
Time/Value/Scheme	78
Specification/Property	49 5
Scheme Adaptations	18.4
Cost Contributions	13 3
Developer's Margin	11 1
	100.0 (£2 5m)

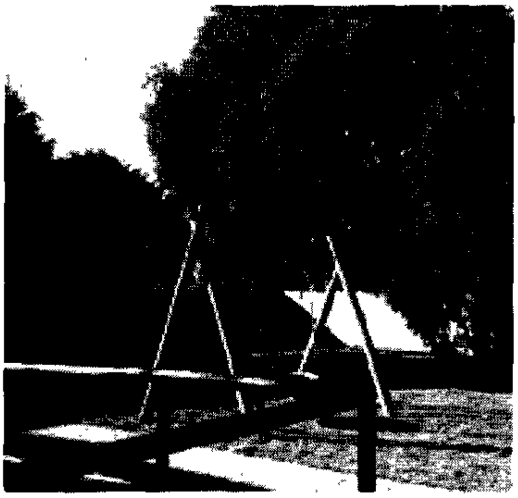
The conversion of Foresters

- Work began in November 2017
- Buildings converted into spaces for 15 people, living on a shared basis
- Extensive renovation, stripped back the structure to the bare walls, which then allowed the installation of new equipment and facilities
- Internal areas were redecorated, bathrooms and kitchens were installed and where required, specialist equipment was fitted, including hoists
- Due to the history of the building, unique features were retained

Making a home at Foresters

- With work now complete on Foresters, the property provides a home for 15 people
- Mixture of bedroom types with en-suites, a shared open plan communal kitchen and a living room
- Gardens renovated to provide external communal space
- Property brought back into use for a local care provider, who specialises in care for adults with learning difficulties, including those with high dependence physical needs
- Foresters is situated close to local bus routes and shops within a half-mile of Weymouth town centre

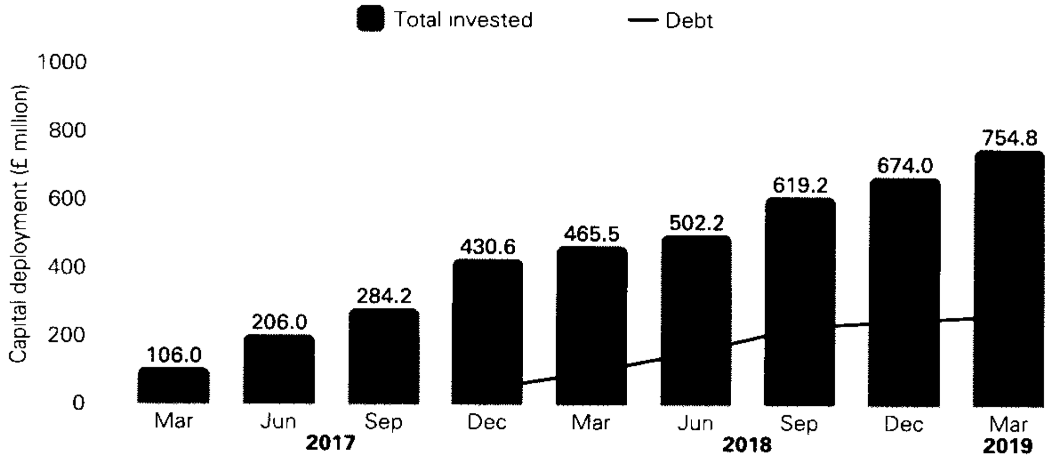




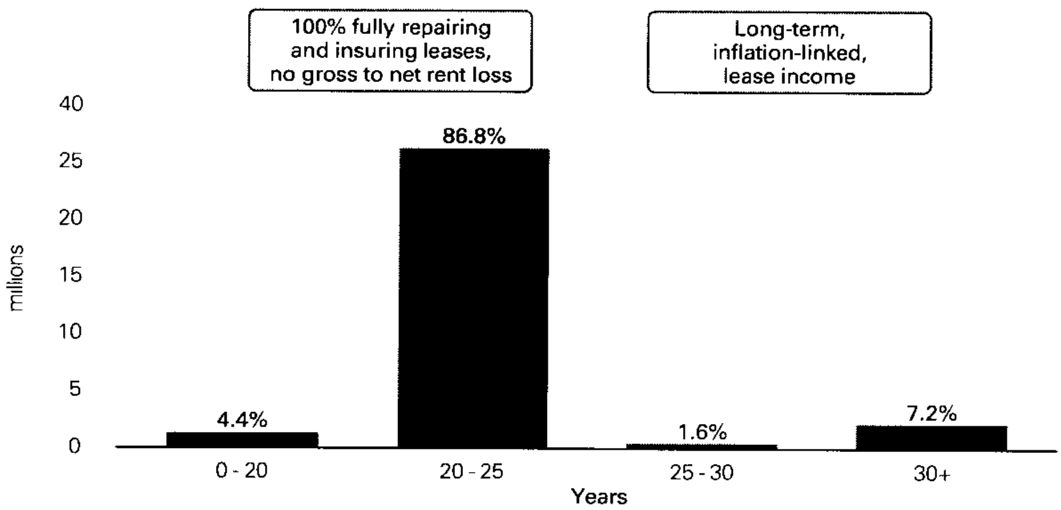
Portfolio Analysis

Capital Deployment as at 31 March 2019

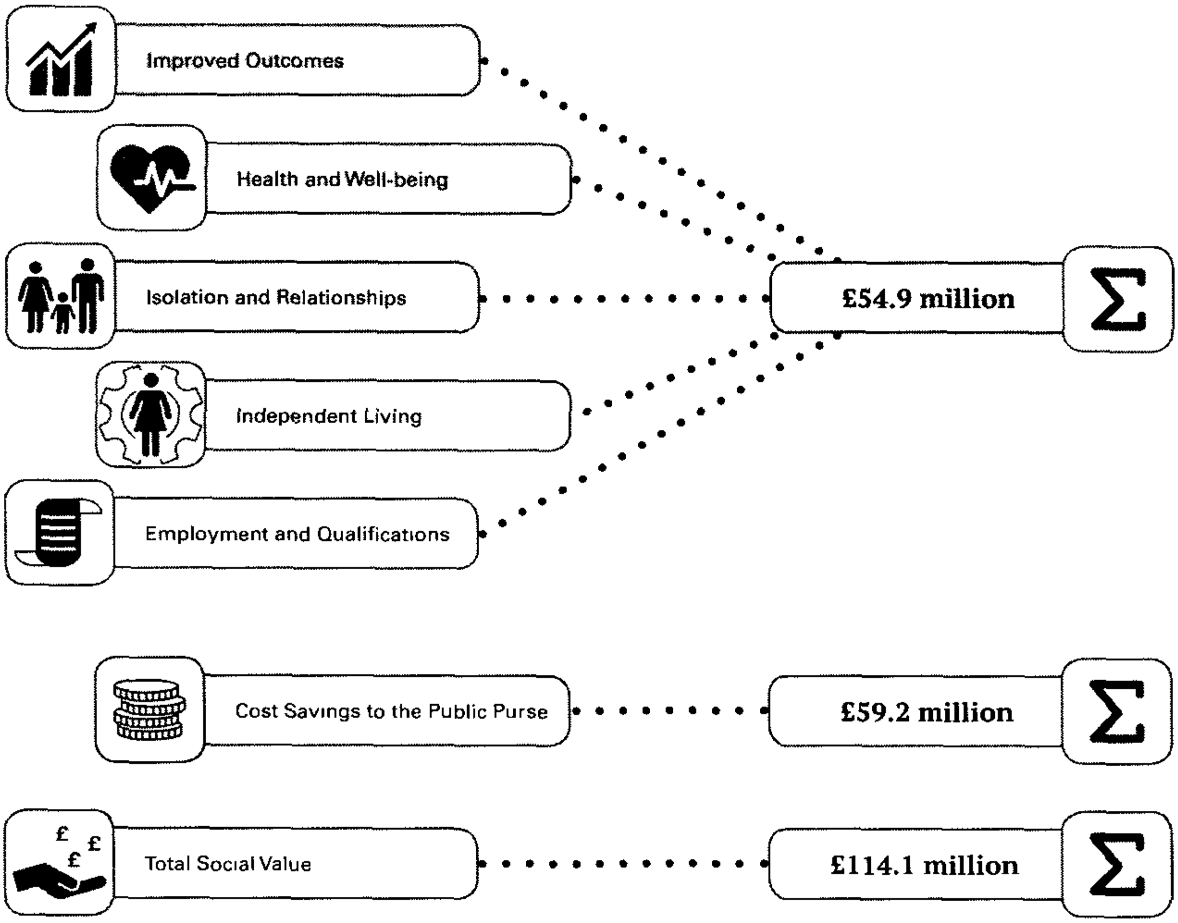
Track record of capital deployment with attractive returns and further opportunities

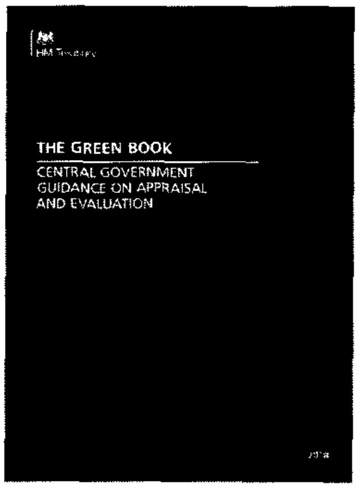


Security of Income by Lease Expiry as at 31 March 2019



Social Value





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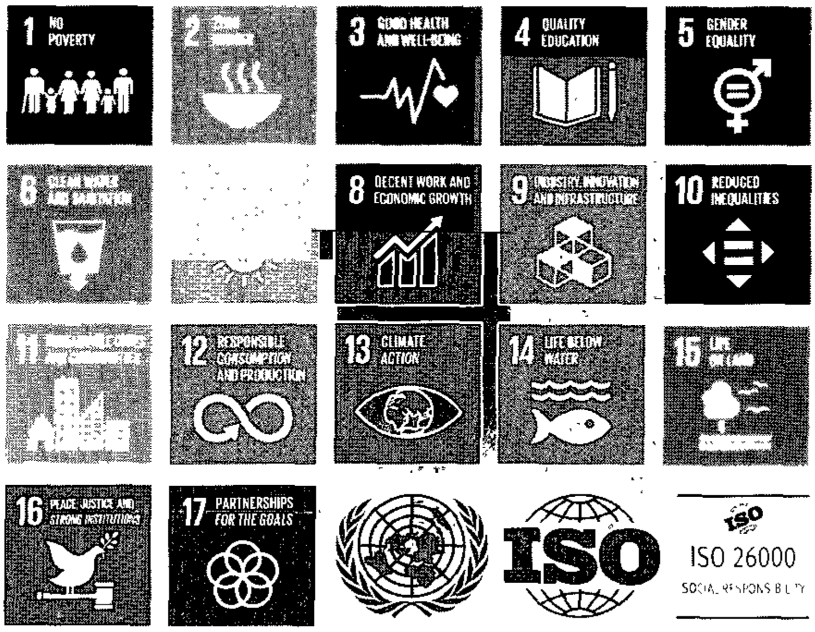
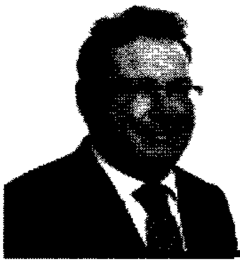


Investment Adviser's Report

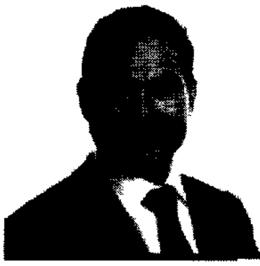


Paul Bridge
Chief Executive Officer

Paul is a founder of CHA and has over 20 years' experience working at a senior level in the social housing sector. He is the non-executive chairman of Thames Valley Charitable Housing Association and was previously CEO of Homes for Haringey, a Registered Provider where he was responsible for 800 staff and 21,000 homes.

Andrew Dawber
Director

Andrew is a founder of CHA 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
Director

Specialist in real estate and residential development finance. Co-founder of forward-finance based Funding Affordable Homes. Qualified lawyer with over 19 years' experience in real estate investment and development. Responsible for sanctioning all property investment advice and portfolio monitoring.

Graham Peck
Finance Director

Graham joined CHA in 2018 and has over 10 years' experience within real estate finance with a focus on healthcare and alternative assets. He was formerly the CFO for pan-European private equity real estate investor Palm Capital. Prior to this Graham was at Octopus Healthcare where he headed up the finance function for LSE listed MedicX Fund and the MedicX Health UK Funds. Graham is a Chartered Accountant.

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.

"Civitas Housing Advisors Limited ("CHA"), the Investment Adviser to the Company, is pleased to report on the second period of operation for the Company for the period from 1 April 2018 to 31 March 2019."

Paul Bridge, Chief Executive Officer, Civitas Housing Advisors Limited

Introduction
Civitas is a leading supported living and social housing property investor which is pursuing a clear growth strategy whilst spearheading the maturation and professionalisation of the sector in which it operates.

We made considerable progress through the year, firstly in implementing our strategy, and secondly in working with all stakeholders to drive the development of supported living provision in England and Wales.

Rental Income
The Company's rental income has grown substantially during the year as additional properties were acquired and existing properties enjoyed annual indexation of rents.

As at 31 March 2019, the run rate level of rental income was £45.7 million (2018: £28.4 million) and this is anticipated to grow further as additional bank finance is secured and invested into supported housing properties to achieve the target average 35% leverage based on gross assets.

The run rate rental income is supported by a broadly-based portfolio and as at 31 March 2019 the key statistics of the portfolio are set out below.

Period	31 March 2018	30 June 2018	30 September 2018	31 December 2018	31 March 2019
Investment (£m)	472	508	619	674	**755**
Properties	414	440	521	557	**591**
Tenancies	2,621	2,845	3,440	3,746	**4,072**
Local Authorities	109	123	140	144	**157**
Housing Associations	11	12	15	15	**15**
Care Providers	64	71	93	98	**113**
WAULT (years)	24.1	25.4	25.1	24.7	**24.4**

Investment Strategy
The Company has continued to pursue the strategy to build a high-quality and diversified portfolio of social housing with a majority focus on housing for individuals with long-term care needs.

As at 31 March 2019, the Company has built one of the largest and most diversified such portfolios in England and Wales providing long-term stable accommodation for over 4,000 underlying tenants.

The portfolio has been structured to date with the intention of achieving the following objectives:

- Steady income for shareholders and capital growth
- Properties to be within the social/government/local authority sponsored sectors in England and Wales where the requirement to provide accommodation is supported by government legislation
- Achieve diversification from working with a wide range of Local Authorities, Housing Associations and care providers

- Provide accommodation for individuals with a range of long-term care-based needs and support other local authority accommodation requirements including homelessness, addiction, domestic violence and NHS step down in addition to general needs social housing
- Rental income to be met wholly or substantially from state funds. In the case of care-based Specialist Supported Housing (almost 100% of the portfolio today), this is expected to be 100% state funded
- Long-term leases signed with Registered Providers (Housing Associations and Local Authorities) to enable them to offer accommodation on a long-term basis to individuals often with life-long care needs
- Leases to benefit from indexation and typically to be repairing and insuring
- Properties whose rental income, valuation and demand profile has a low correlation to the general economy, residential or commercial property sectors
- Measurable social impact that promotes the well-being of tenants and offers value for money for the state.

Strengthening the Team

During the year we have continued to strengthen the Investment Advisory team and to widen its skills base with expertise in social housing and social care.

Much has been written recently of the growing importance of Local Authority and individual preference for supported housing as a means of delivering high-quality care in the community that also offers value for money.

An understanding of both healthcare delivery and social housing need is firmly built into our eight-step due diligence process that governs how we assess and due diligence potential acquisitions of supported housing.

To complement our expertise in social housing we have added senior resource from the care industry both at a corporate and an operational level, including the recruitment of two former specialist care industry CEOs.

Reflecting the growing scale of the portfolio, we have also appointed a new director of asset management with 30 years' experience gained from working at a senior level in some of the largest Housing Associations in the UK and managing large portfolios of social homes and care homes.

Market Update

The supported housing sector continues to experience strong growth, and this is predicted to increase significantly into the future. The sector has recently enjoyed the most significant growth in investment (CAGR 7.8%) of all parts of adult specialist care in the UK[1].

Investors of various types have responded to the strong demand for the provision of long-term supported housing and have been encouraged in this by the clear statements of support made by the Government. In August 2018, the Government made the following announcement:

> "Ministers recognise that supported housing is a vital service for some of the most vulnerable people in our communities, and last year consulted on possible alternative funding options. Having listened to views from providers, stakeholders and councils, the Government has decided housing benefit will remain in place to fund this accommodation"

Whilst there was no suggestion that state funding would not be available to meet both care and accommodation costs of vulnerable adults, the fact that the current system of provision from central Government, in the form of Housing Benefit, has been reaffirmed, was taken very positively by the sector. It is also worth noting that no political party dissented from this view and there does not appear to be any difference of opinion amongst the mainstream political parties on the principle that vulnerable people who cannot work should receive full state support for their care and accommodation.

Against this positive macro background, smaller specialist Housing Associations ("RPs") are becoming further engaged in the sector as registered providers and lessees, with a number passing the 1,000-unit milestone that brings about increased scrutiny from the Regulator of Social Housing ("RSH").

We welcome this scrutiny as evidence of the increasingly important role our sector plays in housing provision in England and Wales. We interact very regularly with the RSH and are pleased to report that we have a highly positive and productive working relationship with them. We know the RSH is actively working through the various issues that it has raised, and we are contributing via our Housing Association partners to that work where that is appropriate. We believe that the RSH is supportive of the initiatives we are undertaking to strengthen and professionalise the sector in which we operate.

During a panel discussion at the Social Housing Finance Conference in London, which Civitas co-hosted, the RSH acknowledged the industry's "growing pains" and areas for improvement, whilst noting that there was "nothing inherently wrong" with the industry model. We are actively involved in working with all our RP counterparties to help them grow and improve, providing, for example, advice on governance structures and adding operational skills.

The initiatives we are undertaking include a series of unique private seminars for all our 15 Housing Association partners (RPs).

During 2018/19, these on-going seminars have focused on the following subjects with a view to enhancing quality, best practice and professionalism:

- **March 2018** – Governance and Regulatory Health Checks
- **June 2018** – Manchester Chartered Institute of Housing Conference/Dealing with Growth
- **October 2018** – Understanding the Civitas Eight-Step Due Diligence Protocol
- **April 2019** – The Civitas Social Value Project
- **May 2019** – Sector Perceptions and Increasing Understanding of Value Add

[1] Laing Buisson Adult Specialist Care Third Edition 2019.

In addition to this ongoing activity (which complements and supports our more formal due diligence and monitoring activities), at our recent Capital Markets Day[2] we set out some of the other practical ways in which we have lent our support to our RP partners.

In summary the activities we have undertaken in 2018/19 include the following:

- Engagement with asset management reviews
- Recommendation of new independent board members with leading sector experience
- Review of health and safety procedures and audits
- Comment on the structure and delivery of risk appraisals and business plans including for presentation to the RSH
- Supporting staff recruitment
- Assistance in the review of group and operational structures

We would anticipate that as the RPs continue to mature and improve, this will be acknowledged and reflected in the RSH's commentary on the sector.

Leases

The Company has typically entered into long-term inflation adjusted leases for periods in excess of 20 years with RPs, where management and maintenance are provided by the RPs. The Company's portfolio currently has a WAULT of 24.4 years.

In approximately a third of the Company's portfolio, the leases with the RPs are supported by agreements of the same 20-year-plus length with the underlying care provider. Through these agreements, the care provider is in effect taking responsibility for broader lease obligations around rent and occupancy. The remainder of the portfolio benefits from more standard underlying service level agreements with the care provider which would be expected to be rolled into a new service level agreement at the end of the initial period.

Where the counterparty is a Local Authority, or where we believe it is in the Company's interest, the Company may (as noted at the time of IPO) consider unexpired leases of not less than 10 years. This would reflect common constraints on Local Authorities from entering into longer-term arrangements.

As part of our assessment of the supported housing sector we have also given active consideration to the structure of leases that are entered into with RPs by the Company and other landlords. We have used our long-standing experience of different mainstream and "alternative" real estate sectors and economic and social infrastructure investment markets to provide a form of benchmarking.

This has led to discussions with a number of our larger housing association partners, with JLL, with our lenders and also directly with the RSH who are seeking to promote better contingency planning as opposed to commenting formally on lease-length or constitution.

The principal objectives of this review have been two-fold. Firstly, to set out more formally the steps we would take in the very unlikely event that the formal action of government or local authorities reduces directly the ability of the RPs to meet their obligations under the leases with the Company even when all forms of mitigation are taken into account. This has commonly been referred to as a "Force Majeure Clause". Secondly, to ensure that where it is deemed appropriate, there should be a form of "collar" and "cap" on the growth of indexation under the leases.

Both of these are common features that are seen regularly in other real estate sectors, do not affect valuations and are acceptable to stakeholders.

From our discussions we expect that changes such as these will be appreciated both by the RPs and by the RSH.

[2] http://civitassocialhousing.com/capital-markets-day-presentation

Working with Care Providers

The provision of care within the properties owned by the Company is a fundamental driver of both the demand for supported housing and the ability of properties to be defined as exempt Specialist Supported Housing. This in turn affects the rent and service charge levels that can be achieved and sustained.

Understanding the extent and nature of the care delivery is therefore an essential part of the overall due diligence process. We have placed considerable focus during the year on our relationships with care providers, as they are a key driver of the success of our strategy.

During the year, where we have been offered properties in which the extent of the care provision (typically measured by care hours per person per week) is in our view limited or marginal, we have declined those properties on the basis that their status as exempt Specialist Supported Housing could be open to challenge in the future.

The provision of specialist care is a fragmented sector with many small, local providers and a limited number of larger national providers. The Company has sought to focus as far as possible on the larger providers which have depth of experience and a wide network.

The Company does not enter into any agreements directly with care providers (these are between the care provider and the Local Authority, Housing Association and the tenant) and has no legal or other responsibility for the delivery or quality of care. That said, we take an active interest in the quality and amount of care that is being provided as part of our asset selection, due diligence and monitoring activities.

For-profit care providers within the top 251 (measured by number of beds) in the UK (as at December 2018) out of approximately 20,000 care providers are responsible for the delivery of care into 34% of the Company's portfolio. By comparison, those same care providers are responsible (as at December 2018) for 11% of the beds within the overall adult specialist healthcare sector in the UK.

This is a result of our strategy of seeking to work with these larger, more mature care providers whilst not ignoring the merits of the best of breed local organisations.

In addition, the Company also works with five out of the top 10 care providers who represent 20% of the Company's portfolio.

20% of Civitas Portfolio*

PRIORY ADULT CARE

voyagecare

CareTech Foster Care

lifeways

Exemplar

* This does not include National Care Group who provide care services to approximately 12% of the Civitas properties, but who operate via a number of individual care providers that are separately represented in league tables, but if taken together would most probably be in the top 10.

The benefits of building long-term strategic relationships with care providers are clear:

i) They assist with the eight-step due diligence programme and with our ongoing monitoring

ii) They have also become a catalyst for the origination of high-quality properties both built and to be acquired on completion

iii) Most importantly, they provide a high standard of care for our tenants.

Social Impact Investing

The Investment Adviser with its Head of Impact Investment has, since IPO, established embedded processes that evaluate the social impact that is delivered from its investment activities and portfolio, with a particular focus on helping tenants achieve improved outcomes in their lives, providing value for money, cost saving for the public purse and increasing the quality and availability of social housing.

Specialist social impact consultants, The Good Economy, have recently published an independent Annual Impact report which confirms that Civitas is "an authentic impact investor according to the IFC Principles for Impact Management".

This report has been based on extensive research undertaken by The Good Economy incorporating site visits, meetings with tenants and their families and discussions with local authority commissioners, RPs, care providers and the RSH.

This report formed the backbone for a further independent study by the Manchester-based consultants, the Social Profit Calculator, with the aim of attaching a monetary value to the social impact and value for money that are driven from the Company's portfolio. The study is based upon government metrics utilising HM Treasury's Green Book data.

The study considered a wide range of tenants in detail and measured the monetary value from improved health and wellbeing, reduced isolation and improved relationships, the benefits of independent living and in certain instances the enhanced opportunity for employment and attaining qualifications.

They reported that Civitas' portfolio has produced £114 million of social value – including £59 million each year of direct savings to the taxpayer, and when projected over the course of our leases it equates to more than £1 billion in potential savings to the taxpayer. This reflects the fact that enabling disabled people to live in the community is not only much better for their wellbeing, but also significantly cheaper for the taxpayer than other forms of accommodation such as institutions.

The Social Profit Calculator and The Good Economy Partnership calculated that £3.50 is created in social value for every £1 which Civitas has invested.

Further information on the social value created by the Civitas portfolio can be found in the Good Economy's latest Impact Report, available on the Company's Website[3].

Looking Ahead: The Investment Pipeline

The Investment Adviser has been successful in establishing strategic relationships with a wide range of property vendors including national care providers, regional and local developers, RPs and Local Authorities.

Having led the completion of over 100 transactions, the Company enjoys a leading reputation in the markets in which it operates and has demonstrated a proven ability to design and structure transactions that have led to successful acquisitions for the Company.

[3] http://civitassocialhousing.com/investor-relations/reports-and-publications

As we mention at the start of the report, the Investment Adviser's team has been expanded so that it now includes senior professionals with both operational care and social housing experience in addition to skills in real estate, investment funds and corporate finance.

This combination has been noted by asset owners, sector professionals and advisers and has resulted in an increase in the range and depth of projects to which we are introduced, often being the first or only party to be approached. The sources of potential property purchases, both built and in construction to be acquired on completion, is today being obtained from four main sources:

- National and Regional Care Providers
- Housing Associations and Local Authorities
- Regional and Local Specialist Developers
- National and Regional Charities
- Other Private Sector owners of Assets

As a result of the Company's strategic relationships in the sector, the investment pipeline continues to build and today stands at c.£210 million of potential transactions in various stages of due diligence. These transactions, which are subject to the successful completion of the Company's due diligence process, reflect non-legally binding commitments and are representative of the Company's reputation in the sector. The first of these transactions are likely to be able to complete in the next couple of months.

As part of the Company's plans to seek further diversification within the specialist areas of the regulated social housing sector, we anticipate that, in due course, pipeline transactions will include not just homes for tenants with care needs based around learning disability and autism, but also dependency, homelessness, key worker and the desire to release hospital beds through the use of "step down" accommodation associated with the NHS. In each case, the Company intends to operate the same or similar model with a Housing Association entering into a long-term arrangement with the Company and providing on the ground property services.

We are also exploring opportunities in both Scotland and Northern Ireland.

We look forward to continued progress over the forthcoming months as we continue to implement our strategy and grow and diversify our portfolio.

Civitas Housing Advisors Limited
Investment Adviser
21 June 2019

Extract from The Good Economy Impact Report, 2019

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

THE
GOOD
ECONOMY

EXECUTIVE SUMMARY

The Good Economy's second annual impact review shows that Civitas has established itself as a leading investor in Specialist Supported Housing (SSH). We consider Civitas to be an authentic "impact investor" according to the International Finance Corporation (IFC) Principles for Impact Management.

The Good Economy (TGE) finds that Civitas has:

1. A clear **intent** to deliver a social goal.
2. An **impact thesis** based on which we can assess its contribution to impact.
3. An **impact measurement and management system** linked to improvement in social outcomes.

Civitas' social objective is to help tackle the chronic shortage of social housing in the UK, with a current focus on specialist supported housing for vulnerable adults.

Civitas uses the capital raised from investors to buy properties and leases them to registered housing providers to manage, with rental income used to fund investor returns. Lease-based models are associated with impact risks as described by the Regulator for Social Housing (RSH) in their sector risk profile addendum report, published in April 2019. We believe Civitas recognises these risks and challenges We positively view the proactive steps that Civitas is taking to work with its Registered Providers (RPs) and the RSH to mitigate risks and build RP capacity.

Overall, Civitas is growing at what we consider to be a steady rate with a total of 591 properties, supporting 4072 vulnerable adults as of 31 March 2019, a 18% growth in tenancies since September 2018. Also, for the first time, the social value of Civitas' portfolio has been reviewed in monetary terms and been independently calculated to have produced £114 million of social value. In our view, they are also making a positive contribution to improving the supply and quality of social housing that in turn has the potential to make an important difference to the lives of vulnerable people.

Impact Assessment Methodology

TGE assesses the social impact of Civitas against its impact thesis. Civitas' social objective is to increase the availability and quality of social housing, particularly for vulnerable people. By doing this they aim to improve the health and well-being of their tenants while providing good value for money for the public purse. Civitas also has a responsibility to manage their impact risk i.e the risk of negative effects.

This report relies on the following:

- An analysis of the standardised output data related to the key social performance indicators for the Civitas portfolio collected by Civitas Housing Advisors, the investment manager.
- Interviews with key stakeholders including representatives of the RSH, partner RPs and Care Providers (CPs)
- The results of an outcomes survey for Civitas tenants developed in partnership with Social Profit Calculator (SPC).
- SPC's calculations of the social value created by the Civitas portfolio.

In this year's Impact Report TGE has deepened its assessment of three areas the outcomes for individuals, managing impact risk and the additionality provided by Civitas. We have also considered the fund's contribution to the UN Sustainable Development Goals – See Appendix 1.

Social Impact Analysis and Results

Increase the supply of specialist housing

Over the last 6 months Civitas has added 69 homes to their portfolio. Of these homes 52% have been brought into SSH for the first time. *In our opinion this provides high additionality for the Fund*

Improve the quality of specialist housing

Civitas take proactive efforts to monitor and improve the quality of their housing. As well as identifying a scheme of work to upgrade their properties at the point of purchase, they have recruited a Director of Asset Management to oversee portfolio management.

Increase Tenant Well-being

From the tenant outcomes survey, our main findings were

- Support workers reported that over half (53%) of their resident's mental health has got better since moving into their accommodation.
- 96% of residents coming from hospitals into a Civitas property have seen an improvement in their mental health.
- *63% of residents were "mostly" or "completely" satisfied with their physical health, and 47% have said that this* is an improvement since moving into their accommodation.
- 90% of family members stated that the resident's motivation and aspirations have increased since moving into specialist accommodation.

Value for money

Our work with SPC also enabled us to calculate the monetary value of the Social Impact, Economic Benefits and Fiscal Savings generated by the Civitas portfolio The findings show that alongside the £45.7 million annual rent that the Fund currently generates, it also produces a total social value of £114 million per year, including £59 million of direct savings to the taxpayer.

Mitigating Impact Risks

We have found that Civitas are actively engaging with the RSH and are taking steps to better support their RPs and the wider sector. Specifically, they are working to:

- Update their leases – aiming to give RPs more financial security
- Capacity build within RPs – including helping RPs recruit new board members
- Creating a Community Interest Company (CIC) to act as a SSH support body.

Social Partners

Alongside its core business, Civitas is continuing to grow its social partnerships As well as furthering their relationships with Crisis and The Choir with No Name, Civitas now also supports The House of St Barnabas and Women in Social Housing (WISH).

Wider Impact Investment Role

Civitas are also using their position as leaders in the market to promote impact investing more widely They have recently become a founding member of The Big Exchange (TBE) TBE is an online platform that enables impact investors to easily find regulated retail funds that aim to deliver a financial return alongside positive social or environmental impacts.

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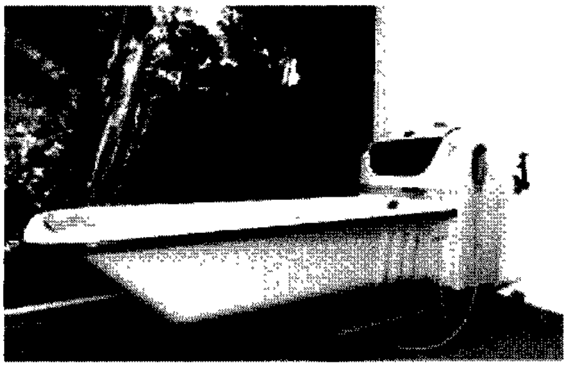
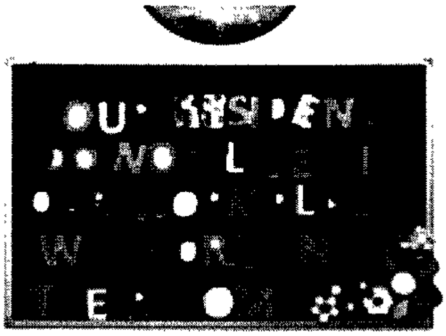




Conclusions

In our conclusions we have chosen to highlight three areas which TGE regards as strengths of Civitas and three areas where there is room for improvement along with associated mitigants.

Strengths

1. A stated commitment to transparency and public accountability.
2. Demonstrated improvements in both the supply and quality of Specialist Supported Housing.
3. The positive support of the well-being of vulnerable adults, with particularly positive outcomes for those who were previously in long-term hospital care.

Potential Weaknesses and Mitigating Actions

1. The specialist RPs in the SSH sector can have limited institutional capacity and financial strength.

   A critical success factor for Civitas is partnering with high quality, fit for purpose RPs and Care Providers. The risks arising from the potential failure of an RP are partially mitigated by Civitas' capacity-building work with existing RPs, careful due diligence and selection of new partner RPs. Civitas have regular monitoring visits with all RPs and have the ability to re-assign leases to a replacement RP in the case of non-performance.

2. Civitas is working within the newly developing SSH sector where in some localities there is lack of effective communications and policy alignment between local authorities, RPs and care providers e.g. on rent setting.

   TGE considers Civitas to have a leadership and staff team with the appropriate skills and knowledge required to build trusted relations and views positively the recent additions to the team, including individuals with a background in social housing and care. It has the potential to use its investor role to support improved communications and efficacy within the SSH market.

3. Civitas has no contractual relationship with its ultimate beneficiaries – the often vulnerable adults that live in Civitas-owned properties.

   We welcome Civitas' openness to carrying out a tenant survey this year. This provides Civitas with direct information from tenants, care workers and their families. It is important that Civitas also monitors the quality of RPs tenant engagement and communications and their compliance with the Tenant Involvement and Empowerment Standard.

TGE believes that private investment can play an important role in supporting the needed growth and development of social housing, including specialist supported housing. There have been some concerns raised by market commentators as to the *efficacy of models such as this one. It is our view that Civitas is committed to continuing to develop its approach and tackle* emergent challenges as they arise. We believe it is making a positive contribution to the development of a sustainable social housing sector that benefits those most in need.

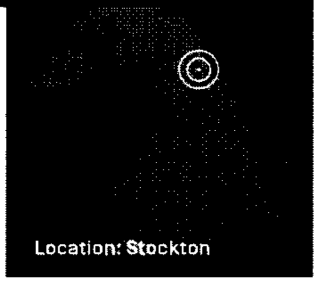
Extract from The Good Economy Impact Report, 2019 continued

4 / CASE STUDIES

REGISTERED PROVIDER – NEW WALK CIC, STOCKTON

Investment date
July 2017

Total potential number of residents
194



About New Walk

New Walk CIC was established to provide supported accommodation to people at risk of homelessness in Stockton and surrounding areas in the North East. They take on all their tenants from Local Authority referrals. When a resident joins New Walk they typically start in a supported housing scheme with shared facilities, before moving into a shared flat, and then finally transitioning into an independent home Throughout their stay at New Walk, tenants have access to a mentor to provide whatever support is needed to become more independent and be able to sustain their tenancies. Initially this may involve helping with practical tasks e.g. cleaning, and applying for housing benefits – but over time it will transition into encouraging residents to take the next step towards independence, including finding stable employment.

Civitas and New Walk

Before Civitas purchased the 41 properties in July 2017, these homes were owned by various landlords. By buying the property and leasing it back to New Walk, Civitas is able to ensure the property remains in the social sector for the long term. It also frees up capital for New Walk so they have the potential to buy more properties and scale up their impact.

RESIDENT STORY – TERRY*

Terry lived and worked abroad for many years until a combination of divorce, and his business going into administration forced him to return to the UK. Initially he lived with his sister, however, when their relationship broke down, he was asked to leave. He then spent nights on the street until he was attacked in summer 2018.

Following his attack, he went to the local council and was referred to New Walk. Terry has been living at New Walk since July 2018. Initially Terry had an emergency room in the supported housing scheme with shared facilities, but New Walk moved him into a flat in a quieter part of Stockton when he showed that he was able to live there. During his time there, his confidence has increased hugely. Terry is now ready to move out into his own independent flat, and he has restarted communication with his family. He is setting up a new business doing graphic design. "I just want to get my own place, so I can get on with my graphics business."

While staying at New Walk, Terry became a key member of a new bread making social enterprise – Hartisan Bread – run by current and ex-tenants of New Walk. Through this, Terry has gained a huge amount of confidence and resilience and is rightly proud of it. The business bakes 30 loaves of bread per week and sells them to local people, charities, and businesses.

*Not his real name.

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NEW SPECIALIST HOUSING – BEAMISH COURT, OLLERTON

TRINITY

Eden Futures

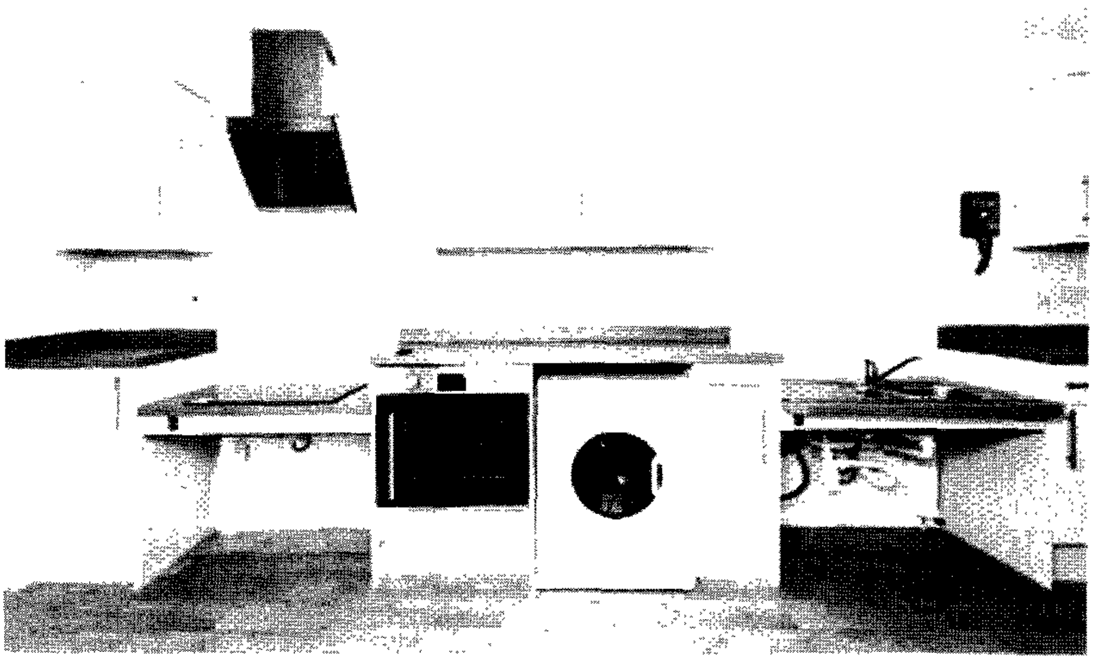
Investment date
October 2017

Total potential number of residents
12

About Beamish Court

Beamish Court is a set of 12, newly built, specialist supported flats in Nottinghamshire. Completed in May 2018, these homes were purpose built as SSH. Trinity Housing Association are the RP and responsible for carrying out repairs and looking after the building. Eden Futures are the Care Provider, they work closely with the local authority to ensure resident's move in comfortably and have appropriate care and support.

A year on from when the development was completed, the property currently houses 10 residents who have come from a mixture of specialist facilities, a local brain injury hospital, residential care homes and a low secure mental health hospital. One of these residents, Adie, moved to Beamish Court in May 2018. This scheme has delivered much needed housing for vulnerable people and has enabled people to move along the care pathway and gain greater independence.



Extract from The Good Economy Impact Report, 2019 continued

RESIDENT STORY – ADIE

Adie suffered from a life changing motorbike accident in 2012, causing severe brain damage as well as physical injuries which has left him partially paralysed. His acquired brain injuries have affected his short-term memory and ability to speak clearly. Having spent several years in hospital, a hospice and following an attempted move back to his family home, Adie was not getting the support he needed.

Adie was one of the first residents to move into Beamish Court and has settled quickly into his specially adapted flat. The spacious ground floor flat has electronically adjusted kitchen work tops and specific furniture recommended by his Occupational Therapist, are much more appropriate for Adie's needs than where he lived previously.

Thanks to the regular one-to-one support from staff who are on site 24/7, Adie has come a long way since moving to Beamish Court, describing Eden Future's support staff as "my friends". He is now able to do things like brush his teeth independently. The staff are keen to reduce his reliance on communicating through writing and encourage him to talk more, resulting in him now being able to say many more words aloud. His family live nearby and visit regularly allowing him to spend time with his two children in his own flat, uninterrupted.

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CARE PROVIDER – AUTISM PLUS, THORNE

autism plus

Investment date
June 2018

Total potential number of residents
44

About Autism Plus

Autism Plus was founded over 30 years ago by a number of parents who bought a large property and converted it into a residential Care home for their children with autism. Since then it has evolved into a CQC regulated Care Provider, supporting adults and young people with autism, learning disabilities and mental health conditions

The original house – Thorne House – and six other Autism Plus properties were sold to Civitas in June 2018. At this point most of those houses were converted from residential Care homes to Specialist Supported Housing (SSH) with Falcon Housing Association coming in as the RP. Throughout this process Autism Plus ensured that the same support workers were allocated to tenants to minimise change and uncertainty

Autism Plus have seen distinct advantages to the homes changing from residential care to SSH: They don't need to worry about the hassle and administration of maintaining the property and their tenants now have secured long-term tenure in their accommodation.

RESIDENT STORY – RACHEL*

Rachel has been based with Autism Plus for over 20 years, and has lived in several different houses. Over time Rachel has become more independent. After initially living in the Residential Accommodation she has gradually transitioned to one of the Civitas-owned supported houses.

As part of becoming more independent: Rachel is now able to do weekly shopping trips by herself, she volunteers at a Nursing Home and a local drop-in center, and she also has a paid job washing up at a community café. She really values the staff members, some of whom have worked with her for over 10 years.

*Not her real name.

Extract from The Good Economy Impact Report, 2019 continued

> Over time Rachel has become more independent. After initially living in the Residential Accommodation she has gradually transitioned to one of the Civitas-owned supported houses.
>
> Autism Plus

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 supported 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.

Diversity

The Company does not have any employees or office space, as such the Company does not operate a diversity policy with regards to any administrative, management and supervisory 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 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 73.

The Board comprises three male and one female non-executive Directors.

The boards of directors of the Company's subsidiaries 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 Specialist Supported Housing, bringing new supply to the sector and providing homes to over 4,000 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.

Investment Objective and Policy

Market drivers

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 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

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 Registered Providers and to deliver, on a fully invested and geared basis, a targeted dividend yield of 5% per annum, 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 England and Wales. The Company intends to meet the Company's investment objective by acquiring, typically indirectly via Special Purpose Vehicles ("SPVs"), 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 Registered Providers, where all management and maintenance obligations will be serviced by the Registered 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.

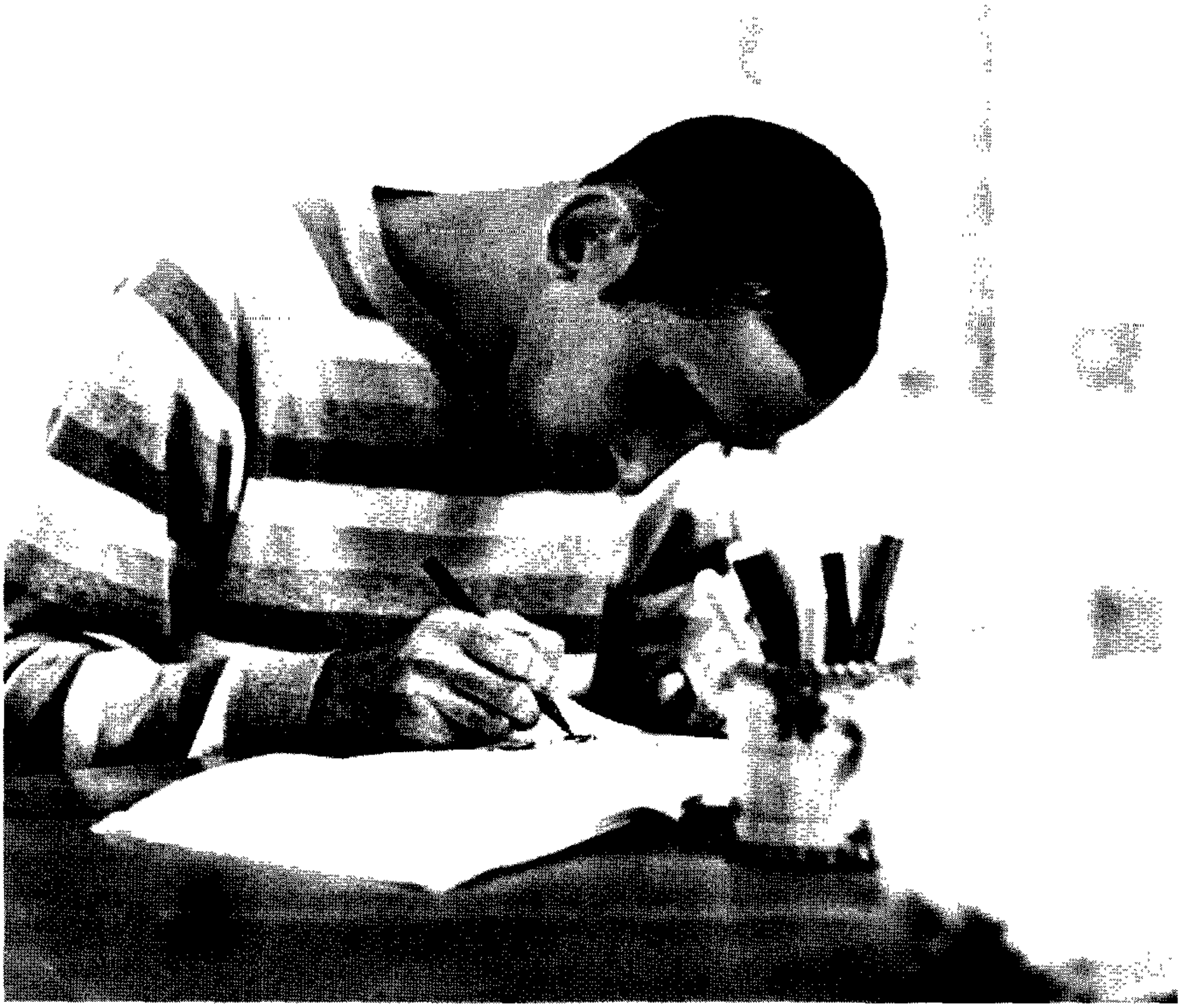
The Company may make prudent use of leverage to finance the acquisition of social homes and to preserve capital on a real basis.

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.

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 England and Wales;
- the Company only invests in social homes where the counterparty to the lease or occupancy agreement is a Housing Association or Local Authority;
- 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 Local Authority or single Housing Association 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 CTA 2010 (and the regulations made thereunder).

Key Performance Indicators ("KPIs")

Measure	Explanation	Result
Capital deployed	Target of deploying the C share proceeds by 31 December 2018 or earlier	The C share proceeds were materially deployed by 31 December 2018 Total of £754 8 million invested to 31 March 2019, representing Ordinary and C share equity and debt
Increase in IFRS and Portfolio 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 1p per share or 9 3% from IPO Portfolio NAV increase of 21 1p per share or 21 5% from IPO
Dividend per share	Targeting 5p per share per annum for the second year growing broadly in line with inflation.	Dividends of 5p per share declared for the calendar year to 31 December 2018.
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 2019 • 157 Local Authorities • 15 Housing Associations • 113 care providers The Company's largest single exposure is to Falcon Housing Association and currently stands at 21% The largest geographical concentration is in the South West, being 14 7%
Loan to Gross Assets	Target debt drawn of 35% of gross assets	Leverage as at 31 March 2019 of 22% of gross assets with facilities in negotiation to achieve the target in due course.

Alternative Performance Measures

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 relevant 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 2019	31 March 2018
Earnings	Earnings from operational activities	EPRA Earnings EPRA Earnings per share (basic) EPRA Earnings per share (diluted)	**£16,212,000** **3 81p** **3.63p**	£6,293,000 1 80p 1 44p
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)	**£666,508,000** **107.08p**	£668,147,000 105 54p
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)	**£665,858,000** **106.97p**	£667,435,000 105 43p
EPRA Net Initial Yield	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property with (estimated) purchasers' costs	EPRA Net Initial Yield	**5 27%**	5 27%
EPRA 'Topped-up' NIY	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free-periods (or other unexpired lease incentives such as discounted rent periods and stepped rents)	EPRA 'Topped-up' Net Initial Yield	**5.27%**	5 27%
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 & operating costs (including & excluding costs of direct vacancy) divided by gross rental income	EPRA Costs Ratio EPRA Costs Ratio (excluding direct vacancy costs)	**26.95%** **26.98%**	4780% 4780%

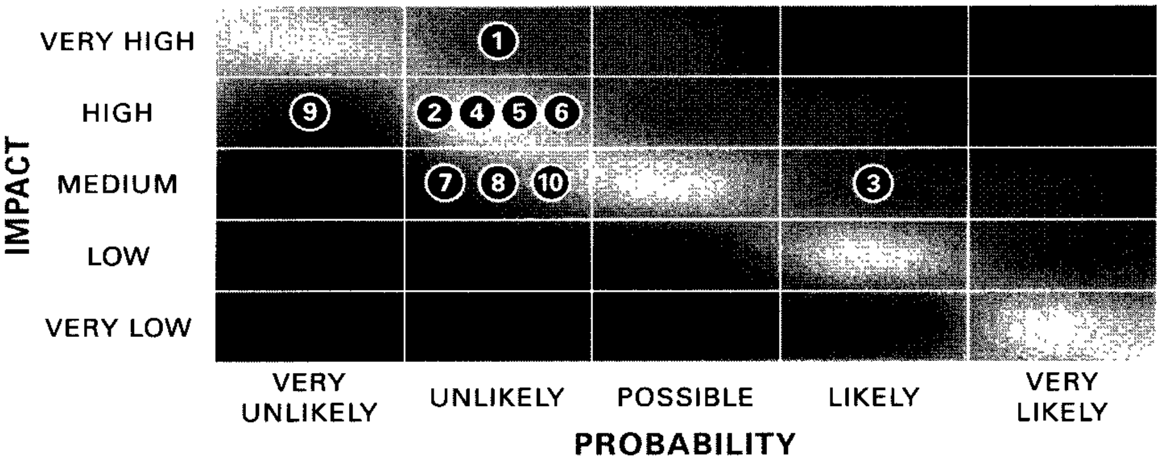
For detailed workings reconciling the above measures to the IFRS results please see Appendix 1 to these *financial statements on pages 147 and 148.*

Adjusted Performance Measure	Definition	Performance Measure	31 March 2019	31 March 2018
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	**£741,170,000** **119.07p**	£398,505,000 113 86p
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	**£22,612,000** **3.63p**	£9,085,000 2 60p

For detailed workings reconciling the Portfolio NAV to the IFRS results please see note 16 to these financial statements. For detailed workings reconciling the Company Adjusted Earnings to the IFRS results please see Appendix 1 to these financial statements on pages 147 and 148.

Principal Risks and Risk Management

The Board considers that the risks detailed below are the principal risks facing the Group currently, along with the risks detailed in note 33 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 2019, and that processes are in place to continue this assessment. Further detail of risk management processes that are in place can be found in the Corporate Governance Statement on pages 74 and 75. The principal 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	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 and in inflation and general market pricing of similar investments	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	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 over pay 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 RPs 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 appraised of any breach of lease obligations	Impact: Medium Probability: Unlikely

8 Investment management risks	Impact	How managed/mitigated	
Lack of availability for 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 Accounting, legal and regulatory risks	Impact	How managed/mitigated	
If the Company fails to remain qualified as a REIT, its rental income and gains will be subject to UK corporation tax.	Any change in the tax status of the Company or any of its underlying investments or in tax legislation or practice (including in relation to taxation rates and allowances) or in accounting standards could adversely affect the investment return of the Company	The Company has been structured to be REIT compliant and continuously monitors the tax status using professional taxation advisers. The Board has ultimate responsibility for ensuring adherence to the UK REIT regime and monitors the compliance reports provided by the Investment Adviser and other third party providers.	Impact: High Probability: Very 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 in Board 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 terms considered in the Company's testing below.

The cash balance of the Company at the period end was £47 million that was readily available for use. As stated in the Strategic Report, the Investment Adviser has identified a pipeline of £210 million of attractive investment opportunities for acquisition over the next twelve months. 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

In accordance with the UK Corporate Governance Code (2016) ("Code"), 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 2024. 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 page 68 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.

In accordance with the Code, the Board of Directors has carried out a robust assessment of the principal 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
- Deterioration in economic outlook, such as any negative impact due to Brexit, 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.

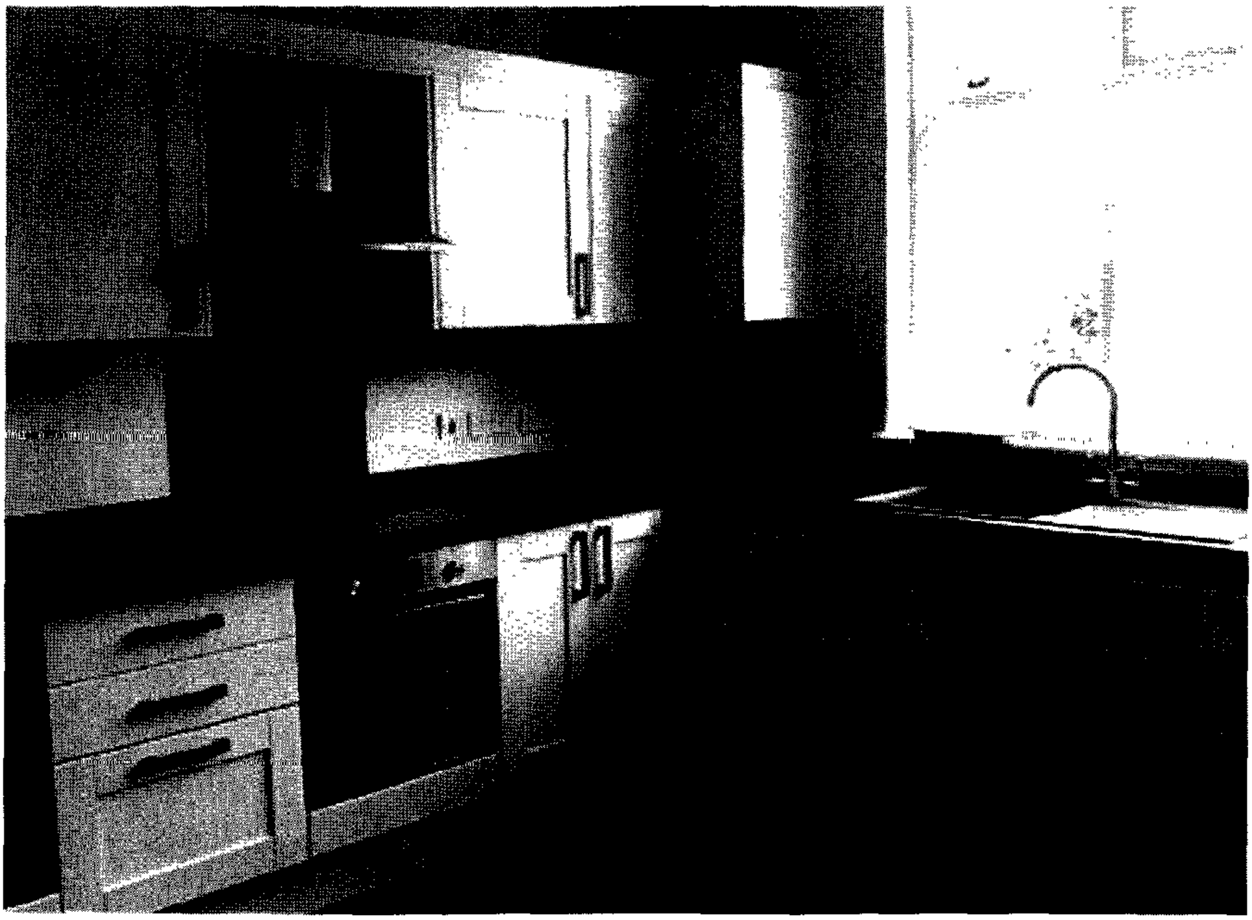
The remaining principal risks and uncertainties, whilst having an impact on the Company's business, are not considered by the Directors to have a reasonable likelihood of impacting the Company's viability over the five year period, therefore the scenarios outlined above are the only ones that have been specifically tested.

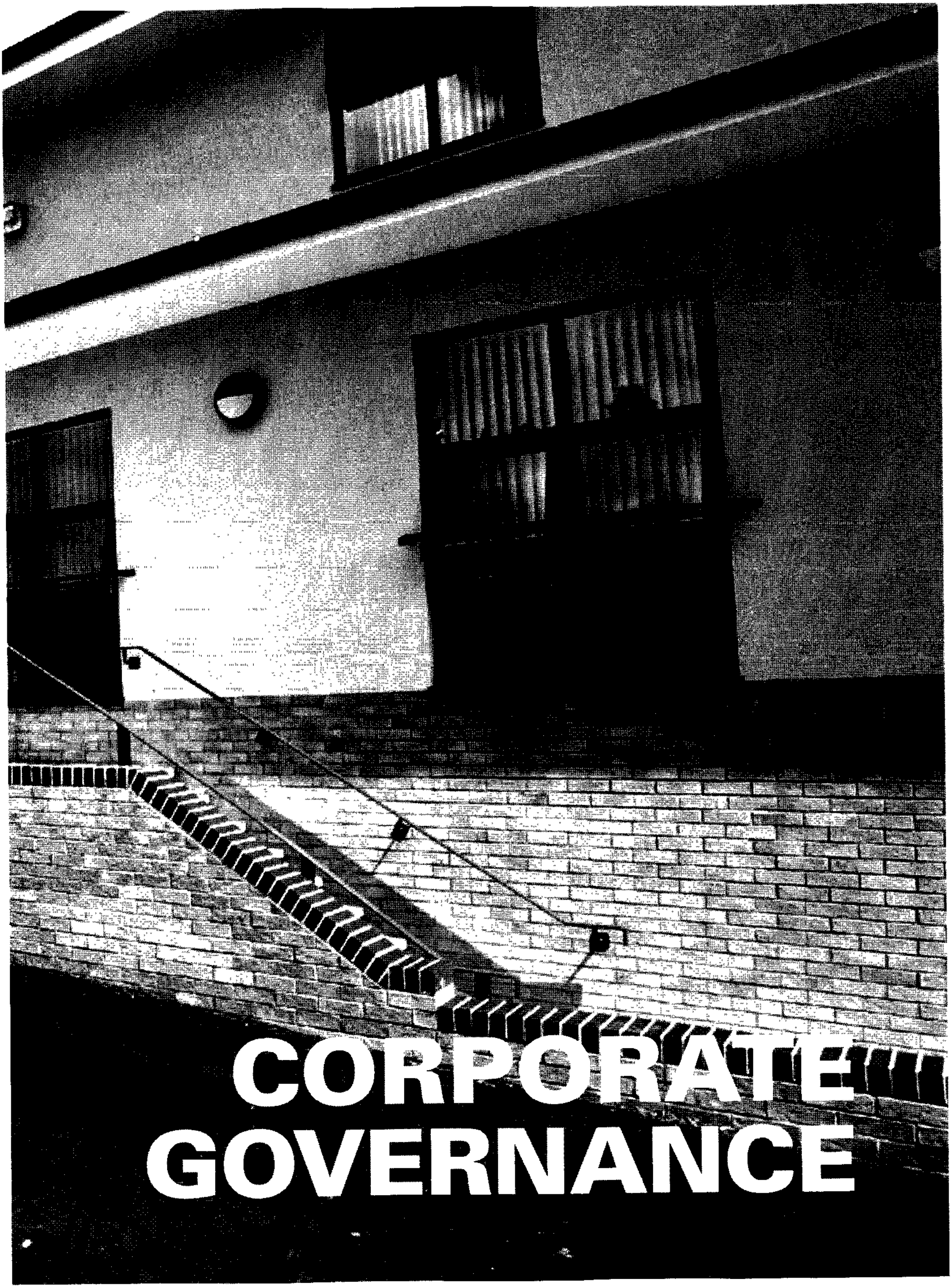
Based on the results of their assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the five year period of their assessment.

Approval of Strategic Report

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

Michael Wrobel
Chairman
21 June 2019





CORPORATE GOVERNANCE

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 Chair of the Deutsche Bank UK Pension Schemes, a trustee of the Cooper Gay (Holdings) Ltd Retirement Benefits Scheme and acts as an investment adviser to a number of Rio Tinto pension schemes. Formerly, Michael was a portfolio manager at Morgan Grenfell and Fidelity International. He was then responsible for Fidelity's European Institutional business and later, Gartmore's retail business. He also worked at F&C Management. He 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. Michael has an MA 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. During that time before leaving in 2012, 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 30 years' of 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. He has been a non-executive director of Notting Hill Genesis Trust and formerly a member of the Audit and Treasury Committees. 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.

Report of the Directors

The Directors present their Report and the audited financial statements for the year ended 31 March 2019.

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 35 for a summary of the post balance sheet events.

Results and Dividends

The results for the year are shown on page 98.

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

First dividend on the Ordinary shares	1 25p paid on 8 June 2018
Second dividend on the Ordinary shares	1 25p paid on 7 September 2018
Third dividend on the Ordinary shares	1 25p paid on 30 November 2018
Fourth dividend on the Ordinary shares	1.11p paid on 11 January 2019
Fifth dividend on the Ordinary shares	0.14p paid on 28 February 2019

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

First dividend on the C shares	1 13p paid on 8 June 2018
Second dividend on the C shares	0.75p paid on 7 September 2018
Third dividend on the C shares	0.75p paid on 30 November 2018
Fourth dividend on the C shares	0 67p paid on 11 January 2019

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

Quarterly dividend on the Ordinary shares	1 325p paid on 7 June 2019

No final dividend is being recommended on the Ordinary shares.

Directors

The members of the Board are listed on pages 60 and 61. They all 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.

Performance evaluation of the Board, its Committees and individual Directors is carried out in accordance with the procedure set out on page 73.

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 described in the Directors' Remuneration Report on pages 78 to 82.

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

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 84, the Articles of Association may only be amended by way of a special resolution of shareholders.

Capital Structure

Changes to share capital
On 21 December 2018, the 302,000,000 C shares in issue were converted into Ordinary shares at the ratio of 0.902190 new Ordinary shares for every C share. As a result, 272,461,380 new Ordinary shares were issued.

Following the conversion, and as at 31 March 2019, the Company had 622,461,380 Ordinary shares in issue, none of which were held in treasury.

Shareholder authorities to issue or buy back shares
At the AGM held on 2 August 2018, the Directors were authorised to issue equity securities up to an aggregate nominal amount of a) £350,000 (being approximately 10% of the issued Ordinary share capital) and b) on and from the C Share Conversion Date, £652,000 (or such lesser amount that would be equal to 10% of the then nominal capital of the aggregate Ordinary shares in issue following conversion of the C shares into Ordinary shares.

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:

i) until the C share conversion date), £350,000 (being approximately 10% of the issued ordinary share capital of the Company at the date of this Notice); and

ii) on and from the C share conversion date, £652,000 (or such lesser amount that would be equal to 10% of the then nominal capital of the aggregate Ordinary shares in issue following the conversion of C shares into Ordinary shares).

No Ordinary shares have been issued under these authorities. Ordinary shares would be issued at a price of not less than the Net Asset Value per existing Ordinary share at the time of issue.

At the AGM held on 2 August 2018, the Company was authorised to buy back shares as follows:

i) up until the C Share Conversion Date, 52,465,000 Ordinary Shares (approximately 14.99% of the Company's issued Ordinary Share capital as at 29 June 2018);

ii) on and from the C Share Conversion Date, 97,734,800 Ordinary (approximately 14.99% of the anticipated Company's issued Ordinary Share capital immediately following the conversion of C Shares into Ordinary Shares as at the C Share Conversion Date); and

iii) 45,269,800 C Shares (approximately 14.99% of the Company's C Shares as at 29 June 2018).

No shares have been bought back under these authorities.

The Directors will consider repurchasing Ordinary shares and/or C shares (when in issue) in the market if they believe it to be in shareholders' interests as a whole and as a means of correcting any imbalance between supply of and demand for the Company's shares.

The authorities to issue and buyback shares will all expire at the 2019 AGM, at which renewal will be sought.

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 from the Ordinary share pool.

Provided the Company has satisfied all of its liabilities and subject to the rights conferred by any C shares in issue at that time to participate in the winding-up, the holders of Ordinary shares are entitled to all of the surplus assets of the Company.

C shares (when in issue)
The C shares are a class of convertible, non-voting preference share listed from time to time on the standard segment of the Official List and admitted to trading on the London Stock Exchange's Main

Market. The restriction on voting is required in order to protect the Company's status as a REIT, but, when in issue, C shareholders will be able to vote in relation to matters that affect the rights of C shares.

The C shares have the right to participate in a fixed, cumulative preferential dividend payable out of the C share Pool of 3% per annum (based on a C share price of 100 pence), pro-rated up to the Calculation Date for the Conversion of the C shares into Ordinary shares. The Company is not entitled to reduce or forgo or waive the payment of these fixed rate dividends. The C shares will convert into Ordinary shares following the earlier of (i) 90% of the net issue proceeds have been invested or committed and (ii) 14 November 2018. The Ordinary shares arising on conversion of the C shares will rank pari passu with the Ordinary shares then in issue for any dividends or distributions declared, made or paid on the Ordinary shares by reference to a record date falling after the Conversion Date.

The C shares do not carry a right to participate in dividends declared by the Company out of the Ordinary share Pool or income in excess of the fixed dividend out of the C share pool.

On a winding-up of the Company, whilst there are C shares remaining in issue, the net assets and liabilities of the Company attributable to the C shares shall be divided amongst the holders of the C shares pro rata to their respective holdings of C shares (up to a maximum of the amount subscribed for the C shares).

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; and no agreements between holders of securities regarding their transfer known to the Company.

Management Arrangements

Investment Adviser
The Board has appointed the Investment Adviser, Civitas Housing Advisors Limited ("CHA"), 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. CHA 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 CHA 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. 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 CHA is terminable on not less than 12 months' notice by either party, such notice not to expire earlier than 30 November 2021. On 26 April 2019, the earliest expiry date was extended to 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 "Investment Manager") has been appointed as the Company's AIFM. The AIFM performs certain risk management functions for the Company and oversees the portfolio management functions exercised by CHA. G10 is part of the Luxembourg-based IQEQ 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 were 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 AIFMD. The Depositary receives an annual fee of £59,000, plus 0.006% of the first £350 million of any new equity capital raised and 0.003% of further equity thereafter, subject to a maximum of £150,000 and the agreement is terminable on six months' notice by either party.

Administrator
The Company has appointed Link Alternative Fund Administration Limited ("Link") as the Administrator of the Company and its subsidiaries, 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. This agreement was put in place effective from 1 March 2018. The agreement is terminable on 90 days' 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.

Secretary
Link Company Matters Limited were appointed as 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 is for an initial period of one year and thereafter will automatically renew 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 2019 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	62,203,795	9.99
East Riding of Yorkshire Council	38,043,800	6.11

On 9 May 2019, Investec Wealth & Investment advised that their holding had increased to 62,252,177 shares, 10.00% of total voting rights.

On 16 May 2019, Investec Wealth & Investment advised that their holding had decreased to 62,205,728 shares, 9.99% of total voting rights.

No other changes have been notified between 31 March 2019 and the date of this report.

On 28 May 2019, Investec Wealth & Investment advised that their holding had increased to 62,393,335 shares, 10.02% of total voting rights.

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 annual general meeting to be held in 2022, and at the annual general meeting 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 2019 comprised trade receivables and payables, other debtors, cash and cash equivalents, non-current borrowings and current borrowings.

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.

No financial instruments of the Company were hedged during the period ended 31 March 2019. For a more detailed analysis of the Company's financial risk management please refer to note 33 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 has considered the requirement and believes that the Company has no reportable emissions for the period ended 31 March 2019, and therefore has not included the information or methodologies for

the calculation of emissions. The Company has no reportable emissions as the Company's properties were the lessees' responsibility under the terms of their fully repairing and insuring leases, rather than that of the Company; 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.

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 2019.
- 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.
- £5,000 was donated to OPOKA, a charity aimed at helping woman that have been the victims of domestic abuse.
- As part of the continuing efforts to build and contribute to partnerships with organisations that share Civitas'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

So far as each of the Directors is aware at the time this report is approved:

- there is no relevant audit information of which the Company's auditor is not aware; and
- the Directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is 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 2019 Annual General Meeting.

Approval

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

By order of the Board

Link Company Matters Limited
Secretary
21 June 2019

Report of the 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 and Peter Baxter. 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 will be 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, including the Company's compliance with accounting standards and regulatory requirements;
- 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;
- 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;
- 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 period 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 73.

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 interim 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 £3.7 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.

Misstatements

The Investment Adviser confirmed to the Audit Committee that they were not aware of any material or immaterial misstatements made intentionally to achieve a particular presentation. 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 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 at the Annual General Meeting held on 17 May 2017, and their audit of these financial statements is the third audit they have carried out since appointment. Sandra Dowling is the senior statutory auditor. In accordance with the CMA Order, a competitive tender must be carried out 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 2027.

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 and the Investment Adviser and the Administrator. The Audit Committee concluded that this was sufficient information on which to conclude that the external audit process is 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 on-going 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 £221,000 (2018: £563,000), of which £41,000 (2018: £290,000) was received for non-audit services. The 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 2019. 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 reappoint PricewaterhouseCoopers LLP as the Company's auditor be put to the shareholders at the next AGM.

CMA Order

Civitas Social Housing PLC has complied throughout the year ended 31 March 2019 with the provisions of the CMA Order.

Caroline Gulliver
Chairman, Audit and Management
Engagement Committee
21 June 2019

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 Financial Reporting Council ("FRC") in April 2016, 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") by reference to the AIC Corporate Governance Guide for Investment Companies ("AIC Guide"). The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance 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 and who follow the AIC Guide 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, and by reference to the AIC Guide (which incorporates the UK Code), provides shareholders with full details about the Company's corporate governance compliance.

During February 2019, the AIC issued a revised Code of Corporate Governance ("Revised AIC Code"). The Company will be required to report against the Revised AIC Code in next year's Annual Report and Accounts.

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 2019.

The UK Code includes provisions relating to:

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

The Board considers 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

The Board is comprised of four non-executive Directors. All the Directors are independent of the Investment Adviser and the AIFM. They are responsible for the strategy and oversight of the Company. 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.

They 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 will also approve the periodic calculation of the Net Asset Value.

The Chairman was independent of the Investment Adviser at the time of his appointment and is deemed by the remaining Directors to continue to be independent and to have no conflicting relationships. Mr Wrobel is an Independent Investment Adviser to Rio Tinto plc. He considers himself to have sufficient time to commit to the Company's affairs.

Peter Baxter has been appointed as the Senior Independent Director. He provides a channel for any shareholder concerns regarding the Chairman and takes the lead in the annual evaluation of the Chairman.

The Board has no set policy for the length of tenure of Directors and it is Board policy for all Directors to stand for re-election annually. Recommendation for re-election will be 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.

How the Board Operates

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 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 of the day-to-day operations of the Company to the AIFM, the Investment Adviser and other third-party service providers, such as the Administrator and the Company Secretary. The Board and the Investment Adviser operate in a supportive, co-operative and open environment.

The Company maintains Directors' and Officers' liability insurance on behalf of the Directors at the expense of the Company. 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 of 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 numbers of Board and Audit and Management Engagement Committee meetings held during the year ended 31 March 2019 along with the attendance of the Directors were:

	Board of Directors		Audit Committee	
	Entitled to Attend	Attended	Entitled to Attend	Attended
Michael Wrobel	13	13	2	2
Peter Baxter	13	13	2	2
Caroline Gulliver	13	13	2	2
Alastair Moss	13	12	2	2

Mr Moss was unable to attend one meeting that had been called on less than 24 hours' notice due to a prior engagement.

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.

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 Committee is set out on pages 68 to 70.

Remuneration and Nomination Committee

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.

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 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 47.

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.

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 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 and it was agreed that all Directors should be recommended for re-election at the AGM.

The Company has begun a search to identify a fifth Director, to add further depth to the Board and to help with succession planning.

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.

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. The procedures are designed to identify, evaluate and monitor the principal and other risks most likely to impact the Group. 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 Compliance Officer and the Broker in respect of compliance activities, Company financial performance and financial position.

The Directors have reviewed and considered the guidance supplied by the FRC on Risk Management, Internal Control and Related Financial and Business Reporting. 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. The Company 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

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. In addition to the Annual and Half Year reports that are available to shareholders, regularly updated information is available on the Company website, including key policies, the investor relations policy and details of the investment property portfolio.

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 broker 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 Broker. The results of these meetings were reported to the Board as part of the formal reporting undertaken by both the Broker and Investment Adviser. Included in the Report of the Directors on page 66 are details of substantial shareholdings in the Company.

The Board gives due consideration to any corporate governance matters raised by shareholders.

Should any shareholders wish to raise any matter with the Board or Investment Adviser, they can write to the Company at its registered address as disclosed on page 146, or alternatively use one of the contact links on the Company's website. The Annual General Meeting of the Company also provides a forum where shareholders may discuss issues with the Board and Investment Adviser.

Statement of Voting at General Meetings

The Company is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions, the Company will seek the reasons for any such vote and will detail any resulting actions in an announcement.

At the AGM held on 2 August 2018, 24.44% of votes were cast against the approval of the Directors' Remuneration Report. As announced with the AGM results, the Board is aware that the recommendation to vote against this specific resolution came from PIRC and was due to the increase in the Chairman's fee. The Board also noted that ISS recommended to vote in favour of this resolution.

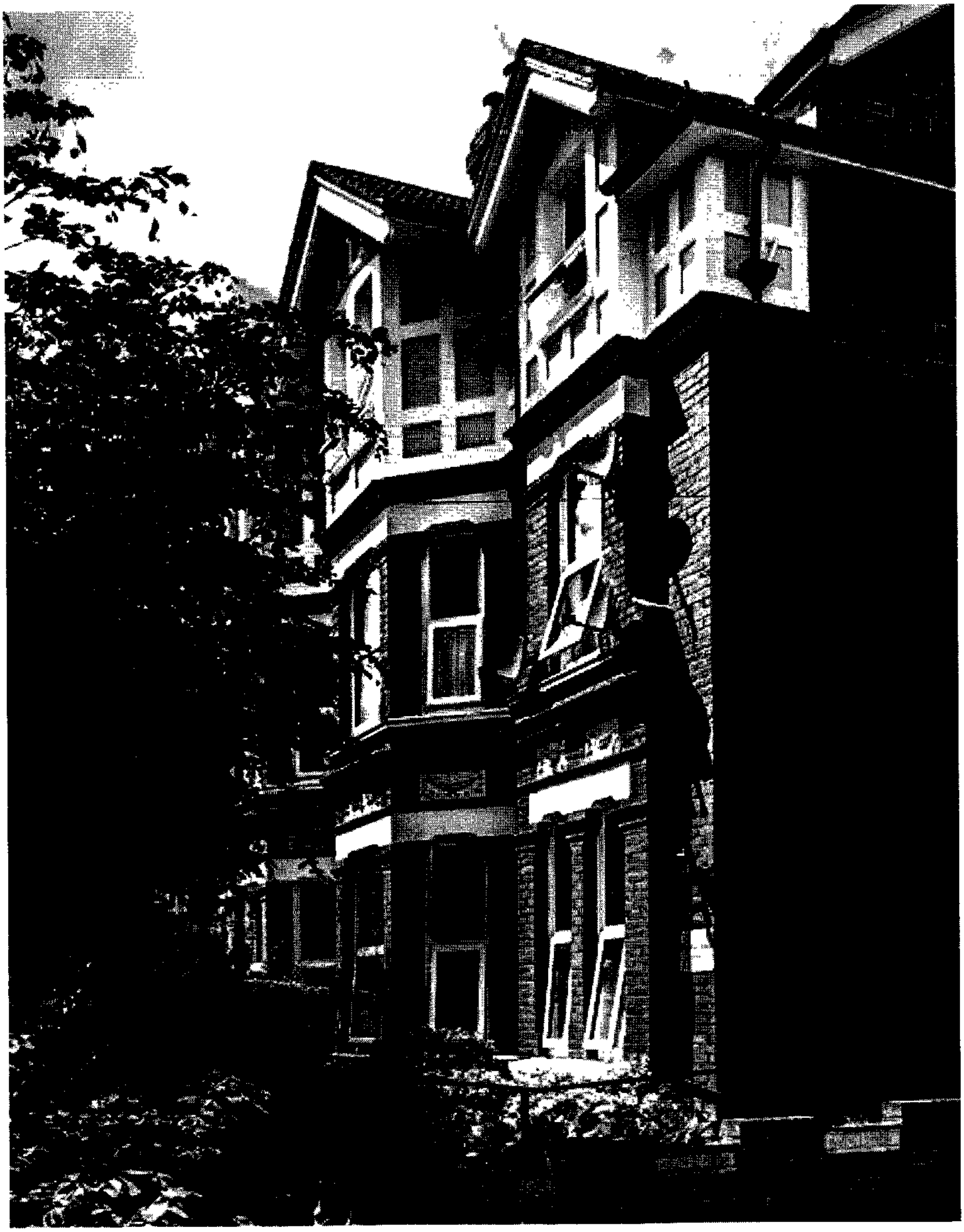
During the period ended 31 March 2018, the non-executive Directors' fees were increased from £30,000 to £32,000 per annum and the non-executive Chairman's fee was increased from £35,000 to £50,000 per annum. As part of the discussion to increase the fees, the Board carried out a benchmarking exercise looking at comparative fees of other REIT's and noted that the previous levels of fees were below the market average. The Board also noted the market capitalisation of the Company, the number of transactions being undertaken and the number of additional Board meetings that were being held as a result. There were 19 meetings held during the period to 31 March 2018. No changes to Directors' remuneration were made during the year ended 31 March 2019 and no changes are currently proposed for the year to 31 March 2020.

Approval

The Corporate Governance Statement has been approved by the Board.

On behalf of the Board

Michael Wrobel
Chairman
21 June 2019



Directors' Remuneration Report

Directors' Remuneration Policy

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 2 August 2018. 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.

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 2019	Purpose of Remuneration
Annual fee	Chairman	£50,000	Commitment as Chairman of a public company
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 £200,000* 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.

* Subject to shareholder approval at the AGM on 5 September 2019, the maximum aggregate fees payable to the Board of Directors will increase to £250,000 per annum.

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 benefits 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 2019. 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 87 to 94.

Annual Statement from the Chairman

I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2019.

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 2019 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 2019.

The Directors' Remuneration Policy was approved at the AGM held on 2 August 2018. There will be no significant change in the way the Remuneration Policy will be implemented in the course of the next financial year.

Under the Company's Articles of Association, the maximum aggregate annual remuneration payable to Directors is £200,000, and total remuneration paid in respect of the year ended 31 March 2019 was £150,000. The Board is in the process of seeking to appoint at least one additional Director. It is therefore proposed that the Articles be amended to increase the aggregate annual remuneration to £250,000. This would provide some headroom for the appointment of a new Director and include some flexibility for future increases in remuneration. Resolutions to amend the Remuneration Policy and the Company's Articles will be proposed at the forthcoming AGM.

Directors' Fees for the Period (audited)

The Directors who served during the period received the following emoluments in the form of fees:

	Fees paid Year ended 31 March 2019 £'000	Total Year ended 31 March 2019 £'000	Fees paid Period 18 November 2016 to 31 March 2018[1] £'000	Total Period 18 November 2016 to 31 March 2018 £'000
Michael Wrobel (Chairman)	**50**	**50**	58	58
Peter Baxter	**32**	**32**	42	42
Caroline Gulliver (Audit and Management Engagement Committee Chairman)	**36**	**36**	48	48
Alastair Moss	**32**	**32**	42	42
Total	**150**	**150**	190	190

[1] The period was greater than 12 months.

During the year no taxable benefits were received by any of the Directors.

The amounts paid to the Directors were for services as non-executive 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 in any financial year. Any change to this would require shareholder approval.

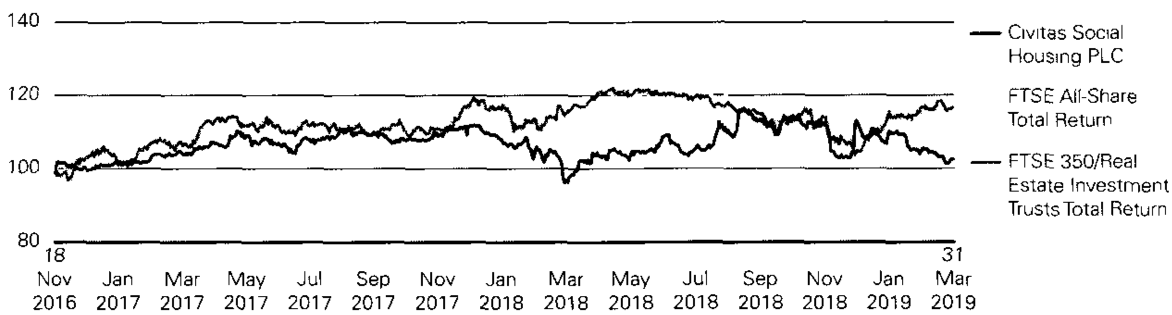
The Company maintains Directors' and Officers' liability insurance cover, at its expense, on the Directors' behalf.

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.

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.

Company Performance
The following graph compares the performance for the period from IPO on 18 November 2016 to 31 March 2019, 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 has 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 2019:

a) the remuneration paid to the Directors; and

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

	Year ended 31 March 2019 £'000	Period 18 November 2016 to 31 March 2018 £'000
Directors' remuneration	150	190
Dividends paid to Ordinary shareholders	17,881	10,500
Dividends paid to C shareholders	9,966	–

As at 31 March 2019, the Directors (including their connected persons) had beneficial interests in the following number of shares in the Company:

	31 March 2019	31 March 2018	
	Ordinary shares	Ordinary shares	C shares
Michael Wrobel	**100,598**	30,000	45,000
Peter Baxter	**47,065**	20,000	30,000
Caroline Gulliver	**58,382**	25,000	37,500
Alastair Moss	**11.766**	5,000	7,500

There have been no changes to Directors' share interests between 31 March 2019 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 period ended 31 March 2018 were approved at the AGM held on 2 August 2018. 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	75 56	24 44	–	122,564,536
To approve the Directors' Remuneration Policy	100 00	0 00	–	122,564,537

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

Further information about the votes against the Directors' Remuneration Report at last year's AGM is set out in the Corporate Governance Statement on page 76.

Approval

The Directors' Remuneration Report was approved by the Board on 21 June 2019.

On behalf of the Board

Michael Wrobel
Chairman
21 June 2019

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 period. 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 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 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 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:

- 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 profit 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, 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
21 June 2019

Alternative Investment Fund Managers Directive

As the Company and the Alternative Investment Fund Manager ("Investment Manager") 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 UK Listing Authority 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 Investment Manager 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 Investment Manager 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 Investment Manager is a limited company with its registered office at 136 Buckingham Palace Road, London SW1W 9SA and is authorised and regulated by the Financial Conduct Authority (FRN 648953). It has been appointed by the Company to manage the Company under an Investment Management Agreement with effect from 24 August 2017.

The Investment Manager 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 investment management agreement. The Investment Manager is also responsible for ensuring compliance with the AIFMD.

The Investment Manager's duties under the investment management 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 Investment Management Agreement for representing the Company in its dealings with the Investment Manager.

In order to comply with its regulatory obligations, the Investment Manager 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 2019 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 Investment Manager 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 Investment Manager 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 Investment Manager 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 Investment Manager'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 Investment Manager'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 Investment Manager 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 2019 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 2019; 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 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 year from 1 April 2018 to 31 March 2019.

Independent Auditors' Report

to the members of Civitas Social Housing PLC continued

Our audit approach

Overview

Materiality	• Overall Group materiality: £8.8 million (period ended 31 March 2018: £7.7 million), based on 1% of total assets. • Overall Company materiality: £8.1 million (period ended 31 March 2018: £7.2 million), based on 1% of total assets. • Group specific materiality: £2.2 million (period ended 31 March 2018: £908,000), based on 10% of Company Adjusted Earnings, for financial statement line items impacting Company Adjusted Earnings.
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. The Group consists of a single reportable segment.
Key audit matters	• Valuation of investment property (Group). • We determined that there were no key audit matters applicable to the Company to communicate in our report.

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.

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, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 UK tax legislation. 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 judgmental 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 Committee;
- Reviewing relevant meeting minutes, including those of the Board of Directors and the Audit 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 Refer to page 69 (Audit and Management Engagement Committee Report), pages 105 and 106 (Summary of significant accounting policies) and pages 114 to 117 (note 15 to the financial statements). Investment properties are held at fair value of £820.1 million as at 31 March 2019 (£516.2 million as at 31 March 2018) 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 £10.1 million (period ended 31 March 2018: £31.0 million), which is accounted for within 'Change in fair value of investment properties' in note 15 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. We focused on this area due to the existence of significant judgement, coupled with the fact that only small differences in individual property valuations when aggregated could result in material misstatement. There is also a risk that management may influence the significant judgements and estimates in respect of investment property valuations in order to achieve performance targets and meet market expectations. Investment property valuations were carried out by third party valuers, Jones Lang LaSalle Limited ("JLL" or the "Valuer"). The Valuer was engaged by the Directors, in accordance with the RICS Valuation – Professional Standards ("RICS").	*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 competence and capabilities and read their terms of engagement with the Group, determining that there were no matters that affected their independence and objectivity or imposed scope limitations upon them. *Data provided to the Valuer 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* We attended meetings with management and the Valuer, at which the valuation methodology and the key assumptions were discussed. In our testing, which involved the use of our internal real estate valuation experts, we considered the assumptions utilised by JLL 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 concluded that the assumptions used by the Valuer were consistent with our expectations and comparable benchmarking information for the asset type, and the assumptions were applied appropriately, reflected those available comparable market transactions and reflected the circumstances of the market at the year end.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

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.

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.

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	£8.8 million (period ended 31 March 2018: £7.7 million).	£8.1 million (period ended 31 March 2018: £7.2 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.
Specific materiality	£2.2 million (period ended 31 March 2018: £908,000).	Not applicable.
How we determined it	10% of Company Adjusted Earnings.	Not applicable.
Rationale for benchmark applied	A number of key performing indicators of the Group are driven by income statement items and we therefore also applied a lower specific materiality for financial statement line items impacting Company Adjusted Earnings.	Not applicable.

In addition to overall Group materiality, a specific materiality was also applied to income statement line items that impact Company Adjusted Earnings, which is based on profit before tax, adjusted to exclude fair value gains on investment property and C Share amortisation. We set a specific overall materiality level of £2.2 million (period ended 31 March 2018: £908,000), equating to 10% of Company Adjusted Earnings. In arriving at this judgement, we considered the fact that Company Adjusted 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 Committee that we would report to them misstatements identified during our audit above £443,000 (Group audit) (period ended 31 March 2018: £385,000) and £407,000 (Company audit) (period ended 31 March 2018: £360,000) as well as misstatements below those amounts 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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
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 2019 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 to 76 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 71 to 76 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 83, 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 68 to 70 describing the work of the Audit and Management Engagement Committee does not appropriately address matters communicated by us to the Audit 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 83, 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

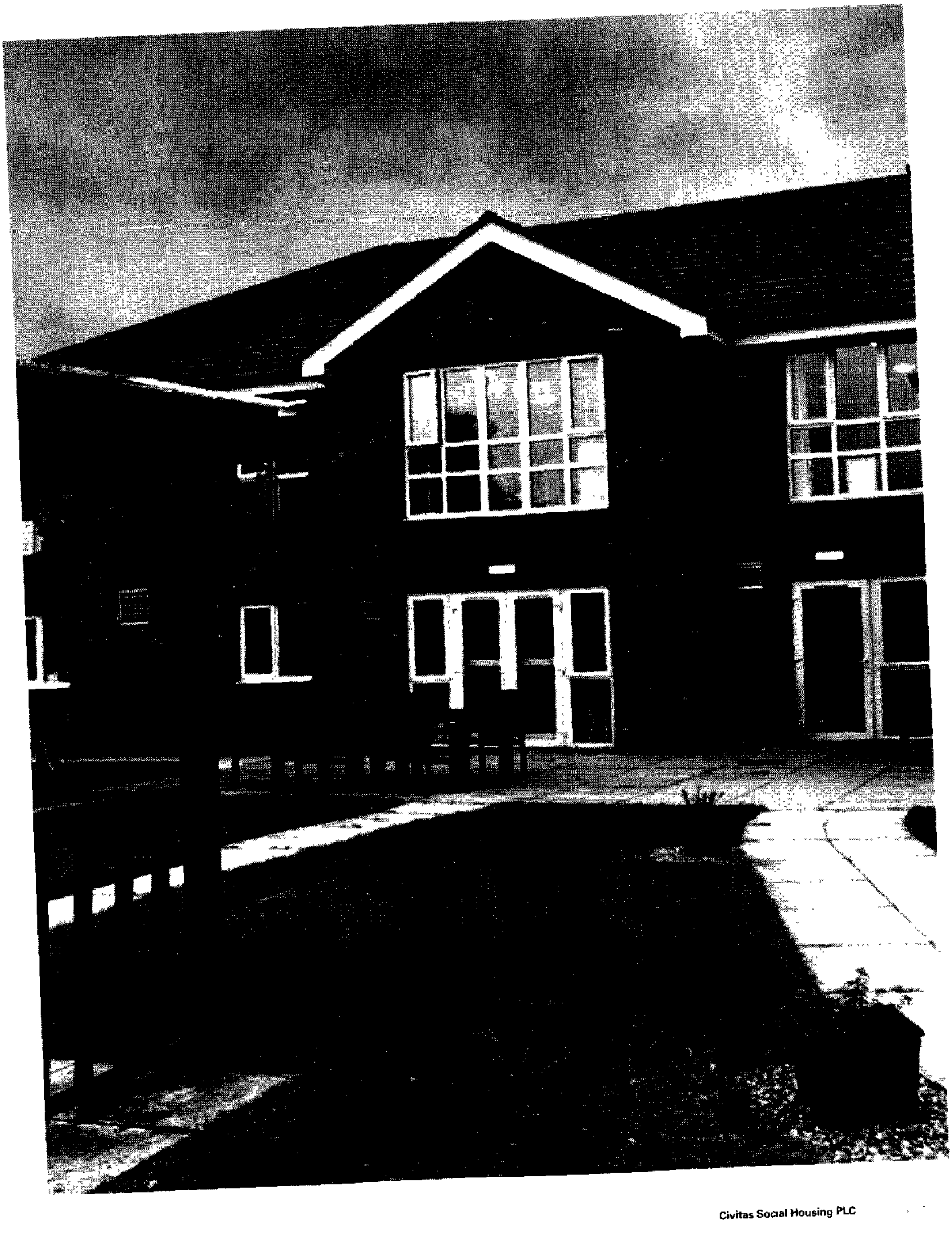
Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

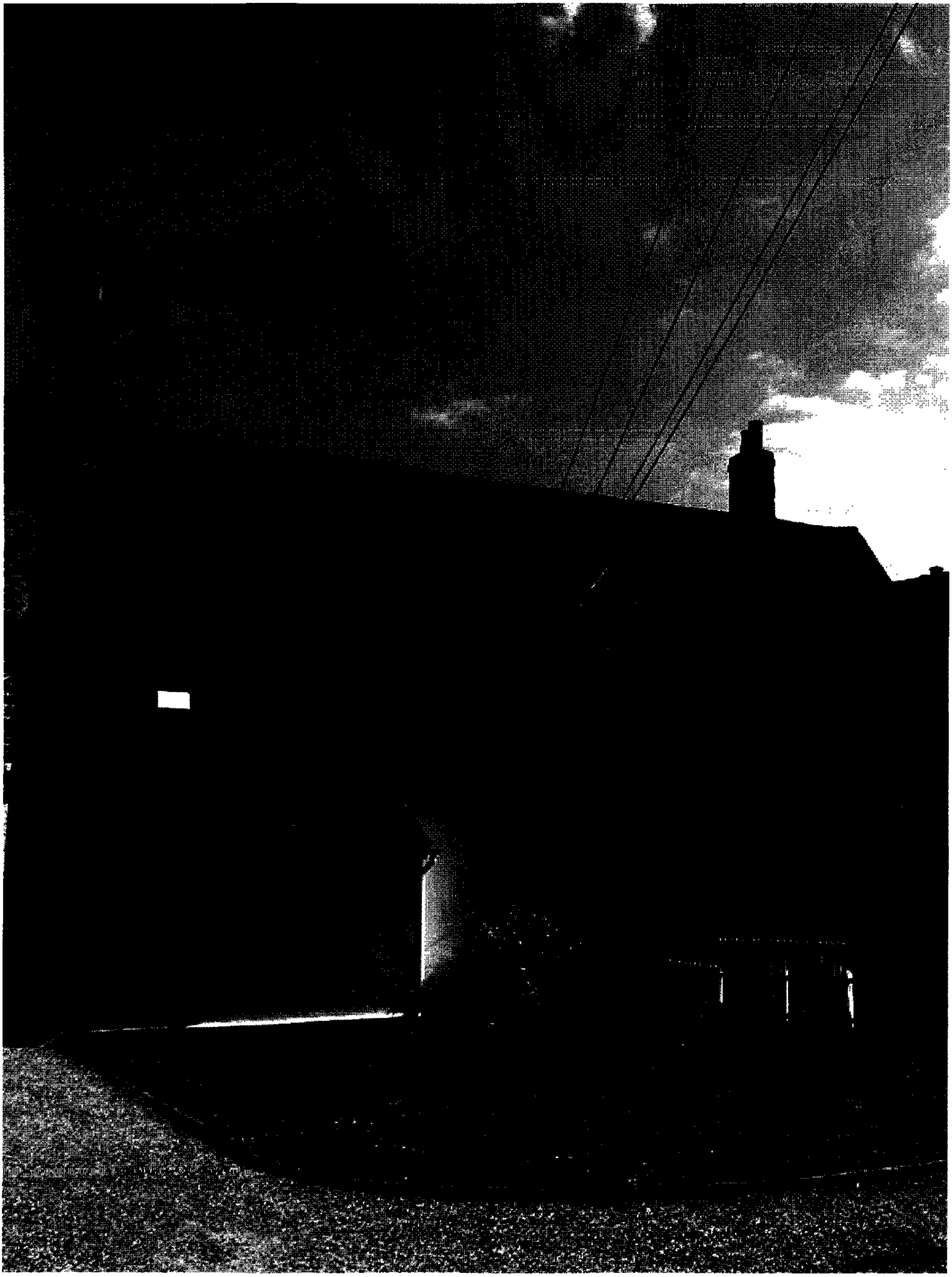
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified 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.

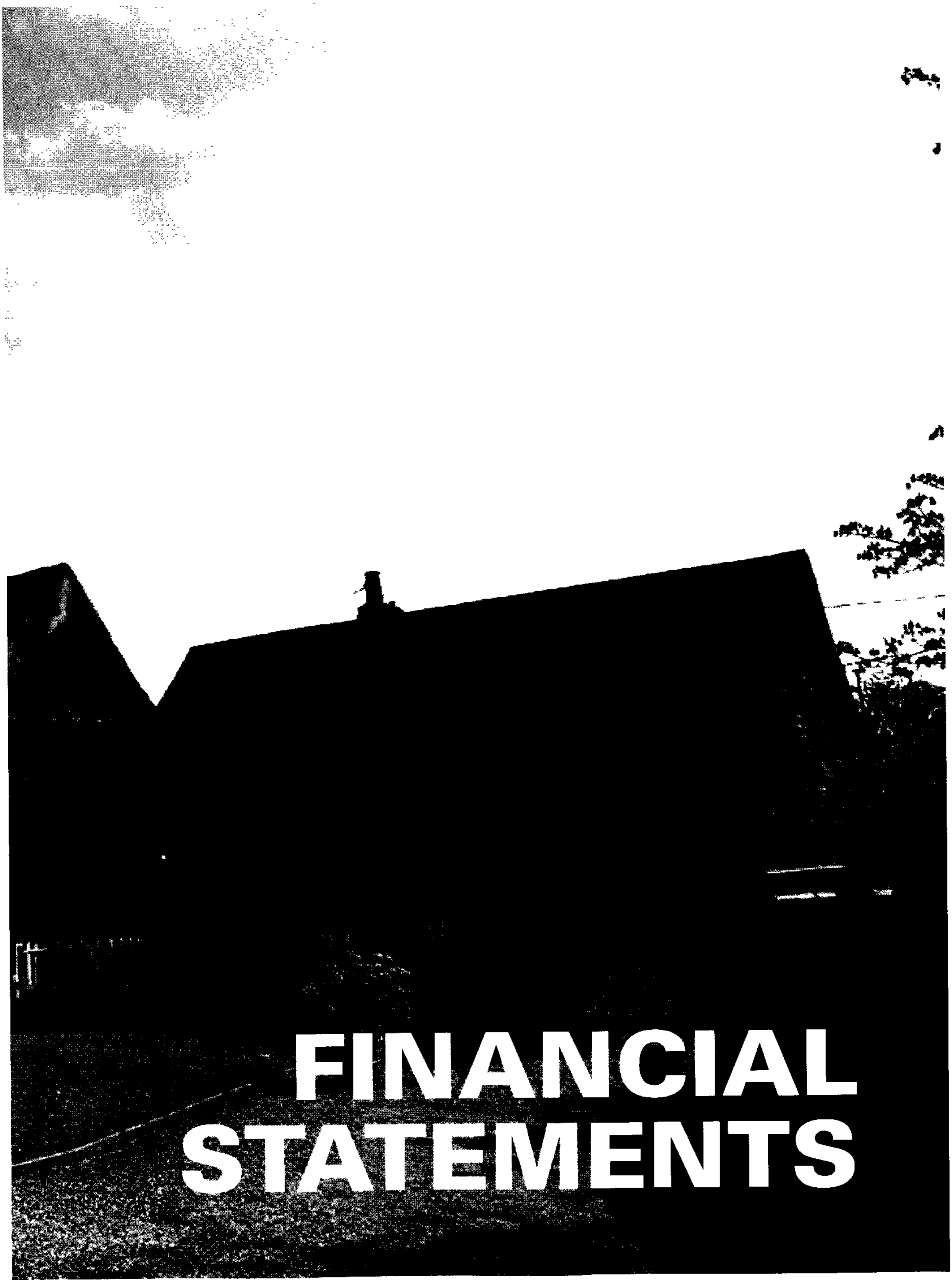
We have no exceptions to report arising from this responsibility.

Appointment
Following the recommendation of the Audit Committee, we were appointed by the Directors on 31 March 2017 to audit the financial statements for the period ended 17 November 2016 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the periods ended 17 November 2016, 31 March 2018 and year ended 31 March 2019.

Sandra Dowling (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
21 June 2019






FINANCIAL
STATEMENTS

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

	Note	For the year ended 31 March 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
Revenue			
Rental income	5	**35,738**	18,606
Net rental income		**35,738**	18,606
Directors' remuneration	6	**(163)**	(205)
Investment advisory fees	8	**(6,457)**	(5,773)
General and administrative expenses	9	**(3,022)**	(2,915)
Total expenses		**(9,642)**	(8,893)
Change in fair value of investment properties	15	**3,652**	30,633
Operating profit		**29,748**	40,346
Finance income	10	**491**	413
Finance expense – relating to bank borrowings	11	**(3,975)**	(1,041)
Finance expense – C shares amortisation	11	**(6,400)**	(2,792)
Profit before tax		**19,864**	36,926
Taxation	12	**–**	–
Profit being total comprehensive income for the period		**19,864**	36,926
Earnings per share – basic	13	**4.67p**	10 55p
Earnings per share – diluted	13	**4.22p**	6 27p

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

The notes on pages 102 to 135 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
Assets			
Non-current assets			
Investment property	15	**820,094**	516,222
Other receivables	17	**6,824**	–
		826,918	516,222
Current assets			
Trade and other receivables	17	**5,723**	3,315
Cash and cash equivalents	18	**54,347**	249,608
		60,070	252,923
Total assets		**886,988**	769,145
Liabilities			
Current liabilities			
Trade and other payables	19	**(15,324)**	(10,176)
C shares	21	**–**	(298,752)
		(15,324)	(308,928)
Non-current liabilities			
Bank and loan borrowings	20	**(205,156)**	(90,822)
Total liabilities		**(220,480)**	(399,750)
Total net assets		**666,508**	369,395
Equity			
Share capital	22	**6,225**	3,500
Share premium reserve	23	**292,405**	–
Capital reduction reserve	24	**331,625**	331,625
Retained earnings	25	**36,253**	34,270
Total equity		**666,508**	369,395
Net assets per share – basic	26	**107.08p**	105.54p
Net assets per share – diluted	26	**107.08p**	105.54p

These consolidated financial statements on pages 98 to 135 were approved by the Board of Directors of Civitas Social Housing PLC and authorised for issue on 21 June 2019 and signed on its behalf by:

Michael Wrobel
Chairman and Independent Non-Executive Director
21 June 2019

Company No: 10402528

The notes on pages 102 to 135 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Note	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 18 November 2016		–	–	–	(31)	(31)
Profit and total comprehensive income for the period		–	–	–	36,926	36,926
Issue of Ordinary shares						
Issue of share capital	22	3,500	346,500	–	–	350,000
Share issue costs	23	–	(7,000)	–	–	(7,000)
Cancellation of share premium reserve	23	–	(339,500)	339,500	–	–
Dividends paid						
Total interim dividends for the period ended 31 March 2018 (3 00p)	14	–	–	(7,875)	(2,625)	(10,500)
Balance at 31 March 2018		3,500	–	331,625	34,270	369,395
Profit and total comprehensive income for the period		–	–	–	**19,864**	**19,864**
Issue of Ordinary shares						
Issue of share capital	22	**2,725**	**292,461**	–	–	**295,186**
Share issue costs	23	–	**(56)**	–	–	**(56)**
Dividends paid						
Total interim dividends for the period 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**

The notes on pages 102 to 135 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Note	For the year ended 31 March 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
Cash flows from operating activities			
Profit for the period before taxation		**19,864**	36,926
– Change in fair value of investment properties		**(3,652)**	(30,633)
– Rent and incentive straight line adjustments		**(314)**	(332)
Finance income		**(491)**	(413)
Finance expense		**10,375**	3,833
Increase in trade and other receivables		**(2,789)**	(2,540)
(Decrease)/increase in trade and other payables		**(149)**	803
Cash generated from operations		**22,844**	7,644
Interest received		**491**	413
Net cash flow generated from operating activities		**23,335**	8,057
Investing activities			
Purchase of investment properties		**(267,908)**	(458,564)
Acquisition costs		**(9,421)**	(19,051)
Purchase of subsidiary company		**(25,470)**	–
Sale proceeds on sale of subsidiary company		**4,336**	–
Lease incentives paid		**(3,178)**	–
Restricted cash held as retention money		**(936)**	(6,283)
Net cash flow used in investing activities		**(302,577)**	(483,898)
Financing activities			
Proceeds from the issue of Ordinary share capital	22	–	350,000
Share issue costs paid	23	**(56)**	(7,000)
Dividends paid to equity shareholders		**(17,591)**	(10,073)
Proceeds from the issue of C shares	21	–	302,000
C share issue costs paid	21	–	(6,040)
Dividends paid to C shareholders	21	**(9,966)**	–
Bank borrowings advanced	20	**115,990**	92,457
Bank borrowing issue costs paid	20	**(2,374)**	(1,761)
Loan interest paid		**(2,958)**	(417)
Net cash flow generated from financing activities	27	**83,045**	719,166
Net (decrease)/increase in cash and cash equivalents		**(196,197)**	243,325
Unrestricted cash and cash equivalents at the start of the period	18	**243,325**	–
Unrestricted cash and cash equivalents at the end of the period	18	**47,128**	243,325

The notes on pages 102 to 135 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2019

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, 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 comparative information disclosed in the consolidated financial statements relates to the period from 18 November 2016 to 31 March 2018. The period covered by the comparative information varies in length and the level of activities and therefore is not comparable to the current period.

The Group's consolidated financial statements have been prepared on a historical cost basis, as modified for the Group's investment properties 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 147 and 148.

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 balances as at 31 March 2019 were £54.3 million, of which £47.1 million was readily available and it had bank borrowings of £208.4 million.

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 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 2019.

- **Adoption of IFRS 9 Financial Instruments:** The standard replaced IAS 39 Financial Instruments and contains two primary measurement categories for financial assets.

Management have reviewed the requirements of IFRS 9. The adoption of IFRS 9 from 1 April 2018 resulted in no adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions, comparative figures have not been restated. The Group's principal financial assets comprise trade receivables, which will continue to be measured at amortised cost. The following changes have been identified.

Under IFRS 9 the Group now applies an expected credit loss model when calculating impairment losses on its trade and other receivables and considers the probability of default occurring over the contractual life of its trade receivables and contracts. The specific situation of each tenant has been evaluated using a provision matrix as allowed under IFRS 9. This did not result in a material change in the loss allowance recognised under IFRS 9 compared to the previous impairment provision held under IAS39.

- **Adoption of IFRS 15 Revenue from Contracts:** The standard replaced IAS 11 Construction Contracts, IAS 18 Revenue. The standard introduces a new revenue recognition model that recognises revenue either at a point in time or over time.

As all of the Group's revenue derives from leases which are outside the scope of IFRS 15 there is no change to accounting policies arising from the adoption of IFRS 15.

- **Adoption of Amendment to IAS 40, Investment Property:** The amendment to IAS 40 Investment Property clarifies when assets are transferred to, or from, investment properties.

Management have assessed the impact of the amendment to IAS 40 on the classification of existing property at 1 April 2018 and has concluded that no reclassifications are required on adoption of the amendment.

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:

- **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 will 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 will not have a material impact on the Group's 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 Ltd. ("JLL" or the "Valuer") according to the definitions published by the Royal Institute of Chartered Surveyors' ("RICS") Valuation – Professional Standards, July 2017, Global and UK Editions (commonly known as the "Red Book"). 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.

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 director's 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 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 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 15.1 to the financial statements.

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 period end date.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. All intra-group transactions, balances, income and expenses are eliminated on consolidation. The financial information of the subsidiaries is included in the 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.

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 2019 or 1 April 2018, 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.

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.

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.

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 substantially 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 2019 £'000	31 March 2018 £'000
Proceeds from the issue of Ordinary shares and retained earnings thereon	**666,508**	369,395
Proceeds from the issue of C shares and retained earnings thereon	–	298,752
Bank and loan borrowings	**205,156**	90,822
	871,664	758,969

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.

4.11. Finance income
Finance income is recognised as interest accrues 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.

5. Rental income

	For the *year ended* 31 March 2019 £'000	From *18 November 2016* to 31 March 2018 £'000
Rental income from investment property	**35,424**	18,274
Rent straight line adjustments	**459**	332
Lease incentive adjustments	**(145)**	–
Total	**35,738**	18,606

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

6. Directors' remuneration

	For the year ended 31 March 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
Directors' fees	**150**	190
Employer's National Insurance Contributions	**13**	15
Total	**163**	205

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

At IPO, the Chairman was entitled to a fee of £35,000 per annum, and the other Directors of the Board to a fee of £30,000 per annum (with the exception of the Chairman of the Audit and Management Engagement Committee who was entitled to an additional fee of £2,500 per annum).

At a Board meeting on 26 July 2017, a resolution was passed authorising an increase to the fees of the Chairman to £50,000 per annum, the Chairman of the Audit and Management Engagement Committee and the other Directors to £36,000 per annum and £32,000 per annum respectively effective from 1 August 2017.

7. Particulars of employees

The Group had no employees during the year (31 March 2018 period: nil) other than the Directors.

8. Investment advisory fees

	For the year ended 31 March 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
Advisory fee	**6,457**	5,773
Total	**6,457**	5,773

Civitas Housing Advisors Limited ("CHA") is appointed as the 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 Portfolio Net Asset Value (further explained in note 16) 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 Portfolio Net Asset Value up to and including £250 million, an amount equal to 1% of such part of the Portfolio Net Asset Value;

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

c) on that part of the Portfolio 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 Portfolio Net Asset Value;

d) on that part of the Portfolio Net Asset Value over £1,000 million, an amount equal to 0.7% of such part of the Portfolio 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 November 2021.

Changes to the Investment Advisory fee and changes to the appointment period effective from 26 April 2019 are detailed in note 35 on page 135.

9. General and administrative expenses

	For the year ended 31 March 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
Legal and professional fees	**1,049**	1,136
Administration fees	**717**	581
Consultancy fees	**176**	274
Audit fees	**211**	308
Abortive costs	**18**	168
Bad debts	**421**	–
Valuation fees	**96**	96
Depositary fees	**60**	83
Grants and donations	**28**	79
Insurance	**65**	32
Marketing	**101**	71
Regulatory fees	**19**	29
Sundry expenses	**61**	57
Directors' expenses	**–**	1
Total	**3,022**	2,915

Abortive costs represent legal and professional fees incurred in relation to 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 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
Audit of the financial statements	**180**	273
Review of the half year financial statements	**31**	35
Corporate services relating to the C share conversion	**10**	–
Corporate services relating to the initial launch	**–**	55
Corporate services relating to the C share fund raise	**–**	200
Total	**221**	563

10. Finance income

	For the year ended 31 March 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
Interest and dividends received on liquidity funds	**486**	413
Bank interest received	**5**	–
Total	**491**	413

11. Finance expense

	For the year ended 31 March 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
Bank charges	**2**	4
Interest paid and payable on bank borrowings	**3,048**	902
Bank borrowing commitment fees	**207**	9
Amortisation of loan arrangement fees	**718**	126
Finance expenses associated with bank borrowings	**3,975**	1,041
Amortisation of C share liability	**6,400**	2,792
Total	**10,375**	3,833

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 period ended 31 March 2019, the Group did not have any non-qualifying profits and accordingly there is no tax charge in the period. 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 period losses as it is not anticipated that sufficient residual profits will be generated in the future.

	For the year ended 31 March 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
Corporation tax charge/(credit) for the period	–	–
Total	–	–

The tax charge for the period 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 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
Group		
Profit/(loss) before taxation	**19,864**	36,926
UK corporation tax rate	**19.00%**	19.27%
Theoretical tax at UK corporation tax rate	**3,774**	7,116
Effects of:		
Change in value of exempt investment properties	**(694)**	(5,903)
Exempt REIT income	**(4,702)**	(2,352)
Amounts not deductible for tax purposes	**1,296**	691
Unutilised residual current period tax losses	**326**	448
Total	–	–

The standard rate of corporation tax was reduced from 20% to 19% from 1 April 2017. The Government has announced that the corporation tax standard rate is to be reduced to 17% with effective date from 1 April 2020.

REIT exempt income includes property rental income that is exempt from UK corporation tax in accordance with Part 12 of CTA 2010.

13. IFRS Earnings per share

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

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 2019	From 18 November 2016 to 31 March 2018
Calculation of Basic Earnings per share		
Net profit attributable to Ordinary shareholders (£'000)	**19,864**	36,926
Weighted average number of Ordinary shares	**425,393,423**	350,000,000
Earnings per share – basic	**4.67p**	10 55p
Calculation of Diluted Earnings per share		
Net profit attributable to Ordinary shareholders (£'000)	**19,864**	36,926
Add back finance costs associated with the C share liability (£'000)	**6,400**	2,792
Total (£'000)	**26,264**	39,718
Weighted average number of Ordinary shares	**425,393,423**	350,000,000
Effects of dilution from C shares	**197,067,957**	283,065,815
	622,461,380	633,065,815
Earnings per share – diluted	**4.22p**	6 27p

14. Dividends

	For the year ended 31 March 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
Dividend of 1 25p for the 3 months to 31 March 2018 (0 75p 3 months to 31 March 2017)	**4,375**	2,625
Dividend of 1 25p for the 3 months to 30 June 2018 (0 75p 3 months to 30 June 2017)	**4,375**	2,625
Dividend of 1 25p for the 3 months to 30 September 2018 (0 75p 3 months to 30 September 2017)	**4,375**	2,625
Dividend of 1 25p for the 3 months to 31 December 2018 (0 75p 3 months to 31 December 2017)	**4,756**	2,625
Total	**17,881**	10,500

On 10 May 2018 the Company announced a dividend of 1.25 pence per share in respect of the period 1 January 2018 to 31 March 2018. The dividend payment was made on 8 June 2018 to shareholders on the register as at 18 May 2018.

On 3 August 2018 the Company announced a dividend of 1.25 pence per share in respect of the period 1 April 2018 to 30 June 2018. The dividend payment was made on 7 September 2018 to shareholders on the register as at 17 August 2018.

On 1 November 2018 the Company announced a dividend of 1.25 pence per share in respect of the period 1 July 2018 to 30 September 2018. The dividend payment was made on 30 November 2018 to shareholders on the register as at 8 November 2018.

On 29 November 2018 the Company announced a dividend of 1.11 pence per share in respect of the period 1 October 2018 to 21 December 2018. The dividend payment was made on 11 January 2019 to shareholders on the register as at 7 December 2018.

On 31 January 2019 the Company announced a dividend of 0.14 pence per share in respect of the period 22 December 2018 to 31 December 2018. The dividend payment was made on 28 February 2019 to shareholders on the register as at 8 February 2019.

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. The financial statements do not reflect this dividend.

15. Investment property

	For the year ended 31 March 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
Balance at beginning of period	**516,554**	–
Property acquisitions	**289,304**	465,522
Acquisition costs	**10,916**	20,067
Change in fair value during the period	**10,144**	30,965
Value advised by the property valuers	**826,918**	516,554
Adjustments for lease incentive assets and rent straight line assets recognised	**(6,824)**	(332)
Total	**820,094**	516,222

Change in fair value of investment properties:	For the year ended 31 March 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
Change in valuation during the period	**10,144**	30,965
Adjustment for lease incentives and rent straight line adjustments recognised in assets as		
Start of the period	**332**	–
End of the period	**(6,824)**	(332)
	3,652	30,633

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.

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 £826,918,000 as at 31 March 2019 (31 March 2018: £516,554,000).

JLL has provided valuation services to the Company with regards to the properties during the period. In relation to the period ended 31 March 2019, 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.

All corporate acquisitions during the period 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 2019	**820,094**	**–**	**–**	**820,094**
31 March 2018	*516,222*	*–*	*–*	*516,222*

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

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 22 years to 25 years with a weighted average unexpired lease term of 24.4 years (2018: 24.1). 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% (2018: 6.5%).

The range of discount rates used in the Group's property Portfolio Valuation is from 4.9% to 6.0% (2018: 5.6% to 9.1%).

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 2019	**33,203**	**(30,788)**	**25,651**	**(24,711)**
31 March 2018	20,634	(19,158)	16,062	(15,412)

15.1. Subsidiary resale

	For the year ended 31 March 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
Balance at the beginning of the period	–	–
Acquisition	**25,470**	–
Transfer to investment property	**(21,134)**	–
Sale proceeds	**(4,336)**	–
	–	–

The table above shows the transactions concerning the purchase and sale of TLC Care Homes Limited. 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.

16. Portfolio Net Asset Value

The objective of the Portfolio Net Asset Value ("Portfolio NAV") measure is to highlight the fair value of the net assets on an ongoing, long-term basis, which aligns with the Group's business strategy as an ongoing REIT with a long-term investment outlook. This Portfolio NAV is made available on a quarterly basis on the Company's website and announced via RNS.

For the period from 14 November 2017 to 21 December 2018 the Company had 302,000,000 C shares in issue. During that period the results, assets and liabilities attributable to the C shares were accounted for in a separate pool to those of the Ordinary shares and thus the Company announced a quarterly Portfolio NAV for both share classes.

Under IFRS accounting rules, the C shares are recognised in the financial statements as a liability valued at amortised cost which represents the value of the assets and liabilities attributable to the C share pool (see note 21). Thus, the net assets of the Company disclosed in the financial statements are equal to the net assets attributable to the Ordinary shareholders.

On 21 December 2018 the C shares were converted to Ordinary shares as detailed in note 21.

In order to arrive at Portfolio Net Asset Value for each share class, adjustments are made to the IFRS Net Asset Value ("IFRS NAV") reported in the consolidated financial statements such that;

i) The C share liability, equivalent to the net assets attributable to the C shareholders is added back to net assets, because under IFRS accounting rules the C shares are recognised as a liability. (Please refer to note 21 for more details).

ii) The hypothetical sale of properties will take place on the basis of a sale of a corporate vehicle rather than a sale of underlying property assets. This assumption reflects the basis upon which the Company's assets have been assembled within specific SPVs.

iii) The hypothetical sale will take place in the form of a single portfolio disposal.

	31 March 2019 £'000	31 March 2018 £'000
Net asset value per the consolidated financial statements	666,508	369,395
Add back C share liability	–	298,752
Value of asset pools	666,508	668,147
Effects of the adoption to the assumed, hypothetical sale of properties as a portfolio and on the basis of sale of a corporate vehicle	74,662	33,124
Portfolio Net Asset Value	741,170	701,271

After reflecting these amendments, the movement in net assets since inception is as follows:

	For the year ended 31 March 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
Opening reserves at start of period	**701,271**	(31)
Net issue (costs)/proceeds	**(56)**	638,960
Operating profits (excluding capital appreciation)	**26,096**	9,713
Capital appreciation	**45,190**	63,757
Finance income	**491**	413
Finance costs	**(3,975)**	(1,041)
Dividends paid to Ordinary and C shareholders	**(27,847)**	(10,500)
Portfolio Net Assets at 31 March 2019	**741,170**	701,271

Value is represented by:

	31 March 2019 £'000	31 March 2018 £'000
Investment property using the portfolio valuation method	**901,580**	549,346
Net current assets	**44,746**	242,747
Bank borrowings	**(205,156)**	(90,822)
Portfolio Net Assets	**741,170**	701,271
Shares in issue	**622,461,380**	See below
Portfolio Net Asset Value per share	**119.07p**	See below

The table below shows the figures at 31 March 2018 split between the asset pools.

Value is represented by:

	Ordinary share pool £'000	C share pool £'000	Total £'000
Investment property using the portfolio valuation method	471,525	77,821	549,346
Net current assets	17,802	224,945	242,747
Bank borrowings	(90,822)	–	(90,822)
Portfolio Net Assets	398,505	302,766	701,271
Shares in issue	350,000,000	302,000,000	
Portfolio Net Asset Value per share	113 86p	100 25p	

17. Trade and other receivables

Amounts falling due in less than one year	31 March 2019 £'000	31 March 2018 £'000
Rent receivable	2,954	175
Less provision for impairment	(421)	–
Net rent receivable	2,533	175
Accrued income	2,778	2,398
Debtor arising from rent straight line adjustments	–	332
Prepayments and other receivables	412	410
Total	5,723	3,315

Prepayments and other receivables amount above includes prepaid legal and professional fees of £343,000 (2018: £393,000) that have been incurred in connection with the acquisitions yet to be completed.

Amounts falling due after more than one year	31 March 2019 £'000	31 March 2018 £'000
Debtor arising from straight line adjustments	791	–
Lease incentives	6,033	–
	6,824	–

The aged analysis of trade receivables that are past due but not impaired was as follows:

	31 March 2019 £'000	31 March 2018 £'000
Current	991	–
< 30 days	353	175
30-60 days	499	–
> 60 days	1,111	–
	2,954	175
Less provision for impairment	(421)	–
Total	2,533	175

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.

18. Cash and cash equivalents

	31 March 2019 £'000	31 March 2018 £'000
Cash held by solicitors	**17,031**	12,262
Liquidity funds	**13,394**	210,969
Cash held at bank	**16,703**	20,094
Unrestricted cash and cash equivalents	**47,128**	243,325
Restricted cash	**7,219**	6,283
Total	**54,347**	249,608

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 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 2019 £'000	31 March 2018 £'000
Deferred income	**14**	225
Acquisition costs accrued	**10,074**	8,366
Lease incentives payable	**3,000**	–
Finance costs	**798**	498
Dividends payable	**717**	427
Accruals	**616**	660
Income tax and corporation tax payable*	**105**	–
Total	**15,324**	10,176

Acquisition costs accrued includes the balance of retention monies (as represented by £7,219,000 (2018: £6,283,000), restricted cash as per note 18) 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 period end are offset against amounts drawn on the facilities as shown in the table below:

	For the year ended 31 March 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
Balance at start of period	92,457	–
Bank borrowings drawn	115,990	92,457
Bank borrowings drawn at end of period	208,447	92,457
Balance at start of period	(1,635)	–
Less loan issue costs incurred	(2,374)	(1,761)
Add loan issue costs amortised	718	126
Unamortised costs at end of period	(3,291)	(1,635)
At end of period	205,156	90,822

	31 March 2019 £'000	31 March 2018 £'000
Maturity of bank borrowings		
Repayable within 1 year	–	–
Repayable between 1 to 2 years	55,947	–
Repayable between 2 to 5 years	100,000	39,957
Repayable after 5 years	52,500	52,500
Total	*208,447*	92,457

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 £169,999,000 (2018: £163,812,000).

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 year a £20,000,000 increase of this facility was agreed.

The borrowings include amounts secured on investment property to the value of £144,166,000 (2018: £97,400,000).

A 3-year Revolving Credit Facility Agreement dated 28 November 2018 for up to £100,000,000 with HSBC Bank PLC. Interest charged at LIBOR +1.70% margin.

The borrowings include amounts secured on investment property to the value of £208,953,000.

A number of covenants are in place under the three agreements. Under the 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%.

21. C shares

	For the year ended 31 March 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
At beginning of period	**298,752**	–
Proceeds from issue of C shares	–	302,000
C share issue costs	–	(6,040)
Dividends paid to C shareholders	**(9,966)**	–
Amortisation of C share liability	**6,400**	2,792
Conversion to Ordinary shares	**(295,186)**	–
At end of period	–	298,752

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 are 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.

22. 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 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
Share capital		
At beginning of period	**3,500**	–
Shares issued	**2,725**	3,500
At end of period	**6,225**	3,500

Number of shares issued and fully paid		
Ordinary shares of £0 01 each		
At beginning of period	**350,000,000**	100
Shares issued	**272,461,380**	349,999,900
At end of period	**622,461,380**	350,000,000

The Company's Ordinary shares were admitted to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange on 18 November 2016, raising £350 million. As a result of the IPO, on 18 November 2016, 349,999,900 shares at £0.01 per share were issued, fully paid.

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.

23. 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 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
At beginning of period	–	–
Premium arising on shares issued	**292,461**	346,500
Share issue costs	**(56)**	(7,000)
Transfer to capital reduction reserve	–	(339,500)
At end of period	**292,405**	–

At a Board meeting on 15 November 2016, a resolution was passed authorising the cancellation of the share premium account and it was conditional upon the three following terms:

- admission of the Ordinary shares to listing on the UK Listing Authority's Official List;
- trading on London Stock Exchange's Main Market for listed securities; and
- approval of the Court for the reduction of share capital.

In order to cancel the share premium account the Company needed to obtain a court order, which was received on 1 February 2017. An SH19 form was sent to Companies House with a copy of the court order on 1 February 2017 and the certificate of cancellation was issued by Companies House on 13 February 2017.

Upon cancellation of the share premium account, the funds were transferred to the capital reduction reserve and these funds are classified as amounts available for distribution.

24. Capital reduction reserve

The capital reduction reserve is a distributable reserve to which the value of the cancelled share premium has been transferred. Dividends can be paid from this reserve.

	For the year ended 31 March 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
At beginning of period	**331,625**	–
Transfer from the share premium reserve	–	339,500
Dividends paid in the period (as per note 14)	–	(7,875)
At end of period	**331,625**	331,625

25. Retained earnings

This reserve represents the profits and losses of the Group.

	For the year ended 31 March 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
At beginning of period	**34,270**	(31)
Profit for the period	**19,864**	36,926
Dividends paid in the period (as per note 14)	**(17,881)**	(2,625)
At end of period	**36,253**	34,270

26. 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 period.

Diluted NAV per share is calculated by adjusting net assets for the conversion of the C shares.

Net asset values have been calculated as follows:

	31 March 2019	31 March 2018
Net assets (£'000)	**666,508**	369,395
Number of Ordinary shares in issue at end of period	**622,461,380**	350,000,000
NAV – basic	**107.08p**	105 54p
Net assets (£'000)	**666,508**	369,395
Adjust for the effect of the C shares converting (£'000)	–	298,752
Adjusted net assets (£'000)	**666,508**	668,147
Number of Ordinary shares in issue at end of period	**622,461,380**	350,000,000
Number of Ordinary shares that would be issued on the conversion of C shares	–	283,065,815
Total	**622,461,380**	633,065,815
NAV – diluted	**107.08p**	105 54p

27. Reconciliation of liabilities to cash flows from financing

	C share liability £'000	Bank borrowings £'000	For the year ended 31 March 2019 £'000
Balance at the beginning of the period	*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 period	(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.

28. 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 2019 £'000	31 March 2018 £'000
Amounts receivable		
< 1 year	**45,685**	28,203
1-2 years	**45,720**	28,801
2-5 years	**137,356**	86,399
> 5 years	**882,407**	554,050
At end of period	**1,111,168**	697,453

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 ("FRI") 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 2019 %	31 March 2018 %
Westmoreland Supported Housing Limited	**19.66**	35 02
Falcon Housing Association CIC	**20.89**	14 44
First Priority Housing Association*	–	10 66
Bespoke Supportive Tenancies	**11.37**	–
Auckland Home Solutions	**11.26**	–
Inclusion Housing CIC	**8.34**	8 70
Encircle Housing Limited	**6.33**	–
Trinity Housing Association Limited	**5.74**	9 04
PAS Housing Association	**4.09**	6 04
Chrysalis Supported Association Limited	**3.41**	4 43
New Walk Property Management CIC	**2.95**	4 59
Harbour Light Assisted Living CIC	**2.42**	3 76
My Space Housing Solutions	**1.24**	–
IKE Supported Housing Limited	**1.20**	1 89
Hilldale Housing Association Limited	**1.03**	1 43
Blue Square Limited	**0.07**	–
Total	**100.00**	100 00

* Leases transferred to Falcon Housing Association CIC in the year.

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.

29. Controlling parties

As at 31 March 2019 there is no ultimate controlling party.

30. 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 period ended 31 March 2019 payable out of the assets of the Company is not expected to exceed £200,000. At IPO, the Chairman was entitled to a Director's fee of £35,000 per annum, and the other Directors of the Board to a fee of £30,000 per annum (with the exception of the chairman of the Audit and Management Engagement Committee who was entitled to an additional fee of £2,500 per annum).

At the Board meeting on 26 July 2017, a resolution was passed authorising an increase to the fees of the Chairman to £50,000 per annum, the Chairman of the Audit and Management Engagement Committee and the other Directors to £36,000 per annum and £32,000 per annum respectively effective from 1 August 2017.

Fees of £150,000 (period 31 March 2018: £190,000) were incurred and paid to the Directors.

As at 31 March 2019, the Directors held the following number of shares:

Director		31 March 2019 Ordinary shares	31 March 2018 Ordinary shares	C shares
Michael Wrobel	Chairman	**100,598**	30,000	45,000
Peter Baxter	Director	**47,065**	20,000	30,000
Caroline Gulliver	Audit and Management Engagement Committee Chair	**58,382**	25,000	37,500
Alastair Moss	Director	**11,766**	5,000	7,500

The Company and CHA (collectively the "Members") entered into a limited liability partnership agreement with Civitas Social Housing UK LLP ("LLP") on 1 November 2016 to govern the mutual rights and duties of the LLP and the Members of the LLP. Under the terms of the Limited Liability Partnership Agreement, the Investment Adviser was entitled to an amount of £980,000 as Priority Profit Share from the date of the IPO to 31 March 2017, which is included in the Investment Advisory fees of £5,773,000 mentioned in note 8. There was no consideration paid or due from the Members of the LLP. The limited liability partnership agreement and the original Investment Advisory Agreement were terminated on 1 April 2017 and were replaced by the current Investment Management Agreement.

Remuneration
The Investment Manager 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 Manager as a whole and not linked to any one AIF in particular. The AIFM and its staff receive no remuneration through profit share, carried interest, co-investment or other schemes related to the Company's performance.

31. Transactions with the Investment Adviser

On 1 November 2016 Civitas Housing Advisors Limited was appointed as the Investment Adviser of the Company.

Fees of £6,457,000 (period to 31 March 2018: £5,773,000) were incurred and paid to CHA.

As at 31 March 2019, no amounts (31 March 2018: £nil) were due to/from CHA.

At 31 March 2019, CHA held 50,000 Ordinary shares in the Company.

32. Consolidated entities

The Company has provided a guarantee under s479C of the Companies Act 2006 in respect of the financial year ended 31 March 2019 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 2019 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 and Jersey.

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.

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	‡	09777380	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%

Name		Registered number	Principal activity	Country of incorporation	Ownership %
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%
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 (previously FPI CO 151 Ltd)	‡	10888639	Property investment	England & Wales	100 00%
Civitas SPV72 Limited (previously FPI CO 171 Ltd)	‡	10938022	Property investment	England & Wales	100 00%
Civitas SPV74 Limited (previously FPI CO 192 Ltd)	‡	11001855	Property investment	England & Wales	100 00%
Civitas SPV75 Limited (previously FPI CO 193 Ltd)	‡	11001834	Property investment	England & Wales	100 00%
Civitas SPV80 Limited (previously FPI CO 195 Ltd)	‡	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%

Name		Registered number	Principal activity	Country of incorporation	Ownership %
Civitas SPV7 Limited	‡	10536368	Property investment	England & Wales	100 00%
Civitas SPV13 Limited	‡	09517692	Property investment	England & Wales	100 00%
Civitas SPV14 Limited	‡	10479041	Property investment	England & Wales	100 00%
Civitas SPV16 Limited	‡	09917557	Property investment	England & Wales	100 00%
Civitas SPV21 Limited	‡	10631541	Property investment	England & Wales	100 00%
Civitas SPV23 Limited	‡	10746881	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%
Civitas SPV54 Limited	‡	11039750	Property investment	England & Wales	100 00%
Civitas SPV56 Limited	‡	11056465	Property investment	England & Wales	100 00%
Civitas SPV59 Limited	‡	11111912	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%
Civitas SPV69 Limited	‡	11142372	Property investment	England & Wales	100 00%
Civitas SPV73 Limited (previously FPI CO 177 Ltd)	‡	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 (previously FPI CO 157 Ltd)	‡	10888903	Property investment	England & Wales	100 00%
Civitas SPV88 Limited (previously FPI CO 176 Ltd)	‡	10939044	Property investment	England & Wales	100 00%
Civitas SPV90 Limited (previously FPI CO 178 Ltd)	‡	10939131	Property investment	England & Wales	100 00%
Civitas SPV91 Limited (previously FPI CO 184 Ltd)	‡	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 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 SPV100 Limited	‡	*11069703*	*Property investment*	*England & Wales*	*100.00%*
Civitas SPV101 Limited	‡	09978282	Property investment	England & Wales	100 00%
Civitas SPV102 Limited	‡	11521555	Property investment	England & Wales	100 00%
Civitas SPV104 Limited	‡	11532174	Property investment	England & Wales	100 00%
Civitas SPV108 Limited	‡	11532135	Dormant	England & Wales	100 00%
Civitas SPV109 Limited	‡	11532120	Property investment	England & Wales	100 00%
Civitas SPV112 Limited	‡	11579750	Property investment	England & Wales	100 00%

Name		Registered number	Principal activity	Country of incorporation	Ownership %
Civitas SPV113 Limited	‡	11580068	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 SPV119 Limited		11751515	Dormant	England & Wales	100 00%
Civitas SPV120 Limited		11801922	Dormant	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 SPV123 Limited	‡	08253452	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 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 SPV145 Limited		11842306	Holding Company	England & Wales	100 00%
Fieldbay Limited	‡	05219012	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 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%
Civitas SPV151 Limited		11913037	Property investment	England & Wales	100 00%
FPI CO 324 Ltd		11633019	Property investment	England & Wales	100 00%
Civitas Social Housing Finance Company 4 Limited		11906660	Dormant	England & Wales	100 00%

‡ These entities are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of that Act. These are all entities that have a year end prior to 31 March 2020.

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, United Kingdom, 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

33. Financial risk management

33.1. 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. The C share financial liability is also considered to be a financial instrument, the main purposes of which is to finance new acquisitions.

Financial assets are classified as loans and receivables and all financial liabilities are measured at amortised cost. 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 2019 £'000	Fair value 31 March 2019 £'000	Book value 31 March 2018 £'000	Fair value 31 March 2018 £'000
Financial assets				
Trade and other receivables	**5,353**	**5,353**	2,573	2,573
Cash and cash equivalents	**54,347**	**54,347**	249,608	249,608
Financial liabilities				
Trade and other payables[2]	**15,205**	**15,205**	9,951	9,951
Bank borrowings	**205,156**	**205,806**	90,822	92,350
C share liability	–	–	298,752	294,148

[1] Excludes prepayments and debtors arising on rent smoothing.

[2] Excludes deferred income and tax liabilities.

The Group has three bank loans. One is a 10-year fixed rate loan of £52.5 million, provided by Scottish Widows Limited and there is also a 3-year revolving credit facility variable rate loan of £60 million provided by Lloyds Bank plc and a 3-year revolving credit facility variable rate loan of £100 million provided by HSBC Bank PLC. The fair value of the fixed rate loan is determined by comparing the discounted future cash flows.

The C share liability fair value comparative is based on the quoted bid-market price at 31 March 2018 multiplied by the number of C shares in issue.

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.

33.2. 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;
- 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.

33.3. 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 two variable rate bank loans. At 31 March 2019, 25% (2018: 57%) of the Group's borrowings are at 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 2019, if interest rates had been 200 basis points higher/(lower) with all other variables held constant the impact on profits after taxation for the period would be as follows:

	31 March 2019 £'000	31 March 2018 £'000
(Decrease)/increase in profits due to interest rates		
200 basis points higher	**(2,032)**	(3,429)
200 basis points lower	**1,271**	7

The average effective interest rates of financial instruments at 31 March 2019 were as follows:

	31 March 2019 %	31 March 2018 %
Bank borrowings – fixed rate	**2.99360**	2.99360
Bank borrowings – variable rate	**2.50180**	2.02125
Cash and cash equivalents	**0.16795**	0.38205

33.4. 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 28 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.

33.5. 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 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**
31 March 2018					
Trade and other payables	9,951	–	–	–	9,951
Bank borrowings	–	2,371	49,483	58,145	109,999
C share liability	–	–	–	–	–
	9,951	2,371	49,483	58,145	119,950

The profile above assumes that the revolving credit facility loan will be rolled over and held to term. Included within the contracted payments is £22,476,000 (31 March 2018: £17,971,000) of loan interest payable up to the point of maturity.

The C share liability and any interest accruing to the C shareholders at 31 March 2018 was settled by the issue of Ordinary shares.

34. Capital commitments

At 31 March 2019, the Company had funds committed totalling £12,000,000 (2018: £4,902,000) concerning two properties (currently under development) for which the Company has entered into a conditional sale and purchase agreement conditional on the completion of development.

35. Post balance sheet events

Acquisitions

On 23 April 2019 two properties in Lancashire were acquired for a £1.7 million and £0.34 million respectively.

Dividends

On 8 May 2019 the Board declared a quarterly dividend in respect of the Ordinary shares for the three months to 31 March 2019 of 1.325 pence per Ordinary share. The dividend was paid on 7 June 2019 to holders of Ordinary shares on the register as at 17 May 2019. The dividend was paid as a REIT property income distribution ("PID").

Other announcements

On 29 April 2019, the Company announced a change to the calculation of Investment Advisory fees paid so that they are based on IFRS NAV instead of Portfolio NAV, to take effect from 26 April 2019.

The Board also agreed with the Investment Adviser to extend the initial notice period term within the Investment Management Agreement from 30 November 2021 to 30 May 2024.

Company Statement of Financial Position

As at 31 March 2019

	Note	31 March 2019 £'000	31 March 2018 £'000
Assets			
Non-current assets			
Investment in subsidiaries	7	**767,917**	479,134
Current assets			
Trade and other receivables	8	**371**	2,380
Cash and cash equivalents	9	**45,905**	241,924
		46,276	244,304
Total assets		**814,193**	723,438
Liabilities			
Current liabilities			
Trade and other payables	10	**(131,277)**	(4,082)
C shares financial liability		**–**	(298,752)
		(131,277)	(302,834)
Total liabilities		**(131,277)**	(302,834)
Total net assets		**682,916**	420,604
Equity			
Share capital	11	**6,225**	3,500
Share premium reserve		**292,405**	–
Capital reduction reserve		**331,625**	331,625
Retained earnings	12	**52,661**	85,479
Total equity		**682,916**	420,604

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 £14,937,000 (period 31 March 2018: profit £88,135,000).

The Company financial statements on pages 136 to 141 were approved by the Board of Directors of Civitas Social Housing PLC and authorised for issue on 21 June 2019 and signed on its behalf by:

Michael Wrobel
Chairman and Independent Non-Executive Director
21 June 2019

Company No: 10402528

The notes on pages 138 to 141 are an integral part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 March 2019

	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Retained earnings/ (accumulated losses) £'000	Total equity £'000
Balance at 18 November 2016	–	–	–	(31)	(31)
Profit and total comprehensive income for the period	–	–	–	88,135	88,135
Issue of Ordinary shares					
Issue of share capital	3,500	346,500	–	–	350,000
Share issue costs	–	(7,000)	–	–	(7,000)
Cancellation of share premium reserve	–	(339,500)	339,500	–	–
Dividends paid					
Total interim dividends for the period ended 31 March 2018 (3.00p)	–	–	(7,875)	(2,625)	(10,500)
Balance at 31 March 2018	3,500	–	331,625	85,479	420,604
Loss and total comprehensive expense for the period	–	–	–	(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	52,661	682,916

Distributable reserves total £384,286,000 (31 March 2018: £417,104,000)

The notes on pages 138 to 141 are an integral part of these financial statements.

Notes to the Company Financial Statements

For the year ended 31 March 2019

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, 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.

The comparative information disclosed in the financial statements relates to the period from 18 November 2016 to 31 March 2018. The period covered by the comparative information varies in length and the level of activities and therefore is not entirely comparable to the current period.

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.

Going concern
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.

3. 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.

Loans to subsidiaries
Loans made to subsidiary companies are initially recognised at fair value and subsequently are measured at amortised cost.

4. Dividends
Details of dividends paid and proposed are included in note 14 of the Group's consolidated financial statements.

5. Employee information
Details of Directors' remuneration are included in note 6 of the consolidated financial statements. The Company had no employees during the period (31 March 2018 period: nil) other than the Directors.

6. Audit fees
Audit fees in relation to the Company's financial statements total £180,000 (31 March 2018 period: £273,000).

7. Investments in subsidiaries

	Shares in subsidiaries £'000	Loans to subsidiaries £'000	For the year ended 31 March 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
At the beginning of the period	446,954	32,180	479,134	–
Increase in investments	31,576	257,207	288,783	479,134
Loans transferred	198,245	(198,245)	–	–
Additions due to internal group restructure	186,294	–	186,294	296,115
Disposals due to internal group restructure	(181,440)	(4,854)	(186,294)	(296,115)
At the end of the period	681,629	86,288	767,917	479,134

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.

8. Trade and other receivables

	31 March 2019 £'000	31 March 2018 £'000
Prepayments and other receivables	371	393
Amounts due from subsidiary companies	–	1,987
Total	371	2,380

Prepayments and other receivables amount above includes prepaid legal and professional fees of £343,000 (2018: £366,000) that have been incurred in connection with the acquisitions yet to be completed.

9. Cash and cash equivalents

	31 March 2019 £'000	31 March 2018 £'000
Cash held by solicitors	17,031	12,262
Liquidity funds	13,394	210,969
Cash held at bank	10,931	12,410
Cash and cash equivalents	41,356	235,641
Restricted cash	4,549	6,283
Total cash held at bank	45,905	241,924

10. Trade and other payables

	31 March 2019 £'000	31 March 2018 £'000
Acquisition costs accrued	303	309
Retentions	4,489	2,806
Accruals	536	540
Dividends payable	717	427
Amounts due to subsidiary companies	125,232	–
Total	131,277	4,082

11. 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 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
Share capital		
At beginning of period	3,500	–
Shares issued	2,725	3,500
At end of period	6,225	3,500

Number of shares issued and fully paid

Ordinary shares of £0.01 each	For the year ended 31 March 2019 Number	From 18 November 2016 to 31 March 2018 Number
At beginning of period	350,000,000	100
Shares issued	272,461,380	349,999,900
At end of period	622,461,380	350,000,000

The Company's Ordinary shares were admitted to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange on 18 November 2016, raising £350 million. As a result of the IPO, on 18 November 2016, 349,999,900 shares at £0.01 per share were issued, fully paid.

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.

12. Retained earnings

This reserve represents the profits and losses of the Company.

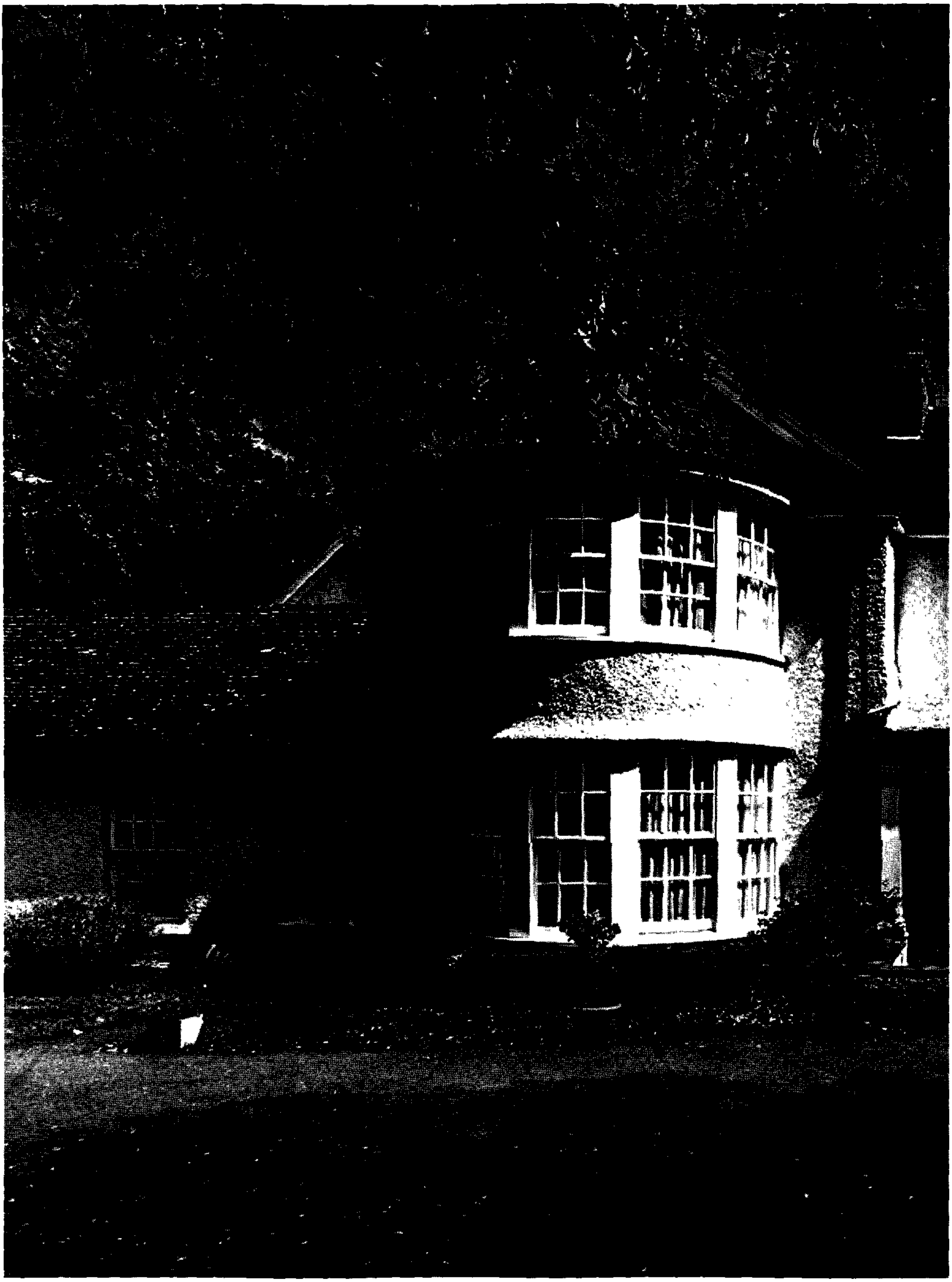
	For the year ended 31 March 2019 £'000	From 18 November 2016 to 31 March 2018 £'000
At beginning of period	85,479	(31)
(Loss)/profit for the period	(14,937)	88,135
Dividends paid in the period	(17,881)	(2,625)
At end of period	52,661	85,479

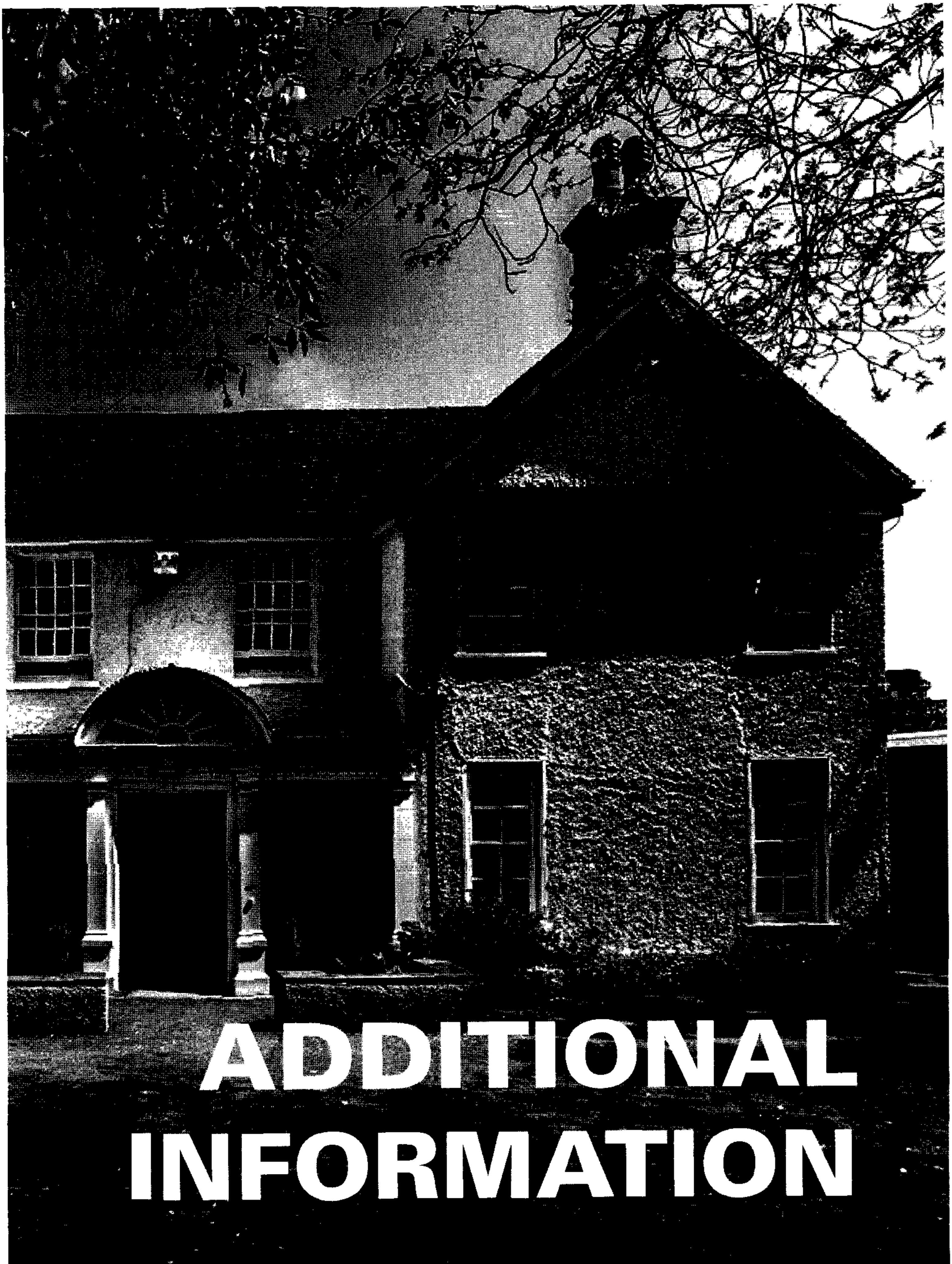
13. Controlling parties

As at 31 March 2019 there is no ultimate controlling party.

14. Related party transactions

For all related party transactions and transactions with the Investment Adviser please make reference to notes 30-32 of the Group's consolidated financial statements.





ADDITIONAL INFORMATION

Glossary

Average Net Yield means the average yield on an investment or a portfolio that results from adding all interest, dividends or other income generated from the investment, divided by the average of the investments for the period.

CAGR means Compound Annual Growth Rate.

Care Provider means a provider of care services to the occupants of Specialist Supported Housing, registered with the Care Quality Commission.

CHA means Civitas Housing Advisors Limited, the Investment Adviser to the Company.

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 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.

IFRS Net Initial Yield means the ratio of net rental income and gross purchase price of a property.

IFRS Valuation means an independent valuation of the Portfolio by Jones Lang LaSalle 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.

Investment Adviser means Civitas Housing Advisors Limited, 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).

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 16 for a reconciliation to IFRS NAV.

Portfolio Valuation means an independent valuation of the Portfolio by Jones Lang LaSalle 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.

RNS means the London Stock Exchange Regulatory News Service.

RSH means the Regulator of Social Housing.

Social homes or **social housing** means homes which are social rented, affordable rented, other homes managed by Registered Providers or Low Cost Home Ownership homes.

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.

WAULT means weighted average unexpired lease term.

Company Information

Non-executive Directors
Michael Wrobel, Chairman
Alastair Moss
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

Financial Adviser
Cenkos Securities PLC
6.7.8 Tokenhouse Yard
London EC2R 7AS

Alternative Investment Fund Manager
G10 Capital Limited
136 Buckingham Palace Road
London SW1W 9SA

Investment Adviser
Civitas Housing Advisors Limited
13 Berkeley Street
London W1J 8DU

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

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 2019	From 18 November 2016 to 31 March 2018
Earnings from operational activities		
Profit after taxation (£'000)	**19,864**	36,926
Changes in value of investment properties (£'000)	**(3,652)**	(30,633)
EPRA Earnings (£'000)	**16,212**	6,293
Finance costs associated with the C share financial liability (£'000)	**6,400**	2,792
Diluted EPRA earnings (£'000)	**22,612**	9,085
Weighted average number of shares in issue	**425,393,423**	350,000,000
Dilutive elements	**197,067,957**	281,065,815
Adjusted weighted average number of shares in issue	**622,461,380**	631,065,815
EPRA Earnings per share (EPS) – basic	**3.81p**	1.80p
EPRA Earnings per share (EPS) – diluted	**3.63p**	1.44p

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 2019	31 March 2018
Net assets (£'000)	**666,508**	369,395
Effect of the exercise of C shares (£'000)	**–**	298,752
Diluted net assets (£'000)	**666,508**	668,147
Other adjustments (£'000)	**–**	–
EPRA Net assets (£'000)	**666,508**	668,147
Number of Ordinary shares in issue	**622,461,380**	350,000,000
Number of Ordinary shares that would be issued on the conversion of C shares	**–**	283,065,815
Adjusted number of shares to calculated diluted NAV	**622,461,380**	633,065,815
EPRA Net Assets per share	**107.08p**	105.54p

3. EPRA NNNAV

EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes.

	31 March 2019	31 March 2018
EPRA Net Assets (per above) (£'000)	**666,508**	668,147
Adjustment to value bank borrowings at fair value (£'000)	**(650)**	(712)
EPRA NNNAV (£'000)	**665,858**	667,435
Number of Ordinary shares in issue	**622,461,380**	350,000,000
Number of Ordinary shares that would be issued on the conversion of C shares	**–**	283,065,815
Adjusted number of shares to calculated diluted NAV	**622,461,380**	633,065,815
EPRA NNNAV per share	**106.97p**	105.43p

4. EPRA Vacancy Rate

Estimated Market Rental Value ("ERV") of vacancy space divided by ERV of the whole portfolio.

	31 March 2019 £'000	31 March 2018 £'000
Estimated Market Rental Value (ERV) of vacant spaces	–	–
Estimated Market Rental Value (ERV) of whole portfolio	**45,685**	28,543
EPRA Vacancy Rate	**0%**	0%

5. EPRA Costs Ratio

Administrative and operating costs divided by gross rental income.

	For the year ended 31 March 2019	From 18 November 2016 to 31 March 2018
Total administrative and operating costs	**9,642**	8,893
Gross rental income	**35,738**	18,606
EPRA cost ratio	**26.98%**	4780%

6. Portfolio NAV

IFRS NAV adjusted to reflect investment property valued on a portfolio basis rather than individual asset basis.

	31 March 2019	31 March 2018
Net assets (£'000)	**666,508**	369,395
Adjustment for change to property valuation (£'000)	**74,662**	29,110
Portfolio net assets (£'000)	**741,170**	398,505
Number of Ordinary shares in issue	**622,461,380**	350,000,000
Portfolio Net Assets per share	**119.07p**	113 86p

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 2019	From 18 November 2016 to 31 March 2018
Profit after taxation (£'000)	**19,864**	36,926
Changes in value of investment properties (£'000)	**(3,652)**	(30,633)
EPRA Earnings (£'000)	**16,212**	6,293
Finance costs associated with the C share financial liability (£'000)	**6,400**	2,792
Company Adjusted Earnings (£'000)	**22,612**	9,085
Weighted average number of shares in issue	**622,461,380**	350,000,000
Company Adjusted Earnings per share (EPS) – basic	**3.63p**	2 60p

8. IRR

The Internal Rate of Return ("IRR") for the period from launch to 31 March 2019 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
31 March 2019	NAV	107.08	119.07
IRR		7.23%	11.93%

Civitas Social Housing PLC
15 Berkeley Street, London W1J 8DU
Telephone: 0203 058 4840
e: enquiries@civitasha.com
w. civitassocialhousing.com

Supporting

Crisis Together we will end homelessness

the choir with no name