



Civitas Social Housing PLC

Annual Report and Financial Statements
for the period 18 November 2016 to 31 March 2018

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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 throughout England and Wales.

The demand for specialist social housing is significant, 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, properties repurposed from other uses or newly built properties.

The Civitas portfolio is well diversified and at the period end was in partnership with 11 Housing Associations, 64 care providers and 109 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.

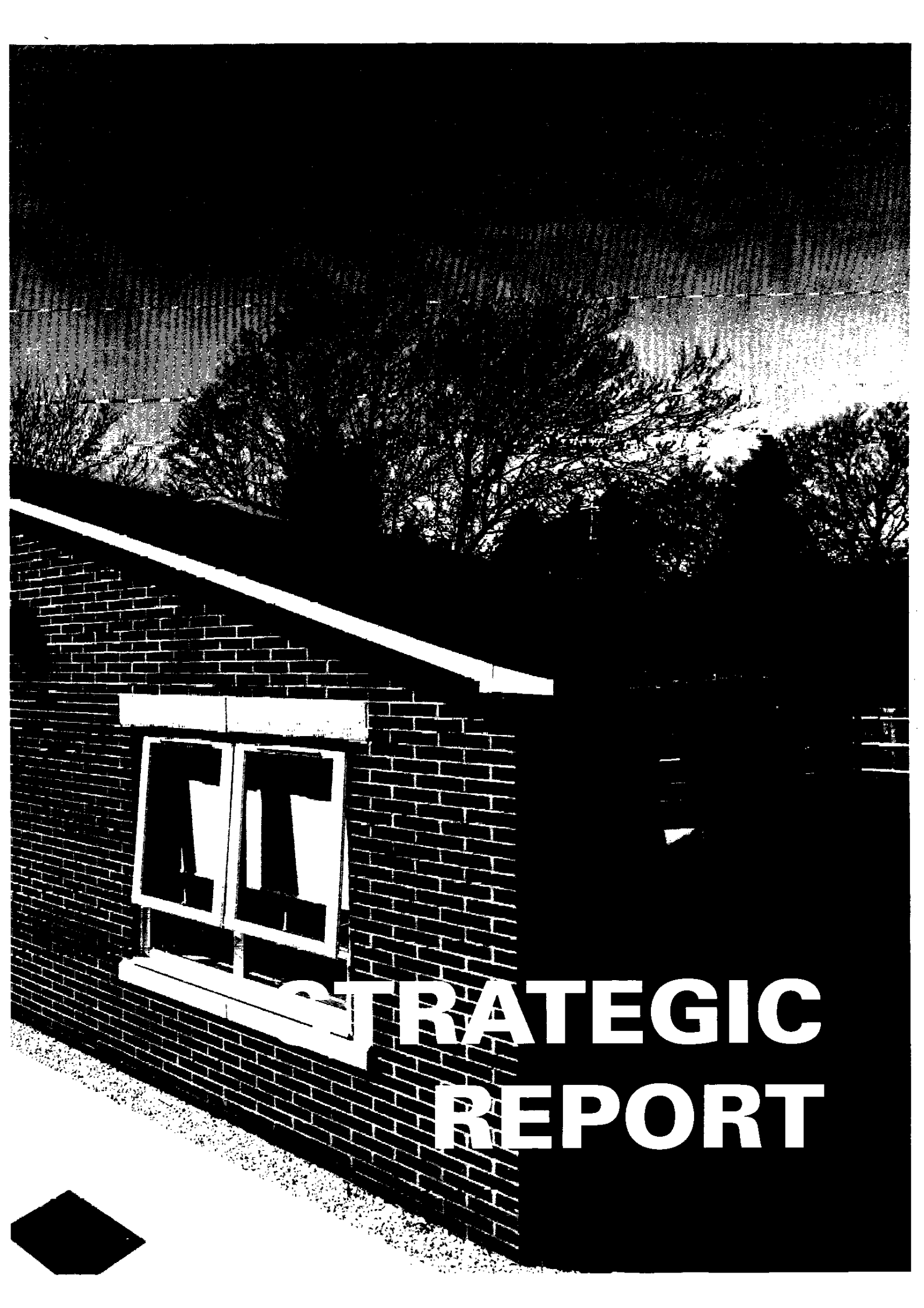
Civitas is seeking to develop a high quality portfolio, across England and Wales that offers exposure to stable well diversified returns while delivering real social benefit and impact.



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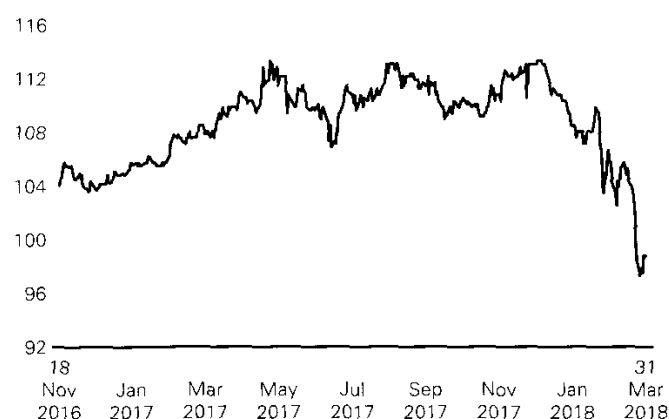
STRATEGIC REPORT

How we performed

Financial Highlights

	31 March 2018
Profit before tax	£36.9 million
Earnings per share	10.6p
IFRS NAV	£369.4 million
IFRS NAV per share	105.5p
IFRS NAV increase since IPO	7.7%
IFRS property valuation	£516.6 million
Annualised rent roll	£28.4 million
Ordinary share equity raised	£350 million
C share capital raised	£302 million
Dividends declared	3p per share
Total shareholder return	10.7%

Share price performance (pence)



Key achievements in the period

Financial Highlights



£516.6m
Independently
valued

Investment property independently
valued at £516.6m



**IFRS NAV
+7.7%**

7.7% increase in IFRS NAV per ordinary
share ("Share") since IPO: 105.5p as at
31 March 2018

10.6p
per Share
Earnings

10.6p per Share Earnings: based on
comprehensive income and property
revaluations

3p
per Share
Dividends

Total of 3p per Share of dividends
declared over the Period



£28.4m
Annualised
Rent Roll

Annualised Rent Roll: £28.4m based
upon £516.6m of real estate at the end
of the Period

WAULT
24.1
years

Weighted Average Unexpired Lease
Term: 24.1 years

Operational Highlights

- 414 properties acquired in the period, across 109 Local Authorities, based on long-term leases signed with 11 Housing Associations, providing dependable accommodation for 2,621 tenants supported by 64 care providers
- The Good Economy, the social impact advisory firm, in their second 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

Loan note
£52.5m, 10yrs,
2.99%

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

Floating rate
revolving credit facility
£40m, 3yrs

Lloyds £40 million three year floating rate revolving credit facility, extended by a further £20 million post year end

Oversubscribed
£350m
IPO

Oversubscribed £350 million IPO with proceeds fully invested by December 2017



Total Borrowings
£92.5m =
12% Gross
Assets

Total bank borrowings of £92.5 million equating to 12% of gross assets



C Share
Issue
November 2017

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

Post Balance Sheet Highlights

- 19 properties acquired post the period end, totalling £30.5 million
- Lloyds RCF extended by a further £20 million
- Transfer of all First Priority leases to Falcon

Chairman's Statement

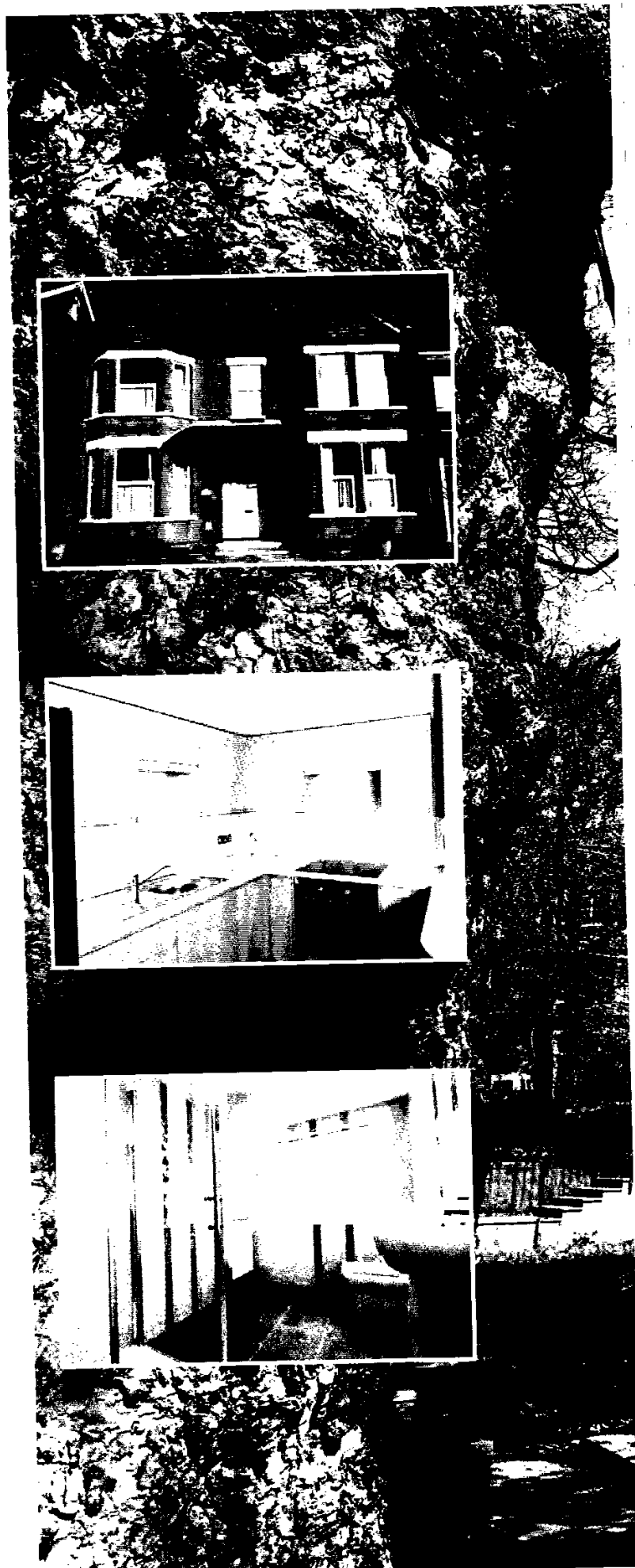


Introduction

I am pleased to provide the Company's first shareholder report, including the audited consolidated financial statements for the period from its listing on 18 November 2016 to 31 March 2018.

The Company has succeeded in assembling a market leading portfolio of top quality social housing, focused on properties that are specially adapted to enable the provision of care in the community. The leases are with Housing Associations, which in turn are funded by Local Authorities. The leases are long-term, usually 25 years and rents linked to inflation. This investment strategy provides shareholders with an attractive level of income and a measure of inflation protection, together with the potential for capital growth. Our Company also has a significant positive social impact.

The Company launched via an oversubscribed Initial Public Offering ("IPO"), with gross proceeds of £350 million in November 2016, followed by a further capital raise in the form of a C share issuance in November 2017 of £302 million. Being the first REIT to be listed on the London Stock Exchange that offers a focused exposure to built social housing, the Company has been able to establish a substantial network of relationships and partners that provide the Company with opportunities to acquire suitable properties off market.



As at 31 March 2018, the Company's portfolio was valued at £516.6 million on an IFRS basis, consisting of 414 properties housing 2,621 tenants, leased to 11 Registered Providers, involving 109 Local Authorities and 64 care providers with a focus on Specialist supported housing. The Company enhances existing properties to its exacting standards, or works with its development partners to bring new properties into the sector, while never exposing our shareholders to development risk.

Deployment

As a reflection of the significant demand for specialist social housing and the strength of the Company's network, the net proceeds of the IPO and most of the planned associated debt were fully deployed by December 2017. In light of the pipeline of further potential transactions, an additional £302 million of capital was raised by way of a C share issue in November 2017. The Company has made good progress in deploying the funds from the C share issue acquiring refurbished, repositioned or new Specialist supported housing. As at 31 March 2018, an overall total of £471.6 million (total transactions completed and exchanged, before purchase costs) has been deployed into high quality Specialist supported housing.

The majority of the acquisitions made by the Company have been through relationships fostered over many years by the team at our Investment adviser, Civitas Housing Advisors, as well as more recent introductions. The Company has benefitted from acquiring many properties off-market in large part due to the strong reputation of the Company in the market. Hence, acquisition prices achieved have been very competitive, resulting in capital appreciation of £30.6 million in this first reporting period.

Dividends

On 4 May 2017, the Company declared its maiden interim dividend of 0.75p per Ordinary share, followed by a further three quarterly dividends of 0.75p, as outlined in the launch Prospectus on IPO. Since the period end a further dividend of 1.25p per Ordinary share has been declared for the period to 31 March 2018, the increase matching the Company's original intention to target a 5p dividend for the calendar year to 31 December 2018. The Company's C shares are due to pay a 3% cumulative dividend up to the point of conversion to Ordinary shares. A first dividend for the C shares of 1.13p was declared on 10 May 2018.

Chairman's Statement continued

Financial performance

Rental income of £18.6 million was generated in the period, with acquisitions made steadily during that time, at the period end the rent roll stood at £28.4 million. Total comprehensive income for the period was £36.9 million reflecting earnings per share for the period of 10.6p.

As at 31 March 2018, the IFRS net asset value of the Company was 105.5p representing an increase of 7.7% since the IPO price of 98p per Ordinary share, giving a total return of 10.7% (including dividends paid of 3p per share in the period).

C share Issue

As a result of the Company's success in delivering its original objectives, the Company received strong demand for new C shares in November 2017, raising £302 million of new capital, of which £72.4 million has been deployed in the first 4 months.

Loan financing

On 3 November 2017, the Company agreed a £52.5 million term loan facility with Scottish Widows Limited, with a term of 10 years, and an interest rate of 2.99%.

On 16 November 2017, the Company further agreed a £40 million revolving credit facility with Lloyds Bank plc, available for a term of three years, at a floating rate above 3-month LIBOR. Following the period end the revolving credit facility was extended by a further £20 million on the same terms as the original facility, to help fund the Company's pipeline alongside the C share proceeds.

The Company will continue to consider additional financing as and when it is necessary to facilitate the momentum of deployment, and the Board deems the terms of the facilities fair and reasonable.

As stated at the outset, the Company expects to put in place an average gearing of approximately 30% of the Company's gross asset value. At the period end the Company had gearing of 12% of gross assets, excluding the C share liability.

Outlook

There remains a chronic shortage of all forms of social housing in the UK, including Specialist supported housing. The Company will look to continue to build on the successful deployment to date and further enhance the portfolio. The Investment Adviser has identified a pipeline of social homes that may be acquired by the Company over the next 12 months, of which approximately £100 million is expected to be available in the near term. The Investment Adviser will continue to implement a disciplined policy focused on quality opportunities, whilst rejecting others on the grounds of quality, location and value for money in addition to a number of other factors.

The Board is grateful for the support and encouragement of the Company's shareholders and the hard work of the team at our Investment Adviser and our other advisers. We look forward to long and successful relationships with our various counterparties and making a positive contribution to the social housing sector.

Michael Wrobel
Chairman
11 June 2018

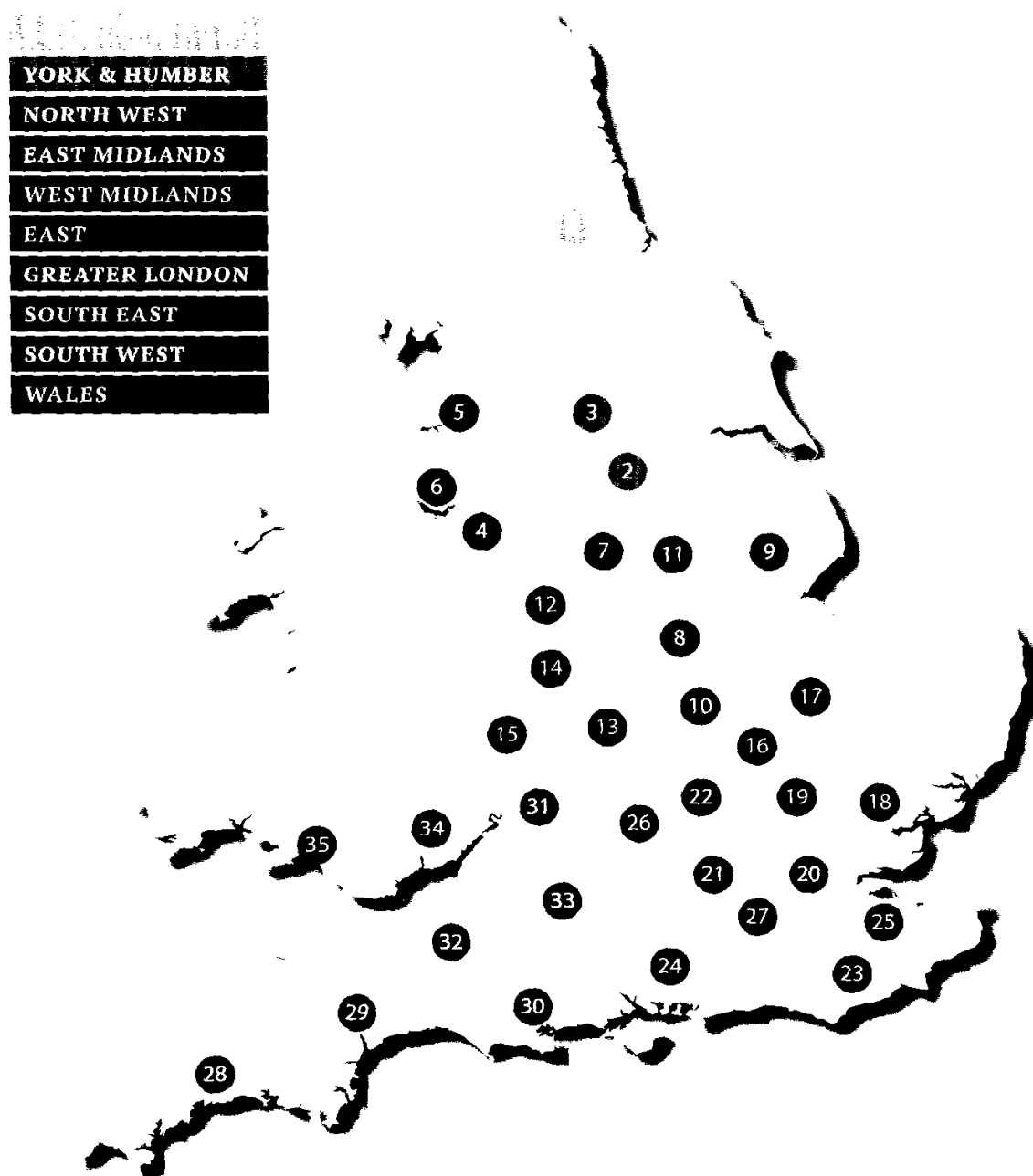




Analysis of property portfolio

as at 31 March 2018

The Company's Portfolio is spread across England and Wales, reflecting the Company's objective of creating a coherent yet diversified portfolio.



Capital deployed†
£471.6m
† Excluding purchase costs

Properties
414

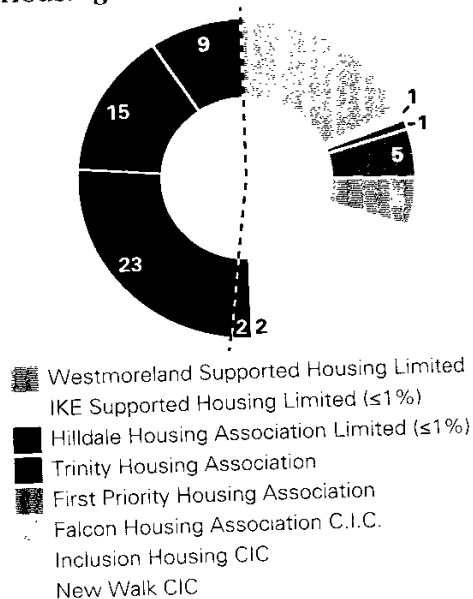
Tenancies
2,621

WAULT*
24.1 yrs
* Weighted Average
Unexpired Lease Term

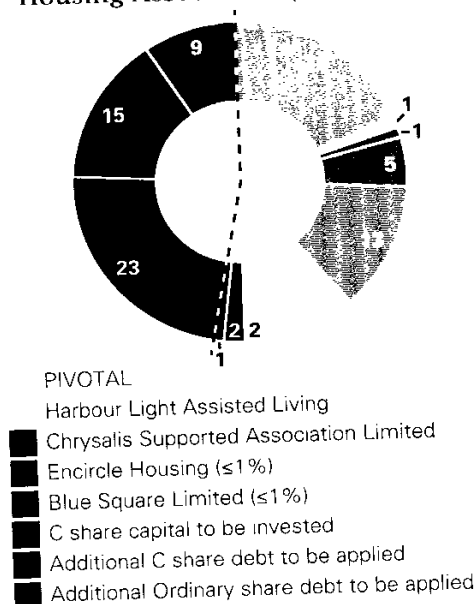
Key	Region	County	Properties	Tenancies
	North East	Durham	58	365
2	York & Humber	South Yorkshire	11	81
3	York & Humber	West Yorkshire	8	118
4	North West	Cheshire	1	13
5	North West	Lancashire	26	85
6	North West	Merseyside	26	183
7	East Midlands	Derbyshire	3	10
8	East Midlands	Leicestershire	17	106
9	East Midlands	Lincolnshire	4	39
10	East Midlands	Northamptonshire	4	13
11	East Midlands	Nottinghamshire	12	97
12	West Midlands	Staffordshire	11	71
13	West Midlands	Warwickshire	10	38
14	West Midlands	West Midlands	43	121
15	West Midlands	Worcestershire	10	44
16	East	Bedfordshire	2	25
17	East	Cambridgeshire	9	25
18	East	Essex	2	8
19	East	Hertfordshire	1	13
20	Greater London	Greater London	24	326
21	South East	Berkshire	4	29
22	South East	Buckinghamshire	1	1
23	South East	East Sussex	2	8
24	South East	Hampshire	12	66
25	South East	Kent	8	90
26	South East	Oxfordshire	4	19
27	South East	Surrey	8	53
28	South West	Cornwall	14	110
29	South West	Devon	5	19
30	South West	Dorset	37	250
31	South West	Gloucestershire	27	126
32	South West	Somerset	5	41
33	South West	Wiltshire	1	3
34	Wales	Gwent	2	10
35	Wales	West Glamorgan	2	15
Total			414	2,621

Portfolio review

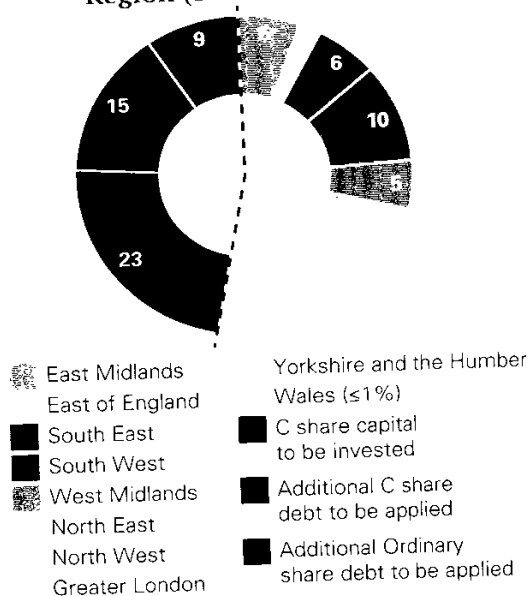
Percentage of Gross Asset Value by Housing Association (31 March 2018)



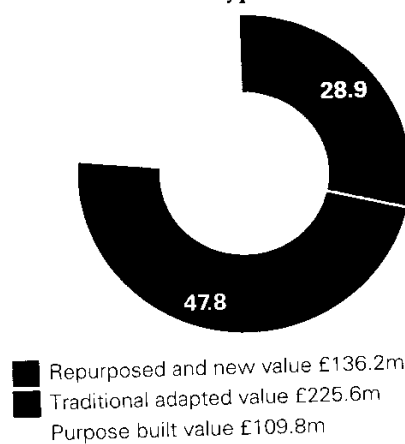
Percentage of Gross Asset Value by Housing Association (9 May 2018)



Percentage of Gross Asset Value by Region (31 March 2018)



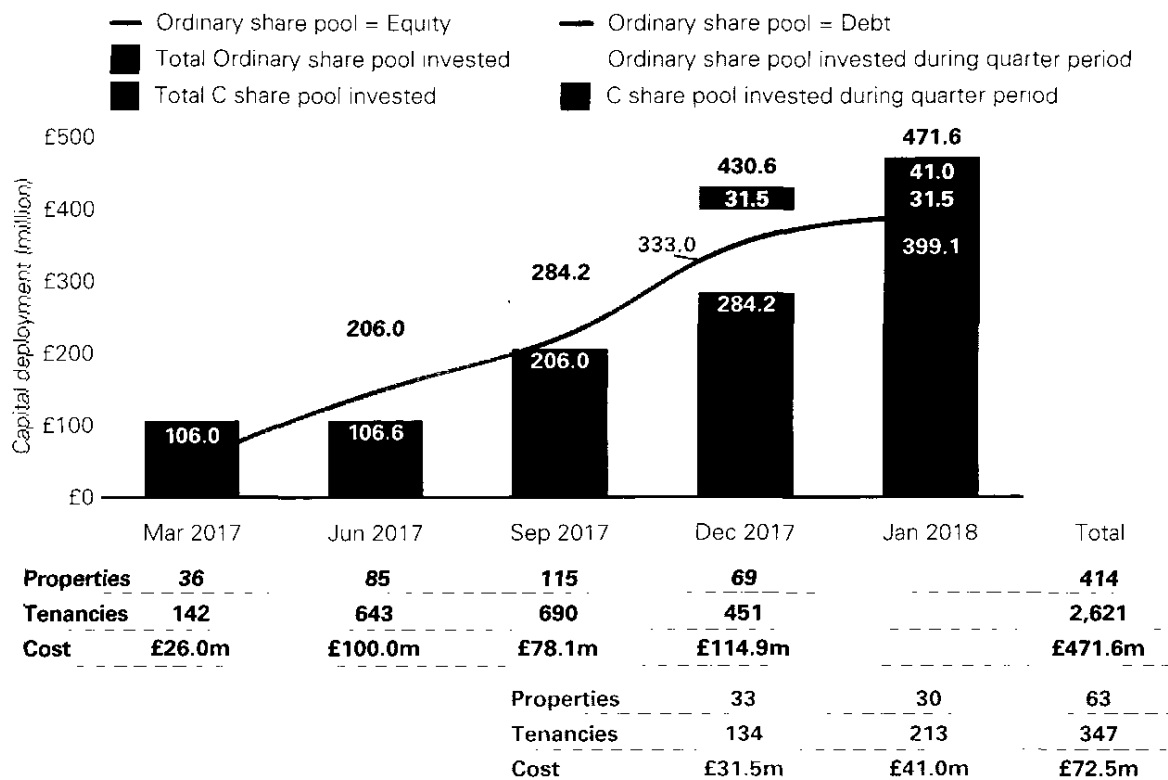
Property Type



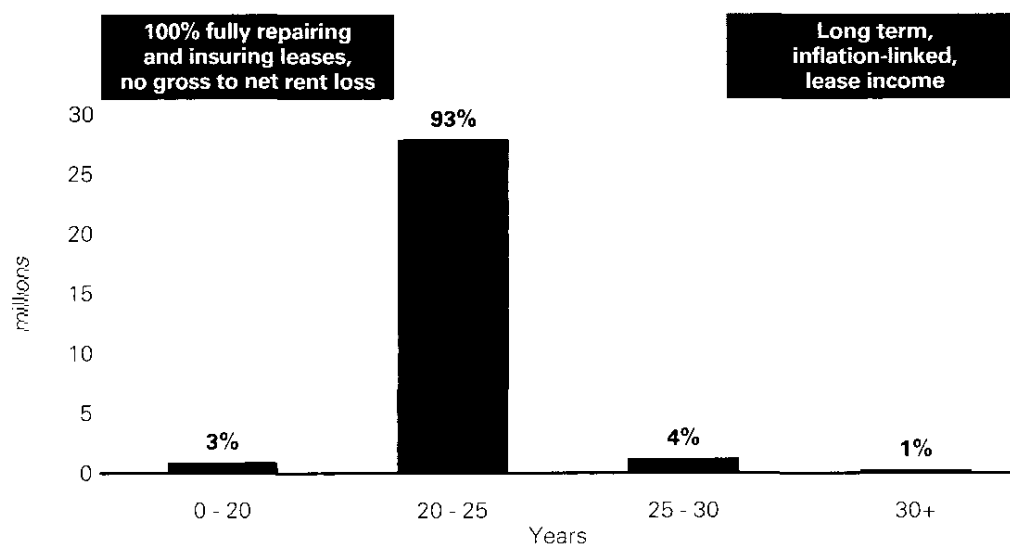
* Gross Asset Value is the aggregate value of the total assets of the Group once fully invested based upon the Net Asset Values (IFRS) as at 31 March 2018, announced on 30 May 2018 and 30% gross leverage.

Portfolio analysis

Total investment at cost (excluding purchase costs)



Security of income by lease expiry as at 31 March 2018



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 18 years' experience in legal/real estate. 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 funds. Graham is a Chartered Accountant.



Nick Bull
Transition Director

15 years' experience in UK real estate markets, responsible for transaction execution on lending and investment teams. Responsible for transaction execution for real estate and lending team at Merrill Lynch, UBS International and Lehman Brothers. Real estate and Banking Lawyer at Berwin Leighton and Clifford Chance. Qualified Solicitor. Head of transaction team.

“Civitas Housing Advisors Limited (“CHA”), the Investment Adviser to the Company, is pleased to report on the first period of operation for the Company for the period from IPO in November 2016 to 31 March 2018.”

Paul Bridge, Chief Executive Officer, Civitas Housing Advisors Limited

Market update

The need for increased levels of housing of all types and tenures continues to be a prominent issue for all political parties. The government has recently set a new target to provide 300,000 new homes each year and is investigating various initiatives to achieve this, with current supply being well behind this target.

The current shortfall in housing provision is felt acutely within the specialist areas of care, with the result that good quality properties that are established to provide healthcare in the community are today in significant and growing demand and likely to remain so for many years to come.

Against this background the market to acquire Specialist supported housing remains robust with a range of both private and public buyers seeking to purchase properties and with an element of upward pressure on pricing as a result. Despite this, the Company utilises its relationships, existing agreements and buying power to acquire good quality properties at competitive prices that remain within the yield range set out at the time of IPO in 2016.

In addition, properties and counterparties continue to be turned-down (in excess of £300 million declined since IPO) as a result of the due diligence and acquisition requirements set by the Company. The issues identified earlier in the year by First Priority Housing Association have emphasised further the importance of ensuring that counterparty, transaction and lease structures are robust and sustainable.

The Company itself continues to enhance its own due diligence procedures with the development of its best practice investment Protocol including procedures to further secure rental income and deposits resting with housing association partners.

On 9 May 2018 the Company announced that all leases held with First Priority had been successfully assigned to Falcon Housing Association.

Investment strategy

The Company's aim is to improve the standard and availability of Specialist supported housing, while providing value for money to the public purse.

In many instances the alternative accommodation available to individuals in need of Specialist supported housing is an NHS institution or care home. Despite the efforts of staff, placement in an NHS institution or care home may not, however, provide the most optimal outcome for the individual, reducing their wellbeing at the same time as carrying a significant cost.

During the period the Company has assembled a high quality portfolio of 414 properties, roughly half of these properties were existing residential properties that have been modified and enhanced to enable long term care to be provided within the community. The other half of the portfolio represents properties that have been repurposed from an alternative use such as offices, or newly built properties designed to provide long term care.

Investment Adviser's report continued

Key to the establishment of the Company's portfolio are the strong relationships it has built in the sector, for example with a number of specialised healthcare partners to obtain high quality properties at competitive prices. In instances where new properties are developed or converted the Company will commit to acquire the property once completed, subject to all necessary standards being met. By contracting to acquire a property once complete the developer is the only party exposed to the development or forward funding risk and the Company has an income generating property from day one.

As the first REIT to be listed on the London Stock Exchange to offer a focused exposure to social housing in England and Wales the Company has benefitted from a first mover advantage. The Company has built on this advantage to establish the pre-eminent position and a strong reputation in the market. The Company's position, its partnerships and the experience and networks of the Investment Adviser team have resulted in incoming investment opportunities and enabled the Company to acquire materially all properties off-market to date, delivering capital appreciation from day one. During the period £471.6 million of property was acquired, with revaluation gains of £30.6 million realised.

Earlier in the year one of the Company's tenants First Priority Housing Association reported itself to the Regulator, stating cash flow concerns. In the interests of ensuring stability for the Company's tenants discussions took place with several alternative Housing Associations to assign the Company's properties then leased to First Priority. On 9 May 2018 the Company announced that all leases held with First Priority had been successfully assigned to Falcon Housing Association without any loss of future rent, demonstrating the quality of the portfolio and the due diligence undertaken by the Company. At the same time this experience emphasised further the importance of ensuring that counterparty, transaction and lease structures are robust and sustainable and this has led to various enhancements to the due diligence process. Properties and counterparties continue to be turned-down as a result of the due diligence and acquisition requirements set by the Company.

During this period we have acquired 414 properties, leased to 11 Registered Providers and housing 2,621 tenants across 109 Local Authorities, with care support provided by 64 care providers, fully deploying the £350 million equity raised at IPO, the £92.5 million of debt subsequently drawn, and £72.4 million of the £302 million of C share capital raised in November 2017.

At the time of IPO the Company stated that it would invest at least 75% in Specialist supported housing, at the date of this report almost the entire portfolio is invested in Specialist supported housing.

Specialist supported housing

The Company actively acquires Specialist supported housing, which includes housing for some of the most vulnerable people in society. Typically, government funding for each tenant under this categorisation represents 100% of the cost. This includes housing (rent and property maintenance) as well as the cost for care (paid to the Care Provider and usually representing the largest element of the overall funding). Costs are paid from the Department for Communities and Local Government and the Department of Work and Pensions to the relevant Local Authority, which then passes funds on to the Registered Provider and Care Provider.

Due to the relationships the Company has fostered in the market acquisition yields achieved in the Specialist supported housing sector are typically in the region of 5.5% to 6.5%. Larger portfolios have been seen to date at significantly lower yields. Many of the tenants in the Company's portfolio are of an age that would mean that they could be in residence for the length of the lease and beyond, as such the leases are typically 25 years in length or longer and subject to annual CPI uplifts.

The Local Authority is responsible for paying the care provider directly for its provision of services to the tenant. The Company does not undertake responsibility for the operations of the care provider or care for the individual tenants. The registered provider typically enters into a service level agreement with the care provider. The care provider itself comes under the regulation of the Care Quality Commission.

Long-term leases and occupancy agreements

The Company has typically entered into long-term inflation adjusted leases for periods in excess of 20 years with Housing Associations, where all management and maintenance

obligations are serviced by the Housing Associations. The Company's portfolio currently has a WAULT of 24.1 years.

The nature of the lease arrangements with the Housing Associations are that the Housing Association, and not the Company, is the landlord under applicable landlord and tenancy legislation.

Where the counterparty is a Local Authority, or where we believe it is in the Company's interest, the Company may consider unexpired leases of not less than 10 years. This may be due to the constraints on Local Authorities from entering into longer terms arrangements.



Investment Adviser's report *continued*

The investment pipeline

The investment pipeline has identified a number of new assets which meet the Investment Objective and Investment Strategy, including off-market portfolios identified through our contacts and relationships in the sector.

The assets identified for acquisition come from an increasingly broad range of sources reflecting the enhanced profile of the Company and the Investment Adviser within the social housing sector.

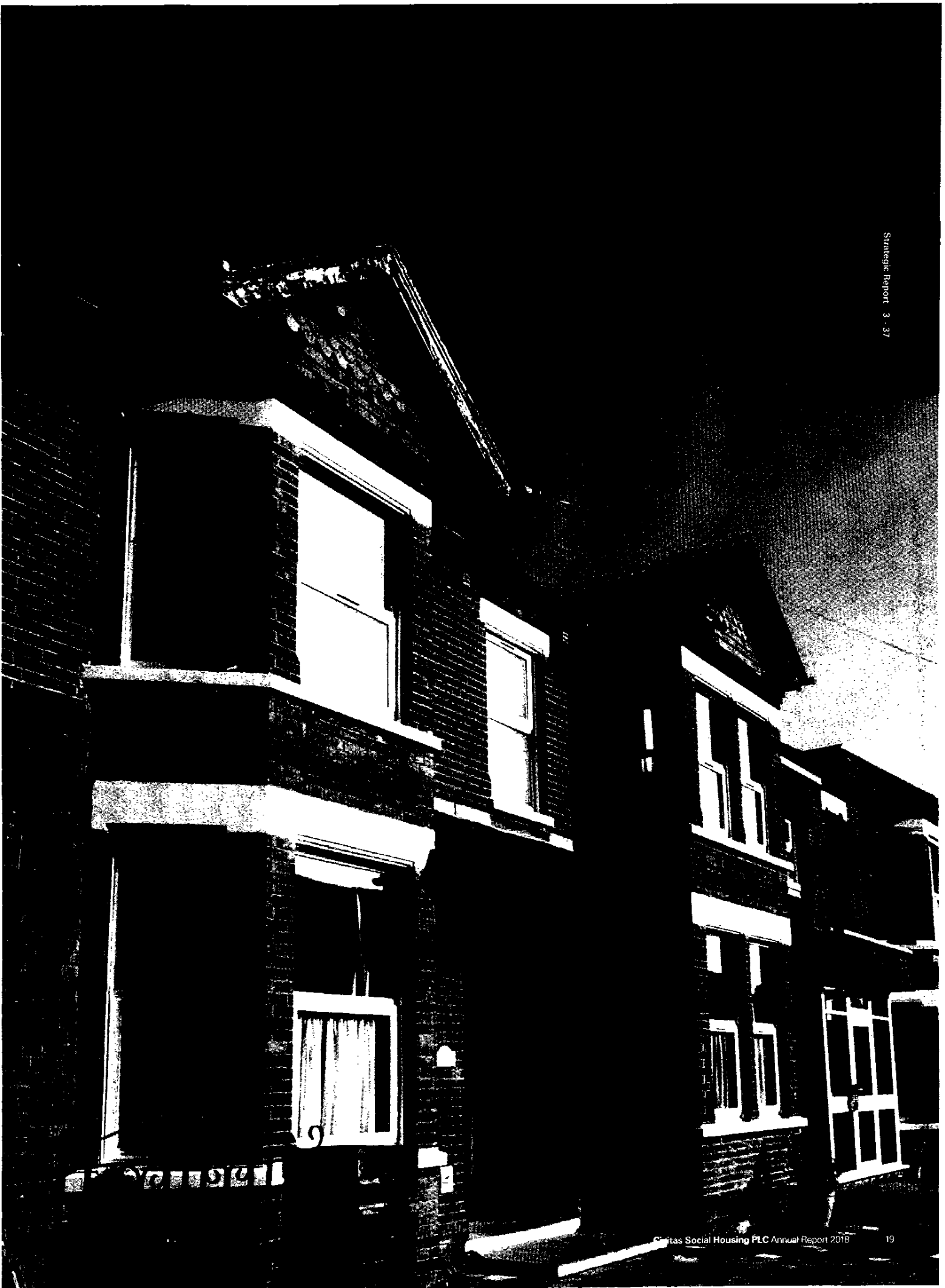
The Investment Adviser has identified further pipeline of opportunities and is engaged presently in conducting detailed due diligence, on those that are near term and evaluating further those for purchase later in 2018 and beyond. As part of this work the Investment Adviser continues to build relationships with potential vendors, particularly care providers who today form a growing element of the pipeline overall in addition to Housing Associations and other private vendors.

As part of the Company's plans to seek further diversification within the specialist areas of the regulated social housing sector, we anticipate that pipeline transactions will include not just homes for tenants with care needs based around learning disability and autism but also dependency, homelessness 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 model with a Housing Association entering into a long-term arrangement with the Company and providing on the ground property services.

We look forward to continued progress over the forthcoming months and to deploying further capital to improve the quality and availability of social housing across England and Wales.

Civitas Housing Advisors Limited
Investment Adviser
11 June 2018





Extract from The Good Economy Impact Report, 2018

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

Executive summary

Civitas Social Housing PLC ("Civitas") is delivering on its social objective of increasing the availability of high-quality social housing for vulnerable individuals. Since launch in November 2016 as the first Real Estate Investment Trust ("REIT") dedicated to social homes, Civitas has quickly established itself as a pioneering, large-scale investor in the provision of Specialist supported housing ("SSH") in England and Wales. As of 31 March 2018, Civitas has achieved the following results:

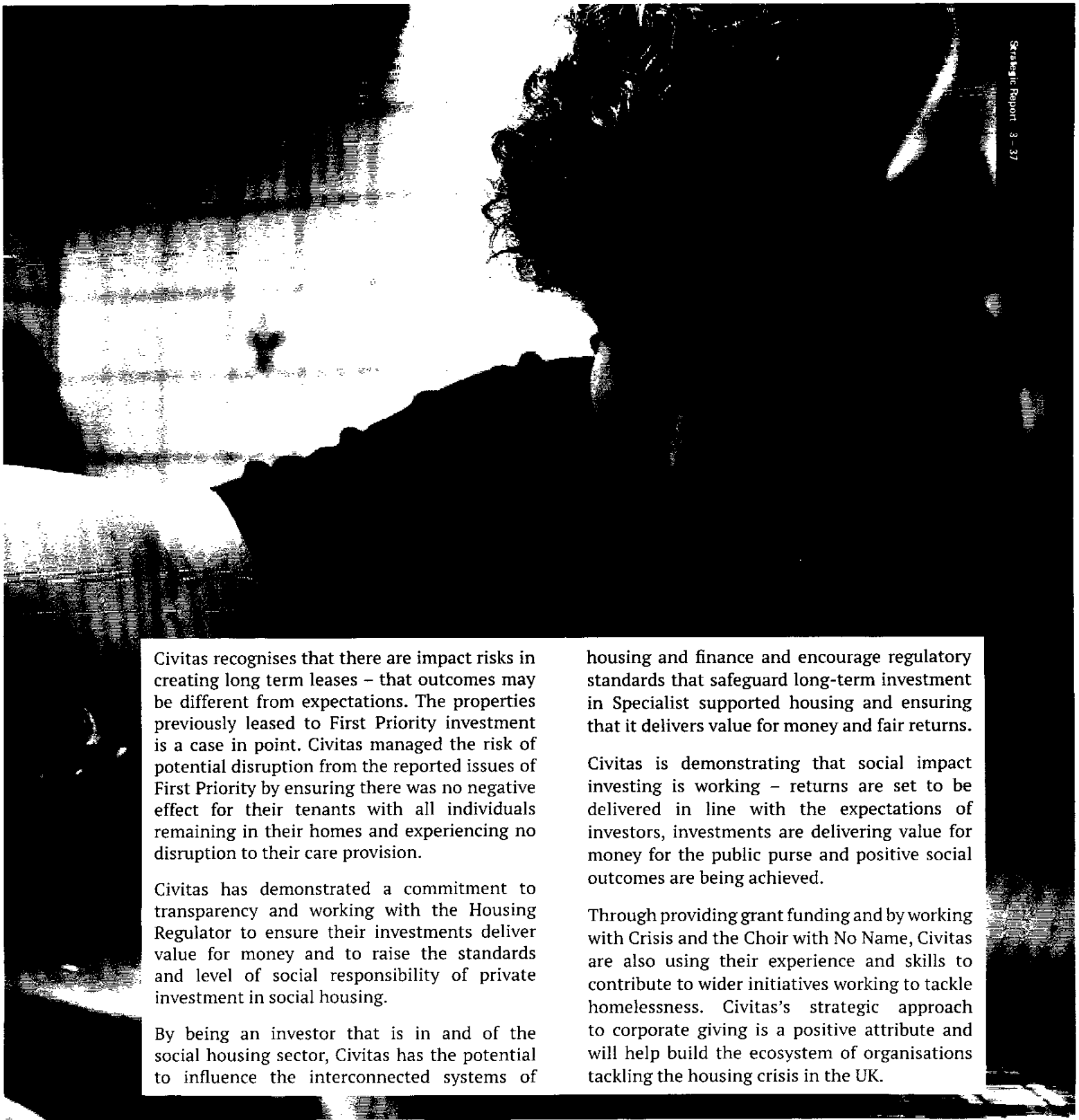
- £471.6 million invested in 414 properties managed by 11 Housing Associations, located across 109 Local Authorities
- Providing a home and support for up to 2,621 people, the majority of whom have learning or physical disabilities and medium to high care needs (i.e. 24/7 care)
- Residents are supported through care and support provision from 64 care providers

There is strong independent evidence that Specialist supported housing delivers both better quality of life for individuals as well as costs savings for Local Authorities compared to residential or in-patient care (see next section). This provides confidence that the type of social housing Civitas owns is likely to have a positive impact.

To ensure a focus on impact creation is embedded throughout the investment process, Civitas Housing Advisors (CHA), the investment adviser to Civitas, has developed a robust due diligence process which incorporates social impact, environmental and governance considerations. At the heart of the due diligence process is ensuring that all parties have shared social objectives, the properties are adapted to meet the care needs of the individuals concerned, and high quality housing management and care services are in place.

During 2017/18, CHA has actively sought to build partnerships and deepen its engagement with partner housing providers and other stakeholders, including the Housing Regulator, to raise standards within the SSH sector, recognising that many SSH providers are small organisations. CHA has discussed its Best Practice Protocol with all partner housing providers and this aims at safeguarding their long-term financial strength and social delivery.

Evidence suggests that Civitas investments are contributing to the overall well-being of residents by enabling them to live within a community with appropriate care and support. In some cases, the security and support of SSH can be life transforming. Stakeholders welcome the long-term approach of Civitas and the commitment to ensuring tenants have security of housing and care in line with their needs and aspirations.



Civitas recognises that there are impact risks in creating long term leases – that outcomes may be different from expectations. The properties previously leased to First Priority investment is a case in point. Civitas managed the risk of potential disruption from the reported issues of First Priority by ensuring there was no negative effect for their tenants with all individuals remaining in their homes and experiencing no disruption to their care provision.

Civitas has demonstrated a commitment to transparency and working with the Housing Regulator to ensure their investments deliver value for money and to raise the standards and level of social responsibility of private investment in social housing.

By being an investor that is in and of the social housing sector, Civitas has the potential to influence the interconnected systems of

housing and finance and encourage regulatory standards that safeguard long-term investment in Specialist supported housing and ensuring that it delivers value for money and fair returns.

Civitas is demonstrating that social impact investing is working – returns are set to be delivered in line with the expectations of investors, investments are delivering value for money for the public purse and positive social outcomes are being achieved.

Through providing grant funding and by working with Crisis and the Choir with No Name, Civitas are also using their experience and skills to contribute to wider initiatives working to tackle homelessness. Civitas's strategic approach to corporate giving is a positive attribute and will help build the ecosystem of organisations tackling the housing crisis in the UK.

Extract from The Good Economy Impact Report, 2018

continued

Context

Civitas Social Housing PLC (“Civitas”) is a real estate investment trust (“REIT”) that was created to raise private capital to invest in social homes across England and Wales. Its social objective is to help tackle the chronic shortage of social housing in the UK, particularly Specialist supported housing for vulnerable adults. In November 2016, Civitas was admitted to the London Stock Exchange in a £350 million offering, making it the first social housing Real Estate Investment Trust. In November 2017, Civitas raised a further £302 million in a C share offering followed by £92.5 million of debt such that assets under management (“AUM”) total £745 million as of 31 March 2018. Civitas aims to provide investors with sustainable financial returns whilst putting their capital to use for positive social benefit.

Civitas is focused on tackling the problem of the lack of appropriate housing and support for vulnerable adults who have special needs. This includes people with learning and physical disabilities, people with mental health problems, those suffering from drug and alcohol addiction and individuals at risk of homelessness. Many such people face difficulties finding a home that meets their needs and enables them to live independently. Civitas works with registered housing providers, care providers and local authority commissioners who are committed to providing high quality accommodation and care that is tailored to meet people’s needs and aspirations over the long-term.

Market and policy context

Research commissioned and recently published by Mencap, a leading UK charity for people with learning disabilities, evidences that demand for

the type of Specialist supported housing (“SSH”) that Civitas funds is rising. It estimates that projected demand for SSH will increase from a baseline of 22,000 – 30,000 SSH units (typically occupied by multiple people) in 2017/18 in England to 25,500 – 33,500 units by 2021/22 and to 29,000 – 37,000 units by 2027/28.¹ Factors driving this increase include:

- The population of people with learning disabilities is growing due to higher survival rates at birth and increasing life expectancy
- Government policy, particularly the Transforming Care Agenda, which promotes moving people out of institutional settings to community-based housing alternatives that promote independent living
- Decline in informal support networks and at-home care, with more working mothers and increases in single-parent families

SSH differs from conventional general needs housing in that it is developed directly in accordance with Local Authorities’ or the health service strategic priorities, there is no capital subsidy provided and the scheme offers a high level of support for clients, for whom the only acceptable alternative public or voluntary sector options are care homes or long-stay NHS beds. Most if not all of people living in SSH will be eligible for and claim Housing Benefit. In the main, Housing Benefit claims within SSH are accepted by Local Authorities as falling within the ‘exempt accommodation’ category which means they fall outside of the benefit cap and registered providers can, as a result of the higher cost of provision, charge higher rents and service charges to ensure these schemes are viable to develop and maintain.

¹ Mencap and Housing Learning and Improvement Network (LIN), ‘Funding supported housing for all: Specialist supported housing for people with a learning disability’, April 2018.

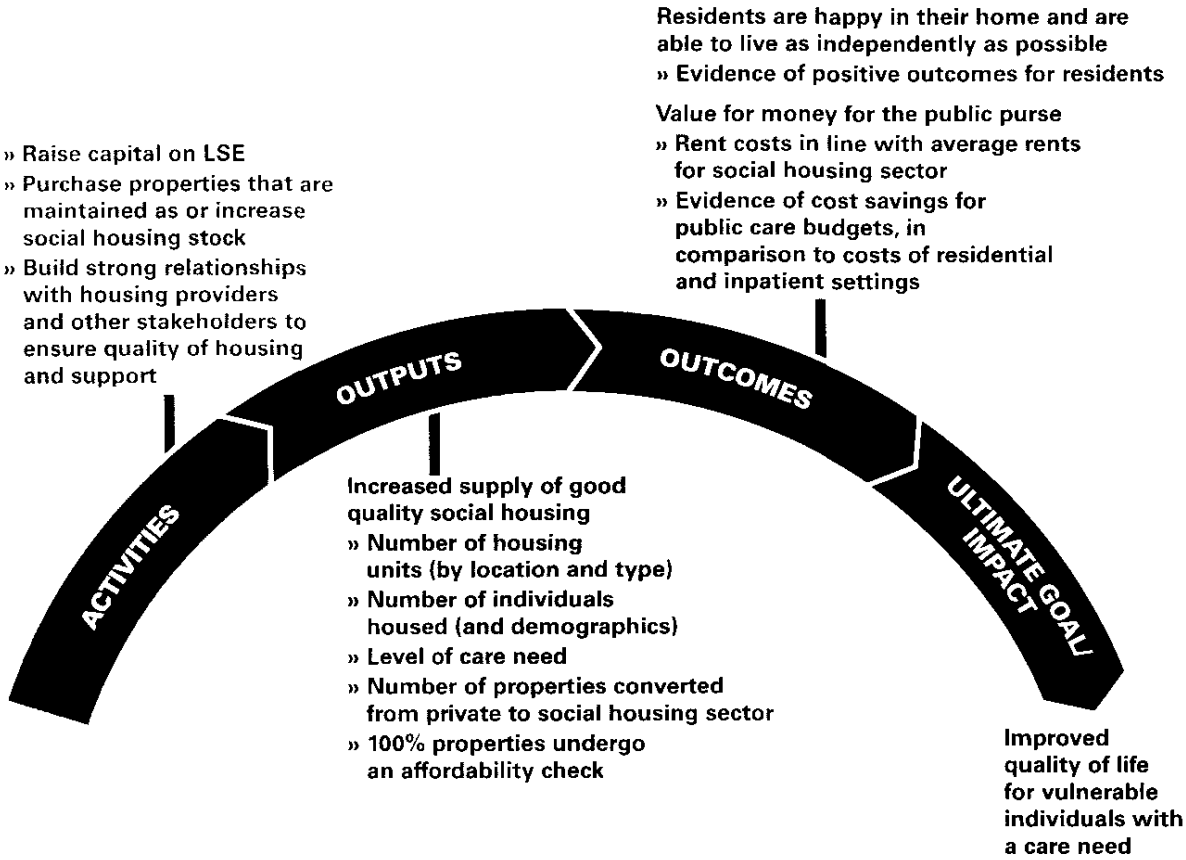
There is strong evidence that SSH delivers both good social outcomes for individuals and is a cost-effective way of providing housing to those with complex needs, with lower overall costs to Local Authorities compared to residential or institutional care. The Mencap and Housing LIN report found that a person living in SSH requires, on average, state funding of £1,569 per week for care and housing costs. This compares favourably to an average cost of £1,760 per week for a residential care placement, and £3,500 per week for an inpatient place. According to this

report, the rent element for a SSH property is reasonable when compared with the average rent for all non-older people supported housing, costing around £235 per week versus £180 per week.

Increased funding is required to meet growing demand for SSH. Civitas has an important role to play as a funder of SSH. It is committed to being a responsible investor ensuring it delivers high-quality social housing that provides value for money and has a positive impact on people's wellbeing.

Theory of Change

The Good Economy has developed a Theory of Change which provides a framework for articulating the goals of Civitas and measuring the results and impacts achieved.



For a full analysis of Civitas' results and the impact they have achieved, please refer to the full Social Impact Report.

Extract from The Good Economy Impact Report, 2018

continued

Housing Association Case Study: Harbour Light

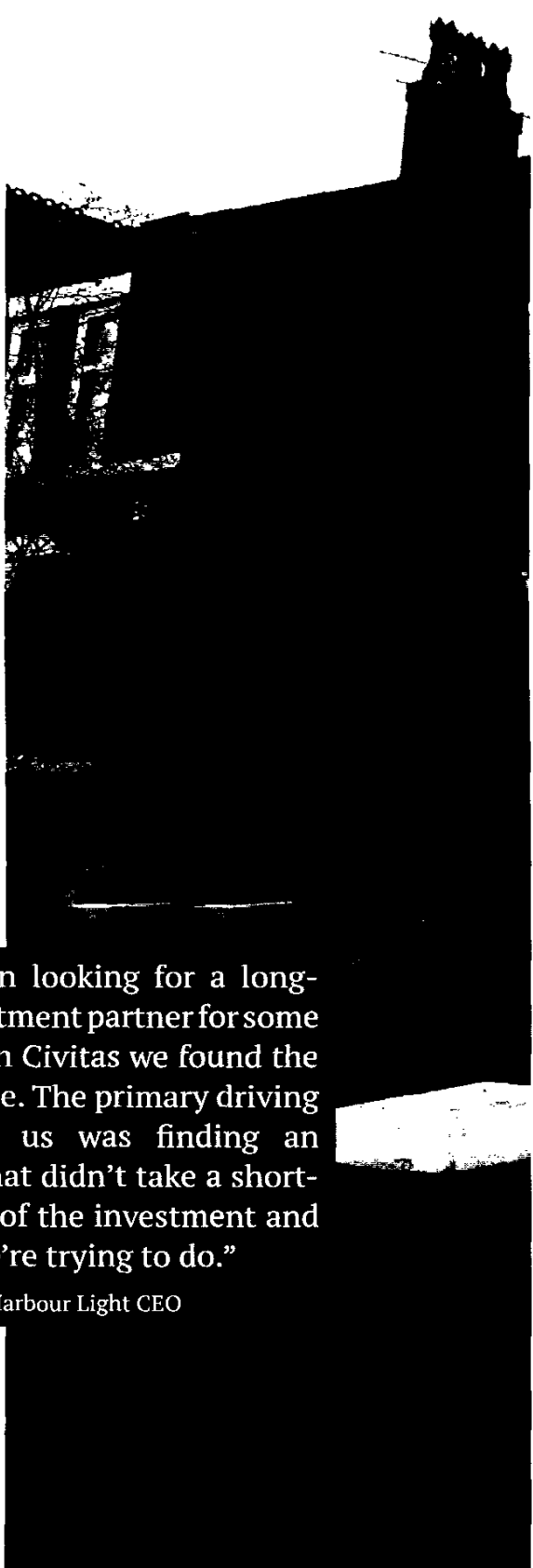
Harbour Light is a not-for-profit Assisted Living Housing Association based in Liverpool, which provides bespoke living accommodation for vulnerable adults with learning difficulties or mental health issues in the North West. Approved by the Homes and Communities Agency, they are commissioned by Local Authorities and clinical commissioning groups to provide accommodation, with the overwhelming majority of their tenants requiring 24/7 on-site care and support. Having been established in 2014 to initially take on a package of 110 tenancies, Harbour Light now manage 258 units of Supported Living and works with 7 different care providers across Liverpool, Sefton, Knowsley and the Wirral. Harbour Light leases its properties from landlords (the majority are owned by Civitas) and provides housing management and tenancy support services.

The value of Civitas' long-lease structure

In 2016, the local family business that owned roughly 70% of Harbour Light's existing property portfolio decided to sell their share of properties. With Harbour Light's business model underpinned by the need for long-lease terms, it was essential that they found an investment partner who shared their social mission and long-term approach, particularly as this batch of properties represented such a large proportion of their portfolio. Civitas' approach, with each property having a minimum 25-year lease, enabled Harbour Light to provide assurance to both their local authority partners, and most importantly to their tenants, that the accommodation they provide would be both stable and secure. Civitas was therefore chosen by Harbour Light as the ideal investment partner, and in August 2017, they finalized the purchase of a portfolio of 26 SSH properties with 182 tenancies, for a total consideration of £17.8m.


Moving forward

Since receiving the investment, Harbour Light have welcomed the hands-on approach that Civitas take with their partners. CEO Mark Adams described the added benefit of the knowledge sharing that has come about through attending seminars and having close contact with Civitas and other SSH housing providers working with Civitas. Harbour Light themselves are extremely engaged with their tenants, visiting every property at least once every two weeks and delivering intensive housing management services to provide help with benefits, rent payments, budgeting and utilities. To this end, there is a strong degree of values alignment between Civitas and Harbour Light, with both organisations committed to seeing long-term results and systemic improvements in the availability and quality of social housing.

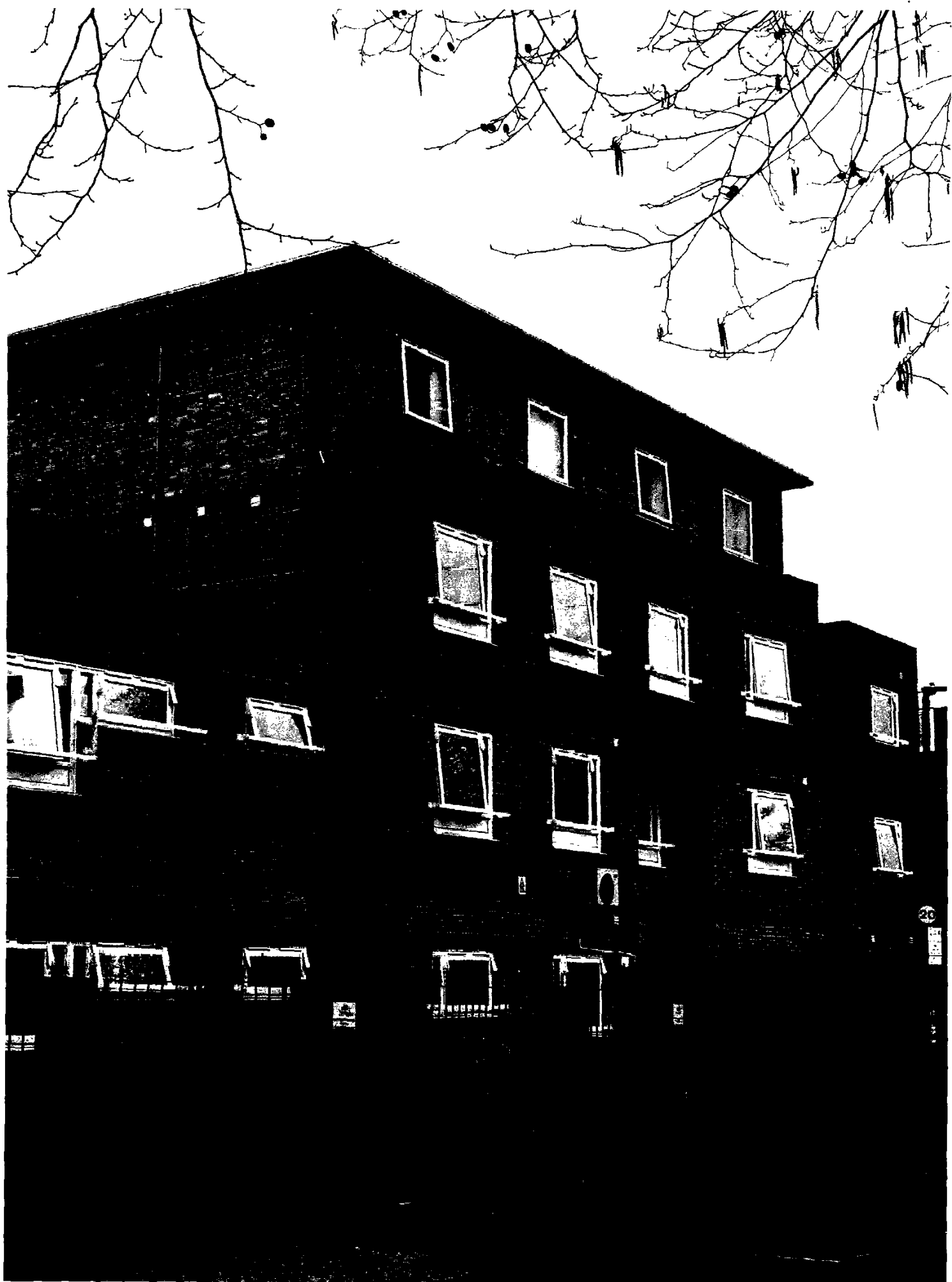


"We'd been looking for a long-term investment partner for some time and in Civitas we found the right choice. The primary driving factor for us was finding an investor that didn't take a short-term view of the investment and of what we're trying to do."

Mark Adams, Harbour Light CEO



The Social Impact Report for Civitas Social Housing PLC is prepared by The Good Economy Partnership ("TGE"), a specialist social advisory firm. TGE carries out an independent review of the social impact performance of Civitas Social Housing PLC on a semi-annual basis. TGE's focus is twofold: ensuring there are shared social objectives and an alignment of interests across all stakeholders, including residents, housing providers, care providers and government; and evaluating delivery of positive social outcomes and value for money. The report is based on analysis of quantitative data against social impact metrics, as well as in-depth stakeholder interviews. TGE works with Civitas Housing Advisors to ensure their impact measurement, management and reporting practices are aligned with emerging best practice standards and to ensure transparency and accountability to all stakeholders.



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 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.

The Board comprises three male and one female non-executive 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 2,500 people. All of the Company's properties enable the provision of high levels of care, generating local jobs and helping to support local economies.

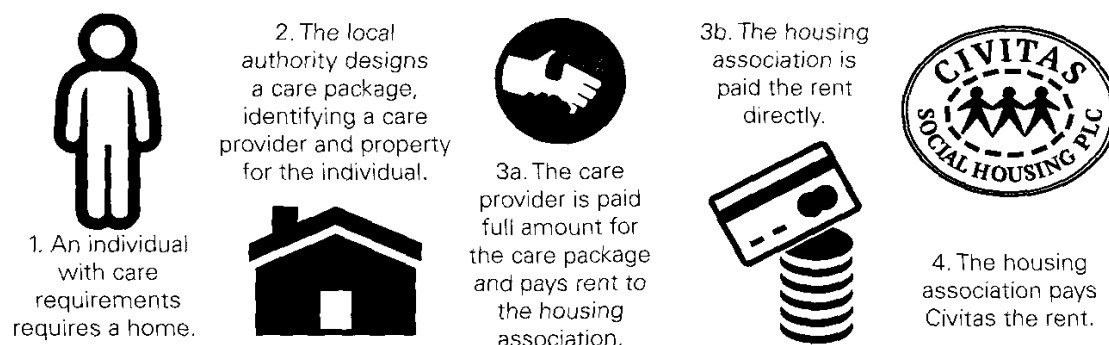
The Company has no employees and accordingly no requirement to separately report on this area.

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



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.

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 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 the 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.

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 per cent of the Gross Asset Value of the Company;
- 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. 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 per cent 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.

Investment objective and policy *continued*

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 IPO proceeds by 31 December 2017 and the C share proceeds by 31 December 2018 or earlier.	All of the IPO proceeds plus debt invested by December 2017. £72.4 million of the C share proceeds deployed in the first four months since raise. Total of £471.6 million deployed to date.
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 75p per share or 7.7% from IPO. Portfolio NAV, increase of 15.9p per share or 16.2% from IPO.
Dividend per share	Targeting 3p per share in the period from IPO to 31 December 2017; 5p per share per annum from the second year onwards growing broadly in line with inflation.	Dividends of 3p per share declared for the period from IPO to 31 December 2017. Dividend of 5p per share targeted 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 2018: <ul style="list-style-type: none"> • 109 Local Authorities • 11 Housing Associations • 64 care providers Westmoreland Housing Association currently represents 35% of the Company's rental income, this exposure will decrease below 20% as the portfolio is fully deployed.
Loan to Gross Assets	Target debt drawn of 30% of gross assets.	Loan to gross assets of 12%.



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 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. Comparatives have not been disclosed as the Company did not own any property investments in the comparative period.

EPRA Performance Measure	Definition	EPRA Performance Measure	31 March 2018
EPRA Earnings	Earnings from operational activities.	EPRA Earnings EPRA Earnings per share (basic) EPRA Earnings per share (diluted)	£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)	£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)	£667,435,000 105.43p
EPRA VACANCY RATE	Estimated Market Rental Value (“ERV”) of vacancy space divided by ERV of the whole portfolio.	EPRA Vacancy Rate	0%

For detailed workings reconciling the above measures to the IFRS results please see Appendix 1 to these financial statements on pages 120 and 121.

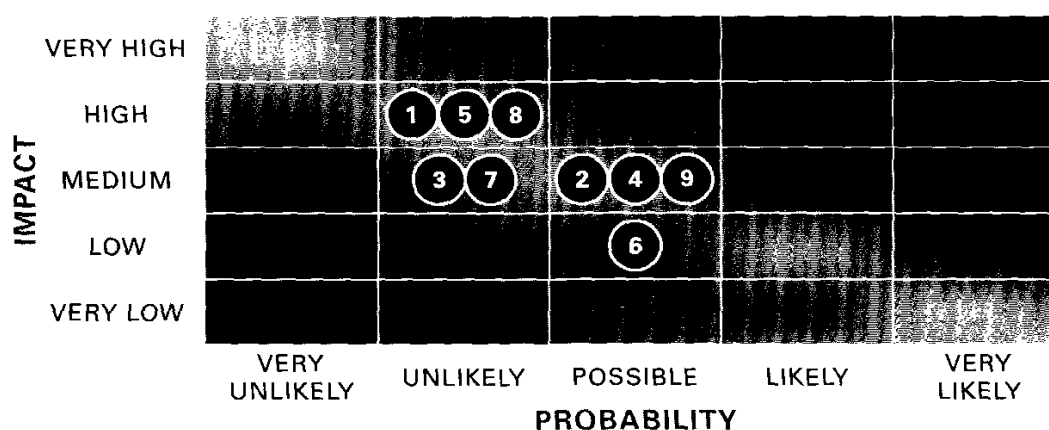
Adjusted Performance Measure	Definition	Performance Measure	31 March 2018
Portfolio NAV	IFRS NAV adjusted to reflect investment property valued on a portfolio basis rather than on an individual asset basis.	Portfolio NAV	113.86p
Company Adjusted Earnings	Company Specific Earnings Measure which adds back the finance costs associated with the C share financial liability.	Adjusted Earnings Adjusted Earnings per share (basic)	£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.



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 32 to the financial statements. These are the risks that could affect the ability of the Company to deliver its strategy. The Board can confirm that the Principal Risks of the Company, including those which would threaten its future performance, solvency or liquidity, have been robustly assessed throughout the period ended 31 March 2018, 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 Report of the Audit and Management Engagement Committee on pages 48 to 51. 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.	<p>The Company focuses on niche real estate sectors where it believes the regulatory framework to be robust.</p> <p>The Board obtains regular updates from professional advisers to monitor developments in regulation and legislation.</p>	<p>Impact: High</p> <p>Probability: Unlikely</p>

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.	
3. 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: Medium Probability: Unlikely
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.	
5. 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 Investment Advisers' key man risk and succession plans.	Impact: High Probability: Unlikely

Principal risks and risk management *continued*

6. Investment management risk	Impact	How managed/mitigated	
Tenant defaulting under the terms of a lease.	Loss of rental income in the short term.	The portfolio is diversified to reduce the impact of default. Extensive diligence is undertaken on all assets, which is reviewed and challenged by the Board. The Board is provided with regular updates on the tenants with any concerns raised for discussion.	Impact: Low
7. Investment management risk	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
8. 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: Unlikely
9. Operational risks, including cyber crime	Impact	How managed/mitigated	
Disruption to, or failure of the systems 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.	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.	



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 £250 million that was readily available for use. As stated in the Strategic Report, the Investment Adviser has identified a pipeline of £500 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 Board believes 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 2023. The prospects were assessed over a five year period 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.
- 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 32 to 34. 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 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 49 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 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

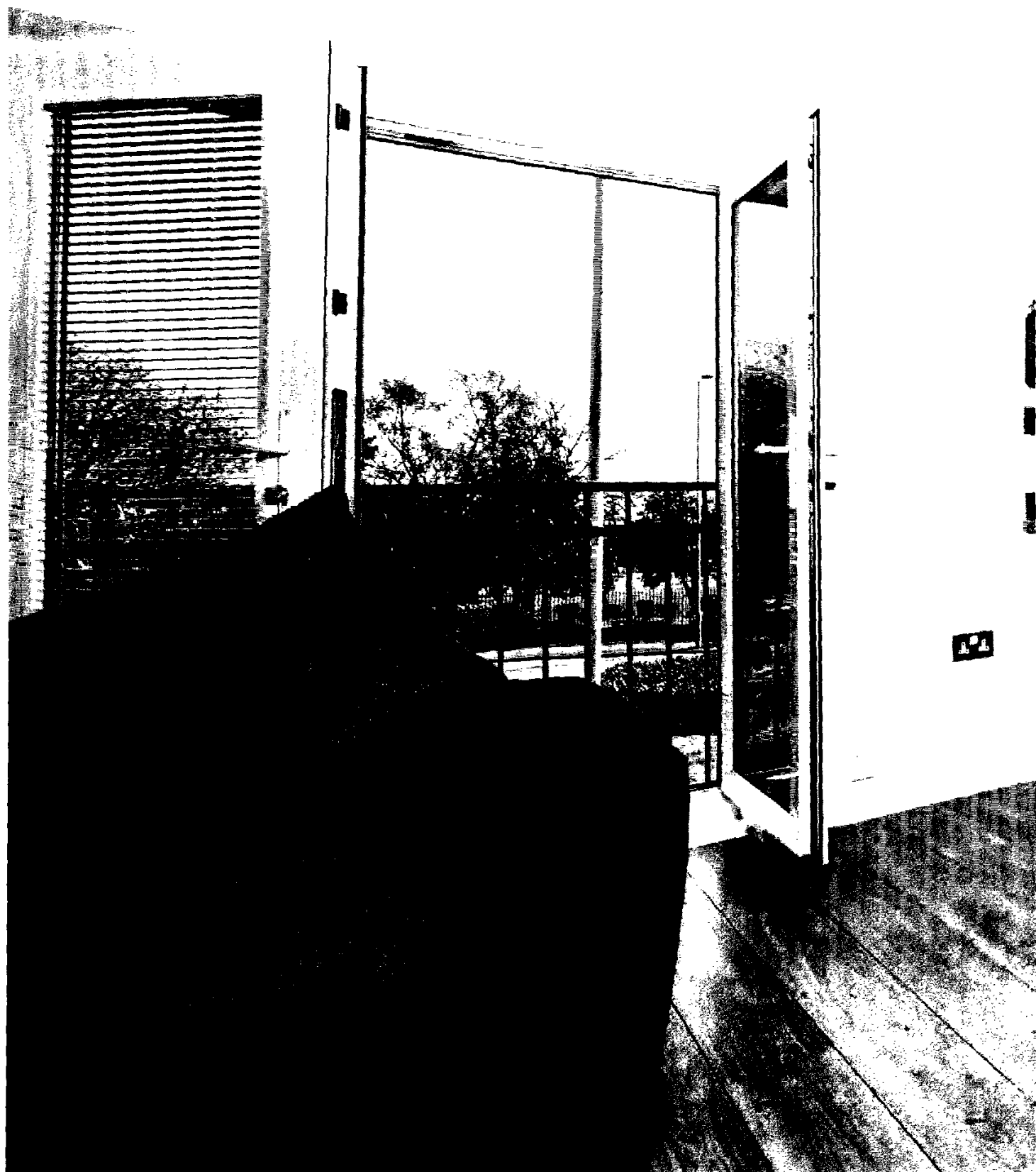
The remaining principal risks and uncertainties, whilst having an impact on the Company's business, are not considered by the Directors to have a reasonable likelihood of impacting the Company's viability over the five year period.

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
11 June 2018





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 30 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 BATUK Pension Fund and Chair of its Investment and Funding Committee. He is also the Chairman of trustees of the Thorntons Pensions Scheme, 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, 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 and Investment Management Association. He previously worked at Morgan Grenfell, Fidelity International, Gartmore Investment Management and F&C Management. Michael has an M.A. in Economics from Cambridge University.

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



Caroline Gulliver
(Director)

Caroline is a chartered accountant with over 25 years' experience at Ernst & Young LLP, latterly as an executive director. 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 and a member of the AIC SORP working party for the revision to the 2009 investment trust SORP. 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 a Partner at Memery Crystal LLP. He has been a non-executive director of Notting Hill Housing Group (now Notting Hill Genesis) and a member of the Audit and Treasury Committees. He is the Deputy Chairman of the Investment Committee of the City of London Corporation and its Property Investment Board. He is also the Deputy Chairman of the City's Planning and Transportation Committee. He is a Trustee of Marshall's Charity and a mentor to commercial directors in government departments. 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 Councilor 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 period from 18 November 2016 to 31 March 2018.

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 32 to 34.

Results and dividends

The results for the period are shown on page 78. The following dividends were paid on the Ordinary shares during the period:

First quarterly dividend	0.75p paid on 31 May 2017
Second quarterly dividend	0.75p paid on 31 August 2017
Third quarterly dividend	0.75p paid on 30 November 2017
Fourth quarterly dividend	0.75p paid on 9 March 2018

Since the period end, the Company has declared the following dividends:

First quarterly dividend on the Ordinary shares	1.25p paid on 8 June 2018
First dividend on the C shares	1.13p paid on 8 June 2018

No final dividends are being recommended on the Ordinary or C shares.

Directors

The members of the Board are listed on pages 40 and 41. 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.

The Board is in the process of assessing its performance in accordance with the procedure described in the Corporate Governance Statement on page 55.

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 60 to 63.

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.

Capital Structure

350 million Ordinary shares of 1p each (with an aggregate nominal value of £3,500,000) were issued under the IPO on 18 November 2016 at a price of 100p per share. This was followed by the issue of 302 million C shares of 1p each (with an aggregate nominal value of £3,020,000) at 100p per C share on 14 November 2017 under a fully pre-emptive Open Offer, Placing, Offer for Subscription and Intermediaries Offer.

50,000 redeemable preference shares had been issued to CHA on 26 October 2016 in consideration for an irrevocable undertaking by CHA to pay up one quarter of the nominal value in order to allow the Company to obtain a trading certificate pursuant to section 761 of the Companies Act 2006. These shares were redeemed on 28 November 2016, following the admission to trading of the Ordinary shares.

As at 31 March 2018, the Company had 350 million Ordinary shares and 302 million C shares in issue, none of which were held in treasury. The total voting rights as at 31 March 2018 and the date of this report were 350 million.

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 Ordinary shares carry the right to receive all 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

The C shares are a class of convertible, non-voting preference share listed 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 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; no agreements between holders of securities regarding their transfer known to the Company; and no agreements to which the Company is a part that might affect its control following a successful takeover bid.

Report of the Directors continued

Shareholder authorities to issue or buy back shares

At the AGM held on 17 May 2017, the Directors were authorised to issue equity securities up to an aggregate nominal amount of a) £116,666,666 and b) £233,333,333 (subject to reduction by any amounts issued under a)) by way of rights issue.

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 of £17,500,000, and also in respect of a further amount of £17,500,000 which could be issued in connection with the financing of an acquisition or specified capital investment.

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 a General Meeting ("GM") held on 13 October 2017, the Directors were authorised to issue C shares up to an aggregate nominal amount of £5,250,000. They were also authorised to disapply pre-emption rights in respect of the authority to issue C shares. As set out above, 302,000,000 C shares have been issued under this authority.

The Directors have authority to buy back up to 35,000,000 Ordinary shares and up to 45,269,800 C shares, granted at the 2017 AGM and the GM held in September 2017 respectively. No shares have been bought back under these authorities.

The Directors will consider repurchasing Ordinary shares and/or C shares 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 Ordinary shares and/or C shares.

The authorities to issue and buyback shares will all expire at the 2018 AGM, at which renewal will be sought.

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.

The details of the agreement between the Company and the Investment Adviser are described in note 8 of the financial statements.

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.

The performance of the Investment Adviser has been reviewed on an ongoing basis throughout the period by the Board at its quarterly meetings. 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 Lawson Conner 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.

Depository

Indos Financial Limited were appointed as the Company’s Depository with effect from 1 June 2018, replacing Langham Hall UK Depository LLP. The Depository provides cash monitoring, safekeeping and asset verification and oversight functions as prescribed by the AIFMD. The Depository 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.

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. Link were appointed to replace Langham Hall UK Services LLP. The agreement is terminable on 90 days’ notice.

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.



Report of the Directors continued

Secretary

Link Company Matters Limited were appointed as Secretary to the Company with effect from 28 March 2018, replacing Langham Hall LLP. 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 2018 the Company had been informed of the following disclosable interests in the share capital of the Company:

	Number of Ordinary shares	Percentage of Total Voting Rights
Investec Wealth & Investment Limited	55,721,244	15.92
East Riding of Yorkshire Council	20,000,000	5.71
Tilney Group	16,943,449	4.84
Killik & Co LLP	10,602,635	3.03

On 8 May 2018, the Company was notified that Integrated Financial Arrangements Ltd had an interest in 10,524,274 Ordinary shares, representing 3.01% of the total voting rights. No other changes have been notified between 31 March 2018 and the date of this report.

Continuation vote

The Company has an unlimited life. However, in accordance with its Articles, the Board will propose an ordinary resolution for the Company to continue in its current form to shareholders at the 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 2018 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 2018. For a more detailed analysis of the Company's financial risk management please refer to note 32 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 2018, 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 intends to play a broader part within the communities in which it works. Whilst recognising the practical limitations that all financial investors face, Civitas intends to support, 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. As part of this, the Company established a Social Giving Programme in 2017 with a budget of £70,000 for the first year.

A donation of £35,946 was made to Crisis for the funding of the Crisis Renting Ready Officer ("the Officer") based in London. The Crisis Renting Ready Project is a successful project that prepares people who were previously homeless for renting a home. The Officer is responsible for the management and development of the programme that is based from a range of Crisis regional locations as well as being run by Crisis in London. The objective, through courses and education is for both prospective tenants and landlords to work together so that there is a much greater chance of an individual being successful in both securing a tenancy and being able to maintain it.

A donation of £15,000 was also made to the Choir with No Name to sponsor its "Big Christmas Singalong" event in Brighton in December 2017 and thereafter 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.

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 2018 Annual General Meeting.

By order of the Board

Link Company Matters Limited

Secretary

11 June 2018

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 financial controls and risk management of the Company, and oversight of the Company's compliance with accounting standards and regulatory requirements.

Composition

The Audit Committee has been chaired by Caroline Gulliver since IPO in November 2016. 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. There were three meetings of the Audit Committee in the period up to signing of these financial statements.

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 Advisers' 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 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, 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 their 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 established a Risk Matrix, which is reviewed by the Committee on a six-monthly basis; and
- reviewed the performance of the Investment Adviser, AIFM and other key service providers and made a recommendation to the Board about their continuing engagement.

Performance evaluation

There is no formal third party process for evaluation of the performance of the Committee. The performance of the Committee is considered as part of the full Board evaluation process.

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. The principal risks are listed on pages 32 to 34 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.

During the period the Directors monitored the Company's whistleblowing arrangements. No incidents were raised during the period.

Third Party Service Providers

The Audit Committee regularly reviews performance of key service providers such as the Investment Adviser, the AIFM, the Depositary, the Administrator, the Registrar and the Broker, to ensure adherence to service agreements and makes recommendations to the Board about *their continuing appointment*.

Report of the Audit Committee continued

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 and with the external auditor at the time the Audit Committee reviewed and agreed the external auditors' 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 independent 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 £30.6 million in the period.

The Investment Adviser confirmed to the Audit Committee that the method of valuation has been applied consistently throughout the period and none of the Audit Committee's other enquiries, nor the auditors 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 auditors, 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 second audit they have carried out since appointment, Sandra Dowling is the senior statutory auditor. The Company currently intends to put the external audit out to tender at least once every ten years.

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 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 totalled £563,000, of which £290,000 was received for non-audit services. The Audit Committee noted that £55,000 and £200,000 of the non-audit services fee was received for their role as reporting accountant in connection with the IPO and C share issue respectively. The remaining £35,000 of non-audit service fees related to the review of the half yearly report.

Note 9 to the financial statements details all services provided and total fees paid to PricewaterhouseCoopers LLP for the financial period ended 31 March 2018. The Committee considers PricewaterhouseCoopers LLP to be independent of the Company.

On the basis of these activities, 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.

Caroline Gulliver
Chairman, Audit and Management
Engagement Committee
11 June 2018



Corporate Governance Statement

Statement of compliance

Except as set out below and on the following pages, the Company has complied with the provisions of the FRC UK Corporate Governance Code (2016) ("Code") throughout the period ended 31 March 2018.

The UK Code includes provisions relating to:

- the role of the chief executive;
- executive directors' remuneration; and
- the need for an internal audit function.

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 and for, 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.

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.

Additional Board meetings were held to approve the C share issue and in connection with the drawdown of the Scottish Widows and Lloyds facilities.

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.

Corporate Governance Statement continued

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

As part of the annual assessment of the Board, the independence of all Directors will be reviewed.

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 period to 31 March 2018 along with the attendance of the Directors were:

	Board of Directors		Audit Committee	
	Entitled to Attend	Attended	Entitled to Attend	Attended
Michael Wrobel	19	17	2	2
Peter Baxter	19	19	2	2
Caroline Gulliver	19	19	2	2
Alastair Moss	19	17	2	1

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. 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 48 to 51.

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, 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.

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 performance of the Board will be assessed annually.

The Board will undertake an 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 Committees. The areas considered will be:

- 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 Company seeks to ensure that the Board has a balance of skills and experience that are complimentary 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.

The evaluation process will be conducted by the Chairman. Peter Baxter, as the Senior Independent Director, will lead the appraisal of the Chairman.

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.

Corporate Governance Statement continued

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.

Financial reporting

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

- Valuation reports are prepared by the external valuer, which are reviewed by the Board on a quarterly basis;
- The Board and 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.

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.

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 interim 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 period 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 46 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 125, 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.

On behalf of the Board

Michael Wrobel
Chairman
11 June 2018

Directors' Remuneration Policy

The remuneration policy of the Company is set by the Board. A resolution to approve this Remuneration Policy will be proposed at the next AGM of the Company. If approved, 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 2018	Purpose of Remuneration
Annual fee	Chairman	£50,000	Commitment as Chairman of a public company ¹
Annual fee	Non-executive Directors	£32,000	Commitment as non-executive Directors of a public company ²
Additional fee	Chairman of the Audit and Management Engagement Committee	£4,000	For additional responsibilities and time commitment ³
Additional fee	All Directors	Discretionary	For extra or special services performed in their role as a Director ⁴
Expenses	All Directors	n/a	Reimbursement of expenses incurred in the performance of duties as a Director ⁵

Notes

¹ The Company's policy is for the Chairman of the Board to be paid a higher fee than the other Directors to reflect the more onerous role.

² The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to £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.

⁶ The Company has no employees. Accordingly, there are no differences in policy on the remuneration of Directors and the remuneration of employees.

⁷ No Director is entitled to receive any remuneration which is performance-related. As a result, there are no performance conditions in relation to any elements of the Directors' remuneration in existence to set out in this Remuneration Policy.

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

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

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



Directors' Remuneration Report

The Board presents its Directors' Remuneration Report in respect of the period ended 31 March 2018. 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 next 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 68 to 75.

Annual Statement from the Chairman

I am pleased to present the Directors' Remuneration Report for the period 18 November 2016 to 31 March 2018.

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.

Companies are required to seek shareholder approval of the remuneration report each year and of the Directors' Remuneration Policy on at least a three-yearly basis. The vote on the Directors' Remuneration Report is an advisory vote, whilst the Directors' Remuneration Policy is subject to a binding vote. Resolutions to approve the Remuneration Policy, as outlined on pages 58 and 59 of this report, and the Directors' Remuneration Report will be put before shareholders at the forthcoming AGM of the Company. Any change to the Directors' Remuneration Policy following its approval would require shareholder approval. There will be no significant change in the way the Remuneration Policy will be implemented in the course of the next financial year.

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.

At the time of the IPO, the Directors' fees had been set at a rate of £35,000 for the Chairman and £30,000 for other Directors, with an additional £2,500 to the Chairman of the Audit and Management Engagement Committee. Following a review of Directors' fees, with effect from 1 August 2017, the annual fees for the Chairman were increased to £50,000 and those for other Directors increased to £32,000 and the additional fee to the Chairman of the Audit and Management Engagement Committee was increased to £4,000. The rationale for the increase in Directors' fees was based on the required time commitment of each Director, which had proved much greater than had initially been envisaged prior to the Company's IPO. The Directors also took into consideration the remuneration paid to directors of other REITs before making its decision to increase fees, and the Board is satisfied that the changes were compliant with the Remuneration Policy as set out. No person provided advice or services to the Board in respect of the consideration of Directors' remuneration.

Following a review of Directors' fees subsequent to the period end, no changes are currently being proposed.

There were no other payments for extra or special services in the period ended 31 March 2018.

Directors' fees for the period (audited)

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

	Fees paid Period 18 November 2016 to 31 March 2018 ¹ £'000	Total Period 18 November 2016 to 31 March 2018 ¹ £'000	Fees paid Period 29 September 2016 to 17 November 2016 £'000	Total Period 29 September 2016 to 17 November 2016 £'000
Michael Wrobel (Chairman) ²	58	58	3	3
Peter Baxter ²	42	42	2	2
Caroline Gulliver (Audit and Management Engagement Committee Chairman) ²	48	48	2	2
Alastair Moss ²	42	42	2	2
Clive Weston ³	–	–	–	–
Norose Company Secretarial Services Limited ³	–	–	–	–
Total	190	190	9	9

¹The period was greater than 12 months.

²Appointed on 24 October 2016.

³Appointed on 29 September 2016 and resigned on 24 October 2016.

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

The amounts paid to the Directors were for services as non-executive Directors.

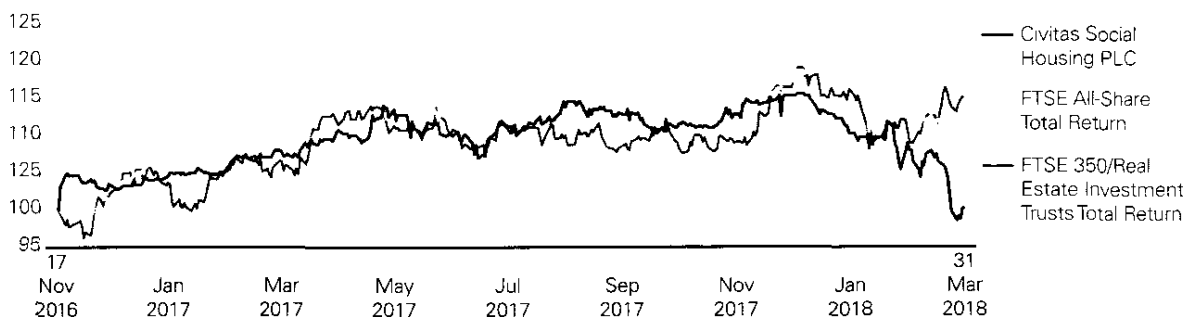
Under the Company's Articles of Association, the total aggregate remuneration and benefits in kind of the Directors of the Company is subject to a maximum of in any financial year. Any change to this would require shareholder approval.

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

Company performance

The following graph compares the performance for the period from IPO on 18 November 2016 to 31 March 2018, 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)



Directors' Remuneration Report continued

Relative importance of spend on pay

The table below sets out, in respect of the period ended 31 March 2018:

- a) the remuneration paid to the Directors; and
- b) the distributions made to shareholders by way of dividend.

	Period 18 November 2016 to 31 March 2018 £'000	Period 29 September 2016 to 17 November 2016 £'000
Directors' remuneration	190	9
Dividends paid to shareholders	10,500	–

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.

As at 31 March 2018, the Directors (including their connected persons) had beneficial interests in the following number of shares in the Company:

	31 March 2018		17 November 2016	
	Ordinary shares	C shares	Ordinary shares	C shares
Michael Wrobel	30,000	45,000	–	–
Peter Baxter	20,000	30,000	–	–
Caroline Gulliver	25,000	37,500	–	–
Alastair Moss	5,000	7,500	–	–

There have been no changes to Directors' share interests between 31 March 2018 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.

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 in relation to Directors' remuneration, the Company will seek the reasons for any such vote and will detail any resulting actions in an announcement.

The Company's forthcoming AGM will be the first opportunity for shareholders to vote on the Directors' Remuneration Policy and the Directors' Remuneration Report.

Approval

The Directors' Remuneration Report was approved by the Board on 11 June 2018.

On behalf of the Board

Michael Wrobel
Chairman
11 June 2018



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 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
11 June 2018

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 Civitas 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 Civitas, the types of asset 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 objective and policy section of this annual report 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

(“Articles”) 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 which is authorised and regulated by the Financial Conduct Authority (FRN 648953). It has been appointed by the Company to manage the Company under an Alternative Investment Fund Manager Agreement with effect from 24 August 2017 (the “Investment Management Agreement”).

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.

Alternative Investment Fund Managers Directive continued

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 Civitas 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.

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

Indos Financial Limited (the "Depository") has been appointed as the Depository of the Company under a Depository Agreement agreed in accordance with AIFMD requirements. The Depository 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 Depository by the FCA (FRN 602528). The Depository 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 Depository's duties under the Depository 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 Depository.

Independent Auditors (AIFMD 23(1)(d))

The independent auditors of the Company for the period ended 31 March 2018 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 by the Investment Manager 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 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 Investment Manager is paid a fee of 0.03 per cent. of the NAV for its services, subject to a minimum of £96,000 by the Company in consideration for its provision of full scope AIFM services to the Company.

Additional services not included within the scope of the above may be payable based on the Investment Manager's hourly rates, and the Investment Manager is entitled to reimbursement for reasonable fees and expenses properly incurred by it in connection with the services it provides to the Company and its subsidiaries. All fees are exclusive of any VAT.

In addition the Company incurs costs in the form of depository 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, 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.

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 Objective and Policy in the Annual Report, the Company has the ability to put in place leverage up to a maximum 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 2018 and of the Group's profit and cash flows for the 16 month period (the "period") then ended;
- the Group financial statements have been properly prepared in accordance with 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 Group and Company Statements of Financial Position as at 31 March 2018; the Group Statement of Comprehensive Income, the Group Statement of Cash Flows, and the Group and Company Statements of Changes in Equity for the 16 month period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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

Other than those disclosed in note 9 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 18 November 2016 to 31 March 2018.

Our audit approach

Overview

Materiality	<ul style="list-style-type: none"> • Overall Group materiality: £7.7 million (period ended 17 November 2016: £1,020), based on 1% of total assets. • Overall Company materiality: £7.2 million (period ended 17 November 2016: £1,020), based on 1% of total assets. • Group specific materiality: £908,000 (period ended 17 November 2016: not applicable), based on 10% of Company Adjusted Earnings, for financial statement line items impacting Company Adjusted Earnings.
Audit scope	<ul style="list-style-type: none"> • We audited the complete financial information of the Group and Company, which comprises a single reportable segment.
Key audit matters	<ul style="list-style-type: none"> • Valuation of investment property. • 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. 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.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Company financial statements, including, but not limited to, the Companies Act 2006 and UK tax legislation as applicable to Real Estate Investment Trusts. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, involving our tax specialists in the audit, enquiries of management and review of minutes of meetings of those charged with governance for the Group. 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.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Independent auditors' report

to the members of Civitas Social Housing PLC continued

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
<p><i>Valuation of investment property</i></p> <p>Refer to pages 48 to 51 (Audit and Management Engagement Committee Report), pages 85 to 88 (Summary of significant accounting policies) and pages 82 to 112 (notes to the financial statements).</p> <p>Investment properties are held at fair value in the Group's financial statements. The valuation of the Group's investment property is the key component of the net asset value and underpins the Group's result for the period. The result of the revaluation this period was a gain of £30.6m (period ended 17 November 2016: not applicable), which is accounted for within 'Change in fair value of investment properties' and is a significant component of the result for the period. The Group's investment property portfolio consists of Specialist supported housing properties located in England and Wales which are let to Registered Providers of social housing on long-term leases.</p> <p>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.</p> <p>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").</p>	<p><i>Experience of Valuer and relevance of its work</i></p> <p>We read the Valuer's report and confirmed that the approaches used were 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.</p> <p><i>Data provided to the Valuer</i></p> <p>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.</p> <p><i>Assumptions and estimates used by the Valuer</i></p> <p>We met with the Valuer independently of management and gained an understanding of the valuation methods and assumptions used. We have considered the assumptions utilised by JLL within the valuation and benchmarked to market evidence over comparable transactions.</p> <p>Our testing, which involved the use of our internal real estate valuation experts, qualified chartered surveyors with deep market knowledge, indicated that the estimates and assumptions used were appropriate in the context of the Group's property portfolio and reflected the circumstances of the market at the period end.</p>

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.

We audited the complete financial information of the Group and Company, which comprises a single reportable segment.

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	£7.7 million (period ended 17 November 2016: £1,020).	£7.2 million (period ended 17 November 2016: £1,020).
How we determined it	1% of total assets.	1% of total assets.
Rationale for benchmark applied	The key measure of the Group's performance is the valuation of investment properties and the balance sheet as a whole. Given this, we set an overall Group materiality level based on total assets.	The Company's main activity is the holding of investments in subsidiaries. On this basis, we set an overall Company materiality level based on total assets.

In addition to overall Group materiality, a specific materiality was also applied to income statement line items that impact 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 £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 31, where the term is defined in full).

We agreed with the Audit and Management Engagement Committee that we would report to them misstatements identified during our audit above £385,000 (Group audit) (period ended 17 November 2016: £51) or £45,425 in the case of misstatements impacting Adjusted Earnings and £361,487 (Company audit) (period ended 17 November 2016: £51) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent auditors' report

to the members of Civitas Social Housing PLC continued

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.
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 period ended 31 March 2018 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 53 to 57) 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 53 to 57) 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 32 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 page 37 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)

Independent auditors' report

to the members of Civitas Social Housing PLC continued

Other Code provisions

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

- The statement given by the directors, on page 64, 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 48 to 51 describing the work of the Audit and Management Engagement Committee does not appropriately address matters communicated by us to the Audit and Management Engagement Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 64, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting**Companies Act 2006 exception reporting**

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

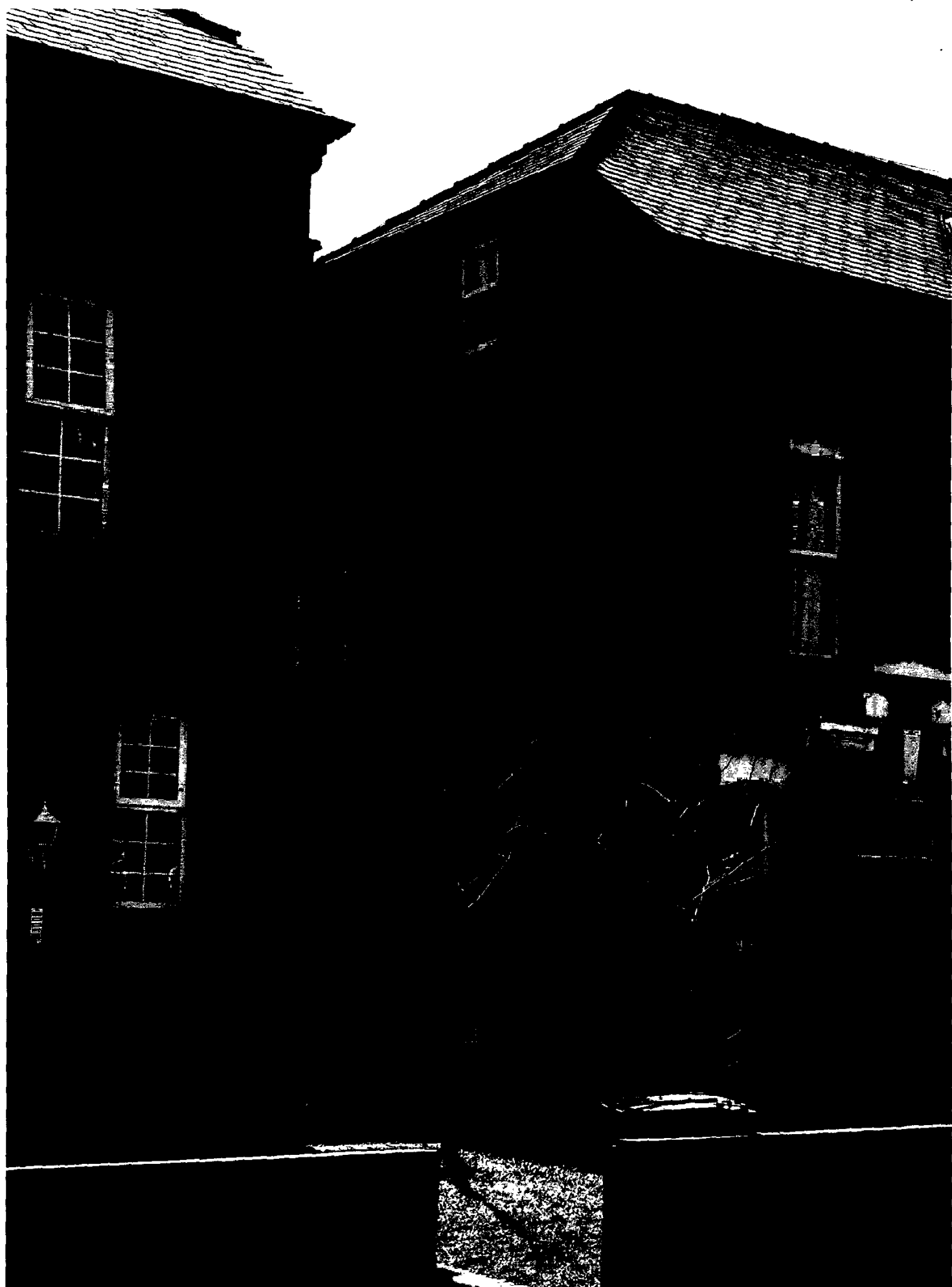
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Management Engagement Committee, we were appointed by the directors on 31 March 2017 to audit the financial statements for the period ended 17 November 2016 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the periods ended 17 November 2016 and 31 March 2018.

Sandra Dowling (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
11 June 2018





FINANCIAL STATEMENTS

Consolidated Statement of Comprehensive Income

For the period from 18 November 2016 to 31 March 2018

	Note	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
Revenue			
Rental income	5	18,606	–
Net rental income		18,606	–
 <i>Directors' remuneration</i>	6	(205)	(9)
<i>Investment advisory fees</i>	8	(5,773)	–
<i>General and administrative expenses</i>	9	(2,915)	(22)
Total expenses		(8,893)	(31)
 Change in fair value of investment properties	15	30,633	–
 Operating profit/(loss)		40,346	(31)
<i>Finance income</i>	10	413	–
<i>Finance expense – relating to bank borrowings</i>	11	(1,041)	–
<i>Finance expense – C shares amortisation</i>	11	(2,792)	–
 Profit/(loss) before tax		36,926	(31)
<i>Taxation</i>	12	–	–
Profit/(loss) being total comprehensive income/(loss) for the period		36,926	(31)
All amounts reported in the Consolidated Statement of Comprehensive Income above arise from continuing operations.			
 Earnings/(losses) per share – basic	13	10.55p	(68,261.00)p
Earnings/(losses) per share – diluted	13	6.27p	(68,261.00)p

The notes on pages 82 to 112 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2018

	Note	31 March 2018 £'000	17 November 2016 £'000
Assets			
Non-current assets			
Investment property	15	516,222	–
		516,222	–
Current assets			
Trade and other receivables	17	3,315	50
Cash and cash equivalents	18	249,608	–
		252,923	50
Total assets		769,145	50
Liabilities			
Current liabilities			
Trade and other payables	19	(10,176)	(81)
C shares	21	(298,752)	–
		(308,928)	(81)
Non-current liabilities			
Bank and loan borrowings	20	(90,822)	–
Total liabilities		(399,750)	(81)
Total net assets/(liabilities)		369,395	(31)
Equity			
Share capital	22	3,500	–
Share premium reserve	23	–	–
Capital reduction reserve	24	331,625	–
Retained earnings/(accumulated losses)	25	34,270	(31)
Total equity		369,395	(31)
Net assets per share – basic			
	26	105.54p	(31,339.00)p
Net assets per share – diluted			
	26	105.54p	(31,339.00)p

These consolidated group financial statements were approved by the Board of Directors of Civitas Social Housing PLC and authorised for issue on 11 June 2018 and signed on its behalf by:

Michael Wrobel
Chairman and Independent Non-Executive Director
11 June 2018

Company No: 10402528

The notes on pages 82 to 112 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the period from 18 November 2016 to 31 March 2018

	Note	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Retained earnings/ (accumulated losses) £'000	Total equity £'000
Balance at 29 September 2016		-	-	-	-	-
Loss and total comprehensive loss for the period		-	-	-	(31)	(31)
Issue of Ordinary shares						
Issue of share capital	22	-	-	-	-	-
Balance at 17 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

The notes on pages 82 to 112 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the period from 18 November 2016 to 31 March 2018

	Note	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
Cash flows from operating activities			
Profit/(loss) for the period before taxation		36,926	(31)
– Change in fair value of investment properties		(30,633)	–
– Rent straight line adjustments		(332)	–
Finance income		(413)	–
Finance expense		3,833	–
Increase in trade and other receivables		(2,540)	(50)
Increase in trade and other payables		803	81
Cash generated from operations		7,644	–
Interest received		413	–
Net cash flow generated from operating activities		8,057	–
Investing activities			
Purchase of investment properties		(458,564)	–
Acquisition costs		(19,051)	–
Restricted cash held as retention money		(6,283)	–
Net cash flow used in investing activities		(483,898)	–
Financing activities			
Proceeds from the issue of Ordinary share capital	22	350,000	–
Share issue costs paid	23	(7,000)	–
Dividends paid to equity shareholders		(10,073)	–
Proceeds from the issue of C shares	21	302,000	–
C share issue costs paid	21	(6,040)	–
Bank borrowings advanced	20	92,457	–
Bank borrowing issue costs paid	20	(1,761)	–
Loan interest paid		(417)	–
Net cash flow generated from financing activities		719,166	–
Net increase in cash and cash equivalents		243,325	–
Unrestricted cash and cash equivalents at the start of the period	18	–	–
Unrestricted cash and cash equivalents at the end of the period	18	243,325	–

The notes on pages 82 to 112 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the period from 18 November 2016 to 31 March 2018

1. Corporate Information

The Group's consolidated financial statements for the period from 18 November 2016 to 31 March 2018 comprise the results of the Company and its subsidiaries and were approved by the Board and authorised for issue on 11 June 2018.

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 LSE.

The Company's Ordinary shares are admitted to the Official List of the UK Listing Authority ("UKLA"), a division of the Financial Conduct Authority ("FCA"), and traded on the London Stock Exchange ("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 ("IFRIC") 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 29 September 2016 to 17 November 2016. 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.

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 (£'000s) pound, 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 2018 were £249.6 million, of which £243.3 million was readily available and it had bank borrowings of £92.5million.

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 meets 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

No new standards, amendments to standards and interpretations came into effect for accounting periods starting on or after 18 November 2016.

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 Company's future financial statements:

- **Amendments to IAS 7 Statement of Cash Flows** is effective for annual periods beginning on or after 1 January 2017. The amendments require the disclosure of cash and non-cash changes in liabilities arising from financing activities.
- **IFRS 9 Financial Instruments** The standard will replace IAS 39 Financial Instruments and contains two primary measurement categories for financial assets (effective for annual periods beginning on or after 1 January 2018).

The Group will need to apply an expected credit loss model when calculating impairment losses on its trade and other receivables. This may result in increased impairment provisions and greater judgement due to the need to factor in forward looking information. It will need to consider the probability of default occurring over the contractual life of its trade receivables and contracts. As the Company has tenants with strong covenants and generally tenant receipts are received in advance or on the due date, the Directors do not consider there will be a material impact on the Group financial statements.

- **IFRS 15 Revenue from Contracts** The standard replaces 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 (effective for annual periods beginning on or after 1 January 2018)

The Group does not believe that the standard will have a material impact on the financial statements as rental income is outside the scope of the standard. The adoption of the standard may result in changes to presentation and disclosure.

- **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 are currently assessing the impact on the financial statements of this standard; however at present they do not anticipate that the adoption of this will have a material impact on the Group's financial statements as the Group does not hold any material operating leases as lessee.

Notes to the Consolidated Financial Statements continued

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. 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 Specialist supported housing, all of the Group's investment properties are included in Level 3.

3.2. 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.

All corporate acquisitions during the period have been treated as asset purchases rather than business combinations because no integrated set of activities were acquired.

3.3. 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.

Notes to the Consolidated Financial Statements continued

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. 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 and other receivables are initially recognised at fair value, and subsequently where necessary re-measured at amortised cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence the Group will not be able to collect all amounts due according to the original terms of the receivables.

4.5. 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.

4.6. 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. 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.

4.8. Bank and other borrowings

All bank and other borrowings are initially recognised at cost net of 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.

4.9. 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.

4.10. 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.

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.

4.11. 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.

The Group considers proceeds from equity share issuance and retained earnings as capital.

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.

4.12. 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.

4.13. 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.

Notes to the Consolidated Financial Statements continued

4.14. Finance income

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

4.15. 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.

4.16. Expenses

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

4.17. Investment advisory fees

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

4.18. Share issue costs

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

4.19. Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset and can be estimated reliably.

5. Rental income

	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
Rental income from investment property	18,274	–
Rent straight line adjustments	332	–
Direct property expenses	–	–
Total	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

	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
Directors' fees	190	9
Employer's National Insurance Contributions	15	–
Total	205	9

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).

During 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.

7. Particulars of employees

The Group had no employees during the period (17 November 2016 period: nil) other than the Directors.

8. Investment advisory fees

	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
Advisory fee	5,773	–
Total	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:

- 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;
- 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;
- 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;
- 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.

Notes to the Consolidated Financial Statements continued

9. General and administrative expenses

	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
Legal and professional fees	1,136	–
Administration fees	581	11
Consultancy fees	274	–
Audit fees	308	11
Abortive costs	168	–
Valuation fees	96	–
Depository fees	83	–
Grants and donations	79	–
Insurance	32	–
Marketing	71	–
Regulatory fees	29	–
Sundry expenses	57	–
Directors' expenses	1	–
Total	2,915	22

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 auditor and its associates

The Group has obtained the following services from the Company's auditor and its associates:

	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
Audit of the financial statements	273	11
Review of the half year financial statements	35	–
Corporate services relating to the initial launch	55	–
Corporate services relating to the C share fund raise	200	–
Total	563	11

10. Finance income

	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
Interest and dividends received on liquidity funds	413	–
Bank interest received	–	–
Total	413	–

11. Finance expense

	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
Bank charges	4	–
Interest paid and payable on bank borrowings	902	–
Bank borrowing commitment fees	9	–
Amortisation of loan arrangement fees	126	–
Finance expenses associated with bank borrowings	1,041	–
Amortisation of C share liability	2,792	–
Total	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 2018, 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.

	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'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.

Notes to the Consolidated Financial Statements *continued*

	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
Group		
Profit/(loss) before taxation	36,926	(31)
UK Corporation tax rate	19.27%	20%
Theoretical tax at UK Corporation tax rate	7,116	(6)
Effects of:		
Change in value of exempt investment properties	(5,903)	–
Exempt REIT income	(2,352)	–
Amounts not deductible for tax purposes	691	–
Unutilised residual current period tax losses	448	6
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:

	From 18 November 2016 to 31 March 2018	From 29 September 2016 to 17 November 2016
Calculation of Basic Earnings per share		
Net profit/(loss) attributable to Ordinary shareholders (£'000)	36,926	(31)
Weighted average number of Ordinary shares	350,000,000	46
Earnings/(losses) per share – basic	10.55p	(68,261.00)p
Calculation of Diluted Earnings per share		
Net profit/(loss) attributable to Ordinary shareholders (£'000)	36,926	(31)
Add back finance costs associated with the C share liability (£'000)	2,792	–
Total (£'000)	39,718	(31)
Weighted average number of Ordinary shares	350,000,000	46
Effects of dilution from C shares	283,065,815	–
	633,065,815	46
Earnings/(losses) per share – diluted	6.27p	(68,261.00)p

14. Dividends

	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
Dividend of 0.75p for the 3 months to 31 March 2017	2,625	–
Dividend of 0.75p for the 3 months to 30 June 2017	2,625	–
Dividend of 0.75p for the 3 months to 30 September 2017	2,625	–
Dividend of 0.75p for the 3 months to 31 December 2017	2,625	–
Total	10,500	–

On 4 May 2017 the Company announced a dividend of 0.75 pence per share in respect of the period 1 January 2017 to 31 March 2017. The dividend payment was made on 31 May 2017 to shareholders on the register as at 12 May 2017.

On 24 July 2017 the Company announced a dividend of 0.75 pence per share in respect of the period 1 April 2017 to 30 June 2017. The dividend payment was made on 31 August 2017 to shareholders on the register as at 4 August 2017.

On 31 October 2017 the Company announced a dividend of 0.75 pence per share in respect of the period 1 July 2017 to 30 September 2017. The dividend payment was made on 30 November 2017 to shareholders on the register as at 10 November 2017.

On 9 February 2018 the Company announced a dividend of 0.75 pence per share in respect of the period 1 October 2017 to 31 December 2017. The dividend payment was made on 9 March 2018 to shareholders on the register as at 23 February 2018.

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 will be paid on 8 June 2018 to shareholders on the register as at 18 May 2018. The financial statements do not reflect this dividend.

15. Investment property

	31 March 2018 £'000	17 November 2016 £'000
Balance at beginning of period	–	–
Property acquisitions	465,522	–
Acquisition costs	20,067	–
Change in fair value during the period	30,965	–
Value advised by the property valuers	516,554	–
Adjustments for lease incentive assets and rent straight line assets recognised	(332)	–
Total	516,222	–

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.

Notes to the Consolidated Financial Statements continued

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 £516.2 million as at 31 March 2018.

JLL has provided valuations services to the Company with regards to the properties during the period. In relation to the period ended 31 March 2018, 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
<i>Investment properties measured at fair value:</i>				
31 March 2018	516,222	–	–	516,222
17 November 2016	–	–	–	–

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 Specialist supported housing 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 24.1 years. 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 6.5%.

The range of discount rates used in the Group's property Portfolio Valuation is from 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 (2%) £'000	-0.25% in CPI (2%) £'000
Increase/(decrease) in the IFRS fair value of investment properties at:				
31 March 2018	20,634	(19,158)	16,062	(15,412)
17 November 2016	n/a	n/a	n/a	n/a

Notes to the Consolidated Financial Statements continued

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 a RIS.

On 14 November 2017 the Company issued 302,000,000 C shares. The results, assets and liabilities attributable to the C shares are accounted for in a separate pool to those of the Ordinary shares and thus the Company announces 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.

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.

	Ordinary share pool £'000	C share pool £'000	Total £'000
Net asset value per the consolidated financial statements	369,395	–	369,395
Add back C share liability	–	298,752	298,752
Value of Asset pools	369,395	298,752	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	29,110	4,014	33,124
Portfolio Net Asset Value	398,505	302,766	701,271

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

	Ordinary share pool £'000	C share pool £'000	Total £'000
Opening reserves at 18 November 2016	(31)	–	(31)
Net issue proceeds	343,000	295,960	638,960
Operating profits/(losses)	10,470	(757)	9,713
Capital appreciation	56,393	7,364	63,757
Finance income	214	199	413
Finance costs	(1,041)	–	(1,041)
Dividends paid	(10,500)	–	(10,500)
Portfolio Net Assets at 31 March 2018	398,505	302,766	701,271

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	

Stated below is the Consolidated Statement of Comprehensive Income for the period from 18 November 2016 to 31 March 2018, reflecting the application of the above two assumptions.

Summary Consolidated Statement of Comprehensive Income – Portfolio NAV Basis

For the period from 18 November 2016 to 31 March 2018

	Ordinary share pool £'000	C share pool £'000	Total £'000
Net rental income	17,840	766	18,606
Expenses	(7,370)	(1,523)	(8,893)
Fair value gains on investment properties	56,393	7,364	63,757
Finance income	214	199	413
Finance costs	(1,041)	–	(1,041)
Value of each pool	66,036	6,806	72,842
Shares in issue	350,000,000	302,000,000	
Adjusted Earnings/(losses) per share – basic	18.87p	2.25p	

17. Trade and other receivables

	31 March 2018 £'000	17 November 2016 £'000
Rent receivable	175	–
Less provision for impairment	–	–
Net rent receivable	175	–
Accrued income	2,398	–
Debtor arising from rent straight line adjustments	332	–
Prepayments and other receivables	410	–
Amounts due from shareholders	–	50
Total	3,315	50

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

Notes to the Consolidated Financial Statements continued

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

	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
Current	-	-
< 30 days	175	-
30-60 days	-	-
> 60 days	-	-
	<u>175</u>	<u>-</u>
Less provision for impairment	-	-
Total	<u>175</u>	<u>-</u>

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 but not impaired. These principally relate to First Priority Housing Association ("First Priority"). Please see page 16 for more details.

Other categories within trade and other receivables do not include impaired assets.

18. Cash and cash equivalents

	31 March 2018 £'000	17 November 2016 £'000
Cash held by solicitors	12,262	-
Liquidity funds	210,969	-
Cash held at bank	<u>20,094</u>	<u>-</u>
Unrestricted cash and cash equivalents	243,325	-
Restricted cash	<u>6,283</u>	<u>-</u>
Total	<u>249,608</u>	<u>-</u>

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 2018 £'000	17 November 2016 £'000
Deferred income	225	–
Acquisition costs accrued	8,366	–
Finance costs	498	–
Dividends payable	427	–
Accruals	660	–
Amounts due to shareholders	–	81
Total	10,176	81

Acquisition costs accrued includes the balance of retention monies (as represented by £6,283,000 restricted cash as per note 18) and acquisition costs capitalised.

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:

	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
Bank borrowings drawn	92,457	–
Bank borrowings drawn at end of period	92,457	–
Less: loan issue costs incurred	(1,761)	–
Add: loan issue costs amortised	126	–
Unamortised costs at end of period	(1,635)	–
At end of period	90,822	–
 Maturity of bank borrowings:		
Repayable within 1 year	–	–
Repayable between 1 to 2 years	–	–
Repayable between 2 to 5 years	39,957	–
Repayable after 5 years	52,500	–
Total	92,457	–

Notes to the Consolidated Financial Statements continued

The Group entered into the following loan facility agreements during the period:

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 £163,812,000 (17 November 2016: £nil).

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.

The borrowings include amounts secured on investment property to the value of £97,400,000 (17 November 2016: £nil).

A number of covenants are in place under the two 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 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%.

21. C shares

	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
At beginning of period	–	–
Proceeds from issue of C shares	302,000	–
C share issue costs	(6,040)	–
Amortisation of C share liability	2,792	–
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 are 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 ISA 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.

The C shares will be converted to Ordinary shares later in the year once most of the funds have been utilised for property acquisitions. The conversion ratio will be based on the ratio of the value of the net assets attributable to each share class.

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.

The value of the C shares liability at 31 March 2018 is £298,752,000, representing 98.92p per share.

The table below gives a summary of the movement in net assets of the C share pool and Group results for the period from 18 November 2016 to 31 March 2018

	C share pool £'000	Group £'000
Opening reserves	–	(31)
Proceeds from issue of shares	302,000	652,000
Share issue costs	(6,040)	(13,040)
Net rental income	766	18,606
Expenses	(1,523)	(8,893)
Fair value gains on investment properties	3,350	30,633
Finance income	199	413
Finance costs	–	(1,041)
Dividends paid	–	(10,500)
	298,752	668,147
Less C share liability	–	(298,752)
Net assets	298,752	389,395

Net assets are represented by:

	C share pool £'000	Group £'000
Investment property	73,807	516,222
Trade and other receivables	625	3,315
Cash at bank	227,231	249,608
Trade and other payables	(2,911)	(10,176)
Bank borrowings	–	(90,822)
	298,752	668,147
Less C share liability	–	(298,752)
Net assets	298,752	389,395

Notes to the Consolidated Financial Statements continued

22. Share capital

Share capital represents the nominal value of consideration received by the Company for the issue of Ordinary shares.

	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
Share capital		
At beginning of period	–	–
Shares issued	3,500	–
At end of period	3,500	–
Number of shares issued and fully paid		
Ordinary shares of £0.01 each		
At beginning of period	100	–
Shares issued	349,999,900	100
At end of period	350,000,000	100

The Company achieved admission to the premium listing segment of the Official List of the UK Listing Authority on 18 November 2016, raising £350 million. As a result of the IPO, at 18 November 2016, 349,999,900 shares at £0.01 per share have been issued and fully paid.

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.

	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
At beginning of period	–	–
Premium arising on shares issued	346,500	–
Share issue costs	(7,000)	–
Transfer to capital reduction reserve	(339,500)	–
At end of period	–	–

During the 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 share premium has been transferred. Dividends can be paid from this reserve.

	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
At beginning of period	–	–
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	–

25. Retained earnings/(accumulated losses)

This reserve represents the profits and losses of the Group

	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
At beginning of period	(31)	–
Profit/(loss) for the period	36,926	(31)
Dividends paid in the period (as per note 14)	(2,625)	–
At end of period	34,270	(31)

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 2018	17 November 2016
Net assets (£'000)	369,395	(31)
Number of Ordinary shares in issue at end of period	350,000,000	100
NAV – basic	105.54p	(31,399.00)p
Net assets (£'000)	369,395	(31)
Adjust for the effect of the C shares converting (£'000)	298,752	–
Adjusted net assets (£'000)	668,147	(31)
Number of Ordinary shares in issue at end of period	350,000,000	100
Number of Ordinary shares that would be issued on the conversion of C shares	283,065,815	–
Total	633,065,815	100
NAV – diluted	105.54p	(31,399.00)p

Notes to the Consolidated Financial Statements continued

27. 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 2018 £'000	17 November 2016 £'000
Amounts receivable		
< 1 year	28,203	–
1-2 years	28,801	–
2-5 years	86,399	–
> 5 years	554,050	–
At end of period	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:

	% of total annual rent
Westmoreland Supported Housing Limited	35.02
Falcon Housing Association CIC	14.44
First Priority Housing Association	10.66
Trinity Housing Association Limited	9.04
Inclusion Housing CIC	8.70
PAS Housing Association	6.04
New Walk Property Management CIC	4.59
Chrysalis Supported Association Limited	4.43
Harbour Light Assisted Living CIC	3.76
IKE Supported Housing Limited	1.89
Hilldale Housing Association Limited	1.43
Total	100.00

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.

28. Controlling parties

As at 31 March 2018 there is no ultimate controlling party.

29. 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 2018 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).

During 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.

For the period from 18 November 2016 to 31 March 2018, fees of £190,000 were incurred and paid to the Directors.

As at 31 March 2018, the Directors held the following number of shares:

Director		Ordinary shares	C shares
Michael Wrobel	Chairman	30,000	45,000
Peter Baxter	Director	20,000	30,000
Caroline Gulliver	Audit and Management Engagement Committee Chair	25,000	37,500
Alastair Moss	Director	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.

30. Transactions with the Investment Adviser

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

For the period from 18 November 2016 to 31 March 2018, fees of £5,773,000 were incurred and paid to CHA.

As at 31 March 2018, no amounts (17 November 2016: £50,000) were due to/from CHA.

Following the admission of the Company's shares to the premium segment of the London Stock Exchange on 18 November 2016, CHA purchased 50,000 Ordinary shares in the Company.

Notes to the Consolidated Financial Statements continued

31. Consolidated entities

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 subsidiary companies 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 UK LLP*	OC414370	Holding company	England & Wales	100%
Civitas Social Housing Finance Company 1 Limited	£ 10997707	Finance company	England & Wales	100%
Civitas Social Housing Jersey 1 Limited	124129	Holding company	Jersey	100%
Civitas SPV1 Limited	£ 10518729	Property investment	England & Wales	100%
Civitas SPV2 Limited	£ 10114251	Property investment	England & Wales	100%
Civitas SPV11 Limited	£ 10546749	Property investment	England & Wales	100%
Civitas SPV15 Limited	£ 09777380	Property investment	England & Wales	100%
Civitas SPV33 Limited	£ 10546407	Property investment	England & Wales	100%
Civitas SPV35 Limited	£ 10588530	Property investment	England & Wales	100%
Civitas SPV25 Limited	£ 10791473	Property investment	England & Wales	100%
Civitas SPV27 Limited	£ 10883112	Property investment	England & Wales	100%
Civitas SPV38 Limited	£ 10738318	Property investment	England & Wales	100%
Civitas SPV39 Limited	£ 10547333	Property investment	England & Wales	100%
Civitas SPV40 Limited	£ 10738510	Property investment	England & Wales	100%
Civitas SPV41 Limited	£ 10738542	Property investment	England & Wales	100%
Civitas SPV50 Limited	£ 10775419	Property investment	England & Wales	100%
Civitas Social Housing Finance Company 2 Limited	£ 10997698	Finance company	England & Wales	100%
Civitas Social Housing Jersey 2 Limited	124876	Holding company	Jersey	100%
Civitas SPV3 Limited	£ 10156529	Property investment	England & Wales	100%
Civitas SPV4 Limited	£ 10433744	Property investment	England & Wales	100%
Civitas SPV5 Limited	£ 10479104	Property investment	England & Wales	100%
Civitas SPV9 Limited	£ 10536388	Property investment	England & Wales	100%
Civitas SPV10 Limited	£ 10535243	Property investment	England & Wales	100%
Civitas SPV12 Limited	£ 10546753	Property investment	England & Wales	100%
Civitas SPV17 Limited	£ 10479036	Property investment	England & Wales	100%
Civitas SPV18 Limited	£ 10546651	Property investment	England & Wales	100%
Civitas SPV19 Limited	£ 10548932	Property investment	England & Wales	100%
Civitas SPV20 Limited	£ 10588735	Property investment	England & Wales	100%
Civitas SPV22 Limited	£ 10743958	Property investment	England & Wales	100%

Name	Registered Number	Principal Activity	Country of incorporation	Ownership %
Civitas SPV24 Limited	£ 10751512	Property investment	England & Wales	100%
Civitas SPV29 Limited	£ 10911565	Property investment	England & Wales	100%
Civitas SPV34 Limited	£ 10738381	Property investment	England & Wales	100%
Civitas SPV36 Limited	£ 10588792	Property investment	England & Wales	100%
Civitas SPV42 Limited	£ 10738556	Property investment	England & Wales	100%
Civitas SPV43 Limited	£ 10534877	Property investment	England & Wales	100%
Civitas SPV51 Limited	£ 10826693	Property investment	England & Wales	100%
Civitas SPV52 Limited	£ 10827006	Property investment	England & Wales	100%
Civitas Social Housing Finance Company 3 Limited	£ 10997714	Dormant	England & Wales	100%
Civitas Social Housing Jersey 3 Limited	124877	Holding company	Jersey	100%
Civitas SPV6 Limited	£ 10674493	Property investment	England & Wales	100%
Civitas SPV7 Limited	£ 10536368	Property investment	England & Wales	100%
Civitas SPV8 Limited	£ 10536157	Property investment	England & Wales	100%
Civitas SPV13 Limited	£ 09517692	Property investment	England & Wales	100%
Civitas SPV14 Limited	£ 10479041	Property investment	England & Wales	100%
Civitas SPV16 Limited	£ 09917557	Property investment	England & Wales	100%
Civitas SPV21 Limited	£ 10631541	Property investment	England & Wales	100%
Civitas SPV23 Limited	£ 10746881	Property investment	England & Wales	100%
Civitas SPV28 Limited	£ 10895228	Property investment	England & Wales	100%
Civitas SPV37 Limited	£ 10738450	Property investment	England & Wales	100%
Civitas SPV44 Limited	£ 10588783	Property investment	England & Wales	100%
Civitas SPV26 Limited	£ 10864336	Property investment	England & Wales	100%
Civitas SPV30 Limited	£ 10956025	Property investment	England & Wales	100%
Civitas SPV31 Limited	£ 10974889	Property investment	England & Wales	100%
Civitas SPV32 Limited	11007173	Property investment	England & Wales	100%
Civitas SPV45 Limited	£ 10871854	Property investment	England & Wales	100%
Civitas SPV46 Limited	£ 10871910	Property investment	England & Wales	100%
Civitas SPV47 Limited	£ 10873270	Property investment	England & Wales	100%
Civitas SPV48 Limited	£ 10873295	Property investment	England & Wales	100%
Civitas SPV49 Limited	11031349	Property investment	England & Wales	100%
Civitas SPV53 Limited	11021625	Property investment	England & Wales	100%
Civitas SPV54 Limited	11039750	Property investment	England & Wales	100%
Civitas SPV55 Limited	11056455	Property investment	England & Wales	100%
Civitas SPV56 Limited	11056465	Property investment	England & Wales	100%
Civitas SPV57 Limited	11091444	Property investment	England & Wales	100%
Civitas SPV59 Limited	11111912	Property investment	England & Wales	100%
Civitas SPV60 Limited	11111908	Property investment	England & Wales	100%
Civitas SPV61 Limited	£ 10937662	Property investment	England & Wales	100%
Civitas SPV62 Limited	£ 10937528	Property investment	England & Wales	100%
Civitas SPV63 Limited	£ 10937805	Property investment	England & Wales	100%
Civitas SPV64 Limited	£ 10938411	Property investment	England & Wales	100%

Notes to the Consolidated Financial Statements continued

Name	Registered Number	Principal Activity	Country of incorporation	Ownership %
Civitas SPV65 Limited	† 10938467	Property investment	England & Wales	100%
Civitas SPV66 Limited	† 10937898	Property investment	England & Wales	100%
Civitas SPV67 Limited	† 10937929	Property investment	England & Wales	100%
Civitas SPV68 Limited	† 10938269	Property investment	England & Wales	100%
Civitas SPV69 Limited	11142372	Property investment	England & Wales	100%
Civitas SPV70 Limited	† 10770201	Property investment	England & Wales	100%
Civitas SPV79 Limited	11236544	Property investment	England & Wales	100%
Civitas SPV81 Limited	11192811	Property investment	England & Wales	100%
CSH SPV77 Limited	11166491	Property investment	England & Wales	100%
CSH SPV78 Limited	† 11170099	Property investment	England & Wales	100%
FPI CO 151 Ltd	† 10888639	Property investment	England & Wales	100%
FPI CO 157 Ltd**	† 10888903	Property investment	England & Wales	100%
FPI CO 171 Ltd	† 10938022	Property investment	England & Wales	100%
FPI CO 176 Ltd**	† 10939044	Property investment	England & Wales	100%
FPI CO 177 Ltd	† 10939075	Property investment	England & Wales	100%
FPI CO 178 Ltd**	† 10939131	Property investment	England & Wales	100%
FPI CO 184 Ltd**	† 10941377	Property investment	England & Wales	100%
FPI CO 192 Ltd	† 11001855	Property investment	England & Wales	100%
FPI CO 193 Ltd	† 11001834	Property investment	England & Wales	100%
FPI CO 195 Ltd	† 11001998	Property investment	England & Wales	100%

* Dissolved 23 January 2018

** Registered address: 5 Old Bailey, London EC4M 7BA

Other than the four entities noted above by **, 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

‡ 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 2019.

32. Financial risk management

32.1. 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 2018 £'000	Fair value 31 March 2018 £'000	Book value 17 November 2016 £'000	Fair value 17 November 2016 £'000
Financial assets				
Trade and other receivables ¹	2,573	2,573	50	50
Cash and cash equivalents	249,608	249,608	–	–
Financial liabilities				
Trade and other payables ²	9,951	9,951	81	81
Bank borrowings	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 two bank loans. One is a 10 year fixed rate loan of £52.5 million, provided by Scottish Widows and the other is a 3 year revolving credit facility variable rate loan of £40 million provided by Lloyds Bank. The fair value of the fixed rate loan is determined by comparing the discounted future cash flows.

The C share liability fair value 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.

32.2. 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 from available properties;
- obsolescence; and
- Government regulations, including planning, environmental and tax laws.

Variations in the above factors can affect the valuation of assets held by the Group and as a result can influence the financial performance of the Group.

Notes to the Consolidated Financial Statements continued

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.

32.3. 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 a variable rate bank loan. At 31 March 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 2018 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 2018 £'000	17 November 2016 £'000
Increase/(decrease) in profits due to interest rates		
200 basis points higher	3,429	-
200 basis points lower	(7)	-

The average effective interest rates of financial instruments at 31 March 2018 were as follows:

	31 March 2018 %	17 November 2016 %
Bank borrowings – fixed rate	2.99360	-
Bank borrowings – variable rate	2.02125	-
Cash and cash equivalents	0.38205	-

32.4. Credit risk

Credit risk is the risk that 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 27 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.

32.5. 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 2018					
Trade and other payables	9,951	–	–	–	9,951
Bank borrowings	–	2,371	49,483	58,145	109,999
C share liability	–	–	–	–	–
	<u>9,951</u>	<u>2,371</u>	<u>49,483</u>	<u>58,145</u>	<u>119,950</u>
17 November 2016					
Trade and other payables	81	–	–	–	81
	<u>81</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>81</u>

The profile above assumes that the revolving credit facility loan will be rolled over and held to term. Included within the contracted payments is £17,971,000 (17 November 2016: £nil) of loan interest payable up to the point of maturity.

The C share liability and any interest accruing to the C shareholders will be settled by the issue of Ordinary shares.

Notes to the Consolidated Financial Statements continued

33. Capital commitments

At 31 March 2018 the Company had funds committed totalling £4,902,000 concerning the acquisition of a group of four properties where the exchange of contracts has taken place but the purchases have not yet completed.

34. Post balance sheet events

Acquisitions

On 5 April 2018 a portfolio of four properties in Yorkshire, Lancashire and Somerset was acquired for £2.1 million.

On 6 April 2018 a property in Worcestershire was acquired for £0.5 million.

On 20 April 2018 a portfolio of two properties in Stockport was acquired for £4.8 million.

On 26 April 2018 a property in Dorset was acquired for £1.6 million.

On 27 April 2018 a property in Yorkshire was acquired for £3.9 million.

On 30 April 2018 a property in Cheshire was acquired for £0.4 million.

On 31 May 2018 contracts were exchanged for the purchase of a portfolio of four properties in the West Midlands for a consideration of £8.2 million.

On 31 May 2018 a property in Birmingham was acquired for £0.7 million

On 7 June 2018 a portfolio of three properties in Kent and Durham was acquired for £4.8 million.

On 8 June 2018 a property in Essex was acquired for £3.5 million.

Dividends

On 10 May 2018 the Board declared a quarterly dividend in respect of the Ordinary shares for the three months to 31 March 2018 of 1.25 pence per Ordinary share. The dividend was paid on 8 June 2018 to holders of Ordinary shares on the register as at 18 May 2018. The dividend was paid as a REIT property income distribution ("PID").

On 10 May 2018 the Board declared a first dividend in respect of the C shares for the period since issue on 14 November 2017 to 31 March 2018 of 1.13 pence per C share. The dividend was paid on 8 June 2018 to holders of C shares on the register as at 18 May 2018. The dividend was paid as an ordinary UK dividend.

Restructure and extension of borrowings

On 24 May 2018 the Company transferred property assets held indirectly through 17 specialist purpose vehicles to Civitas Social Housing Jersey 2 Limited. Subsequently the £40 million Revolving Loan Facility with Lloyds Bank was increased by £20 million. Additional security is provided by the property assets above.

Other Announcements

On 9 May 2018 the Company announced that all Civitas leases previously with First Priority had been assigned, on the same terms to Falcon Housing Association CIC ("Falcon"), an existing Civitas Housing Association partner. In addition, Civitas has acquired an option to increase the length of the leases to 40 years from their respective start dates, exercisable at Civitas' discretion. Post this assignment, the Company has a total of 86 properties leased to Falcon, which represents 12.7% of 31 December 2017 Gross Asset Value.

Company Statement of Financial Position

As at 31 March 2018

	Note	31 March 2018 £'000	17 November 2016 £'000	29 September 2016 £'000
Assets				
Non-current assets				
Investment in subsidiaries	7	479,134	–	–
Current assets				
Trade and other receivables	8	2,380	50	–
Cash and cash equivalents	9	241,924	–	–
		244,304	50	–
Total assets		723,438	50	–
Liabilities				
Current liabilities				
Trade and other payables	10	(4,082)	(81)	–
C shares financial liability		(298,752)	–	–
		(302,834)	(81)	–
Total liabilities		(302,834)	(81)	–
Total net assets/(liabilities)		420,604	(31)	–
Equity				
Share capital	11	3,500	–	–
Capital reduction reserve		331,625	–	–
Retained earnings/(accumulated losses)	12	85,479	(31)	–
Total equity		420,604	(31)	–

These financial statements were approved by the Board of Directors of Civitas Social Housing PLC and authorised for issue on 11 June 2018 and signed on its behalf by:

Michael Wrobel,
Chairman and Independent Non-Executive Director
11 June 2018

Company No: 10402528

The notes on pages 115 to 119 are an integral part of these financial statements.

Company Statement of Changes in Equity

For the period from 18 November 2016 to 31 March 2018

	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Retained earnings/ (accumulated losses) £'000	Total equity £'000
Balance at 29 September 2016	-	-	-	-	-
Loss and total comprehensive loss for the period	-	-	-	(31)	(31)
Issue of Ordinary shares					
Issue of share capital	-	-	-	-	-
Balance at 17 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

Distributable reserves total £417,104,000 (17 November 2016: £nil)

The notes on pages 115 to 119 are an integral part of these financial statements.

Notes to the Company Financial Statements

For the period from 18 November 2016 to 31 March 2018

1. Corporate information

These financial statements for the period from 18 November 2016 to 31 March 2018 comprise the results of the Company and were approved by the Board and authorised for issue on 11 June 2018.

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 LSE.

The Company’s Ordinary shares are admitted to the Official List of the UK Listing Authority (“UKLA”), a division of the Financial Conduct Authority (“FCA”), and traded on the London Stock Exchange (“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.

Notes to the Company Financial Statements continued

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

- share based payments;
- financial instruments; and
- fair value measurement other than certain disclosures required as a result of recording financial instruments at fair value.

In the current period the Company has adopted FRS 100 and FRS 101. In the previous period the financial statements were prepared in accordance with IFRS.

This change in the basis of preparation has not materially altered the recognition and measurement requirements previously applied in accordance with IFRS and there are no changes to reported shareholder funds at 29 September 2016 or 17 November 2016 nor total comprehensive income for the period ended 17 November 2016 arising from the adoption of FRS 100 and FRS 101 for the first time.

The comparative information disclosed in the financial statements relates to the period from 29 September 2016 to 17 November 2016. 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:

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 (17 November 2016 period: nil) other than the Directors.

6. Audit fees

Audit fees in relation to the Company's financial statements total £273,000 (17 November 2016 period: £11,000).

7. Investments in subsidiaries

	Shares in subsidiaries £'000	Loans to subsidiaries £'000	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
At the beginning of the period	–	–	–	–
Increase in investments	65,522	413,612	479,134	–
Loans cancelled	122,900	(122,900)	–	–
Additions due to internal group restructure	296,115	–	296,115	–
Disposals due to internal group restructure	(37,583)	258,532	(296,115)	–
At the end of the period	<u>446,954</u>	<u>32,180</u>	<u>479,134</u>	<u>–</u>

8. Trade and other receivables

	31 March 2018 £'000	17 November 2016 £'000
Prepayments and other receivables	393	–
Amounts due from subsidiary companies	1,987	–
Amounts due from shareholders	–	50
Total	<u>2,380</u>	<u>50</u>

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

9. Cash and cash equivalents

	31 March 2018 £'000	17 November 2016 £'000
Cash held by solicitors	12,262	–
Liquidity funds	210,969	–
Cash held at bank	<u>12,410</u>	<u>–</u>
Cash and cash equivalents	235,641	–
Restricted cash	<u>6,283</u>	<u>–</u>
Total cash held at bank	<u>241,924</u>	<u>–</u>

Notes to the Company Financial Statements continued

10. Trade and other payables

	31 March 2018 £'000	17 November 2016 £'000
Acquisition costs accrued	309	–
Retentions	2,806	–
Accruals	540	–
Dividends payable	427	–
Amounts due to shareholders	–	81
Total	4,082	81

11. Share capital

Share capital represents the nominal value of consideration received by the Company for the issue of Ordinary shares.

	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
Share capital		
At beginning of period	–	–
Shares issued	3,500	–
At end of period	3,500	–

Number of shares issued and fully paid

Ordinary shares of £0.01 each	Number	Number
At beginning of period	100	–
Shares issued	349,999,900	100
At end of period	350,000,000	100

The Company achieved admission to the premium listing segment of the Official List of the UK Listing Authority on 18 November 2016, raising £350 million. As a result of the IPO, at 18 November 2016, 349,999,900 shares at £0.01 per share have been issued and fully paid.

12. Retained earnings/(accumulated losses)

This reserve represents the profits and losses of the Company

	From 18 November 2016 to 31 March 2018 £'000	From 29 September 2016 to 17 November 2016 £'000
At beginning of period	(31)	–
Profit/(loss) for the period	88,135	(31)
Dividends paid in the period	(2,625)	–
At end of period	85,479	(31)

13. Controlling parties

As at 31 March 2018 there is no ultimate controlling party.

14. Related party transactions

For all related party transactions please make reference to notes 29-31 of the Group's consolidated financial statements.

Appendix 1

Notes to the calculation of EPRA and other alternative performance measures

1. EPRA Earnings

	31 March 2018
Earnings from operational activities	
Profit after taxation (£'000)	36,926
Changes in value of investment properties (£'000)	(30,633)
EPRA Earnings (£'000)	6,293
Finance costs associated with the C share financial liability (£'000)	2,792
Diluted EPRA earnings (£'000)	9,085
Weighted average number of shares in issue	350,000,000
Dilutive elements	281,065,815
Adjusted weighted average number of shares in issue	633,065,815
EPRA Earnings per share (EPS) – basic	1.80p
EPRA Earnings per share (EPS) – diluted	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 2018
Net assets (£'000)	369,395
Effect of the exercise of C shares (£'000)	298,752
Diluted net assets (£'000)	668,147
Other adjustments (£'000)	–
EPRA Net assets (£'000)	668,147
Number of Ordinary shares in issue	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	633,065,815
EPRA Net Assets per share	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 2018
EPRA Net assets (per above) (£'000)	668,147
Adjustment to value bank borrowings at fair value (£'000)	(712)
EPRA NNNAV (£'000)	667,435
Number of Ordinary shares in issue	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	633,065,815
EPRA NNNAV per share	105.43p

4. EPRA Vacancy Rate

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

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

5. Portfolio NNNAV

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

	31 March 2018
Net assets (£'000)	369,395
Adjustment for change to property valuation (£'000)	2,911
Portfolio net assets (£'000)	398,505
Number of Ordinary shares in issue	350,000,000
EPRA Net Assets per share	113.86p

6. Company Adjusted Earnings

Company Specific Earnings Measure which adds back finance costs associated with the C share financial liability.

	31 March 2018
Profit after taxation (£'000)	36,926
Changes in value of investment properties (£'000)	(30,633)
EPRA Earnings (£'000)	6,293
Finance costs associated with the C share financial liability (£'000)	2,792
Company Adjusted Earnings (£'000)	9,085
Weighted average number of shares in issue	350,000,000
EPRA Earnings per share (EPS) – basic	2.60p

What color was it?

What's the lowest price you remember paying for gas?

What are some foods you ate when you were sick?



How much did a matinee movie cost as a kid? What were your favorite snacks?



Candy bars that may have sold for 5 cents in 1950s

Popular pastimes before television

1950s Popular food combinations (i.e. Macaroni and cheese)
Different in the life
Did you lemonade
Have been traded for the
What's your
How much

ever have a
stand as a child? HAVE YOU
EVER MET
A FAMOUS
PERSON?
LEMONADE
25¢
Animals that may have
Did you ever make
homemade ice cream?
What's your favorite

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.

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

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

Company means Civitas Social Housing PLC, a company incorporated in England and Wales with company number 10402528.

Group means the Company and its subsidiaries.

Housing Association 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 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, both in its capacity as investment adviser to the Company and as managing member of the LLP, as the context may require.

Local Authority 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 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.

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 SSII 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 (appointed 24 October 2016)

Alastair Moss (appointed 24 October 2016)

Caroline Gulliver, Chair of the Audit and Management Engagement Committee (appointed 24 October 2016)

Peter Baxter (appointed 24 October 2016)

Registered Office

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Alternative Investment Fund Manager

(from 24 November 2017)

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136 Buckingham Palace Road
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Investment Adviser

Civitas Housing Advisors Limited
13 Berkeley Street
London W1J 8DU

Company Secretary

Link Company Matters Limited

Administrator

Link Alternative Fund Administrators Limited

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Depository (from 1 June 2018)

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Registrar

Link Market Services Limited

The Registry
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Beckenham
Kent BR3 4TU

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Legal and Tax adviser

Norton Rose Fulbright LLP

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Supporting



Together
we will end
homelessness

