ReSI Homes Limited

Annual Report and Financial Statements

For the year ended 31 March 2023

Since 1857
Gresham House
Specialist asset management

Our Mission

Our mission is to become a significant shared ownership provider in England, focussing on supporting buyers to purchase and maintain their home, in the knowledge that they have a home that they can afford with a landlord who cares.

Our strategic intention is to acquire affordable housing properties and ensure that, through appropriate contractual arrangements, they are well-managed by an experienced third party property manager.

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Highlights 2022/23

Capital deployed into affordable housing

£159mn

Investment Property

£163mn

Homes occupied by residents

793

Total homes committed to funding

1,422

New build homes funded in FY23

424

Equity injected into housing associations in FY23

£47mn

Average saving for residents compared to the private rental sector

£54 per month

Estimated monthly saving for residents on energy bills compared to the average UK property

£84 per month

Homes expected to require less than 40% of resident net income

100%

New build properties funded in FY23 that will be delivered to EPC A

76%

Chairman's statement

ReSI Homes is focused on investing in new and existing affordable shared ownership homes and has now completed its second financial year since launching in 2021.

During the year ended 31 March 2023 we committed £104mn of capital to fund 893 affordable homes. This comprised 424 new affordable homes that will be built by our partners and 469 tenanted homes acquired from not-for-profit housing associations, providing them with £47mn of long-term equity to reinvest into their stock upgrade and development programmes. This takes the total number of homes funded by ReSI Homes to 1,422 with 793 (56%) occupied generating annualised net rental income of £3.3mn.

ReSI Homes has worked with The Good Economy to produce its second social and environmental impact report, which is available on request. The key findings from The Good Economy's work are summarised in the Environmental, Social and Governance statement.

ReSI Homes' properties were found by The Good Economy to save residents an average of £54 per month compared to renting privately, with 100% of the Fund's properties affordable to local residents at the green and amber level[1]. Rents at a discount to market and the smaller mortgages under shared ownership mean the tenure remains the only affordable route onto the housing ladder for 4.4mn[2] people.

The Good Economy found ReSI Homes to be clearly increasing the supply of affordable homes whilst advancing industry standards through its shared ownership charters and energy efficient homes.

The year has seen a challenging macroeconomic environment driven by a sharp and severe increase in inflation, repeated interest rate increases and the consequential impact on the cost of living. We will continue to balance returns with affordability for our residents and voluntarily capped our April 2023 annual inflation-linked rent increases at 7% as opposed to the contractual increase of 13.1%.

1. The Good Economy define "green" affordability as housing costs being less than 33% of local residents' net income. "Amber" affordability is defined as 40% of net income

2. Gresham House Calculation

We aim and continue to be a market leader in delivering energy efficient homes. During the year 76% of the new build homes committed to will be delivered to EPC A and we took delivery of our first net zero homes. Not only do energy efficient homes reduce carbon emissions, but they also reduce energy bills for residents, with an EPC B property estimated to save residents £84 per month compared to an EPC D rated property, the UK average.

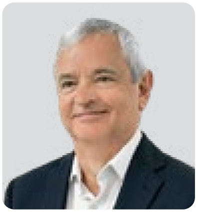
Looking forward, worsening affordability in the outright sale market, combined with the withdrawal of help-to-buy this March, has seen demand for shared ownership remain very high. With mortgage rates expected to remain elevated and a continued shortfall in the supply of affordable housing, we expect demand for shared ownership to continue to outstrip demand in the coming year, despite a potential decrease in the wider total number of first-time buyer transactions.

David Orr
Chairman
ReSI Homes Limited

29 September 2023

Board of Directors

ReSI Homes is a for-profit registered provider of social housing. The ReSI Homes Board contains independent directors (who are independent of the Fund Manager and Limited Partnership) and Fund Manager directors. The independent Directors control the Board on matters that they consider may affect ReSI Homes' compliance with the regulatory standards of the Regulator of Social Housing



David Orr, CBE

Independent Non-Executive Director

Appointed: 30 January 2019

Skills, competence, and experience:

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

Gillian Rowley

Independent Non-Executive Director

Appointed: 11 March 2019

Skills, competence, and experience:

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

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

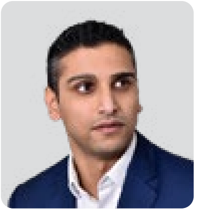
Ben Fry

Director

Appointed: 30 January 2019

Skills, competence, and experience:

Ben Fry is Managing Director, Housing at Gresham House. He is the Fund Manager for Residential Secure Income PLC and Gresham House Residential Secure Income LP, which is the parent of ReSI Homes Limited. Ben has worked at Gresham House for 12 years, including via TradeRisks which was acquired by Gresham House in March 2020. Prior to setting up Residential Secure Income in 2017, Ben led TradeRisks' debt advisory services for housing associations, local authorities, and specialist residential accommodation. Ben has 18 years of experience in housing, local government and infrastructure and qualified as a chartered accountant with Deloitte. He holds a BSc in Mathematics from Imperial College London.



Sandeep Patel

Director

Appointed: 11 January 2023

Skills, competence, and experience:

Sandeep is Finance Director, Housing at Gresham House and was appointed in January 2023. He leads the finance function for the group's Housing strategy, encompassing the full suite of financial reporting and analysis. Sandeep has over 15 years of senior finance experience spanning financial control, valuations, product control and finance business partnering, to board and executive committee level, playing an active role in the delivery of strategic objectives. During 10 years on the sell-side, Sandeep led and worked in teams which realised significant income opportunities and cost savings. In five years on the buy-side, Sandeep led a finance team implementing a finance operating model to facilitate the scale of a listed commercial real estate investment trust from IPO to a £1.2bn market capitalisation. Sandeep is a Fellow Member of Association of Chartered Certified Accountants.

Pete Redman

Director

Appointed: 30 January 2019

Skills, competence, and experience:

Pete has been Head of Housing Management at Gresham House since March 2020, following the acquisition of TradeRisks. He is responsible for due diligence on residential acquisitions and operational performance by ReSI's property managers and leaseholders. He has built a strong reputation in the housing sector on topics like the market dynamics and development economics. He has been an advisor to the Greater London Authority, the Scottish Government, and was a member of the team that won the Wolfson Economics Prize in 2014 on housing supply. Pete was Chief Executive of Notting Hill Housing Group and Chief Officer at two London Boroughs. He joined TradeRisks Limited in 2013 and has 46 years' experience in residential portfolio management. Pete studied Engineering and Philosophy at the University of Cambridge, is an Alumni of the London Business School, and is an Honorary Fellow of the Royal Institute of British Architects.

Mark Rogers

Director

Appointed: 30 January 2019

Skills, competence, and experience:

Mark joined Gresham House in March 2020 following the acquisition of TradeRisks. Before joining ReSI Homes, Mark spent 12 years as a Chief Executive of Circle Housing Group, a 65,000-unit housing association, before merging it into the Clarion Group, the largest housing association in the UK. Prior to that, Mark held Chief Executive roles at Anglia Housing Group and Nene Housing Society. He has 38 years' social housing experience and has been a member of the Chartered Institute of Housing since 1986.

Resident testimonials[1]

Martina
Solihull

Martina moved into her new shared ownership house in Solihull with her daughter in October 2022, after living in her mother's house. Martina is delighted with the quality of her new home: "The house is lovely, especially our big, sunny garden. Everything in the house is really good quality." She had a few snagging issues when she first moved in and although it took a bit of time, these issues were eventually fixed. Martina is very happy with the location of her home, with "good bus links, shops, supermarkets and country walks" all within walking distance. Martina and her daughter's wellbeing have reportedly improved since moving in and they "love having their own space and garden". Martina would not have been able to own a home had it not been for the option of shared ownership. She hopes to fully staircase in the years ahead.

Everything in the house is really good quality

The house is lovely, especially our big, sunny garden

David
Stanford Le Hope

David is a first-time buyer who moved from private rental accommodation into his new home with his partner in Stanford-le-Hope in April 2023. So far, David is "really happy" with his new home, being especially excited about having his own garden for the first time and being able to decorate the house as he and his partner likes. He thinks that ReSI's Share Ownership Plus Scheme is a "good way to slowly build up equity" and intends to fully staircase in the future. He is very happy with the location of the house, with "great transport links into London and good beaches and facilities nearby". David is pleased to be in an energy efficient house with solar panels and heat pumps and the positive effect this will have on his energy bills.

David is confident that he will be "better off financially" in shared ownership rather than paying private rent.

Great transport links into London and good beaches and facilities nearby

1. Residents names have been changed

Environmental, Social and Governance Statement

ReSI Homes is committed to delivering quantifiable social and environmental impact by providing middle to low earners with an affordable route onto the housing ladder through shared ownership

Shared Ownership's part-buy part-rent model reduces both deposit requirements and monthly housing costs, providing an affordable route onto the housing ladder for an estimated additional 4.4mn people.[1]

The reduced housing costs under shared ownership through rents at a c.30% discount to market rates allow residents to save £307k over a lifetime, whilst building a financial asset of £400k.[2]

In addition to the financial benefits, the security of tenure offered through the 999-year shared ownership lease enables families to become established in their own communities.

ReSI Homes continues to be a market leader in delivering energy efficient homes, not only contributing to reduced emissions but also to reducing energy bills, something that has been particularly important to residents with the current, elevated price of energy.

ReSI Homes has worked with The Good Economy (TGE) to quantify its social and environmental impact in its second year of operation. The findings of the report are summarised below; the full report is available on request.

TGE have assessed ReSI Homes' performance against its four measurable impact objectives:

	Increase supply of quality homes	Improve access to shared-home ownership	Develop homes in areas of high need	Build toward net zero
ReSI Homes 2023 Results	**424:** New build shared ownership homes funded in FY23 **£47mn:** Equity injection to not-for-profit housing associations **High:** Level of additionality TGE expects the Fund to achieve once homes under construction are completed	**£54 per month:** Average saving for residents compared to the private rental sector **100%:** proportion of homes expected to require less than 40% of local resident net income	**90%:** homes in areas of constrained affordability **100%:** homes in areas the average worker can't afford to buy the average home	**76%:** of new build homes funded in FY23 to be delivered to EPC A **87%:** of properties rated EPC B or better

1. Gresham House Calculation
2. Gresham House Calculation

Increase Supply of Quality Homes

ReSI funded a further 893 shared ownership homes during FY23, with 53% of these properties acquired as part of the acquisition of Ocean Housing's tenanted shared ownership portfolio, and the remaining 47% acquired through funding the development of new build affordable housing.

ReSI harnessed £15mn of government grant funding in FY23 to fund 326 additional affordable homes, in addition to funding 98 homes that were already required to be affordable through the S.106 agreement.

Whilst the Ocean acquisition didn't directly increase the supply of affordable housing, ReSI's £47mn equity injection will enable the housing association to fund their target of building 100 new affordable homes a year. TGE viewed the Ocean acquisition as having positive impact, both through increasing the supply of quality homes in ReSI's portfolio and through providing the equity injection required for Ocean to continue to deliver affordable housing in Cornwall.

Overall, TGE considers that ReSI is currently creating Medium additionality, but given the Fund is committed to developing 626 new build properties, would expect this to increase to High additionality over the coming year as more development properties are completed and occupied by residents.

Offer a route onto the housing ladder that is affordable to mid to low earners

TGE found that 90% of ReSI's shared ownership homes to have "green" affordability, where a typical local resident would expect to spend less than 33% of their net income on housing costs. A further 10% are considered to have "amber" affordability, meaning these same households would be spending 33% – 40% of their income on housing costs.

Properties which have been categorised as amber affordability tend to be in located in more expensive micro-locations within the wider region, however ReSI's homes in these locations are more affordable relative to the micro-location.

On average, ReSI's shared ownership homes are £54 a month cheaper than renting privately. This is less of a saving compared to FY22, driven predominantly by the increased cost of a mortgage.

Rising interest rates meant that the Fund's homes are now offering residents significant savings compared to owning outright, with the Fund's shared ownership properties saving residents £625 per month on average, compared with £316 per month last year.

Develop homes in areas of high need

TGE found that the majority of ReSI homes are located in parts of the country with a significant need for new affordable homes. 100% of the homes owned by the Fund are located in regions where the average worker is unable to afford the average home (house price to income ratio above 5x), with 90% of the portfolio is located in areas of 'constrained affordability'. TGE define constrained affordability as areas where the house price to income ratio is greater than the UK average of 9x.

Build toward net zero

ReSI works actively with developers to ensure that where possible, its new build homes are delivered to EPC A. This has involved improving the specification of properties through the installation of solar panels and air/ground source heat pumps. As a result of this active engagement, 76% of the new-build properties funded by ReSI in FY23 will be delivered to EPC A.

The acquisition of the Ocean portfolio reduced the percentage of the Fund's homes rated over EPC B from 100% to 87%, with 30 properties rated D or below and 103 properties without an EPC rating.

ReSI is working with Ocean to collect the missing EPC certificates and will work with residents to upgrade the 30 EPC D rated properties to at least a C, starting with the 4 properties rated EPC E and below.

Strategic Report

The directors present the strategic report for the year ended 31 March 2023.

ReSI Homes Limited (the **Company**) is a for profit Registered Provider registered with and regulated by the Regulator of Social Housing (the **RSH**) (registration number 5092). The Company is a private company limited by shares incorporated under the Companies Act 2006 (registration number 11796225) and with its registered office at 5 New Street Square, London EC4A 3TW.

The Company is the social housing vehicle within Gresham House Residential Secure Income LP (the Fund), enabling the Fund to invest into the social housing sector. The Fund was managed by ReSI Capital Management Limited (the **Fund Manager**) for the financial year. Effective from 6th September the fund management agreement novated to Gresham House Asset Management Limited as a result of a rationalisation of regulatory permissions within the Gresham House PLC group and continues to be managed by the same fund management team.

ReSI Homes is a long-term, private sector social housing landlord, with the objective of acquiring and managing assets within the social housing regulatory environment for the long term.

As at 31 March 2023, the Company was in a net asset position and was profit making. During the year the Company acquired an additional 550 homes, with gross rental income growing to £2.7mn per annum, yielding a profit before tax for the year of £5.2mn.

Purpose

ReSI Homes' purpose is to offer quality shared ownership homes in England, focussing on supporting buyers to purchase and maintain their home, in the knowledge that they have a home that they can afford with a landlord that cares. To achieve this, the Company continues to identify appropriate opportunities to acquire affordable housing stock from developers and other Registered Providers.

We are committed to providing excellent customer service and making a material contribution to the housing crisis by delivering a truly best in class product for shared owners.

ReSI Homes' strives to be efficient, acting in compliance with its governance obligations and best-practice, and financially strong. The strategic intention is to acquire affordable housing properties for the long-term and ensure that, through appropriate contractual arrangements, they are well-managed by a reputable property manager. The Company and the Fund Manager work hard to make the Company's homes affordable and comfortable places to live in. We carefully select and manage our managing agents, who are responsible for managing the Company's properties on its behalf subject to the terms of long-term management agreements.

Our Corporate Strategy 2023-2025

In April 2023, the Board approved its current Corporate Strategy, which places an emphasis on measurable outcomes in five strategic themes:

Strategic Theme	Strategic Objective
Growth & Development	Invest in quality affordable housing properties across England focusing on the provision of shared ownership homes (whilst remaining open to other tenures) to ensure that our business and investment priorities can be met.
Customer Service	Be a truly customer-driven housing provider.
Governance & Regulatory Standards	Demonstrate high standard of governance and meet regulatory standards.
Safeguarding Financial Position	Maintain a secure financial viability position in order to protect assets and increase the amount of investment and our ability to provide more affordable housing.
Safety & Sustainability	Ensure all of our homes are safe and energy-efficient.

Statement of internal control

The Board is responsible for ensuring that the Company maintains a system of internal controls that is appropriate to the various business environments in which it operates. Business risks are identified through a system of continuous monitoring. The risk control framework includes the following key elements:

- a Risk Appetite Statement which set out the Company's tolerances for identified risks,
- identification and evaluation by the Fund Manager of risks to which the Company may be exposed so that they can be managed in line with risk policies,
- regular reporting of ongoing and emerging risks to the Board to assess whether risk exposures remain within the limits set by the risk appetite, and
- regular stress testing in order to maintain mitigation plans that remain robust to possible future shocks.

Principal risks and uncertainties

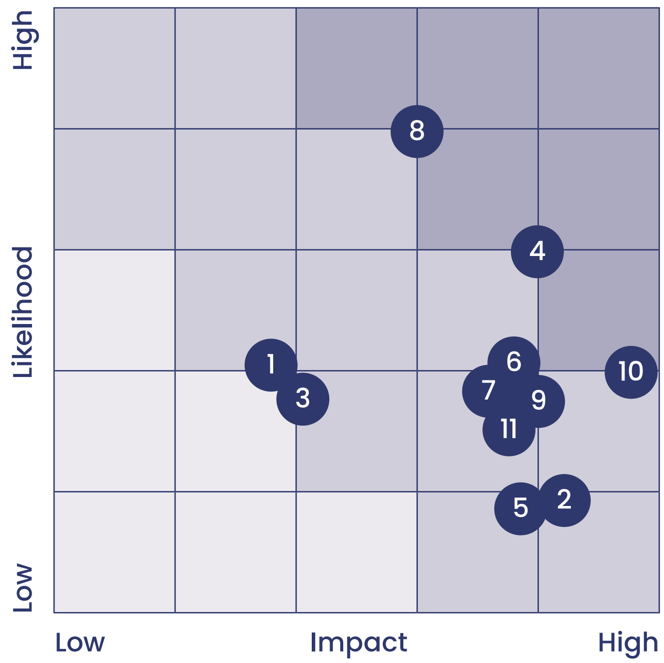
The effective management of risk plays a vital role in achievement ReSI Homes' strategic objectives. Ultimate responsibility for risk management rests with the Board, with the Fund Manager supporting on a day-to-day basis.

The Company has in place a risk management and internal control system. The Board has determined the extent of its appetite for risks it is willing to take in achieving its strategic objectives.

All of the identified risks are recorded on the strategic risk register which is maintained by the Fund Manager and approved by the Board.

Key Risk Map

The "heat map" shown below exemplifies how ReSI Homes' key risks listed above are reported to the Board on a quarterly basis.



ReSI Homes' risk management system continued to evolve and mature throughout this financial year. In meeting its strategic objectives, the key business risks and uncertainties affecting the company are:

	Risk & Risk description
1	**Acquisition cost and the impact of incorrect assumptions** Assumptions are too prudent reducing bid levels and opportunities for ReSI Homes or alternatively assumptions are not sufficiently prudent, inflating bid levels, impacting forecast returns.
2	**Availability and/or suitability of funding** Funding is either not available or not available on terms consistent with yield requirements. ReSI Homes does not have sufficient cash to operate.
3	**Operating cost inflation** Operating costs for the shared ownership units are higher than modelled increasing overheads in ReSI Homes' business plan (and is not offset by a corresponding increase to receivables). Cost inflation impacts services provided by Managing Agents or makes the Property Management contract uneconomic.
4	**Managing agent underperformance** The managing agents appointed by ReSI Homes do not meet service delivery expectations (both in customer facing and asset activity).
5	**Data Protection breach** GDPR Compliance and data security breach. A breach of data security leads to the theft of personal data. ReSI Homes is subject to cyber crime such as denial of service attack, hacking or virus.
6	**Public image and reputational damage** Negative reporting of ReSI Homes or its affiliates and their activities
7	**Failure to provide good customer experience** ReSI Homes is held in poor regard by its residents.
8	**Significant or material fall in the value of the property market** Housing market volatility causes a reduction in sales values of shared ownership properties.
9	**Failure to meet Regulatory Standards** ReSI Homes fails to comply with one of the RSH's regulatory standards.
10	**Breach of Health and Safety Requirements** Failure to meet statutory requirements regarding Fire, Legionella, Asbestos, Gas, Electricity (and others).
11	**Failure to meet sustainable investment commitments** Equity investors have sustainability expectations, failure to hit these impacts demand group equity that reduces borrowing capacity at ReSI Homes.

Financial key performance

Please refer to the Value for Money section of this report.

Ben Fry

Ben Fry
Director

Date: 29 September 2023

Directors' Report

The Directors present their report with the financial statements of ReSI Homes Limited (the Company) for the year ended 31 March 2023.

Principal activity

The principal activity of the Company in the year under review was as a for-profit private registered provider of social housing. It is expected such activities will continue.

The Company's ultimate parent is Gresham House Residential Secure Income LP (the **Fund**). The Fund was launched on 5 May 2021 as an evergreen UK limited partnership which invests in shared ownership homes through the Company.

The objective of the Company is to provide secure and stable long-term returns (through both income and capital growth) whilst delivering material social benefits, from a portfolio of shared ownership homes in the United Kingdom.

Events after the reporting period

Events that occurred after the reporting date are disclosed in Note 21 Subsequent events.

Dividends

No dividends were distributed for the year ended 31 March 2023. (2022: Nil).

Directors

The Directors shown below have held office during the whole of the period from 1 April 2022 to the date of this report.

Name	Postion
David Orr	Chairman and Non-executive Director
Gillian Rowley	Non-executive Director
Alex Pilato	(resigned 9 June 2023)
Ben Fry	
Mark Rogers	(appointed Non-executive Director on 1 July 2023)
Peter Redman	
Sandeep Patel	(appointed 11 January 2023)
Diane Abeyawickrama	(resigned 4 November 2022)

Auditor

In accordance with the Company's articles, a resolution proposing that BDO LLP be reappointed as auditor of the Company will be put at a General Meeting.

Value for Money

Introduction

ReSI Homes is committed to delivering Value for Money ("VfM") by providing quality homes and services in the most efficient way to make the most of the rent it receives whilst meeting the needs of their customers and stakeholders.

In order to achieve Value for Money the Company applies an optimal balance between low costs, high efficiency, maximising enterprise value and achieving positive and sustainable results. This means making the best use of our resources and assets in delivering our strategic objectives and understanding how investment can improve services and lead to recurring savings.

Our Corporate Strategy 2023 – 2025 details our strategic objectives and priorities for the next 3 years. Continuous focus on Value for Money is vital for the delivery of our Corporate Strategy.

Value for Money Strategy

In July 2023, the Board approved its Value for Money Strategy 2023-2025, which sets out five VFM objectives:

VFM Objective	Measure of success
1. **Deliver services to our customers in a way that achieves best overall value.**	▪ Ensure that Value for Money is a key consideration in the design, implementation and delivery of our services. ▪ Implement performance management and scrutiny functions which are effective at driving and delivering improved Value for Money performance. ▪ Be open and transparent about our costs and ensure that our service charges are fair and represent good Value for Money.
2. **Incorporate quality measures to evaluate how our activities impact on our customers and the environment.**	▪ Ensure that all aspects of Value for Money are considered in our growth plan. ▪ Make sustainability a consideration in all our activities. ▪ Embed effective sustainable practices within our processes, recognising how sustainability is vital to the delivery of our Corporate Objectives.
3. **Ensure that our partner agents recognise their obligation to seek Value for Money as part of their daily activities.**	▪ Emphasise partner agents role in delivering Value for Money on our behalf through procurement and other activities. ▪ Introduce appropriate Value for Money targets in the management agreements.
4. **Introduce internal processes to track expenditure and understand the impact of our investment in services and homes.**	▪ Set targets for performance and monitor our key performance indicators. ▪ Implement a system to help understand the costs of delivering specific services and underlying factors influencing these costs. ▪ Work with our partner agents to understand their performance and costs in delivering services on our behalf, implement a strategy for optimising the future return on managed assets.
5. **Demonstrate that Value for Money comparisons have taken place against similar activities and other Registered Providers using applicable and comparable measures.**	▪ Engage in benchmarking activities with other providers in the sector to help identify areas of performance which can be improved. ▪ Identify opportunities for meaningful comparison against activities delivered by other for-profit Registered Providers.

The Regulator of Social Housing (**RSH**) has defined seven VfM metrics for Registered Providers to measure against, and these are the main elements of our VfM reporting and analysis, which allow us to compare across other Registered Providers, and against our own performance over time.

Our aim is to become a significant shared ownership provider in England, we have therefore chosen to compare our performance to a peer group made up of all Registered Providers in England with more than 1,000 homes using the median values which were reported through the RSH's 2022 Global Accounts of private registered providers. This peer group comprises 200 Registered Providers.

The Company is in its early stages of development which means that during the reporting period, our performance against the Value for Money metrics may display significant variance from others in the sector.

Over the next 12 months, the Company will work to identify a meaningful peer group comparison to reflect its stage of development, size and the type of services provided.

The metrics below have been calculated in accordance with the definition of the RSH's VfM metrics.

Metric	Description		2022/23 Actual	2021/22 Actual	2021/22 Peers
1	Reinvestment	%	10.5	3.6	6.5
2a	New supply delivered (Social housing units)	%	10.7	4.0	1.4
2b	New supply delivered (Non-social housing units)	%	n/a	n/a	n/a
3	Gearing	%	(1.3)	(9.6)	44.1
4	EBITDA MRI	%	n/a	n/a	n/a
5	Headline social housing cost per unit	£000	0.2	0.1	4.2
6a	Operating margin – social housing lettings	%	29.1	66.8	23.3
6b	Operating margin – overall	%	52.8	145.9	20.5
7	Return on Capital Employed	%	3.2	3.6	3.2

Metric 1 – Reinvestment %

This metric looks at investment in new supply of social housing properties (existing as well as new supply) as a percentage of the value of total properties held.

During the year, the Company, invested £55.4mn into affordable housing, with £10.2mn in newly built completed properties and a further £44.2mn into acquiring existing stock from other Registered Providers for them to reinvest into their development programmes. Only those newly built and completed are included in this measure which represents reinvestment of 10.5% compared with a peer group median of 6.5%.

Metric 2 – New Supply delivered %

This metric considers the number of new housing units developed or newly built units acquired in the year as a proportion of the total units owned at year-end.

By the end of the year, the Company had delivered 84 new social housing units compared with 785 at the end of the year. As a result, the Company has delivered new supply of 10.7% compared with the industry median of 1.4%.

Metric 1 and Metric 2 reflect the Company's acquisition of homes during the year demonstrating an increased deployment of funds in comparison to the previous year. The Company has no non-social housing homes. All properties owned are shared ownership homes.

Metric 3 – Gearing %

The gearing metric assesses how much of adjusted assets are made up of debt and the degree of dependence on debt finance.

The Company had no external debt. The Company had intra group debt payable to the ultimate parent of the group of £1.5mn, After offsetting the available cash balance of £3.6mn the Company has a gearing ratio of (1.3)%compared with a peer group median of 44.1%

Metric 4 – EBITDA MRI Interest cover %

The measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a Registered Provider generates compared to interest payable. At the end of the year, the Company has interest expense of £nil, and therefore this metric is not applicable to the Company.

Metric 5 – Headline social housing cost per unit

This metric assesses the headline social housing cost per unit as defined by the regulator. The Company is still at an early stage of its development and the reported headline social housing cost per unit of £166 primarily comprises management fees and empty property costs as the Company’s homes are in the process of becoming fully income-producing. The cost per unit is lower than the peer group median cost of £4,150 as the Company invests in Shared Ownership homes with fewer lessor obligations than other forms of social housing.

Metric 6 – Operating margin %

The measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates compared to interest payable:

(6A) Social housing lettings (SHL) (%) – at the end of the year, the Company had a social housing lettings operating margin of 29.1% compared with a peer group median of 23.3%

(6B) Operating margin – overall (%) – at the end of the year, the Company had an overall operating margin of 52.8% compared with a peer group median of 23.3%

In the year the company had two streams of revenue, rental income and first tranche sales proceeds. The operating margin during the year for rental income was 94.7% and the operating margin for first tranche sales during the year was 5.5%

Metric 7 – Return On Capital Employed (ROCE) %

This metric compares the operating surplus to total assets less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources. At the end of the year, the return on capital employed for the Company was 3.2% compared with a peer group median of 3.2%.

The Company had 1,075 homes which were completed, under development or committed on conditional completion as at 31 March 2023 (2022: 521). All completed homes were managed by third party property managers.

Compliance with Governance and Financial Viability Standard

The RSH’s Governance and Financial Viability Standard provides guidance to enable us to assess our compliance with the Standard. The overall required outcomes of the Standard are:

- To ensure we have effective governance arrangements in place that deliver the aims, objectives and intended outcomes for our residents and potential residents in an effective, transparent and accountable manner.
- To manage our resources effectively to ensure we maintain our viability, ensuring that social housing assets are not put at undue risk.

The Standard requires Registered Providers to assess their compliance with the Standard at least annually. Boards are required to report their compliance with the Standard within their annual accounts. Boards need to determine where they are obtaining their assurance to demonstrate to the RSH:

- A clear understanding of asset values, related security, potential losses and potential chains of recourse. Boards need to know exactly what information will be required in the event of distress and social housing asset exposure in order to value the assets without delay.
- Evidence of application of the principles.
- The assurance they receive on the quality of records.

The Company conducted a detailed self-assessment of its compliance with the RSH standards which apply to the Company. After reviewing this assessment, the Board can confirm that the Company has complied with the Governance and Financial Viability Standard.

The Company was registered as a Registered Provider on 23 March 2020. The most recent annual Statistical Data Return was submitted on 25 May 2023.

Complaints

ReSI Homes is a member of the Housing Ombudsman Service and in September 2022 the company carried out annual assessment against the Complaint Handling Code to ensure its complaint handling remains in line with the requirements.

The Company considered there to be no material areas of non-compliance against the Complaint Handling Code.

Governance

The Company has, as of 20 February 2023, adopted the European Confederation of Directors Associations (ecoDa) corporate governance code against which it has conducted its first self-assessment. The Board reviews compliance with the Code at least annually in line with the Company's Regulatory Framework review policy.

The Company considered there to be no material areas of non-compliance against ecoDa.

Prior to 20 February 2023 the Company had adopted the UK Corporate Code of Governance (July 2018).

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements (**FRS 100**), Financial Reporting Standard 101 Reduced Disclosure Framework (**FRS 101**) and in compliance with the Company Act 2006. 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures;
- disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Articles permit the Company, subject to the provisions of UK legislation, to indemnify to any extent any person who is or was a Director, or a Director of an associated company, against any loss or liability, whether in connection with any proven or alleged negligence, default, breach of duty or breach of trust, in relation to the Company. The Company maintains Directors' and Officers' liability insurance which provides appropriate cover for legal actions brought against its Directors.

Internal Controls

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

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

The Board is responsible for keeping proper accounting records. These disclose, with reasonable accuracy at any time, the financial position of the Company. This enables the Board to ensure the financial statements comply with:

- The Companies Act 2006.
- The Accounting Direction for Private Registered Providers of Social Housing 2019.
- The Housing and Regeneration Act 2008.

Culture

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

Statement of Disclosure of information to auditors

So far each person who was a director as at the date of approving this report is aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company’s auditor is unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

On behalf of the board:

Ben Fry
Director

Date: 29 September 2023

Independent Auditor's Report to the Board of Directors of ReSI Homes Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of ReSI Homes Limited (the "**Company**") for the year ended 31 March 2023 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting standards, including Financial Reporting Standard 100 Application of Financial Reporting Requirements (FRS100) and Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

- the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance;
- Obtaining and understanding of the Company policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be United Kingdom Generally Accepted Accounting Practice and the Companies Act 2006.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;

- Review of financial statement disclosures and agreeing to supporting documentation;
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

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

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and valuation of the investment property.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Assessing significant estimates made by management for bias in the valuation methods, assumptions used, and the inputs and judgements adopted there in valuing the investment property.

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

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

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

Use of our report

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

DocuSigned by:
Richard Levy
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Richard Levy (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

29 September 2023

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

Statement of Comprehensive Income

For the year ended 31 March 2023

	Notes	Year ended 2023 £'000	Year ended 2022 £'000
Revenue	5	9,986	1,723
Cost of sales	5	(7,151)	(572)
Gross profit		2,835	1,151
General and administrative expenses	6	(371)	(107)
Fund establishment costs		–	(66)
Operating profit before investment property disposals and change in fair value		2,464	978
Profit/(Loss) on disposal of investment property		1	(31)
Gain from revaluation of investment property	7	2,680	1,565
Operating profit		5,145	2,512
Finance income		12	–
Finance costs		–	–
Profit for the year before taxation		5,157	2,512
Taxation	8	–	–
Profit for the year after taxation		5,157	2,512
Other comprehensive income		–	–
Total comprehensive income for the year		5,157	2,512

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

The accompanying notes on pages 25 to 39 form an integral part of these financial statements.

Statement of Financial Position

At 31 March 2023

	Notes	31 March 2023 £'000	31 March 2022 £'000
Non-current assets			
Investment property	9	162,475	62,693
Total non-current assets		162,475	62,693
Current assets			
Inventory	10	1,469	97
Cash and cash equivalents	11	3,624	7,277
Trade and other receivables	12	4,596	1,176
Total current assets		9,689	8,550
Total assets		172,164	71,243
Current liabilities			
Trade and other payables	13	(5,329)	(1,428)
Total current liabilities		(5,329)	(1,428)
Non-current liabilities			
Recycled Capital Grant Fund	14	(574)	(114)
Trade and other payables		(1,000)	–
Total non-current liabilities		(1,574)	(114)
Total liabilities		(6,903)	(1,542)
Net assets		165,261	69,701
Equity			
Called up share capital	15	157,675	67,272
Retained earnings		7,586	2,429
Total equity		165,261	69,701

The financial statements were approved and authorised for issue by the Board of Directors on 29 September 2023 and signed on its behalf by:

Ben Fry
Director

The accompanying notes on pages 25 to 39 form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31 March 2023

	Called up share capital £'000	Retained (deficit)/ earnings £'000	Total £'000
Balance at 1 April 2021	**85**	**(83)**	**2**
Profit for the year	–	2,512	**2,512**
Total comprehensive income for the year	–	2,512	**2,512**
Contributions and redemptions by			
Issue of share capital	67,187	–	**67,187**
Redemption of share capital	–	–	**–**
Balance at 31 March 2022	**67,272**	**2,429**	**69,701**
Profit for the year	–	5,157	**5,157**
Total comprehensive income for the year	**–**	**5,157**	**5,157**
Contributions and redemptions by			
Issue of share capital	90,403	–	**90,403**
Redemption of share capital	–	–	**–**
Balance at 31 March 2023	**157,675**	**7,586**	**165,261**

The accompanying notes on pages 25 to 39 form an integral part of these financial statements.

Cash Flow Statement

At 31 March 2023

	2023		2022	
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Profit for the year		5,157		2,513
Adjustment for items that are not operating in nature				
Gain in fair value of investment properties		(2,034)		(1,565)
Movement in rent smoothing adjustments		(645)		(316)
(Profit)/Loss on disposal of investment properties		(1)		31
Finance income		(12)		–
Operating result before working capital changes		2,464		662
Changes in working capital				
Increase in trade and other receivables	(3,420)		(1,175)	
Increase in inventories	(1,372)		(97)	
Increase in trade and other payables	4,901		1,420	
Net cash generated from operating activities		2,573		810
Cash flows from investing activities				
Disposal of investment properties	2,733		1,090	
Interest received	12		–	
Purchase of investment property	(99,852)		(74,745)	
Grant received	478		12,926	
Net cash flow used in investing activities		(96,629)		(60,729)
Cash flows from financing activities				
Share capital and share premium	90,403		67,187	
Net cash flow from financing activities		90,403		67,187
Net (decrease)/increase in cash and cash equivalents		(3,653)		7,268
Cash and cash equivalents at beginning of year		7,277		9
Cash and cash equivalents at end of year		3,624		7,277

The accompanying notes on pages 25 to 39 form an integral part of these financial statements.

Notes to the Financial Statements

1. General information

ReSI Homes Limited (the **Company**) is registered as a for-profit provider of social housing with the Regulator of Social Housing (the **RSH**) with registered number 5092.

The Company is a private company limited by shares with registered number 11796225. The Company was incorporated on 30 January 2019. The Company is a wholly owned subsidiary of GH ReSI Portfolio Holdings Limited.

Gresham House Residential Secure Income LP (the Fund) ultimately controls the Company. The Fund is an alternative investment fund managed by ReSI Capital Management Limited (the **Fund Manager**). The Fund Manager is authorised by the Financial Conduct Authority as an alternative investment fund manager.

The investment objective of the Company is to provide secure and stable long-term returns (through both income and capital growth) whilst delivering material social benefits, from a portfolio of shared ownership homes in the United Kingdom.

2. Summary of significant accounting policies and key accounting estimates

(a) Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements (**FRS 100**), Financial Reporting Standard 101 Reduced Disclosure Framework (**FRS 101**) and in compliance with the Company Act 2006. The financial statements have been prepared on a historical cost basis, except for investment property which has been measured at fair value.

The comparatives presented are for the year ended 31 March 2022.

(b) Functional currency

The financial statements have been rounded in thousands and are presented in Sterling (£), except when otherwise indicated. The £ is the functional currency of the Company.

(c) Significant accounting judgments and estimates

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

The most significant estimates made in preparing these financial statements relate to the carrying value of investment property and shared ownership properties.

Estimates:

Investment property

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

The Company's properties have been independently valued by CBRE Limited (**CBRE** or the **Valuer**) in accordance with the definitions published by the Royal Institute of Chartered Surveyors' (**RICS**) Valuation – Professional Standards, January 2022, Global and UK Editions (commonly known as the "Red Book"). CBRE is one of the most recognised professional firms within residential and social housing property valuation and has sufficient current local and national knowledge and has the skills and understanding to undertake the valuations competently.

If the assumptions upon which the external valuer has based its valuations prove to be inaccurate, this may have an impact on the value of the Company's investment properties, which could in turn have an effect on the Company's financial position and results.

Shared Ownership Properties:

First Tranche Sales

The Company estimates the proportion of shared ownership properties that are sold as first tranche sales (a sale to the occupier, in return for an initial payment) and therefore classified as inventory rather than investment property. The assumptions on which the proportion has been based include, but are not limited to, matters such as the affordability of the shared ownership properties, local demand for shared ownership properties, and general experience of first tranche shared ownership sales in the social housing sector. The first tranche sales percentage used is consistent with values used by the valuers. As at 31 March 2023, the average first tranche sales percentage assumed for vacant shared ownership properties is 31% (2022: 25%). If there is a change in percentage used, this will affect the proportion of inventory and investment property recognised with a higher assumed first tranche sale percentage resulting in a higher inventory value and lower investment property value.

Going concern

The Directors of the Company have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future. The Company had no outstanding debt owing as at 31 March 2023. Furthermore, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

As at 31 March 2023, the Company had net current assets of £4,360,000 and had cash balances of £3,624,000, which are sufficient to meet current obligations as they fall due. The major cash outflows of the Company are the costs relating to the acquisition of new investments, which is discretionary. All committed acquisitions at the end of the year and subsequent to period end are sufficiently covered through current cash reserves or undrawn capital commitments from limited partners.

There are no other estimates, assumptions and judgements that are deemed to have a significant risk of causing a material adjustment to the carrying amounts of Company's assets and liabilities.

(d) Changes to accounting standards and interpretations

The International Accounting Standards Board (**IASB**) and the International Financial Reporting Interpretations Committee (**IFRIC**) have revised a number of standards. None of these amendments have led to any material changes in the Company's accounting policies or disclosures during the year.

(e) Standards in issue but not yet effective

Certain amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting years beginning on or after 1 April 2023 and whilst the Directors are considering these, initial indications are that these changes, will have no material impact on the Company's financial statements.

3. Disclosure exemptions adopted

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

- certain comparative information as otherwise required by adopted IFRS;
- certain disclosures regarding the Company's capital;
- the effect of future accounting standards not yet adopted; and
- disclosure of related party transactions with other wholly owned members of Residential Secure Income LP.

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

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

4. Significant accounting policies

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

(a) Investment property

Investment property, which are properties held to earn rentals and/or for capital appreciation, are initially measured at cost, being the fair value of the consideration given, including expenditure that is directly attributable to the acquisition of the investment property.

After initial recognition, investment property is stated at its fair value at the Statement of Financial Position date. Gains and losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise in the Statement of Comprehensive Income. Investment property is recognised as an asset when it is probable that the economic benefits that are associated with the property will flow to the Company, and it can measure the cost of the investment reliably. This is usually on legal completion. Subsequent expenditure is capitalised only when it is probable that future economic benefits are associated with the expenditure. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected to be obtained from the asset. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recorded in in the Statement of Comprehensive Income.

(b) Inventory

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

(c) Shared ownership

Shared ownership is where initially a long lease on a property is granted through a sale to the occupier, in return for an initial payment (the first tranche sale). First tranche sales are included within turnover and the related proportion of the cost of the asset recognised as cost of sales. Shared ownership properties are split proportionately between Inventories and Investment properties based on the current element relating to first tranche sales. The assumptions on which the first tranche proportion has been based include, but are not limited to, matters such as the affordability of the shared ownership properties, local demand for shared ownership properties, and general experience of first tranche shared ownership sales within ReSI Housing and the wider the social housing sector. Shared owners have the right to acquire further tranches and any surplus or deficit on such subsequent sales are recognised in the Statement of Comprehensive Income as a part disposal of Investment properties. Where a grant is receivable from government and other bodies as a contribution towards the capital cost of shared ownership investment property, it is recognised as a deduction in arriving at the cost of the property. Prior to satisfying any performance obligations related to grant, such grants are held as a liability on the Statement of Financial Position. In some circumstances, typically when a shared owner staircase, there arises an obligation to recycle the grant into the purchase of new affordable properties within three years or to repay the grant to the relevant government body. Where such an obligation exists, the grant will be held as a liability on the Statement of Financial Position.

(d) Share capital

Financials instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

(e) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive loss or directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

(f) Financial instruments

Financial assets

Recognition of financial assets

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

Initial measurement and classification of financial assets

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade and other receivables

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

Impairment of financial assets

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

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

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

Stage 1

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

Stage 2

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

Stage 3

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

De-recognition of financial assets

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

Financial liabilities

Recognition of financial liabilities

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

Initial measurement and classification of financial liabilities

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

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

Trade and other payables

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

Provisions

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

De-recognition of financial liabilities

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

(g) Expenses

The Company recognises all expenses on an accruals basis.

(h) Value Added Tax (VAT)

The Company is covered under the Government registration for VAT. In order to comply with the government accounting regulations and normal commercial practice, income and expenditure shown in the Statement of Comprehensive Income is net of VAT. Irrecoverable VAT is charged to the Statement of Comprehensive Income in the year in which it is incurred.

(i) Revenue

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

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

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

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

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

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

(j) Cost of sales

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

(k) Government grants

The Company may apply for the government grants in the ordinary course of the business. Capital grants from the government are recognised at their fair value and treated in accordance with IAS 20. Where a grant is receivable from government and other bodies as a contribution towards the capital cost of shared ownership investment property, it is recognised as a deduction in arriving at the cost of the property. Prior to satisfying any performance obligations related to grant, such grants are held as a liability on the Statement of Financial Position.

5. Revenue and cost of sales

	Net Property Income £'000	First Tranche Sales £'000	For the year ended 31 March 2023 £'000	For the year ended 31 March 2022 £'000
Gross rental income	2,652	–	2,652	1,172
First tranche property sales	–	7,334	7,334	551
Total income	2,652	7,334	9,986	1,723
Property management fee	(92)	–	(92)	(34)
Property operating expenses	(49)	–	(49)	(4)
First tranche cost of sales	–	(7,010)	(7,010)	(535)
Total cost of sales	(141)	(7,010)	(7,151)	(572)
Gross profit	2,511	324	2,835	1,151

Rent straight line adjustments represent the recognition of lease incentives and contractual fixed annual rent increases on a straight-line basis over the term of the underlying leases.

Included within gross rental income is a £645,000 (2022: £316,000) rent smoothing adjustment that arises as a result of IFRS 16 Leases which require rental income in respect of leases with rents increasing by a fixed percentage be accounted for on a straight-line basis over the lease term. During the year this resulted in an increase in rental income, with an offsetting entry being recognised in profit or loss as an adjustment to the investment property revaluation account.

6. General and administrative expenses

	For the year ended 31 March 2023 £'000	For the year ended 31 March 2022 £'000
Other administrative expenses	(230)	(30)
Directors' fee	(55)	(40)
Administration fee	(30)	(27)
Audit fee	(56)	(10)
Total	(371)	(107)

For the year ended 31 March 2023, the Company incurred £55,000 (2022: £40,000) in respect of non-executive Directors' fees. There were nil outstanding to the Directors at 31 March 2023 (2022: £Nil). The highest paid director was paid £35,000 during the year (2022: £29,000). No pension contributions were made in respect of the directors. The company had no other staff who were renumerated.

The average number of Directors who received fees during the year was two (2022: two).

For the year ended 31 March 2023, the Company incurred £30,000 (2022: £27,000) in respect of administrator's fees. There were no balances outstanding to the Administrator at 31 March 2023 (2022: £Nil).

7. Gain from revaluation of investment property

	For the year ended 31 March 2023 £'000	For the year ended 31 March 2022 £'000
Gain on fair value adjustment of investment properties (see note 9)	3,325	1,881
Adjustment for lease incentive assets and rent straight line assets recognised:		
Start of the year	316	–
End of the year	(961)	(316)
At end of the year	2,680	1,565

8. Taxation

	For the year ended 31 March 2023 £'000	For the year ended 31 March 2022 £'000
Current tax	–	–

The tax charge for the year varies from the standard rate of corporation tax in the UK applied to the profit before tax. The differences are explained below:

	For the year ended 31 March 2023 £'000	For the year ended 31 March 2022 £'000
Profit before tax	5,157	2,513
Tax at the UK corporation tax rate of 19% (2022: 19%)	980	477
Tax effect of:		
Tax losses carried forward	–	–
Investment property revaluation not taxable	(509)	(297)
UK tax not payable due to REIT exemption at Group level	(471)	(180)
Tax charge for the year	–	–

The Government has announced that the corporation tax standard rate is to remain at 19% until 31 March 2023. From 1 April 2023 the rate increased to 25%.

The Company's is a subsidiary GH ReSI Holdings Limited which became a REIT on 14 August 2021 and as a result it, and all of its wholly owned subsidiaries do not pay UK corporation tax on the profits and gains from its qualifying property rental business in the UK provided it meets certain conditions. Non-qualifying profits and gains from the Company continue to be subject to corporation tax as normal. In order to achieve and retain group REIT status, several conditions have to be met on entry to the regime and on an ongoing basis, including as follows:

- At the start of each accounting period, the assets of the property rental business (plus and cash and certain readily realisable investments) must be at least 75% of the total value of the Group's assets.
- At least 75% of the Group's total profits must arise from the tax exempt property rental business; and
- At least 90% of the tax exempt profit of the property rental business (excluding gains) of the accounting period should be distributed

9. Investment properties

	For the year ended 31 March 2023 £'000	For the year ended 31 March 2022 £'000
At beginning of the year	**62,693**	–
Acquisitions at cost	**107,809**	74,113
Grant funding received	**(9,591)**	(12,926)
Adjustment for recycled capital grant (see note 14)	**481**	114
Disposal of investment properties	**(2,242)**	(489)
Unrealised gains on revaluation of investments (note 7)	**3,325**	1,881
At end of the year	**162,475**	62,693

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

The carrying values of investment property was £162,475,000 as at 31 March 2023 (2022: £62,693,000). This agrees to the valuations reported by external valuers of £163,753,000 which includes £1,555,000 held as inventory, £1,984,000 which has been reclassified as prepayments in relation to acquisition costs incurred and excludes accruals of £2,261,000 for development costs invoiced after year end. Included within the carrying value of investment properties at 31 March 2023 is £961,000 (2022: £316,000) in respect of the smoothing of fixed contractual rent uplifts as described in note 5. The difference between rents on a straight-line basis and rents actually receivable is included within the carrying value of the investment properties but does not increase that carrying value over fair value.

The majority of the properties owned are freehold except for 226 properties (£38,500,000) which are long leasehold. ReSI Homes Limited does not incur ground rents on any long leasehold properties and do not charge ground rents on any of its freehold properties.

The Company intends to hold its investment property portfolio over the long term. The Company will not be actively seeking to dispose of any of its assets, although it may dispose of investments should an opportunity arise, that would enhance the value of the Company as a whole. Disposals which took place is the year related to shared ownership staircasing.

There was no impairment recorded relating to investment properties during the year ended 31 March 2023 (2022: £Nil).

Under IFRS 13, the Company is required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in measuring the fair value of each asset. The fair value hierarchy has the following levels:

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

- Level 1 – Unadjusted, quoted prices for identical assets and liabilities in active (typically quoted) markets.
- Level 2 – Quoted prices for similar assets and liabilities in active markets.
- Level 3 – Inputs not based on observable market data (that is, unobservable inputs).

The Company's investment properties are included in Level 3 as the inputs to the valuation are not based on observable market data. ReSI's shared ownership properties are valued by CBRE Group using a discounted cashflow methodology applying a discount rate to estimated future cashflows. The discount rate applied, house price growth and staircasing rates are considered to be unobservable inputs.

The following table analyses within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value at 31 March 2023 and 2022.

Financial assets at fair value through profit or loss:

31 March 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	–	–	162,475	162,475
Total	**–**	**–**	**162,475**	**162,475**

Financial assets at fair value through profit or loss:

31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments	–	–	62,693	62,693
Total	**–**	**–**	**62,693**	**62,693**

There were no transfers between levels for the year ended 31 March 2023 and 2022.

10. Inventory

	At 31 March 2023 £'000	At 31 March 2022 £'000
Trading properties held for resale	1,469	97
Total	**1,469**	97

The carrying values of inventory was £1,469,000 as at 31 March 2023 (2022: £97,000). This agrees to the valuations reported by external valuers of £1,550,000 less impairment of £86,000.

11. Cash and cash equivalents

	At 31 March 2023 £'000	At 31 March 2022 £'000
Cash held at bank	3,624	7,277
Total	**3,624**	7,277

12. Trade and other receivables

	At 31 March 2023 £'000	At 31 March 2022 £'000
Trade receivables	2,534	120
Prepayments	2,026	–
VAT receivable	36	1,056
Total	**4,596**	1,176

13. Trade and other payables

	At 31 March 2023 £'000	At 31 March 2022 £'000
Non-current		
Trade payables	1,000	–
Recycled Capital Grant Fund	574	114
Total non-current liabilities	1,574	114
Current		
Trade payables	–	101
Amounts due to Group undertakings	2,762	1,247
Other payables and accruals	2,567	80
Total current liabilities	**5,329**	1,428

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

14. Recycled Capital Grant fund

Company's shared ownership portfolio has been supported by government grant funding to facilitate the delivery of affordable housing projects. In some circumstances, typically when a shared owner staircases, the Company will be required to recycle the grant into the purchase of new properties within three years or to repay it to the grant providing body.

On disposal/ staircasing of a grant funded property, the Company initially recognises a liability in the Recycled Capital Grant fund. If the disposal receipts are not subsequently recycled, the grant will be repaid.

The balance at 31 March 2023 was £574,000 (2022: £114,000).

15. Share capital account

At 31 March 2023

	Number of shares ('000)	£'000
Number of allotted, issued and fully paid shares:		
Ordinary shares of £1 each		
Opening balance at 1 April 2021	**85**	**85**
Shares issued during the year	75,612	67,187
Closing balance at 31 March 2022	**75,697**	**67,272**
Opening balance at 1 April 2022	**75,697**	**67,272**
Shares issued during the year	90,403	90,403
Closing balance at 31 March 2023	**166,100**	**157,675**

The capital of the Company is increased as a result of the issue by the Company of new fully paid-up Shares by the Company of existing shares from the shareholders.

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

GH ReSI Portfolio Holdings Limited held all shares of the Company at 31 March 2023 and 2022.

16. Ultimate parent company

The immediate parent company is GH ReSI Portfolio Holdings Limited. The ultimate parent company and controlling party is Gresham House Residential Secure Income LP through its subsidiary GH ReSI Holdings Limited. All of these entities are incorporated in Great Britain and registered in England and Wales.

17. Auditor information

BDO LLP acts as an independent auditor to the Company. The auditor did not provide any non-audit services to the Company for the year ended 31 March 2023 (2022: None).

18. Dividends paid

There were no dividends paid in the year ended 31 March 2023 (2022: £Nil).

19. Related party transactions

The Company has taken advantage of the exemption not to disclose transactions with other members of the Group (Gresham House Residential Secure Income LP, GH ReSI Holdings Limited and GH ReSI Portfolio Holdings Limited) as the Company's own financial statements are presented together with its consolidated financial statements. For all other related party transactions please make reference to note 17 of the consolidated accounts of Gresham House Residential Income LP.

20. Contingent liabilities and commitments

The Companies shared ownership portfolio has been supported by £22.2mn government grant funding. In some circumstances, typically when a shared owner staircases, the Group will be required to recycle a portion of the grant into the purchase of new properties within three years or to repay it to the grant providing body (see note 14).

During the year the Group made commitments and exchanged contracts for the acquisition or development of 838 shared ownership homes (2022: 272) in seven schemes which are expected to complete in the next three years at a total acquisition cost of £89mn (2022: £54mn).

There are no provisions for fines and settlements specified for environmental, social or governance issues at year end.

21. Subsequent events

On 30 June 2023, Ilke Homes Land, who were acting as developer and contractor on our Standford-Le-Hope scheme entered administration. Site construction is advanced, with ReSI Homes having taken delivery of 31 properties to date and 24 residents having moved in. The modules for the remaining 107 modular houses are all on site. Terms have been agreed with Chartway to deliver the scheme to completion.

On 17 July 2023, Gresham House PLC the ultimate beneficial owner of ReSI Capital Management Limited, announced that they reached agreement, with Searchlight Capital Partners L.P., on the terms of a recommended final cash offer for the entire issued share capital of Gresham House PLC. It is expected that this will have minimal impact on Gresham House Residential Secure Income LP and other fund vehicles advised or managed by Gresham House and business will continue as usual.

On 6 September 2023, each of Gresham House Residential Secure Income LP and GH ReSI Holdings Limited (as alternative investment funds) agreed to novate their joint appointment of ReSI Capital Management Limited as alternative investment fund manager to Gresham House Asset Management Limited, effective immediately. This change arises as a result of a rationalisation of regulatory permissions within the Gresham House PLC group and will have no impact on the day-to-day management of ReSI Homes which continues to be managed by the same fund management team.

There were no other material events subsequent to the reporting date which require disclosure in or adjustment to the financial statements as at 31 March 2023.

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Gresham House

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