



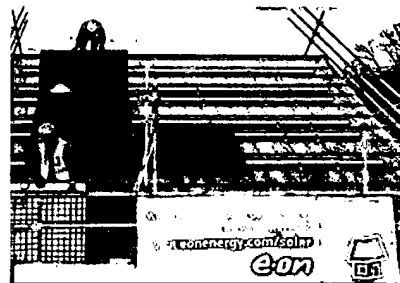
Annual Report and Financial Statements
for the year ended 31 March 2021

Responsible economic returns

Reduced carbon footprint

Measurable social impact

Enhanced governance standards



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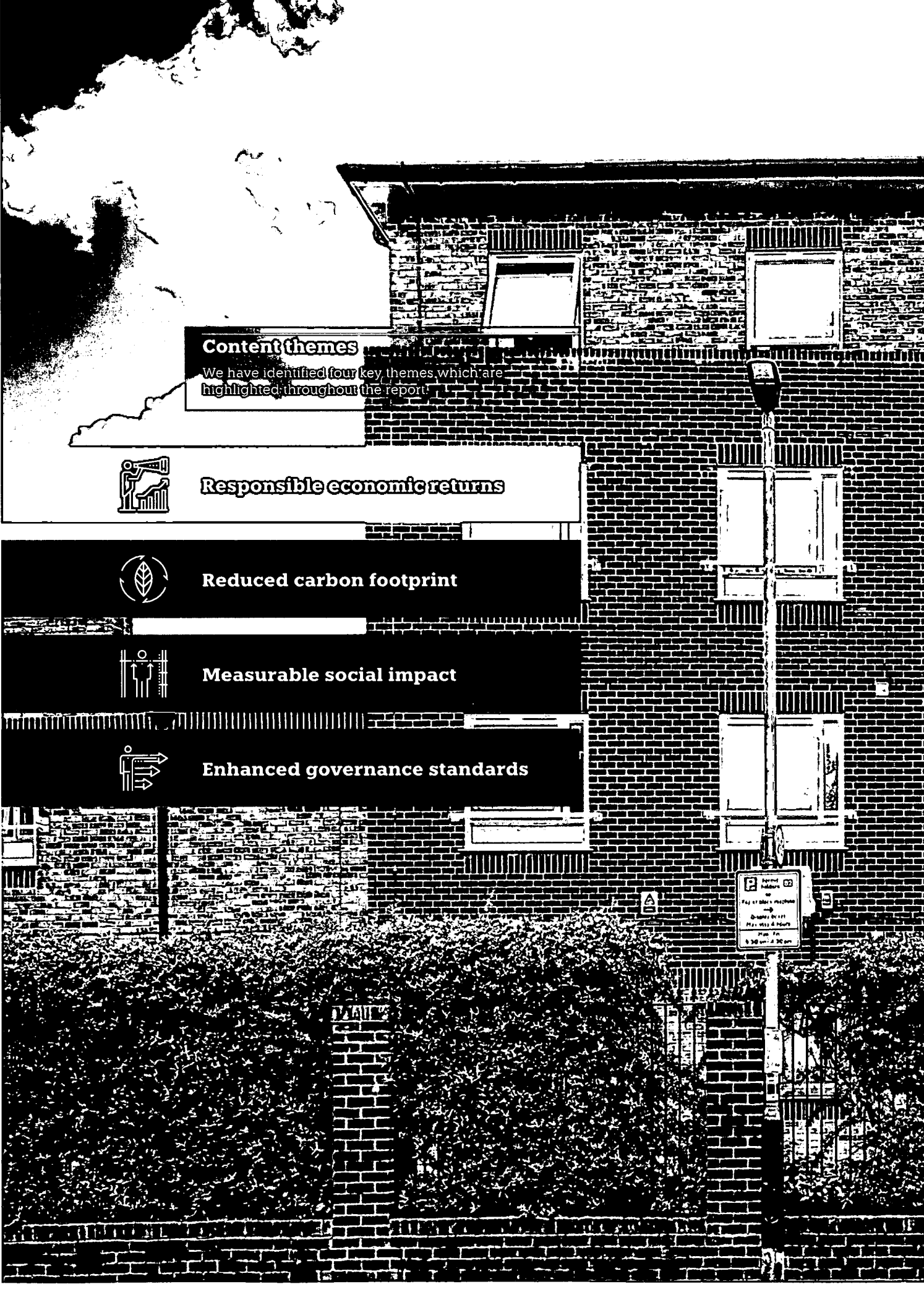
AADRJMGZ

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25/09/2021

#33

COMPANIES HOUSE



Content themes

We have identified four key themes which are highlighted throughout the report.



Responsible economic returns



Reduced carbon footprint



Measurable social impact



Enhanced governance standards

Contents

About us	03
What we do	04
How we performed	06
Key achievements	07

Group Strategic Report

Chairman's Statement	10
Growth	14
Portfolio	16
Investment Adviser's Report	18
Corporate Social Responsibility Report	28
Section 172 (1) Statement and Stakeholder Engagement	29
Strategic Overview	38
Principal Risks and Risk Management	44
Going Concern and Viability Statement	48

Environmental, Social & Governance

Environment	52
Social Impact	58
Governance	61

Corporate Governance

Board of Directors	66
Report of the Directors	68
Report of the Audit and Management Engagement Committee	73
Corporate Governance Statement	76
Directors' Remuneration Report	82
Statement of Directors' Responsibilities	86
Alternative Investment Fund Managers Directive	87
Independent Auditors' Report	89

Financial Statements

Consolidated Statement of Comprehensive Income	98
Consolidated Statement of Financial Position	99
Consolidated Statement of Changes in Equity	100
Consolidated Statement of Cash Flows	101
Notes to the Consolidated Financial Statements	102
Company Statement of Financial Position	131
Company Statement of Changes in Equity	132
Notes to the Company Financial Statements	133

Additional Information

Shareholder Information	140
Glossary	141
Company Information	143
Appendix 1 (unaudited)	144





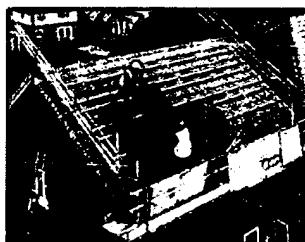
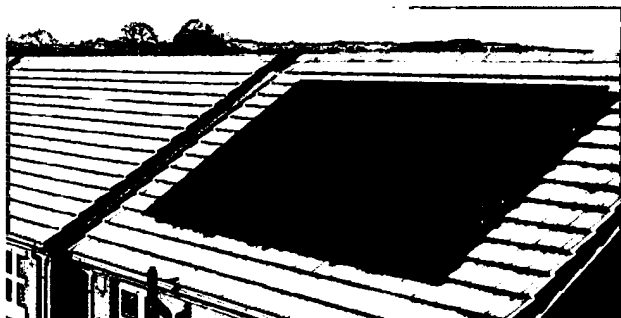
About us

Our Purpose

CIVITAS SOCIAL HOUSING PLC ("CSH", "Civitas" or the "Company") invests across the UK in care-based community housing and healthcare facilities for the benefit of working age adults with long-term care needs. Since IPO in 2016, CSH has completed more than 120 individual transactions to build the largest portfolio of its kind in the UK that has been independently valued at £916 million.

The Company provides long-term community-based homes for 4,295 tenants, across 164 local authority areas that are supported by 118 specialist care providers and 16 Approved Providers. The delivery of care in the community is a primary government policy and cross party policy of many decades aimed at enabling people with long-term care needs to reside close to family and friends and achieve more independent and fulfilled lives. It delivers better personal outcomes and offers value for money for the public purse that meets the costs of the service. Residents, whose average age is 32 years, typically reside in their adapted CSH community home for many years and sometimes for their whole life.

As a result of making this provision available, CSH is able to offer shareholders the potential of stable, long-term returns with progressive dividends whilst delivering measurable social impact on a large scale. Following shareholder approval, the Company is now expanding into Scotland and Northern Ireland and will work with organisations in receipt of public funding.



What we do

Social Housing Pioneer

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

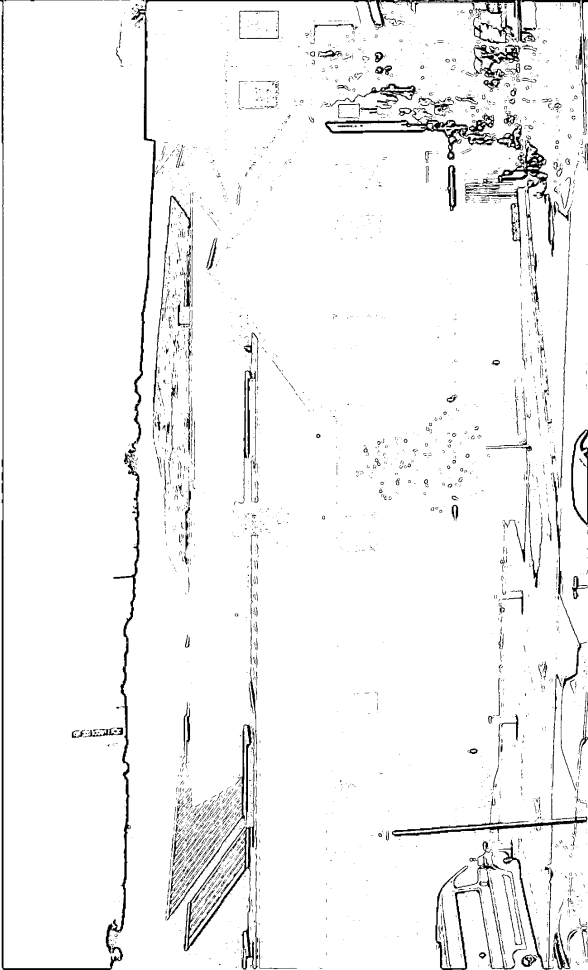
CSH believes that access to a decent home is a basic human right, from which so much more can be achieved, particularly for people who are living with a life-long disability. With millions of people stuck on housing waiting lists across the UK, or trapped in long stay hospitals, CSH became the first public company to bring large scale equity investment into the sector.

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

Fund Overview

Investment Sectors	Real Estate Social Infrastructure Investment Funds	
Equity Capital Raised	£522 million	US\$
Current IRR £500 (11 March 2022)	537.49%	£1,033,577
Dividend Yield (annual)	9.0%	
Current Leverage (31 March 2022)	34.43%	
Fund Structure	Closed Ended Permanent Capital	
Share Price**	105.80 pence	

* calculated on the date of the £500m raise
** as at 28 June 2022, the share price is 105.80 pence

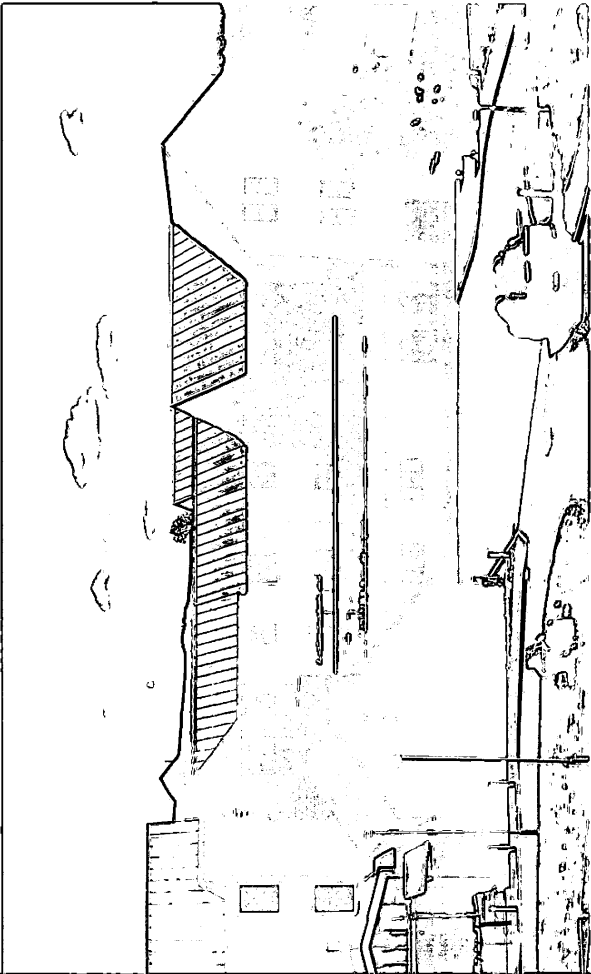
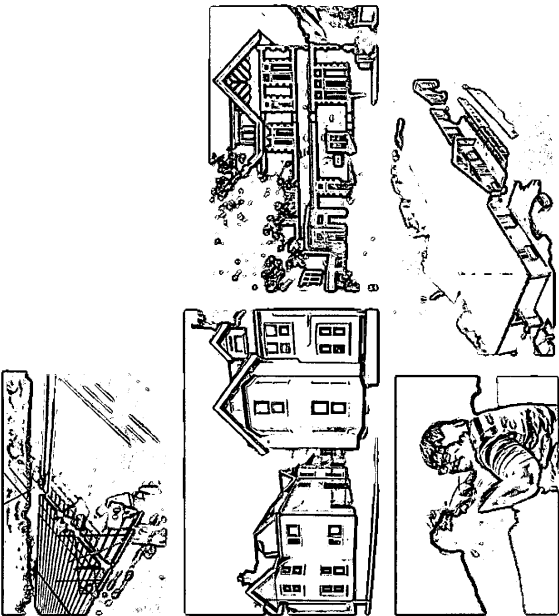


Our portfolio
£916m
Investment property
independently valued

619
Properties

4,295
Tenants

1
Mission
To provide a high quality of living and



How we performed

Financial highlights

as at 31 March

£915.6m

Investment property independent valuation (see note 15)

5.40p

Dividends declared and paid in respect of the year ended 31 March 2021

108.30p

IFRS NAV per Ordinary share

£50.8m

Annualised Rent Roll: based upon £915.6m of real estate at the end of the year

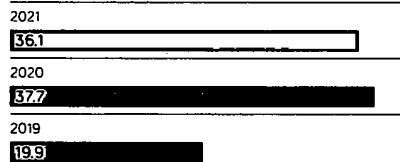
5.80p

Pence Per Share Earnings based on comprehensive income and property revaluations

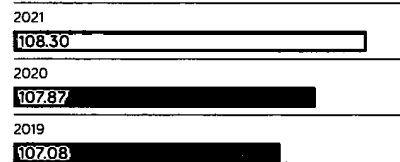
22.6yrs

Weighted Average Unexpired Lease Term

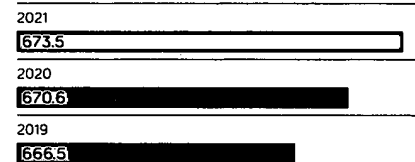
Profit before tax £ million



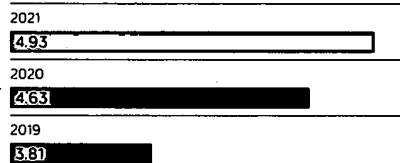
IFRS NAV per share Pence



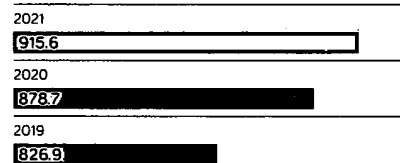
IFRS NAV £



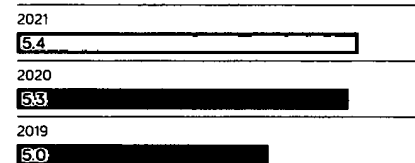
EPRA EPS* Pence



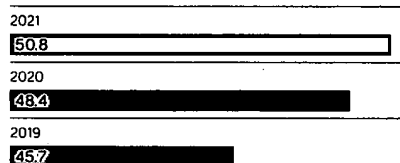
IFRS property valuation £ million



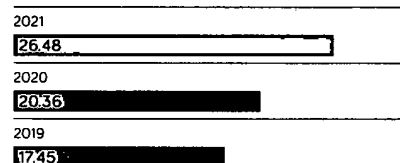
Dividends declared (Ordinary shares) Pence



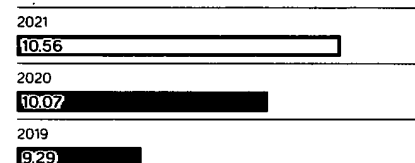
Annualised rent roll** £ million



Total shareholder return** Percent



IFRS NAV increase since IPO* Percent



* See Appendix 1 - Alternative Performance Measures to these financial statements for supporting workings.

** On an Ordinary share held since launch (percentage not annualised).

* Alternative Performance Measures.

For reporting periods starting on or after 1 January 2020, EPRA NAV and EPRA NNAV have been replaced with three specific new measures. See Appendix 1.

Key achievements

Operational highlights



619 properties
acquired



£803.4 million
invested



4,295 tenants
with dependable
accommodation



based on long-
term leases
signed with
**16 Approved
Providers**



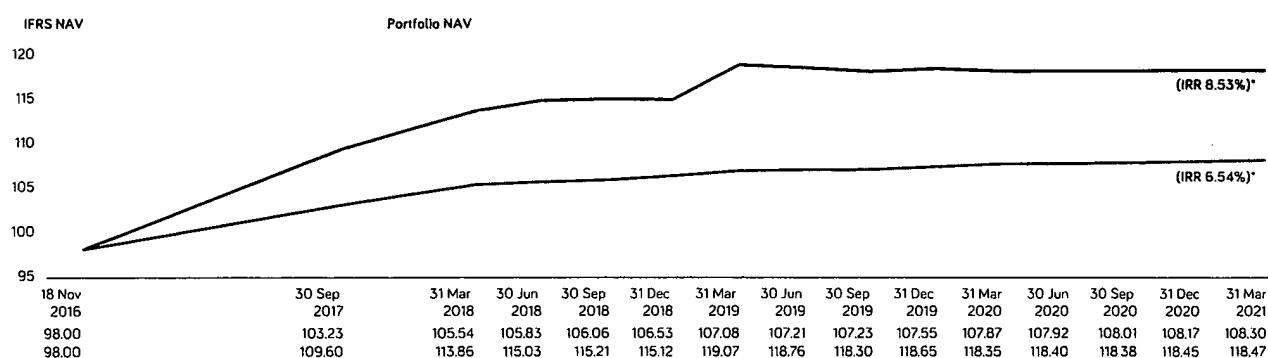
supported by
**118 care
providers**



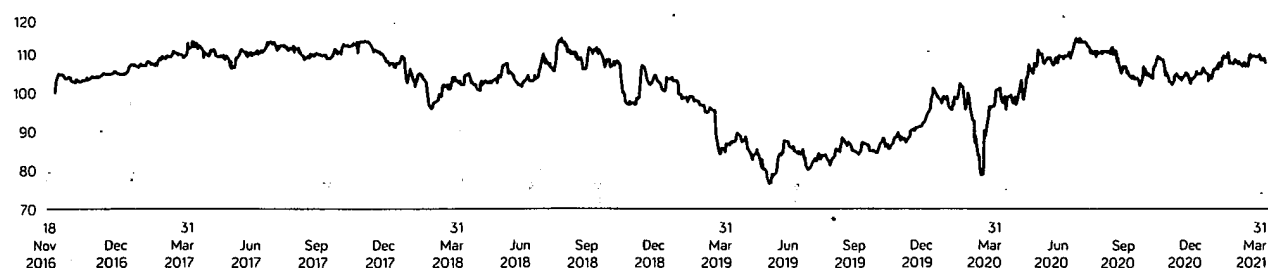
across **164 Local
Authorities**

The Good Economy, the social impact advisory firm, in their fourth annual independent Social Impact Report on Civitas, noted that Civitas continues to be an authentic 'impact investor' according to IFC operating principles and is proactive in its approach to asset management, taking well defined steps to improve the quality of existing homes, especially in terms of improving environmental performance.

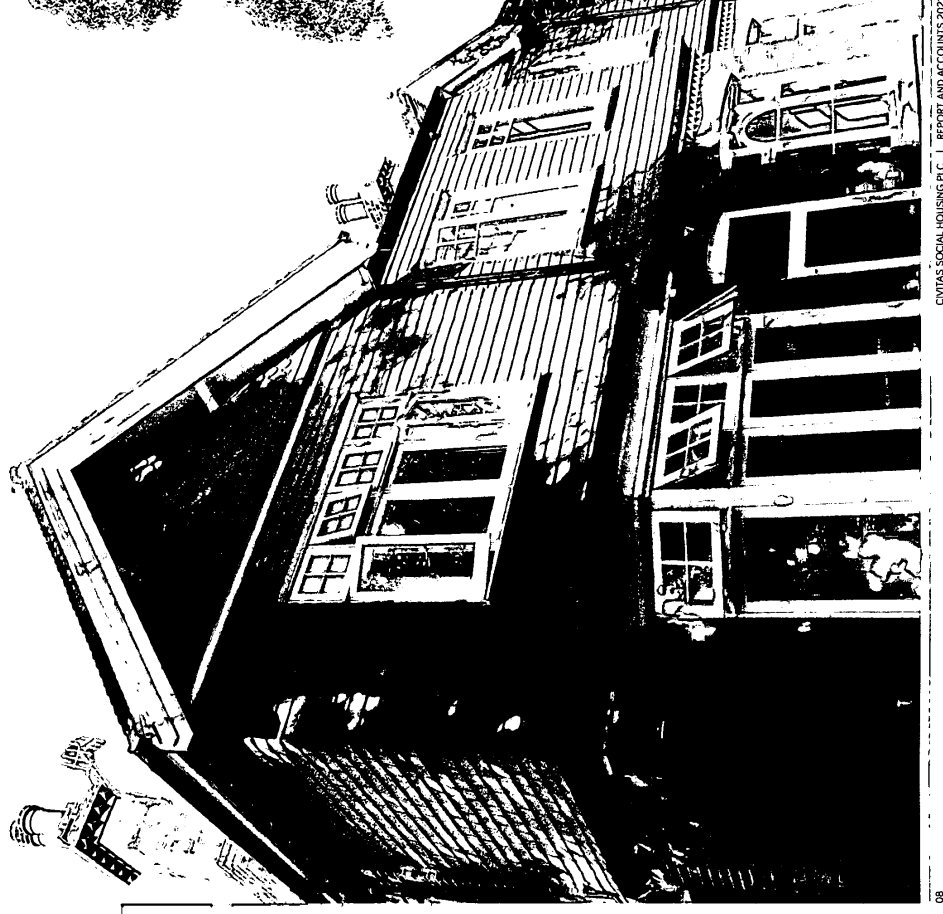
IFRS and Portfolio NAV per share since IPO



Share price performance (pence)



Group Strategic Report



Chairman's Statement	10
Growth	14
Portfolio	16
Investment Adviser's Report	18
Corporate Social Responsibility Report	28
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Strategic Overview	38
Principal Risks and Risk Management	44
Going Concern and Viability Statement	48

We have announced a new target dividend of 5.55p per Ordinary Share for the current year ending 31 March 2022.



Michael Wrobel

Chairman

Dear Shareholder

The COVID-19 pandemic has been with us for more than a year and has created significant challenges across society that have in turn been met by an extraordinary response from many people, particularly front-line workers. The Board gives its heartfelt thanks to the staff at all of our partners whose dedicated efforts have achieved:

- Continued very low incidence of COVID-19 across our 4,295 residents;
- High standards of care and management of homes; and
- Ongoing delivery of asset management services for the benefit of residents.

Financial Performance

I am pleased to report a robust financial performance with good rent recovery, as shown in the growth in underlying operating cashflow. This reflects the work of our Investment Adviser, Civitas Investment Management ("CIM") and our partners, together with the Government backed nature of our income which is supporting the most vulnerable people in society.

During the period under review, our portfolio generated rental income of £48.2 million, representing a 5.2% increase over the corresponding period - a result of indexation of rents and new properties purchased during the period.

IFRS net asset value of the Company increased from 107.87 pence per ordinary share as at 31 March 2020 to 108.30 pence per ordinary share as at 31 March 2021.

The Company has met the stated dividend target of 5.40p per share for the year to 31 March 2021 and the Board has set a new dividend target of 5.55p per share for the year to 31 March 2022.

The Board is pleased to note the continued improved performance of the share price. This allowed 250,000 shares to be sold from treasury on 24 March 2021 at a price of 109.8 pence per share. Since the year end, the balance of the shares held in treasury (565,000) were sold. The Company no longer holds shares in Treasury.

During the year, there were six property acquisitions, providing homes for a further 79 vulnerable adults, including two higher-acuity state of the art facilities in Wales. The drawdown of an £84.5m facility with M&G in February 2021 has allowed our acquisition programme to recommence since the period end, with 25 properties purchased for a consideration of £19.5m, housing a further 92 people with significant lifelong care needs

New Initiatives

The Board is pleased to note a number of new initiatives that have been developed by CIM, which are set out more fully within the Investment Adviser's Report, and include the following:

- A strategic initiative to enhance the environmental standing of the portfolio and to drive down our carbon footprint and reduce energy costs;
- The launch of a real-time data system under the "WebTerrier" brand to bring all properties fully online with in-depth data access;
- With our administrator Link, implementing a system within 'Yardi' to integrate a rent demand and invoicing system; and
- An expansion of the CIM asset management team to focus on the continued physical enhancement of the properties in our portfolio.

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

** See Glossary for definitions.

Chairman's Statement

Continued

Expansion into Advanced Homeless Provision

The Board is pleased to now be providing accommodation to several local authorities in London which have identified the long-term need for adapted specialist housing for homelessness provision, where properties are designed to enable the delivery of a significant level of care and support ('Advanced Homeless Provision'). This is aimed to break the cycle of homelessness and offer the potential of a new start for residents.

A commitment to Social Impact and ESG

Accompanying the financial results is the latest independent Social Impact Report prepared by the specialist consultancy The Good Economy ('TGE'). In its report TGE confirms that the Company continues to be 'an authentic "impact investor"' according to IFC Operating Principles'. It also highlighted that the Company's portfolio generated a total Social Value of £127.0 million, including £75.9 million of fiscal savings for public budgets in the year to 31 March 2021.

More broadly we continue to work closely with housing associations, charitable and not-for-profit partners ('Approved Providers') to assist in driving management and governance standards. This includes the work of CIM in leading quarterly best practice seminars open to all holders of the Company's leases, together with other regulatory and sector influential entities and individuals.

We also maintain and develop new partnerships with sector leading charities and seek to ensure we are at the forefront of maximising the impact of our market leading position. The Board was pleased to support an additional two charities this year focusing upon mental health and the welfare of residents during the pandemic.

I am pleased that this year we continued to meet the recommendations of the Hampton-Alexander Review target of 33% women on Boards.

The Board is aware of the recommendations of the Parker Review and will take these into consideration as part of its succession planning.

As noted above, the Board is pleased to report the commencement of a market leading programme of environmental enhancements and carbon reduction to the portfolio with national provider, E.ON. This is made possible by the national presence enjoyed by the Company and will lead to reduced maintenance and energy bills for tenants without placing any additional funding obligations on the Company's Approved Providers.

Credit Rating

The Company has recently secured an investment grade A secured and A- unsecured credit rating from Fitch Ratings. This in part reflects the strengths of the Government supported eco-system in which the Company's properties reside. This positive rating has allowed CIM to commence the detailed examination of issuance in the Sterling bond markets at what should provide advantageous interest rates at longer tenures.

Annual General Meeting

The Company's Annual General Meeting is scheduled to be held on 22 September 2021 at the offices of Cadwalader, Wickersham & Taft LLP, 100 Bishopsgate, London EC2N 4AG at 2.00 pm. The Board looks forward to meeting shareholders. In due course, the notice of AGM will be circulated in accordance with the requirements of the Company's Articles of Association.

Due to the current COVID-19 outbreak, many companies have either postponed their AGMs or made alternative arrangements for conducting these meetings. We hope that by 22 September 2021 the Company will be able to hold its AGM in the usual manner. However, given the uncertain nature of this situation, should the Company need to alter its AGM arrangements, it will communicate these changes to shareholders through a regulatory announcement. This information will also be made available on the Company's website. Shareholders are advised to check the website to ensure they have the most up-to-date information available regarding the AGM.

Brexit

The Board has considered the changing political and economic environment in light of Brexit and does not consider there to be any material impacts or risks relevant to the Group.

Chairman's Statement

Continued

Outlook

It continues to be the case that there is a substantial structural mismatch between the need for social housing of all types and its availability - this is particularly so for housing with care that is delivered by the private sector without recourse to government grant or capital funding.

Civitas plays a pivotal role in investing responsible capital on a substantial basis to provide quality social homes for life. We continue to have excellent long-term relationships across the sector which provides us with the access to a substantial pipeline of opportunities with a range of quality counterparties that is in excess of the Company's remaining debt facilities.

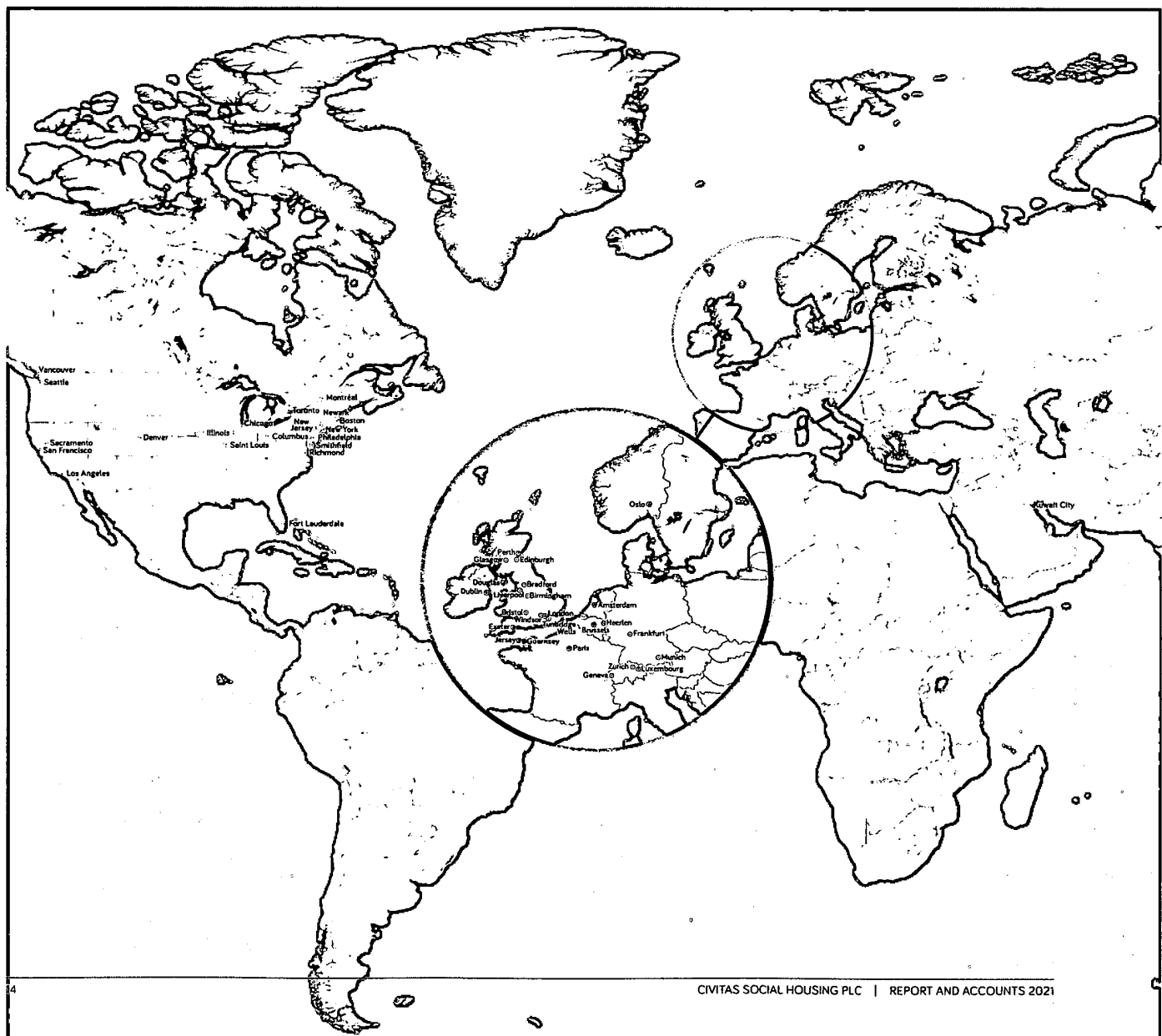
Michael Wrobel

Chairman

29 June 2021



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



Our strategy for growth

...52 Locations

Amsterdam
Birmingham
Boston
Bradford
Bristol
Brussels
Chicago
Columbus
Denver
Douglas
Dublin
Edinburgh
Exeter
Fort Lauderdale
Frankfurt
Geneva
Glasgow
Guernsey
Heerlen
Hong Kong
Illinois
Jersey
Kuwait City
Liverpool
London
Los Angeles
Luxembourg
Melbourne
Montreal
Munich
New Jersey
New York
New Zealand
Newark
Oslo
Paris
Perth
Philadelphia
Richmond
Sacramento
San Francisco
Seattle
Seoul
Singapore
Smithfield
Sydney
Tokyo
Toronto
Tunbridge Wells
Vancouver
Windsor
Zurich

Demand for the accommodation provided by Civitas is strong and expected to remain so over the long term. The pandemic has further evidenced the need for safe and secure homes for the most vulnerable people in society

Civitas is a go-to partner for an increasing range of major vendors and counterparties.

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

Continuing to take delivery of new build higher acuity properties with more opportunities being offered.

Continuing to work closely with The Social Housing Family CIC to enable it to expand and play a broader role in the sector.

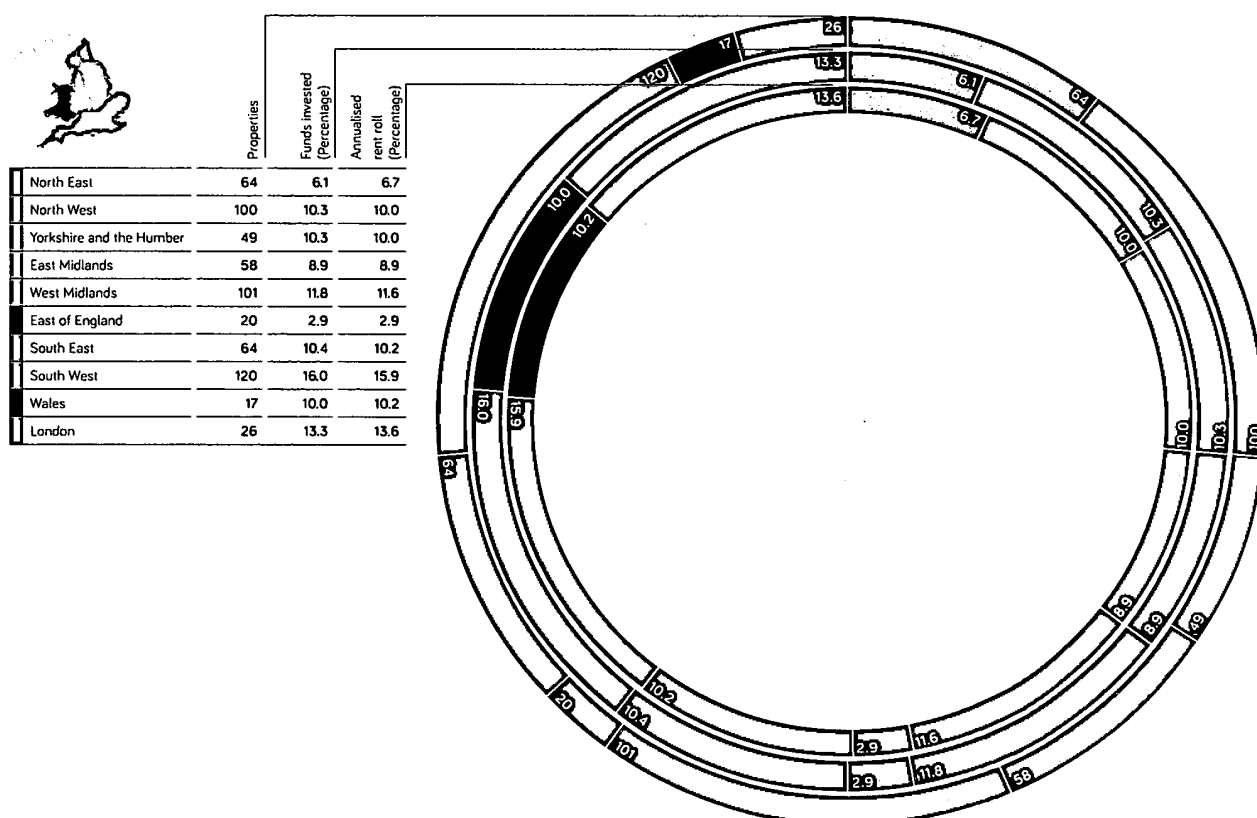
Civitas now works with a broader range of counterparties including charities and other not-for-profit organisations.

Becoming part of critical local authority pathways, leading to many opportunities in specialist supported living and advanced homelessness.

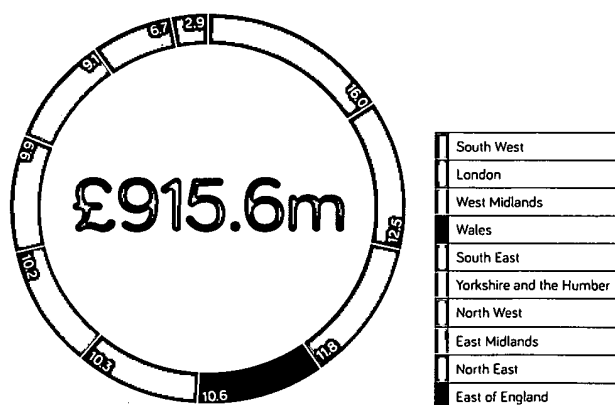
Expanding into significant markets across the UK, now including Scotland and Northern Ireland.

Our portfolio

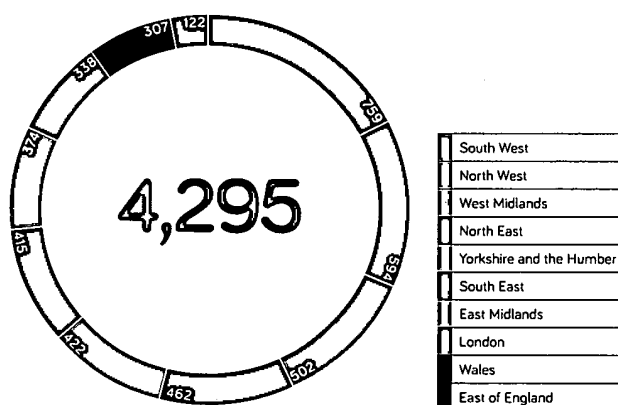
By UK Region



Market Value (%)¹

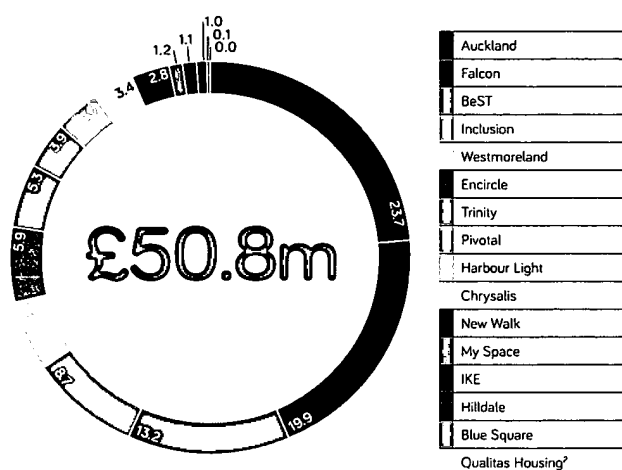
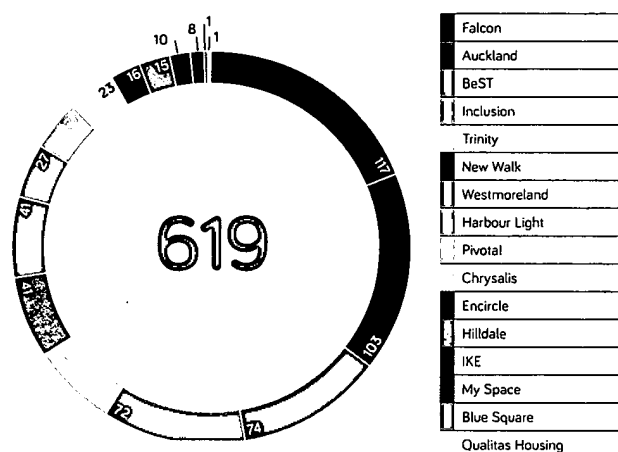
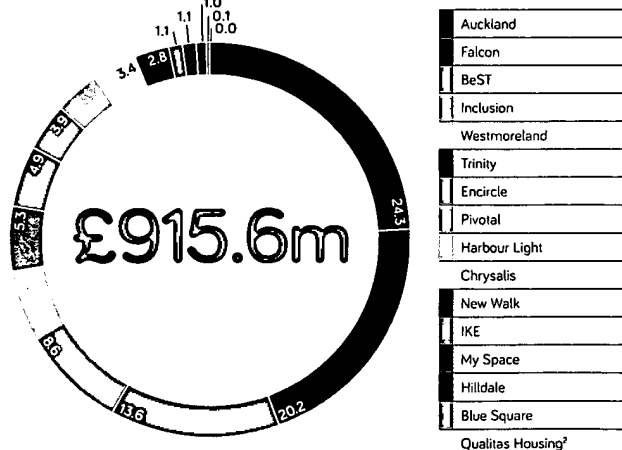
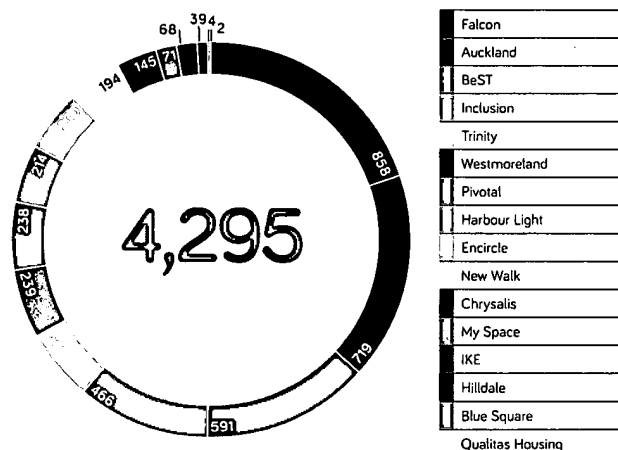


Tenancies¹



¹ As at 31 March 2021.

By Approved Provider

Annualised rent roll (%)¹Properties¹Market Value (%)¹Tenancies¹¹ As at 31 March 2021.² Qualitas Housing accounts for 0.02%.

A Year of Developments

In the year to March 2021 CIM, working with the CSH Board, has led the development of a range of key initiatives to strengthen and position CSH and the portfolio for the future.

New M&G Debt Facility Secured

£84.55m



Fitch Ratings

“A”/“A-”

High quality investment grade rating

FitchRatings

Environmental Framework Signed

Innovative approach to permanently reduce the Portfolio's Carbon footprint



Extensive CIM Recruitment Programme

- Asset Management
- Healthcare
- Finance/Housing Benefit
- Transactions
- Investments



Digital Administration Advances

New real-time data systems for asset management and billing platforms



Extended Asset Management Resource

Recruited highly experienced Directors to provide:

- Detailed control framework for counterparties within the CSH portfolio
- Additional oversight and direction of third party property management providers within the physical environment

Investment Adviser's Report

Continued

Thank you

"On behalf of the Board and CIM, we would like to say thank you to all our partners who have continued to provide such high-quality care, support and housing throughout the pandemic."

Paul Bridge

CEO, Civitas Investment Management Limited



Paul Bridge, CEO, Social Housing Civitas Investment Management Limited

Overview of Results

CSH is a market leader in providing much-needed long-term housing with care in the United Kingdom and leading the charge for ethical investment in the sector. These annual results demonstrate a number of key achievements:

- Continued strong resilience to the COVID-19 pandemic, operationally, financially, and most importantly on a human level;
- Rents indexed at CPI or CPI+1 and collected as expected with no disruption from COVID-19;
- A growing, market-leading portfolio of high-quality, medium to high acuity properties;
- High levels of care provided to each and every resident, on average 43 hours per week;
- Award winning approach to ESG and to reducing carbon emissions in collaboration with E.ON;
- Expansion and diversification of counterparties and into accommodation for those with advanced homelessness requirements;
- New debt facility drawn down from M&G;
- A high-quality investment credit rating from Fitch Ratings of A secured and A- unsecured which will allow access to broader long-term funding markets;
- An investment adviser whose team continues to grow with a mix of high-level skills from real estate, fund management, social housing, care and asset management, unrivalled in terms of expertise in the sector;
- EPRA run rate dividend cover at 100%, expected to increase further following the subsequent deployment of M&G debt facilities;
- A progressive dividend policy. On track to meet target of 5.4p for the year to 31 March 2021 and targeting a dividend of 5.55p to 31 March 2022;
- IFRS NAV increased to 108.30 pence per Ordinary Share; and
- Ongoing Charges Ratio[#] of 1.37%.

Introduction

Throughout the COVID-19 period CSH has focused upon the following priorities:

- **Ensure measurable positive social outcomes:** Ensuring full support is given to our counterparties in managing their response to the pandemic and ensuring every resident continued to receive the care they need and deserve;
- **Ensure business continuity:** Maintaining and improving the portfolio whilst ensuring the safety of our team through home working and managing a socially distanced return to the office;
- **Achieve financial objectives:** Grow rental income, deliver strong operational cash flow, meet dividend targets, drive dividend cover and enhance asset values; and
- **Deliver social value:** Maintain our evidenced based approach with independent analysis of the positive impact and cost savings generated by the Company's portfolio and our broader activities in the sector, along with a particular focus on the active implementation of the carbon reduction programme.

CIM is a leading impact investment manager that is dedicated to achieving long-term sustainable returns for global investors.

[#] Alternative Performance Measure

Investment Adviser's Report

Continued

Business continuity and safety

The primary concern during the continuing pandemic has been to ensure the safety and resilience of the sector, and the ongoing maintenance and improvement of the Company's portfolio.

We have throughout the year continued to see very low incidences of COVID-19 amongst residents. The type of personalised care that is being provided, the bespoke nature of the buildings adapted for care use and the focussed and efficient response from our partners has resulted in a high resilience to the virus. Coupled with this our residents are young, with an average age of 32, living in self-contained homes and community environments. Our approved provider partners have continued to report excellent levels of compliance with health and safety measures.

CSH, through CIM, took the following measures to support its partners during the pandemic:

- Established fortnightly contact calls with key approved providers;
- Used the approved provider network established three years ago as a forum to share best practice on responses to COVID-19 and working practices; and
- Liaised with local authorities to assist them in housing homeless people who as part of the Government's response to the pandemic were required to be housed immediately under the "Bring Everyone In" policy. CSH continues to provide 29 bed spaces in Islington and is in discussion with a number of other local authorities who wish to house homeless people in longer stay housing to ensure they receive the care and support they require. This has led to the further commissioning of a specialist homelessness facility in Golders Green by Barnet Council for 43 bed spaces with advanced support.

CIM relocated to home working with full technological support and video conferencing in March 2020. The office was made COVID-19 compliant and a phased return to working in the office was achieved in September 2020. The further lockdown was observed and a further phased return to the office achieved in April 2021.

Overall Market Context

The social housing sector on a macro level continues to demonstrate significant demand for all forms of subsidised housing. The ability of the largest approved providers to deliver social housing through cross subsidy of selling open market homes has to some extent been constrained by the additional costs of health and safety post Grenfell and the costs of removing cladding. These costs do not apply to the providers with which we work as the portfolio is low rise and without over-building cladding and the providers do not undertake development.

The Government White Paper on the future of social housing called "The Charter for Social Housing Residents" was published in November 2020 and proposed the current regulatory system was maintained namely that the Regulator of Social Housing will continue to oversee the governance and viability of approved providers and is likely to have an enhanced role in overseeing consumer regulation. Post Grenfell there has been a view that the interests of residents have not always been sufficiently heard and included in the management of general needs social housing. Homes England will continue to oversee government investment into social housing.

The implications of the Charter for Social Housing Residents are likely to be positive for housing with care as the nature of relationship the Approved Provider (AP) has with residents and the care provider is far more involved than in general needs housing. This has been reflected in the performance of the RPs during the pandemic with high levels of compliance and rent collection and low levels of COVID-19. CIM has been assisting in ensuring residents' voices are heard through the commissioning of independent surveys referred to later in this report.

The Government has recently announced additional funding for new housing. However, its key priority in terms of providing capital support is through the 95% mortgage guarantee scheme to enable first time buyers with a 5% deposit to purchase their first home. For the specialist supported housing provided by CSH, the private sector will continue to play a vital role.

Investment Adviser's Report

Continued

GROUP STRATEGIC REPORT

ENVIRONMENTAL, SOCIAL
& GOVERNANCE

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

New legislation on building standards and planning are, at the time of writing, being enacted with the aim of improving the quality of new build residential homes as well as enabling the level of house building to rise with the primary government focus being upon home ownership. It is also likely that Leasehold reform will be enacted to establish more rights for those purchasing new build homes. It is unlikely that this legislation will have an impact on CSH as the portfolio comprises low rise, freehold traditional construction homes with no cladding and we do not undertake new development within the Civitas portfolio.

Specialist supported housing has a long provenance with the first significant long stay hospital closure programme being launched in the 1990s with a view to ensuring that everyone with a learning disability or other substantial care need could live within their own community in suitably adapted homes with care support.

As has been repeatedly demonstrated the social benefits experienced by residents and their families of community-based care housing for life are substantial and this is described in more detail in the most recent independent reports by The Good Economy incorporating the Social Profit Calculator. It has also been long established by Government and independent sources that the cost of care and housing against remote institutional care is considerably reduced often by a factor of more than half.

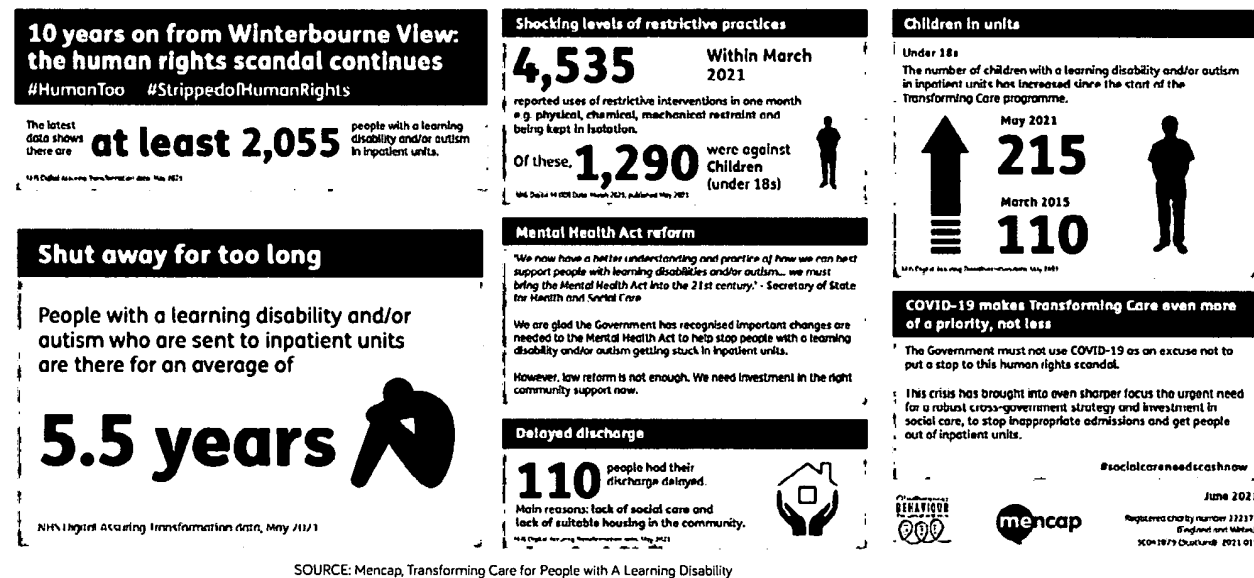
A key part of the rationale for providing housing with care has always been that it significantly improves the health and social outcomes of those who benefit, and it is more cost-effective than the alternatives. Important further evidence of the continued efficacy of this argument was provided by Mencap in its 2021 report, "Tea, Smiles and Empty Promises: Winterbourne View, and a decade of failures – a collection of family stories".

In its report Mencap found that:

- Many people (over 50%) (with long-term care needs) live with elderly parents, who worry about what will happen to their children when they can no longer care for them;
- Over 3,000 people with a learning disability are currently placed in inpatient units, miles away from their family, often for a long time;
- 82% of local authorities say they have a shortage of suitable housing for adults with a learning disability and 67% say that it has become more difficult for adults with a learning disability to have their housing needs met; and
- Due to this lack of appropriate local housing and the support options that go with it, many people with a learning disability do not get a choice about where they live or who they live with. Too often they are moved into accommodation far away from family and friends, especially if they have complex needs.

Investment Adviser's Report

Continued



Financial Review

Rental income in the period grew to £47.8 million, a 4% increase over the corresponding year (31 March 2020: £45.9 million) with annualised rental income of £50.8 million at 31 March 2021.

This increase has been generated as a result of new investments made in the period, on track indexation of rents and the effect of rental income on properties purchased prior to the period, being included for the full twelve months.

A fair value gain on investment properties of £5.5 million was recorded in the period and underlying operational cash flow increased strongly to £36.1 million* (31 March 2020: £32.9 million) adjusted for non-cash items and reflecting strong cost control.

Earnings per share were 5.80 pence for the twelve-month period compared to 6.06 pence for the full year to 31 March 2020. This movement is as result of a comparatively lower valuation gain compared to March 2020 due to low CPI rates during the year and increased finance costs. EPRA earnings per share were 4.93 pence over the twelve-month period compared to 4.63 pence for the full year to 31 March 2020. EPRA earnings per share is calculated after removing any change in fair value of investment property.

The Company paid one dividend of 1.325 pence (from the prior period) and three of 1.350 pence during the period (with a further 1.350 pence paid after the year end) fully in

* Gross of a £100m consideration payment made in the ordinary course of investment in respect of acquiring additional rental income from new build facilities in Wales, completion of which was announced by RNS on 24 August 2020. From a technical perspective, the consideration has been classed as a lease incentive rather than a capital item in accordance with accounting standards IAS 40 and IFRS 16 (leases) so reducing stated operating cash flow and increasing stated trade receivables. This reflects the £100m payment being made in respect of the acquisition of additional rental income under an existing lease rather than an entirely new property purchase.

line with the distribution target of 5.4p announced for the year to 31 March 2021. Our priority is to reach a fully covered dividend as soon as possible and we are pleased to note that the EPRA run rate dividend cover at 31 March 2021 was 100%. The actual dividend cover for the year to 31 March 2021 was 91.6% compared to 87.4% as at 31 March 2020.

As at 31 March 2021, the IFRS net asset value of the Company was 108.30 pence per share, a slight increase on the 107.87 pence per share at 31 March 2020. Together with the dividends of 5.375 pence paid in the period this gives a total return since IPO of 26.48% on an IFRS basis and 39.9% on a Portfolio basis.

The Ongoing Charges Ratio*, reflecting total costs expressed as a percentage of the average net asset value over the twelve-month period, was 1.37% in the period compared to 1.36% in the year to 31 March 2020.

The portfolio was independently valued on an individual IFRS asset basis by JLL at £915.6 million as at 31 March 2021 reflecting a net initial yield of 5.24%. This compares to an average purchase yield of 5.84% (prior to purchase costs) and reflects the ability of the Company to use its scale and market position to buy well, often off-market, and generally avoid taking part in auctions.

The acquisition programme has continued post year end with the acquisition of 15 supported living and care facilities in South Wales for a total consideration of £10.9 million and the acquisition of 10 supported living properties across Hertfordshire, Essex, Suffolk and Wales for a total consideration of £8.6 million.

* Alternative Performance Measure.

Investment Adviser's Report

Continued

The Portfolio – Asset Management and Future Proofing

We are, and always will be, an active manager of the portfolio and undertake property assessments on a regular basis with our approved provider partners and surveyors to determine whether properties are achieving an optimal outcome. We have expanded our asset management team with senior individuals from the real estate and care sectors to ensure we have a sector leading approach to capital works and enhancements.

We continue to invest carefully in order to expand properties and to ensure that they are as future proofed as possible. This might include small adaptations to enable a building to function better for an approved provider or a care provider and this modest investment is typically above and beyond the repair and maintenance obligations in the lease.

We also undertake reviews to ensure that each property is working in an optimal manner within the overall sector eco-system in terms of interaction with the local authority as well as the approved provider and the care provider.

To complement this work, we have upgraded our asset management software, which enables us to monitor building, investment, and performance on a live basis with direct access to all key counterparties.

Now that we have established a substantial portfolio, we have taken opportunities to move certain properties between approved providers to promote diversification and efficiencies, based on lease assignments on the same lease terms.

This action is taken where a particular approved provider has for example a strong relationship with a particular local authority that facilitates engagement or where we can achieve concentrations that assist approved providers in undertaking maintenance and repairs and also to bring together properties that deliver high acuity care with approved providers that are particularly skilled in working with such residents and care providers.

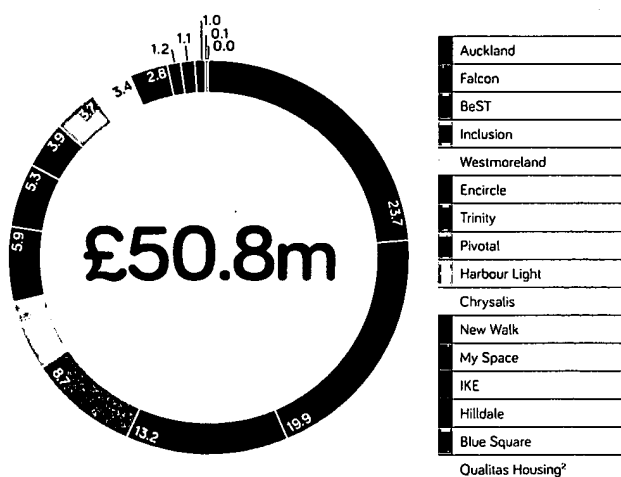
We will also respond to requests from approved providers who might themselves want to reduce or reshape their geographic coverage so that they can become more efficient and have a business that is more easily managed and can better meet the requirements set by the RSH.

The Portfolio – Rental Income

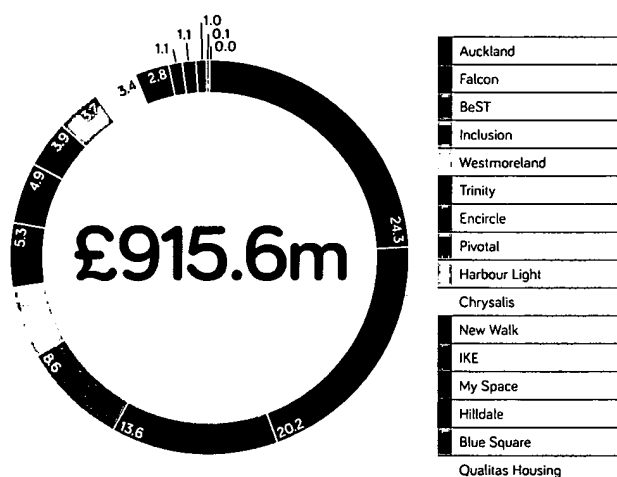
The annualised rental income as at 31 March 2021 increased to £50.8 million and this is expected to increase further as additional indexation is applied and the balance of the existing debt is invested.

Rental income is generated from leases with 16 approved providers.

Annualised rent roll¹ (%)



Market Value (%)



¹ As at 31 March 2021.

² Qualitas Housing accounts for 0.02%.

Investment Adviser's Report

Continued

Portfolio Characteristics

The key features of the CSH portfolio can be summarised as follows:

- Fully converted and specially adapted for care use;
- High number of care hours: 43 hours a week on average;
- Median rents tested/compared against market equivalent;
- Properties well located within the community and with commissioner support;
- Over one third of the portfolio on back-to-back 25-year leases with care providers mirroring the obligations in the lease to approved providers;
- An own front door policy; and
- Over one third of properties bought when new, without development or forward funding risk.

The high quality of the Company's portfolio reflects the ability of CIM to source off market transactions through its extensive network of care provider relationships, with the aim of achieving value growth over time.

Building characteristics

CSH has 619 properties across 164 local authority areas. The average building size comprises 7 bed spaces and are either stand-alone houses or apartment blocks typically of between 10 and 15 flats with individual front doors. The nature of community-based housing with care is best delivered by acquiring traditional properties in traditional streets near to community facilities and local infrastructure.

As with all properties CSH acquires, a full independent condition survey is carried out prior to acquisition. As a result, over £500m of transactions have been rejected as it did not meet the Company's standards with regards to either the rent levels, building location, layout/suitability, or reputation of the vendor.

Where a building proceeds to acquisition a full condition report specifying all works that must be carried out at the vendor's cost is undertaken. This may include bespoke adaptations for the resident, health and safety works and environmental enhancements to improve thermal efficiency. These works will then be carried out and inspected by a separate independent surveying practice before final handover.

All of the portfolio is traditional construction with no system-built properties or over-building cladding and is property suitable for various types of community use and accommodation.

Overview of activities of CIM

CIM has undertaken additional recruitment over the last 12 months attracting additional high calibre senior professionals from Healthcare, Asset Management, Finance, Transactions and Social Housing and Welfare. This has enabled CIM to bring significant additional added value to CSH through a range of new initiatives including;

1. New M&G Facility

In February 2021, the Company secured a new debt facility with a new lender M&G, for £84.5m to support the ongoing acquisition of further high-quality properties.

M&G debt facility Terms

Security	Assets
Facility size	£84,550,000
Term	7 years
Termination date	21 January 2028
Cost	275bps margin (floating) + 3-month libor swap rate (314bps)
LTV	55% (event of default covenant)
ICR	Projected Interest cover for the next 12 months >250%

2. Fitch Ratings

CIM worked with Fitch Ratings on an intensive ground up due diligence process, which led to a leading "A" secured and "A-" unsecured rating for the Company, which compares very well with a selection of well-established real estate companies.

The rating has opened up the Company's access to broader longer term funding markets and offers the potential for a material increase in tenure of facilities with competitive pricing for the benefit of the Company and its shareholders.

Investment Adviser's Report

Continued

3. New Bespoke Dedicated Property Management platforms

"WebTerrier"

CIM has implemented a dedicated integrated asset management platform "WebTerrier" to enable real time interaction with all 619 properties to include an ongoing monitoring programme. The cloud-based asset management software is leveraged to monitor:

- Works;
- Rent reviews;
- Renewals;
- Adaptions;
- Compliance and health and safety; and
- Portfolio management

"Yardi"

CIM has implemented with Link an integrated rent demand and invoicing system to support CSH. This allows:

- Integration of invoices and receipts into the books and records for CSH; and
- Scope for further automation of rent receipts and provision of debtor balances

Social Impact and Social Value

The Company's latest independent report from The Good Economy was published today and provides details of CSH's portfolio and the continued success in delivering measurable social impact. Findings include:

1. 33% of CSH's 619 properties have been brought into the social housing sector for the first time.
2. CSH's regular engagement with its Approved Providers (APs) to monitor the quality of its stock continued through the COVID-19 pandemic.
3. Improvement works have enhanced the energy efficiency of homes, with 99.92% of homes with an EPC rating of A-E.
4. CSH's homes continue to serve vulnerable individuals and play a significant role in improving resident wellbeing, particularly when individuals are coming out of higher-acuity facilities.
5. Social value analysis revealed that, overall, the portfolio generates £127 million of social value per year, including fiscal savings to public budgets of £75.9 million per year.

Environmental, Social and Governance

Earlier this year, the Board of CSH set out its commitment to a continuous improvement process in its approach to Environmental, Social and Governance (ESG) integration. CIM is responsible for the implementation of the commitment to integrate ESG considerations in its investment strategy.

Over the last year, we have engaged with ESG rating agencies such as GRESB (formerly Global Real Estate Sustainability Benchmark), MSCI (Morgan Stanley Capital International), Sustainalytics, and S&P Global. CSH achieved a **strong B score** following the GRESB Public Disclosure Assessment 2020 compared with the peer group average score of C. CSH is now in the 2nd position within its Comparison Group (UK Residential). GRESB is an investor driven global ESG framework, and the next phase is to focus on full participation in GRESB Real Estate Assessment. CSH has an ESG Risk Rating **score of 14.1** (Low Risk) on Sustainalytics which measures how well companies manage ESG issues that are most material to their business. We are working towards improving the current CSH MSCI ESG rating of B and have maintained CSH's accreditation as an impact investor under International Finance Corporation (IFC) Principles.

CSH is an Early Adopter of the "Sustainability Reporting Standard for Social Housing" which has been developed through a collaboration between housing associations, banks and investors.

CIM has also been engaged in an Equity Investor Impact Reporting Project to produce the sector standard impact measurement approach for equity investments in social and affordable housing. The project aim is to develop a framework to inform the engagement process between investors, intermediaries, and investees. It will also help articulate, measure, and actively manage positive social impact contributions. It is envisaged that publication/ launch will take place in summer 2021.

4. Environmental: Carbon Reduction/ Energy Cost Savings

We have been actively engaged with our counterparties to assess the environmental impact of the portfolio and from this to begin an active programme of carbon reduction.

Initially we completed four pilot projects to establish potential cost and efficacy of the initiatives. The deployment of low carbon technologies at the properties reduced the carbon footprint of the dwellings by up to up to 67% and will generate annual energy cost savings of up to 57% for the bill payer. In addition, the housing providers will benefit from export tariff income generated from any excess energy generated by solar panels. This will contribute to reducing operational costs.

Investment Adviser's Report

Continued

In addition, we have improved the environmental performance of the portfolio with 99.92% of CSH homes meeting the Government's minimum energy efficiency standard of EPC grade E (up from 98% in March 2020). Work is underway to achieve 100% compliance by the end of the Company's Q1 2021, which relates to one property.

Following the success of these pilots, we are pleased to have agreed a significant national framework agreement with E.ON Energy Installation Services, a part of E.ON UK group – a leading energy supplier and pioneer in sustainable solutions – for reducing carbon emissions. The collaboration has identified an initial batch of 55 properties that will be upgraded with various forms of energy saving measures including, solar panels with storage batteries, external wall insulation, cavity wall insulation, loft insulation and air source heat pumps.

The objective, drawing upon available Government grants for elements of the investment is to achieve at least a 25% carbon reduction across these properties and for this to lead to material energy cost savings for the bill payer and the public purse. It will move the 55 properties from EPC rating E to D and above. The current split is 52% A-C and 47.9% D/E.

We expect works to commence over the coming months following site surveys and for a further tranche of properties to be selected thereafter creating a rolling programme of carbon reduction.

The goal for the Company and indeed the sector is to achieve carbon neutrality for which increased support in the form of grants from Government will be required.

Social: Charities

Crisis

For the last four years CSH has supported Britain's biggest homelessness charity. Crisis and CIM regularly collaborate on the emerging knowledge required to undertake advanced homelessness schemes. These are vital to enable people who have been at risk of, or experienced homelessness, to rebuild their lives but require considerable care and support in addition to a safe home in the community. Our case studies on Golders Green, as outlined in The Good Economy's latest CSH Social Impact Report, and Holloway Road in the 2020 interim report, provide real examples of these type of schemes.

Choir With No Name

With support from the Company, this charity now runs five choirs across the country for those who are in need. The charity has also provided team building events for the CIM team.

House of St Barnabas and Women in Social Housing

CSH continues to work closely with and support these social housing charities.

Care Workers Charity and Little Sprouts

CSH has developed new relationships with these charities: the first supports care workers and the second provides meals for those with mental health issues who have been affected by the pandemic.

Market position

CSH continues to lead the sector and CIM has headlined a range of conferences in healthcare, social housing and Real Estate. We have featured in many Investors forums and conferences; we continue our position as a leading member of EPRA.

There has been considerable interest from local and national media and the financial press and a range of articles which can be found on the Company's website (www.civitasocialhousing.com).

Counterparties

CSH works with 16 approved provider partners and shareholders have approved an extension to its mandate to work with a wider group of regulated counterparties, such as the NHS and registered charities. The primary reason for this is that specialist supported housing is managed by a range of counterparties under different regulatory regimes.

The Social Housing Family CIC (TSHF CIC)

As previously reported, Auckland Homes Solutions was the founding member of TSHF CIC in September 2019. Since then, Auckland has benefited from the additional infrastructure and skills TSHF CIC has been able to provide to enhance its business including recruiting a new executive team, growing its portfolio in an orderly way.

In August 2020, the CIC was joined by Qualitas Housing, a Community Benefit Society dedicated to management of housing with care.

It is anticipated that other organisations will join TSHF CIC in due course.

Investment Adviser's Report

Continued

Regulation

CSH always welcomes the engagement of the RSH with our approved provider counterparties. Both CIM and the Company support the work the RSH has undertaken in making recommendations for improvements in the sector over the last five years. The RSH continues to engage with all approved providers, including those with which the Company maintains a relationship.

It is clear that the RSH will rightly publish information as to the improvements it wishes to see and whenever this occurs CSH will provide support to its partners as appropriate.

CSH, through CIM, has been at the forefront of addressing the RSH's concerns about the long-term risk planning of approved providers by pioneering the introduction of caps and collars on the indexation of rents of between 1% and 4%, plus force majeure clauses which set out appropriate steps in the unlikely event of a formal change in central Government policy and funding. We will continue to work with our counterparties and the RSH to ensure that CSH fulfils its intentions as one of the largest owners of SSH in the country to enable the sector to evolve and to maintain the improvements already made.

Outlook

As the vaccine roll-out continues and a greater degree of normality returns what is clear is the ongoing need for a significant increase in the supply of all forms of social housing. It is clear that the Government recognises the vital role that both the public and private sectors working together will play in meeting the UK's housing need and in particular in the provision of housing with care.

The evidence is overwhelming that housing the most vulnerable individuals in our society in proper homes in the community is of paramount importance and not only transforms people's lives but also is more cost-effective for the public purse.

CSH sees compelling opportunities to invest further in this sector. A substantial pipeline of over £200m has been developed with long standing and trusted counterparties and a good start made on deploying the recently acquired debt facility from M&G. The pipeline leaves open the prospect of future equity raises subject to market conditions and investors' views.

We remain committed to generating growth and shareholder value through ethical investing. We look to the future with confidence.

Civitas Investment Management Limited
Investment Adviser

29 June 2021

Corporate Social Responsibility Report

Sustainability

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

Environment

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

Once within the portfolio, the properties of the Company are actively asset managed, and the Investment Adviser assesses whether there are opportunities to improve the environmental efficiency of the properties, in addition to other asset management initiatives factoring heavily in addition to other asset management initiatives. Further details can be found on pages 52 to 57.

The Board has considered the requirements to disclose the annual quantity of emissions; further detail on this is included in the Report of the Directors on page 71.

Diversity

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

Whilst recognising the importance of diversity in the boardroom, the Company does not consider it to be in the interest of the Group and its shareholders to set prescriptive diversity criteria or targets. The Board has adopted a diversity policy in respect of appointments to be made to the Board and will continue to monitor diversity, taking such steps as it considers appropriate to maintain its position as a meritocratic and diverse business. The Board's objective is to maintain effective decision-making, including the impact of succession planning. All Board appointments will be made on merit and have regard to diversity regarding factors such as gender, ethnicity, skills, background and experience. See Corporate Governance Statement on page 78.

The Board comprises three male and two female non-executive Directors. Throughout the year, the Company complied with the Hampton-Alexander Review's target of a minimum 33% representation of women on FTSE 350 boards.

The Board is aware of the recommendations of the Parker Review, which will be taken into consideration as part of the Board's succession planning. See Corporate Governance Statement on page 76.

The boards of directors of the Company's subsidiaries, which are non-operational, each comprise up to one female and four male directors.

Human Rights

Given the Company's turnover for the year under review, it now falls within the scope of the Modern Slavery Act 2015. The Company will publish a slavery statement in due course.

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

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

Community and Employees

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

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

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

Section 172 (1) Statement and Stakeholder Engagement

Overview

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

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

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

Long-term Success

The strategy of the Company can be found on pages 38 to 43. Any deviation from, or amendment to, that strategy is subject to Board and, if necessary, shareholder approval. The Company's business model, which can be found on page 38, provides that the Board consider the long-term consequences of its investment decisions.

The Company grants long term leases, generally 20 years in length, to its tenants. The Company seeks to maintain lasting relationships with its tenants and supports its tenants in adapting properties to meet their needs, particularly improving and enhancing properties. Further details can be found on pages 52 to 57.

Stakeholders

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

Through regular engagement with its stakeholders, the Board aims to gain a rounded and balanced understanding of the impact of its decisions. In the main, that information is gathered in the first instance by the Investment Adviser and communicated to the Board in its regular quarterly meetings and otherwise as required.

The importance of stakeholders is taken into account at every Board meeting, with discussions involving careful consideration of the longer-term consequences of any decisions and their implications for stakeholders. The following section explains why these stakeholders are considered of importance to the Company and the actions taken to ensure that their interests are taken into account by the Board as part of its decision making.

Section 172 (1) Statement and Stakeholder Engagement

Continued

Our stakeholders	Key areas of interest	How we engage
Shareholders Continued shareholder support and engagement are critical to the existence of the business and the delivery of the long-term strategy of the business.	• Current and future financial performance • Strategy and business model • Corporate governance • ESG performance and sustainability • Dividend	The Board welcomes shareholders' views and places great importance on communication with the shareholders of the Company. The Board is responsible for the content of communication regarding corporate issues and for communicating its views to shareholders. The Board aims to ensure that shareholders are provided with sufficient information to understand the risk/reward balance to which they are exposed by the holding of shares in the Company. Active engagement with shareholders is carried out throughout the year and regular communication is undertaken to ensure that they understand the performance of the business. The Board is committed to maintaining open channels of communication and to engaging with shareholders in a manner which they find most meaningful, in order to gain an understanding of the views of shareholders. These channels include: Annual General Meeting – The Company welcomes and encourages attendance, voting and participation from shareholders at the AGM, at which shareholders have the opportunity to meet the Directors and Investment Adviser and to address questions to them directly. The Investment Adviser attends the AGM and provides a presentation on the Group's performance and its future outlook. The Company values any feedback and questions it may receive from shareholders ahead of, and during the AGM and takes action, as appropriate. For the 2021 AGM, which will be held on 22 September 2021, the Board hopes that shareholders will be able to attend in person. Arrangements for the AGM will be released in August and will take account of the latest Government guidance and advice. Publications – The Annual Report and Half-Year Results are made available on the Company's website. These reports provide shareholders with a clear understanding of the Group's portfolio and financial position. In addition to the Annual and Half-Year Reports, regularly updated information is available on the Company website, including quarterly factsheets, key policies, the investor relations policy and details of the investment property portfolio. Feedback and/or questions the Company receives from the shareholders help the Company evolve its reporting aiming to render the reports and updates transparent and understandable. Shareholder meetings – Shareholders are able to meet with the Investment Adviser and the Company's Joint Brokers throughout the year and the Investment Adviser provides information on the Company on the Company's website. Feedback from all shareholder meetings with the Investment Adviser and/or the Joint Brokers, and shareholders' views, are shared with the Board on a regular basis. The Chairman and other members of the Board, including the Senior Independent Director and Chair of the Audit and Management Engagement Committee, are available to meet with shareholders to understand their views on governance and the Company's performance where they wish to do so.

Section 172 (1) Statement and Stakeholder Engagement

Continued

Our stakeholders	Key areas of interest	How we engage
Shareholders Continued shareholder support and engagement are critical to the existence of the business and the delivery of the long-term strategy of the business.	• Current and future financial performance • Strategy and business model • Corporate governance • ESG performance and sustainability • Dividend	Shareholder concerns – The Board gives due consideration to any corporate governance matters raised by shareholders. In the event shareholders wish to raise issues or concerns with the Board or the Investment Adviser, they are welcome to write to the Company at the registered office address set out on page 143. Other members of the Board are also available to shareholders if they have concerns that have not been addressed through the normal channels. Investor relations updates – The Board regularly monitors the shareholder profile of the Company. With the majority of shareholders being a combination of institutional investors and private client brokers, the Board receives regular updates on investors' views and attitudes from the Company's Brokers and the Investment Adviser. During the year, several investor update meetings were held between the shareholders and one or more of the Chairman, the Investment Adviser and the Brokers. The results of these meetings were reported to the Board as part of the formal reporting undertaken by both the Investment Adviser and the Brokers. Included in the Report of the Directors on page 71 are details of substantial shareholdings in the Company. On a regular basis (sometimes weekly) and at Board meetings, the Directors receive updates from the Company's Brokers on the share trading activity, share price performance and any shareholders' feedback, as well as an update from the Company's Investor Relations adviser, Buchanan, and the Investment Adviser on any publications or comments by the press. To gain a deeper understanding of the views of its shareholders and potential investors, the Investment Adviser maintains regular contact with them and also undertakes investor roadshows. Any relevant feedback is taken into account when Directors discuss any possible fundraising or the future dividend policy.

Section 172 (1) Statement and Stakeholder Engagement

Continued

Our stakeholders	Key areas of interest	How we engage
Investment Adviser Holding the Company's shares offers investors an investment vehicle through which they can obtain exposure to the Company's portfolio of properties. The Investment Adviser's performance is critical for the Company to successfully deliver its investment strategy and meet its objective to provide shareholders with an attractive level of income, together with the potential for capital growth.	• Current and future financial performance • Shared commercial objectives with the Company • Operational excellence • Long-term development of its business and resources • ESG performance and sustainability	The management of the Company's portfolio is delegated to the Investment Adviser, which manages the assets in accordance with the Company's objectives and policies. At each Board meeting, representatives from the Investment Adviser are in attendance to present reports to the Directors covering the Company's current and future activities, portfolio of assets and its investment performance over the preceding period. Maintaining a close and constructive working relationship with the Investment Adviser is crucial as the Board and the Investment Adviser both aim to continue to achieve consistent long-term returns in line with the Company's investment objective. Important components of the culture of both the Company and the Investment Adviser are: • operating in a fully supportive, co-operative and open environment and maintaining ongoing communication with the Board between formal meetings; • encouraging open discussion with the Investment Adviser, allowing time and space for original and innovative thinking; • recognising that the interests of stakeholders and the Investment Adviser are for the most part well aligned, adopting a tone of constructive challenge; • drawing on Board members' individual experience and knowledge to support the Investment Adviser in its monitoring of and engagement with other stakeholders; and • willingness to make the Board members' experience available to support the Investment Adviser in the sound long-term development of its business and resources, recognising that the long-term health of the Investment Adviser is in the interests of shareholders in the Company.
Other service provider In order to function as an investment trust with a premium listing on the London Stock Exchange, the Company relies on a diverse range of reputable advisers for support in meeting all relevant obligations.	• Current and future financial performance • Shared commercial objectives with the Company • Operational excellence • Long-term development of the service providers' businesses • Sustainability	The Company's main functions are delegated to a number of service providers, including the Administrator, the Company Secretary, the AIFM, the Registrar, the Corporate Brokers and the Depositary, each engaged under separate contracts. The Board maintains regular contact with its key external providers and receives regular reporting from them, both through the Board and Committee meetings, as well as outside of the regular meeting cycle. Their advice, as well as needs and views, are routinely taken into account. Through its Audit and Management Engagement Committee, the Board formally assesses their performance, fees and continuing appointment at least annually to ensure that the key service providers continue to function at an acceptable level and are appropriately remunerated to deliver the expected level of service. The Audit and Management Engagement Committee also reviews and evaluates the control environment in place at each service provider.

Section 172 (1) Statement and Stakeholder Engagement

Continued

Our stakeholders	Key areas of interest	How we engage
Care providers	• Current and future performance • Welfare of tenants • Lease obligations • Void management	At the outset, it is important to note that the Company does not have any legal or operational responsibility for the delivery of care in the properties within the portfolio. However, the Board and the Investment Adviser have taken the view that they wish to have a detailed understanding of the delivery of care and the interaction with the major care providers who deliver this care. Accordingly, the Investment Adviser maintains an active dialogue with many of the care providers to build constructive and informed relationships. At the same time, as part of transaction due diligence at the time of acquisition of properties, the Investment Adviser undertakes due diligence with respect to the operational and financial performance of all care providers who are proposed to deliver care into the particular properties. This includes the financial standing of the care provider, its CQC ratings and the nature of the SLA agreement covering voids between the care provider and the Approved Provider. The Investment Adviser is noted as having demonstrated considerable expertise and understanding of the care taking place within its properties.
Tenants	• Greater independence • Maintaining high level of care • Improved personal outcomes	The Company's properties are adapted for the use of individuals with long-term care needs within a community setting with the specific aim of achieving better personal outcomes and independence for the individuals. The sector in which the Company operates is regarded as having achieved significant success in delivering these positive outcomes compared to long-term older style remote institutional care. On a regular basis, members of the Investment Adviser visit properties accompanied by Approved Provider and care provider partners to see first hand the nature of the housing and care provision that is being delivered. Whilst this process has slowed as a result of the pandemic, the Investment Adviser has engaged with its tenants. This is supported by the regular Approved Provider seminars at which the wellbeing of tenants is discussed in detail. In addition, the Company undertakes resident case studies through careful and considered interaction via the care provider to assess the positive impact our properties and associated specialised care have had on the individual and their wellbeing.

Section 172 (1) Statement and Stakeholder Engagement

Continued

Our stakeholders	Key areas of interest	How we engage
Regulator of Social Housing (RSH)	- Financial and operational viability - Governance - Compliance with health and safety, and regulatory standards - Safety and wellbeing of underlying tenants	The Company is not itself regulated by the RSH, but it is important to maintain open and regular dialogue to ensure that the Company and the RSH are working together to improve the sector. A senior representative from the RSH attended the Company's Board meeting in March 2020 to share thoughts on the sector and the ways in which the Company could further evolve in order to assist the work of the RSH. This meeting was regarded by both parties as being very useful and constructive. A senior representative of the RSH also attended the quarterly approved provider seminar to discuss the Housing White paper. In addition, the Investment Adviser has a regular and ongoing dialogue with the RSH and with the Housing Association partners regulated by the RSH. The Company also publishes responses to the regulatory judgements of the RSH regarding the Approved Providers working with the Company as part of the RSH's general review of Approved Providers engaged in the provision of property services for vulnerable people as announced in May 2018. This demonstrates the Company's desire to maintain a dialogue with the RSH and its desire to see that the positions improve where needed.
Other regulatory authorities The Company can only operate with the approval of its regulators who have a legitimate interest in how the Company operates in the market and treats its shareholders.	- Compliance with statutory and regulatory requirements - Governance based on best practice guidance - Better reporting to shareholders and other stakeholders	The Company regularly considers how it meets various regulatory and statutory obligations and follows voluntary and best practice guidance, and how any governance decisions it makes can have an impact on its shareholders and wider stakeholders, both in the shorter and in the longer term.
Local authorities	- Provision of safe and secure properties of a high quality - Sustainability for long-term placements	It is important for the Company to build and maintain relationships with local authorities as they have an important role in identifying areas of high demand, agreeing rents and referrals to the Company's schemes. The Company will engage with the local authority commissioner either directly, or through specialist consultants, Approved Provider and care provider partners as part of the Company's due diligence to ensure that each property being acquired has been commissioned by the relevant local authority and that rent levels have been discussed and agreed.

Section 172 (1) Statement and Stakeholder Engagement

Continued

Our stakeholders	Key areas of interest	How we engage
Lenders Availability of funding and liquidity are crucial to the Company's ability to take advantage of investment opportunities as they arise.	• Current and future financial performance of the business • Openness and Transparency • Proactive approach to communication • Operational excellence	The Company has arranged debt facilities from a wide range of lenders and engages with these on a regular basis through regular meetings and presentations to ensure they are informed on all relevant areas of the business. The continual dialogue helps to support the credit relationships. During the year, the Company arranged a £84.55m seven year term facility with M&G in order to support the Company's continuing growth plans and delivering on the Company's mission to provide stable long-term income for the Company's shareholders and long-term accommodation for the residents of the Company's properties. The Company achieved an Investment Grade High Credit Quality Rating from Fitch Ratings Limited of "A" (senior secured) and a Long-Term IDR (Issuer Default Rating) of A- with a Stable Outlook. This will enable the Company to pursue its strategy in relation to debt funding, in addition to continuing to work with the Company's existing lenders, with whom the Company has built strong relationships.
Communities The Company's assets rely on a strong, positive connection with the local communities in which its business operates.	• Acceptance of care in the community • Availability of local facilities for tenants	A key component of the Company's portfolio is that the properties within it are set within community environments so that individuals are able as part of their care plan to interact with the local community rather than being isolated. This is achieved in consultation with local authorities in determining that the initial settings are appropriately diversified within the respective community and are not clustered in a way that would lead to isolation. This assists the individuals and also ensures appropriate integration within the community. On a day-to-day basis, care providers and Approved Providers operate policies to ensure positive relationships with neighbours and surrounding dwellings. The activities within the Company's properties create employment within the local community for both housing and care workers.
Charity partners	• Delivering needed support to vulnerable adults • Improved well-being of vulnerable adults • ESG performance and sustainability	The Company supports a number of organisations whose objectives are to provide improved outcomes for vulnerable adults affected by homelessness and other care needs. The Company commits targeted financial support to fund specific programmes which help those affected by homelessness by teaching them skills and offering support to prevent them from being in that position again. The Company ensures regular calls and meetings with our charity partners to update on progress and projects being undertaken, as well as attending events in support of their work. During the year, the Company amended its investment objective and investment policy to enable it to enter into long-term leases with the NHS and with registered charities operating within areas of investment interest to the Company. The amendments will allow the Company access to a wider range of pipeline opportunities and will assist in providing the currently unmet demand in these areas.

Section 172 (1) Statement and Stakeholder Engagement

Continued

Our stakeholders	Key areas of interest	How we engage
Approved Providers	• Current and future performance • Sustainability • Compliance and property management • Welfare of tenants • Lease obligations	The Company's Approved Provider partners are an important part of the investment model as the responsibility for collection of housing benefit and subsequent payment of rent, the maintenance of the properties under the full repairing and insuring leases and, most importantly, the safeguarding of the underlying tenants through the above means, lies with the Approved Providers. The Investment Adviser works closely with the Company's Approved Provider partners to improve standards and governance and to introduce practices and procedures that make the Company's investment processes ever more robust. The Investment Adviser has a constant open dialogue with the Approved Provider partners, liaising monthly on compliance, health and safety, maintenance and future-proofing schemes, as well as hosting quarterly seminars to discuss current themes/ trends affecting the sector, to troubleshoot and this serves as an opportunity to build relationships and share best practice. The Investment Adviser has continued its regular and extensive dialogue with Approved Providers which since the start of the pandemic includes detailed reports on pandemic responsiveness. These reports have shown a high degree of resilience to the pandemic with few serious cases of COVID-19 reported due to the quality of the buildings people live in, the attention and dedication of the one-to-one care they receive and the age profile of the residents. The Investment Adviser supported the establishment of The Social Housing Family CIC, a not-for-profit community interest company operated independently of the Company whose stated aim is to enable Approved Providers holding the Company's leases to increase skills and experience and to provide funding to promote enhanced performance. Membership is open to any Approved Provider that holds Civitas leases and the effect of membership is to transfer ownership of the Approved Provider to the social housing family. Auckland Homes Solutions was the first Approved Provider to join and has now recruited a very experienced and senior executive team and board of management. Qualitas community benefit society has also now joined the CIC.

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

Section 172 (1) Statement and Stakeholder Engagement

Continued

Principal Decisions

Principal decisions have been defined as those that have a material impact to the Group and its key stakeholders.

In taking these decisions, the Directors considered their duties under section 172 of the Act. Two principal decisions made during the year were as follows:

Widening of the Company's Investment Policy

During the year, the Board sought, and was granted approval by shareholders, to widen the Company's investment policy to enable it to enter into long-term lease agreements with additional counterparties including the National Health Service ("NHS"). In considering whether to amend the investment policy, the Board has regard to the interests of the Company's shareholders, the community and local authorities.

The Board believed that the widening of the investment policy was in the best interest of shareholders, local authorities and the community as it would allow the Company to access a wider range of pipeline opportunities and allow the Company to assist in providing the currently unmet demand for the delivery of care for long-term conditions such as learning disability, autism and mental health, in addition to other urgent needs with significant unmet demand including homelessness and step-down accommodation for the NHS. This provides housing to local authorities and has also a positive impact on the community providing homes for unmet demand.

Seven Year Term Facility with M&G

During the year, the Board secured a new seven-year term, interest only, loan facility of £84.55m (the "Facility") from M&G Investment Management Limited ("M&G"), a new lender to the Company. In considering whether to approve the new Facility the Board had regard to the interests of the Company's shareholders, the community and its lenders.

The Board believed that the Facility was in the best interest of its shareholders as part of the Company's ambitions to evolve its debt funding strategy around the sourcing and delivery of debt facilities and provide additional capital for investment. This is in addition to continuing to work with the Company's existing lenders with whom the Company has built strong relationships. The Board also considered that the Facility provides more funds for the Company to invest in social housing to benefit the wider community.

Strategic Overview

Business Model



1.

An individual with care requirements requires a home.



2.

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



3a.

The care provider is paid the full amount for the care package and pays rent to the Approved Provider.



3b.

The Approved Provider is paid the rent directly.



4.

The Approved Provider pays Civitas the rent.

Purpose of the Company

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

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

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

Investment Objective

The Company's investment objective is to provide shareholders with an attractive level of income, together with the potential for capital growth from investing in a portfolio of Social Homes, which benefits from inflation adjusted long-term leases or occupancy agreements with Approved Providers and to deliver, on a fully invested and geared basis, a targeted dividend yield of 5% per annum¹, which the Company expects to increase broadly in line with inflation.

Investment Policy

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

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

Strategic Overview

Continued

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

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

Investment Restrictions

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

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

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

Strategic Overview

Continued

Gearing Limit

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

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

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

Use of Derivatives

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

Cash Management

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

REIT Status

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

Culture

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

As detailed in the Corporate Governance Statement, the Company has a number of policies and procedures in place to assist with maintaining a culture of good governance, including those relating to diversity and Directors' conflicts of interest. The Board assesses and monitors compliance with these policies as well as the general culture of the Board through Board meetings and, in particular, during the annual evaluation process which is undertaken by each Director (for more information, see the performance evaluation section on pages 78 and 79).

The Board's culture itself is one of openness, collaboration and constructive debate to ensure the effective contribution of all Directors, particularly in respect of the Board's decision making. Consideration of our Stakeholders is embedded in the Board's decision making process. Please see our section 172 Statement on page 29.

Strategic Overview

Continued

Key Performance Indicators ("KPIs")



Measure	Explanation	Result
Increase in IFRS NAV per share	Target to achieve capital appreciation whilst maintaining a low risk strategy from enhancing the quality of cash flows from investments, by physical improvement of properties and by creating a significantly diversified, high-quality portfolio.	IFRS NAV increase of 10.30p per share or 10.56% from IPO.
Dividends per share	For the year ended 31 March 2021, the Company targeted a dividend of 5.4p per share.	Total dividend of 5.4p per share declared for the year to 31 March 2021.
Number of Local Authorities, Approved Providers and care providers	Target risk mitigation through a diversified portfolio (once fully invested) with no more than 25% exposure to any one Local Authority or single Approved Provider and no more than 20% exposure to any single geographical area, once the capital of the Company is fully invested.	As at 31 March 2021: • 164 Local Authorities • 16 Approved Providers • 118 Care Providers The Company's largest single exposure is to Auckland Home Solutions CIC and currently stands at 24%. The largest geographical concentration is in the South West, being 16%.
Loan to Gross Assets	Assets Target debt drawn of 35% of gross assets.	Leverage as at 31 March 2021 of 34.48% of gross assets.

Strategic Overview

Continued



EPRA

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

For reporting periods starting on or after 1 January 2020, EPRA NAV and EPRA NNNAV have been replaced with three specific new EPRA NAV measures. The table below shows the new metrics, and the new measure most comparable to the EPRA NAV is EPRA Net Tangible Assets.

EPRA Performance Measure	Definition	Purpose	EPRA Performance Measure	31 March 2021	31 March 2020
EPRA Earnings	Earnings from operational activities.	A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	EPRA Earnings	£30,630,000	£28,814,000
			EPRA Earnings per share (Basic and diluted)	4.93p	4.63p
EPRA Net Reinstatement Value ("NRV")	EPRA NAV metric which assumes that entities never sell assets and aims to represent the value required to rebuild the entity.	The EPRA NAV set of metrics make adjustments to the NAV per the IFRS financial statements to provide stakeholders with the most relevant information on the fair value of the assets and liabilities of a real estate investment company, under different scenarios.	EPRA NRV	£674,042,000	£671,042,000
			EPRA NRV per share (diluted)	108.38p	107.95p
EPRA Net Tangible Assets ("NTA")	EPRA NAV metric which assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.		EPRA NTA	£674,042,000	£671,042,000
			EPRA NTA per share (diluted)	108.38p	107.95p
EPRA Net Disposal Value ("NDV")	EPRA NAV metric which represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.		EPRA NDV	£671,476,000	£667,560,000
			EPRA NDV per share (diluted)	107.97p	107.39p

Past performance is not a reliable indicator of future performance.

For detailed workings reconciling the above measures to the IFRS results, please see Appendix 1 to these financial statements on pages 144 to 146.

Strategic Overview

Continued

EPRA Performance Measure	Definition	Purpose	EPRA Performance Measure	31 March 2021	31 March 2020
EPRA Net Initial Yield ("NIY")	Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property with (estimated) purchasers' costs.	A comparable measure for portfolio valuations. These measures should make it easier for investors to judge themselves, how the valuation of portfolio X compares with portfolio Y.	EPRA NIY	5.24%	5.26%
EPRA 'Topped-up' NIY	This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and stepped rents).		EPRA 'Topped-up' NIY	5.24%	5.26%
EPRA Vacancy Rate	Estimated Market Rental Value ("ERV") of vacancy space divided by ERV of the whole portfolio.	A 'pure' (%) measure of investment property space that is vacant, based on ERV.	EPRA Vacancy Rate	0%	0%
EPRA Costs Ratio	Administrative and operating costs (including and excluding costs of direct vacancy) divided by gross rental income.	A key measure to enable meaningful measurement of the changes in a company's operating costs.	EPRA Costs Ratio	20.33%	21.48%
			EPRA Costs Ratio (excluding direct vacancy costs)	20.33%	21.48%

Past performance is not a reliable indicator of future performance.

For detailed workings reconciling the above measures to the IFRS results, please see Appendix 1 to these financial statements on pages 144 to 146.

Principal Risks and Risk Management

The Board considers that the risks detailed below are the principal risks facing the Group currently, along with the risks detailed in note 33.0 to the financial statements. These are the risks that could affect the ability of the Company to deliver its strategy. The Board confirms that the principal risks of the Company, including those which would threaten its future performance, solvency or liquidity, have been robustly assessed throughout the year ended 31 March 2021, taking into account the evolving COVID-19 risk, and that processes are in place to continue this assessment. The Audit Committee takes responsibility for overseeing the effectiveness of risk management and internal control systems on behalf of the Board and advises the Board on the principal risks facing the business.

Further details of risk management processes that are in place can be found in the Corporate Governance Statement on pages 79 and 80. The principal and emerging risks and uncertainties relating to the Group are regularly reviewed by the Board along with the internal controls and risk management processes that are used to mitigate these risks. The principal risks and management of those risks are described below:

IMPACT	VERY HIGH		①			
	HIGH		② ④ ⑤ ⑥			
	MEDIUM		⑦		③	
	LOW					
	VERY LOW					
		VERY UNLIKELY	UNLIKELY	POSSIBLE	LIKELY	VERY LIKELY
PROBABILITY						

Principal risks and uncertainties

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

Principal Risks and Risk Management

Continued

2. Strategy and competitiveness risks	Impact	How managed/mitigated	
As a result of competition from other purchasers of social housing properties, the Company's ability to deploy capital effectively within a reasonable timeframe may be restricted or the net initial yields at which the Company can acquire properties may decline such that target returns cannot be met.	The rate of capital deployment would drop, decreasing returns to shareholders.	The Company has strong links with vendors and a robust pipeline of future acquisitions. The Board regularly reviews the pipeline of potential acquisitions and monitors the market landscape.	Impact: High Probability: Unlikely
3. Investment management risk	Impact	How managed/mitigated	
Tenant defaulting under the terms of a lease.	Loss of rental income in the short term.	The portfolio is diversified to reduce the impact of default. Extensive diligence is undertaken on all assets, which is reviewed and challenged by the Board. The Board is provided with regular updates on the tenants with any concerns raised for discussion.	Impact: Medium Probability: Likely
4. Investment management risk	Impact	How managed/mitigated	
The value of the investments made by the Company may change from time to time according to a variety of factors, including movements in interest rates, inflation and general market pricing of similar investments.	The valuation of the Company's assets would fall, decreasing the NAV and yields of the Company.	The Company invests in projects with stable, predetermined, long-term leases in place with CPI or CPI plus 1% indexation and its strategy is not focused on sale of properties. The Board receives regular updates on factors that might impact investment valuations, such as the current COVID-19 pandemic.	Impact: High Probability: Unlikely

Principal Risks and Risk Management

Continued

5. Investment management risk	Impact	How managed/mitigated	
Due diligence may not reveal all facts and circumstances that may be relevant in connection with an investment and may not prevent an acquisition being materially overvalued or rental streams being at risk.	The Company would overpay for assets impairing shareholder value, reducing rental income and therefore returns.	The Company undertakes detailed due diligence on the properties, their condition, the proposed rental levels – benchmarking against comparable schemes using both external consultants where required and its own proprietary database – and on the Approved Providers and care providers involved in each property to ensure that the purchase price is robust. The Board considers the due diligence undertaken when approving acquisitions.	Impact: High Probability: Unlikely
6. Investment management risk	Impact	How managed/mitigated	
Loss of key staff at the Investment Adviser.	Negative investor sentiment leading to a reduction in share price. Reduction in ability to source off market and favourable deals.	The Board considers the risk of the Investment Adviser losing key staff and the succession plans the Investment Adviser has in place.	Impact: High Probability: Unlikely
7. Investment management risk	Impact	How managed/mitigated	
Failure to monitor that contingent activities are completed by the Approved Providers or other parties.	Deterioration in the underlying quality, and therefore value, of the Company's property.	Contingent actions are regularly monitored and followed up. The Board is kept apprised of any breach of lease obligations.	Impact: Medium Probability: Unlikely

Principal Risks and Risk Management

Continued

Emerging risks

Emerging risks are considered during the regular risk review, and would be specifically discussed and evaluated as they arise during the year. Input from the Investment Adviser on emerging risks is considered by the Audit Committee.

Key emerging risks identified and considered during the year include:

- COVID-19 – the impact of COVID-19 pandemic and associated lockdowns. Although there has been minimal impact of COVID-19 on the Company, the Board continues to closely monitor the crisis.
- Climate Change – the impact of climate change on the business. The Company is committed to understanding ESG risk, including the impact of climate change on the business. Climate change poses an indirect risk to the Company's operations, the environment and society, and the Board is aware that appropriate action is required to reduce its impact.

Please see the Company's ESG Report on pages 52 to 57 for further details.

The Listing Rules require premium-listed commercial companies to disclose in their annual report whether they have reported on how climate change affects their business in a manner consistent with the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'), and to provide an explanation and other information if they are unable to do so. In addition, the UK Government intends to introduce mandatory climate-related disclosures to supplement the requirements under the Listing Rules. These requirements are expected to be applicable to the Company in the financial year 2024.

Going Concern and Viability Statement

Going Concern

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

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

As at 31 March 2021, the Company held cash balances of £107 million (net of operating and financing amounts due). The Board has evaluated the financial position of the Company and has secured a premium investment grade rating from Fitch Ratings Ltd a well established rating agency with a strong familiarity to the alternative healthcare real estate space), which gives the Company confidence in the ability to raise future debt and/or equity capital in order to fund the Company's investments for the long term and to facilitate the payment of dividends to shareholders at the targeted rate. Based on this, the Board believes that the Company is in a position to manage its financial risks.

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

Viability Statement

The Directors present the Company's viability statement which summarises the results of their assessment of the Company's current position, its principal risks and prospects over a period to 31 March 2026.

The assumptions underpinning the forecast cashflows and covenant compliance forecasts were sensitised to explore the resilience of the Company to the potential impact of the Company's principal risks and uncertainties and Covid 19.

The prospects were assessed over a five-year period, acknowledging that the Company will have its first continuation vote in 2022, for the following reasons:

- i) the Company's long-term forecast covers a five-year period;
- ii) the length of service level agreements between Approved Providers and care providers is typically five years; and
- iii) the Company's leases are typically 25 years on fully repairing and insuring leases, enabling reasonable certainty of income over the next five years.

The Company's five-year forecast incorporates assumptions related to the Company's investment strategy and principal risks from which performance results, cash flows and key performance indicators are forecast. The principal risks are set out on pages 44 to 47. Of these risks, those which are expected to have a higher impact on the Company's longer-term prospects are those related to future government housing policies. The Company has considered its strategy over a longer term and, in light of the inherent demand for the Company's properties and the vulnerable nature of the ultimate tenant, the risk of change in future housing policy is considered to be limited. The principal risks are mitigated by the Company's

Going Concern and Viability Statement

Continued

risk management and internal control processes, which function on an ongoing basis. The Board, via delegation to the Audit and Management Engagement Committee, monitors the effectiveness of the Company's risk management and internal control processes on an ongoing basis. The monitoring activities are described in the Report of the Audit and Management Engagement Committee on pages 73 to 75 and include direct review and challenge of the Company's documented risks, risk ratings and controls, and review of performance and compliance reports prepared by the Company's advisers and the independent external auditors.

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

- 10% of tenants defaulting under a lease. The outcome of this scenario reduces profits on average over the five year forecast by 11% per annum. Cash is reduced however, the Board is still comfortable that dividends could be paid; and
- deterioration in economic outlook, such as any negative impact due to Brexit, impact of COVID-19, or change in government housing policy which could impact the fundamentals of the social housing sector, including a negative impact on valuations and a 5% reduction in annual rents. The outcome of the 'severe downside scenario' was that the Company's covenant headroom on existing debt (i.e the level at which the investment property values would have to fall before a financial breach occurs) reduces by 26%, prior to any mitigating actions such as asset sales, which indicates that covenants on existing facilities would not be breached. The impact of Covid 19 and Brexit on going concern is immaterial.

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

Approval of Strategic Report

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

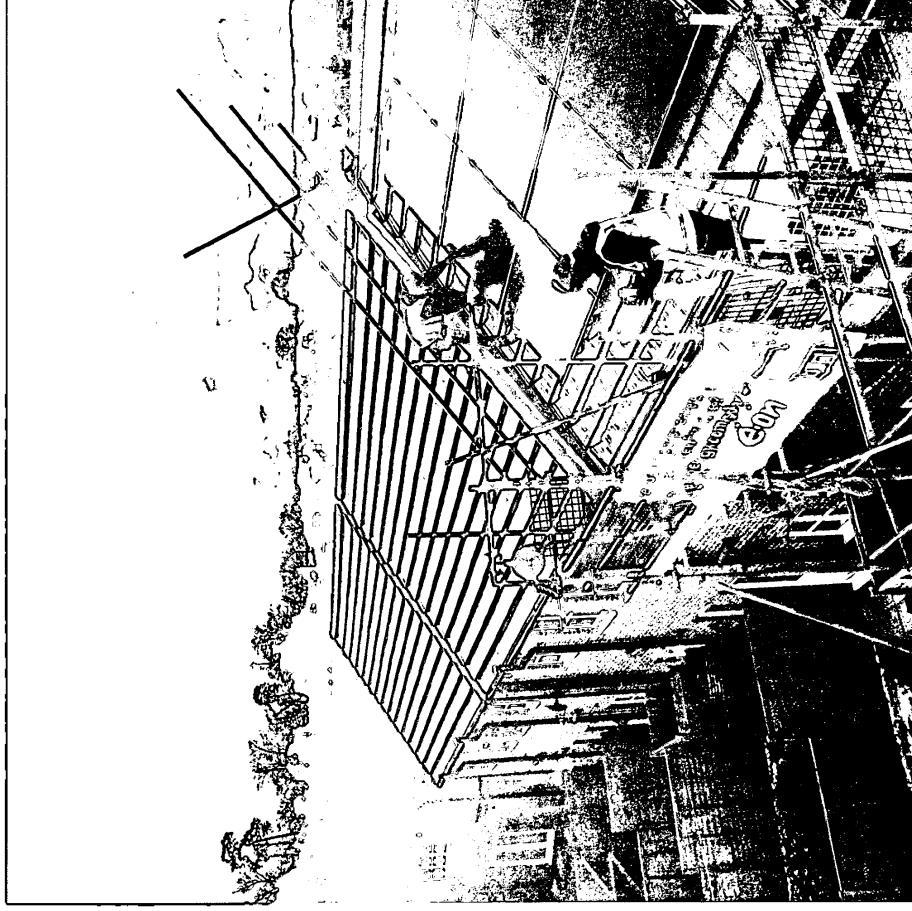
Michael Wrobel

Chairman

29 June 2021



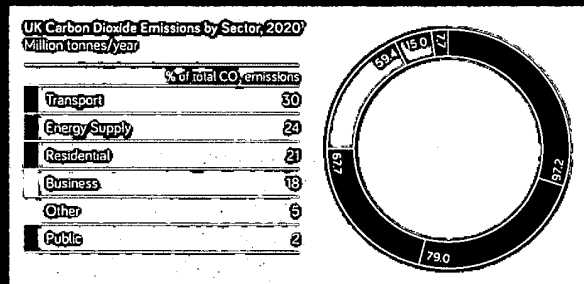
Environmental, Social & Governance



Current Carbon Footprint The UK and Social Housing	52
The Portfolio's Carbon Footprint	52
Carbon Reduction - EPG/SAP ratings	53
How Have We Started to Reduce the Carbon Footprint in our Portfolio?	54
What's Next?	56
Collaborative Approach, Grants and Funding Implementation	56
Social Impact The Good Economy (31 March 2021)	57
Social Impact The Social Profit Calculator (31 March 2021)	58
Social Impact Charitable Partnerships	59
Governance Counterparty Governance	60
Governance Indices	61
Governance Frameworks	62
	63

Current Carbon Footprint The UK and Social Housing

The UK produced over 326.1 million tonnes of CO₂ in 2020¹



All UK housing accounts for around 20% of all UK carbon emissions

Social housing accounts for:

17% of all UK housing²

10% of all UK residential emissions²

2% of UK's total carbon emissions

"Given the size and scale of the sector, decarbonising social housing will be critical to achieving the Government's ambition of net zero greenhouse gas emissions by 2050."

National Housing Federation, November 2020

"We've estimated that housing associations will need to retrofit around 2.1m homes over the next 30 years. To deliver this, we will need a retrofit revolution."

Rob Wall, Head of Policy, National Housing Federation, December 2020

"Considering the economic benefits of decarbonisation as a stimulus, and the importance of meeting emissions targets, we argue that at least 50% of the investment required for the social housing sector should be Government investment to pump prime the stimulus, which could be part of the social housing decarbonisation fund."

Karen Brown, Senior Policy Advisor Northern Housing Consortium, April 2021

¹ Department for Business, Energy and Industrial Strategy, 2020 UK Greenhouse Gas Emissions, Provisional Figures, March 2021

² National Housing Federation: Energy efficiency of existing home inquiry, June 2020

The Portfolio's Carbon Footprint as at 31 March 2021

Energy performance is measured in two ways across the portfolio: **Domestic/homes** and **Non-domestic/high-acuity** reflecting the manner in which EPC data is made available for each property.



Domestic/homes

Domestic/homes refer to dwellings, whether a house or apartment where one heating system serves a single household. For Civitas, these properties have specialist adaptations and care provision but are still regarded as domestic homes.

Domestic properties typically use less power and have smaller footprints than non-domestic/higher acuity properties.



Non-domestic/higher acuity

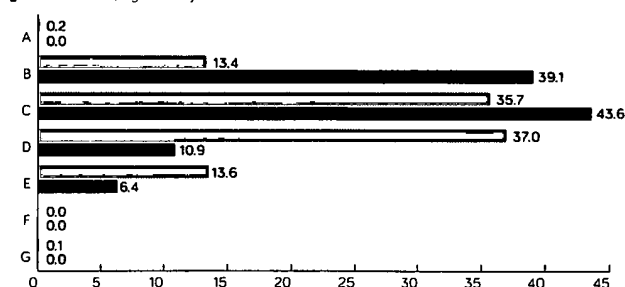
Non-domestic/high-acuity properties are larger properties which have additional specialist/communal facilities with a higher energy use.

This includes industrial kitchens and back of house facilities plus extensive rehabilitation services.



Civitas EPC ratings (%)

Domestic/homes
Non-domestic/higher acuity



* Based on Civitas retained EPC data

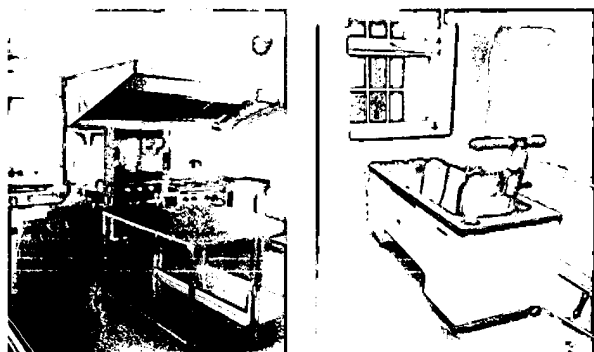
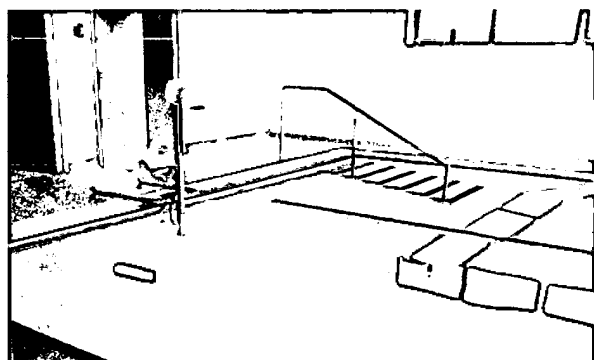
Carbon Reduction – EPC/SAP ratings



Domestic/homes



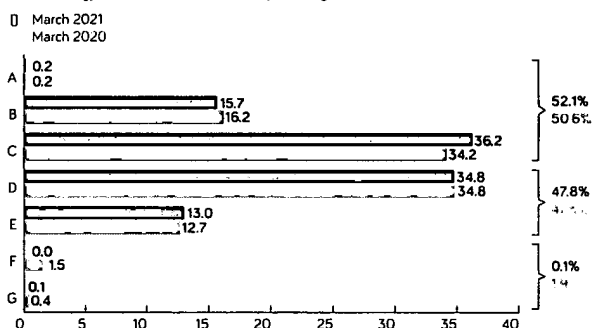
Non-domestic/higher acuity



Civitas Portfolio (domestic and non-domestic) Energy Performance Certificates (EPC) March 2020 to March 2021

Following active asset management including property improvements works, renovations and scheduled post-completion works, Civitas has improved the overall energy performance of the portfolio as identified on EPC reports data as at 31 March 2020 and 31 March 2021.

Civitas Energy Performance Certificates – percentage distribution¹



Comparable EPC/SAP Ratings by tenure (%)² (domestic/homes only)

	Energy Performance Certification Band						SAP Rating
	A/B	C	D	E	F	G	
Owner occupied	1.9	33.6	50.1	10.8	2.8	0.7	63.9
Private rented	2.0	36.3	46.9	10.6	3.2	1.0	64.1
Social rented	2.5	58.5	34.4	3.8	0.7	0.1	69.1
All tenures	2.0	38.3	46.9	9.6	2.5	0.7	64.8
Civitas domestic	13.6	35.7	37.0	13.6	0.0	0.1	66.4

Civitas SSH properties will often tend to offer slightly larger accommodation for tenants than conventional social housing or other private dwellings.

Standard Assessment Procedure (SAP)

- Provides accurate and reliable assessments of energy performances required to underpin energy and environmental policies/initiatives that drive improvements
- Methodology used assesses and compares energy and environmental performance across the UK
- Indicates a score from 1 to 100+ for the annual energy cost
- The higher the score, the lower the running costs with 100 representing zero energy cost

¹ Civitas Social Housing Energy Performance Certificates, March 2020 and March 2021

² English Housing Survey, Energy efficiency rating bands, by tenure, 2019

How Have We Started to Reduce the Carbon Footprint in our Portfolio?

The first pilot initiatives have been successfully completed with significant CO₂ and energy savings with the intention to commence broader strategies across the portfolio.

Alvechurch Solar Panels

Project Overview

2 x Three-bedroom detached houses, previously fuelled by gas central heating

Specification (per property)

9 x 325W all black panels
SolarEdge HD-Wave 1ph inverter
GivEnergy AC-coupled inverter with 2.6kwh battery

Key Benefits

Electricity Costs Savings

£283.31 pa – average savings per property

CO₂ Reduction

2.14 tonnes/pa

Partners

E.ON Energy
Auckland Home Solutions

67%
CO₂ REDUCTION

49%
COST SAVING



McAteer Court

Air Source Heat Pump

Project Overview

8 x One-bedroom self-contained apartments previously fuelled by electric thermal storage heaters

Specification

Cavity wall insulation

5kw Daikin Monobloc air source heat pumps (ASHP) in each flat

Myson Compact Radiators with TRVs

Unvented Cylinder, User controls and ancillary equipment

Key Benefits

Electricity Costs Savings

£799.00 pa – average savings per property

CO₂ Reduction

19.8 tonnes/pa

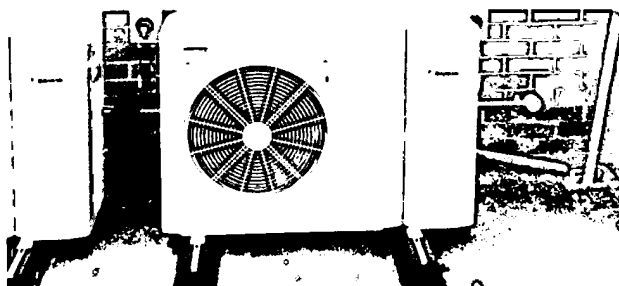
Partners

Pacifica Group

Falcon Housing Association

60%
CO₂ REDUCTION

57%
COST SAVING

**Thornlaw**

Solar Panels

Project Overview

Seven-bedroom detached house currently fuelled by gas central heating

Specification

8 x 325W all black panels

SolarEdge HD-Wave 1ph inverter

GivEnergy AC-coupled inverter with 2.6kwh battery

Key Benefits

Electricity Costs Savings

£275.51 pa – average saving per property

CO₂ Reduction

0.8 tonnes/pa

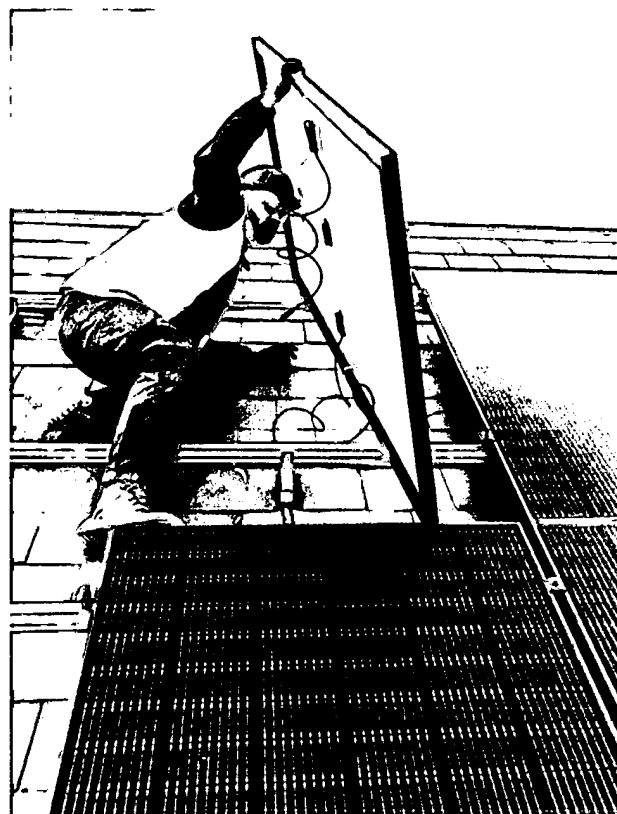
Partners

E.ON Energy

Auckland Home Solutions

11%
CO₂ REDUCTION

18%
COST SAVING



Civitas has signed a framework agreement with national provider, E.ON, to focus on the effective and cost-efficient delivery of portfolio wide solutions including retrofit, renewable source energy and the ability to utilise new technologies.

A national framework announced on 28 June 2021 between E.ON and CSH to deliver significant environmental enhancements:

- Enabling all housing association/charity partners to be part of a national environmental delivery framework that would be difficult for them to secure individually
- Delivering significant environmental enhancements without any cost to housing association/charity partners
- Material and permanent maintenance and energy cost savings for housing association and charity tenants who retain 100% of the benefit.

Why work with with national delivery provider, E.ON

- E.ON is one of the UK's leading energy and solutions companies supplying customers' homes and businesses with 100% renewable electricity¹
- Significant experience in installation, replacement and upgrading of domestic heating systems and home insulations
- Direct access to funding/grants due to national scale e.g., ECO3 Funding
- Strong scheme management support and project management experience
- Access to a national supply chain
- Economies of scale.



Civitas' ESG policy targets carbon neutrality. To succeed, this needs to be a collaborative approach, working with our approved providers, residents, national government, local agencies, investors, lenders.

CIM Initiative – collaborative Approach

CIM, through its scale and expertise will deliver on the following key targets for CSH.

Improved carbon position across CSH portfolio

Through working in collaboration with E.ON, Civitas is able to deliver on its objective of reducing the carbon footprint of the portfolio.

No cost to underlying approved provider partners

Civitas will utilise grants and its own expertise within its asset management and ESG functions to monitor and deliver the programme, ensuring no costs are pushed down to our approved provider partners.

Underlying tenant savings on energy bills

Through the delivery of the programme, underlying residents will directly benefit from a reduction in their energy bills.

Increase in Civitas property valuations

As a result of the installation of energy improvements there is the prospect of modest uplifts in property valuation.

Grants and Funding

Civitas will utilise government funding and available grants and will not push costs down onto approved provider partners.

Identified Grants

E.ON have identified the following grants for Phase 1; further Government grants are available and expected over the mid-to-long term.

Energy Company Obligation (ECO3)

Available for insulation measures Funding stream that E.ON have direct access to Social Housing Providers can access for properties with an EPC Rating of E or below.

Assignment of Rights (AoR)

Available for Air Source Heat Pumps Allows an investor to help fund the purchase or installation of a renewable heating system and in return receive the rights to RHI payments.

Smart Export Guarantee (SEG)

Available for Solar Panels/ Photovoltaics As part of the Government's SEG obligation, E.ON offer an export tariff, as a mandatory SEG licensee allowing surplus energy to be exported back to the electricity grid in exchange for a fee.

¹ Electricity backed by 100% renewable sources. E.ON's renewable generation assets, agreements with UK wind generators and the purchase of renewable electricity certificates. The electricity supplied to your home comes from the National Grid and DNOs. eonenergy.com/renewable

Implementation

Following the success of the environmental pilot studies and working in collaboration with E.ON, CIM is now commencing the rollout over the broader portfolio on a step-by-step basis utilising available Government grants and other funding sources.

Phase 1

Implementation

Beginning August 2021, initial measures will include:

- ▣ Cavity wall insulation
- ▣ Loft insulation
- ▣ External wall insulation:
Test case two properties
- ▣ Air source heat pump central heating systems
(non-gas properties only)
- ▣ Solar PV: Based on 10 panel system & battery storage

55
PROPERTIES

114
MEASURES

Improvement Statistics

Across the 55 properties:

CURRENT
CARBON EMISSIONS
549
TCO₂

POTENTIAL
CARBON EMISSIONS
412
TCO₂

REDUCTION IN
CARBON EMISSIONS
25%
(minimum expected)

Delivery Programme

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
Pre-start meeting	█							
Surveys		█	█	█	█	█		
Cavity wall insulation		█	█	█	█	█		
Loft insulation		█	█	█	█	█	█	
Solar PV & battery storage systems			█	█	█	█	█	█
External wall insulation			█	█				
Air source heat pump central heating system				█	█	█		

Grant availability

	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
ECO3 Funding	█	█	█	█	█	█	█	█
AoR Funding	█	█	█	█	█			

Social Impact

The Good Economy ("TGE") (31 March 2021)

THE
GOOD
ECONOMY



The independent annual social impact assessment explores the resilience of the specialist housing association partners and care providers during the current COVID-19 pandemic and has found that:

"Respondents reported marked improvements in both confidence and independence since moving into their current Civitas-owned home"

TGE

"Civitas is proactive in its approach to asset management, taking well-defined steps to ensure and improve the quality of existing homes, especially in terms of improving environmental performance."

TGE

"This move has enabled my sibling to gain confidence, independence and choice. It has given them the freedom to be the person they are today, and they are still developing"

Family Member

Impact Objectives		
Social Need	Supply	Quality
Provide housing that meets an identified social need	Increase the supply of social housing across the UK, particularly for vulnerable people	Improve the quality of social housing
Findings in 2021	Findings in 2021	Findings in 2021
On average, residents living in Civitas properties receive 43 hours of care per week	33% of properties new to social housing at the point of acquisition	Civitas have worked with RPs, signing off on adaptations to ensure properties continue to meet the changing needs of residents
71% of residents aged between 20 and 49	66% of properties in the 40% most deprived local authorities	87% of respondents reported that they were satisfied with the quality of their home

CONTRIBUTE TOWARDS

Outcomes	
Wellbeing	Value For Money
Improve the wellbeing of residents	Offer value for money for the public purse
Findings in 2021	Findings in 2021
53% of respondents reported an improvement in their independence between their previous accommodation and their current home	£3.51 is created in social value for every £1 of annualised investment

Throughout this process, Civitas works to mitigate against negative impact risks

Social Impact

The Social Profit Calculator (31 March 2021)

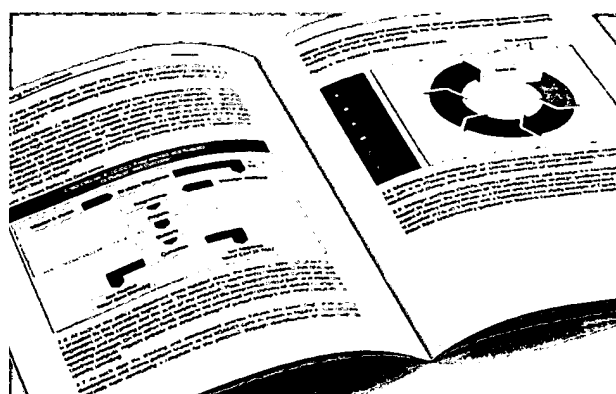
A recent independent study by the specialist consultancy The Social Profit Calculator, confirms Civitas created a Social Value of £127 million in the year to 31 March 2021. The Social Value assessment involves two discrete measures; Resident Wellbeing and Savings to the Public Purse.

The Social Profit Calculator incorporates HM Treasury's Green Book data and the Social Return on Investment (SROI) framework¹ into its calculations

"Civitas is delivering social value through resident wellbeing and for the public purse. Our assessment demonstrates that residents are benefiting from good quality housing that has:

- ▢ Improved their physical health
- ▢ Strengthened their relationships with family and friends
- ▢ Provided them with help and support
- ▢ Increased their confidence and independence"

The Social Profit Calculator, March 2021



Findings in 2021

Resident Wellbeing

£51,170,686



Savings to the Public Purse

£75,859,248



Social Value Ratio

£3.51



Total Social Value

£127,029,934



Social Impact

Charitable Partnerships



Crisis

Crisis is a national charity for the homeless that works to provide vital support so that people can rebuild their lives and are supported out of homelessness for good. Civitas provides funding to Crisis which pays for the employment of one Housing Trainer for Crisis' Renting Ready training course. Results since March 2020:

- ▣ 3 grant programmes have been launched
- ▣ £3.2 million invested
- ▣ Supporting over 200 organisations across Great Britain.



The Choir with No Name

The Choir with No Name is an organisation that runs choirs for people who have experienced homelessness and other forms of marginalisation.

- ▣ Civitas supports The Choir With No Name (CWNN) by providing a secure source of funding
- ▣ 262 total members engaged through rehearsals or calls
- ▣ 76% of members felt isolated as a result of the pandemic, but 78% felt that CWNN had helped them feel less isolated
- ▣ 67% said that being part of the Choir had positively impacted on the way they experienced lockdown.



The House of St. Barnabas

The House of St. Barnabas is a social enterprise member's club that helps London's homeless people back into work, through their Employment Academy.

- ▣ Civitas' funding helps to finance the Employment Academy.
- ▣ 64% of graduates are in paid employment
- ▣ 70% of graduates get paid work during progression support
- ▣ 66% of graduates gained a City & Guilds award.



WISH

WISH is a membership-based network for women working across every discipline of UK housing, with a focus on championing positive outcomes for women working in the sector.



Little Sprouts Health and Wellbeing Charity

Little Sprouts Health and Wellbeing Charity are dedicated to improving the health and wellbeing of our community through cooking workshops, recipe bags, community food shops, "check and chatter" programmes and surplus food collection and distribution.

Civitas supports little sprouts with the operational costs of the charity, particularly during COVID-19. The funds will be used to open a further community shop which uses food as an engagement tool to help address physical, social, mental and financial issues.



the
care
workers'
charity

The Care Workers' Charity

The Care Workers' Charity (CWC) exists to help care and support workers through crisis using financial support and support centres.

Civitas support funds training of up to 20 mental health 'first aiders' to provide one to each CWC member company, providing them with the training and tools to provide better mental health support to the care workers.

Governance

Counterparty Governance

Counterparty Governance

CIM, the Company's investment adviser, has engaged actively with its approved provider partners throughout the pandemic providing shared advice and learning through:

- Weekly operational calls
- Monthly compliance monitoring
- Quarterly seminars

This engagement has helped facilitate continued high level operational performance as well as further building relationships with each of our partners through the offering of continued support and advice.

Weekly

Since the outset of the pandemic, CIM has undertaken weekly keep-in-touch calls with each approved provider partner to cover:

- COVID cases
- Relations with care providers
- Protocols in place
- Resilience
- General advice

Monthly

CIM has continued to undertake monthly governance and health and safety monitoring across the portfolio.

Approved providers have demonstrated resilience and continued high levels of compliance with health & safety standards

Quarterly

CIM hosts quarterly Approved Provider Seminars.

The last of which was held virtually on 8 December 2020 and was attended by all approved provider partners and sector regulators.

Next Seminar booked for 20 July 2021, to be held in London.



Governance

Indices

CIM's implementation of the Board's commitment to continuous improvement in its approach to ESG integration remains core to the investment strategy. Over the last year, we have engaged with ESG Rating Agencies such as GRESB (formerly Global Real Estate Sustainability Benchmark), MSCI (Morgan Stanley Capital International), Sustainalytics, and EPRA sBPR.

Index	What is it?	How is CSH rated?
 G R E S B	GRESB is the leading sustainability benchmark for the global real estate sector. Assessments take place annually and are guided by factors that investors and the industry consider to be material issues in the sustainability performance of real asset investments. The benchmark assessment covers more than 1,000 property companies, REITs, funds and developers.	- CSH achieved a strong B score following the 'GRESB Public Disclosure Assessment 2020' - Peer group average score of C - Improvement from E score in previous year - CSH is now in the 2nd position within its Comparison Group (UK Residential).
 MSCI ESG RATINGS	MSCI ESG Ratings provide insight into ESG risks and opportunities within multi-asset class portfolios. MSCI rate 7,000 companies according to their exposure to industry significant ESG risks and their ability to manage those risks relative to industry peers.	- CSH MSCI ESG rating of B - CIM is focusing on improving this position; whilst the Company does not have staff and thus no relevant policies, CIM is working towards making its own staff policies and procedures available to MSCI through hosting on the CIM website.
 SUSTAINALYTICS	Sustainalytics measure how well companies proactively manage the environmental, social and governance issues that are most material to their business. It is based on a structured, objective and transparent methodology. The ESG ratings provide an assessment on companies' ability to mitigate risks and capitalise on opportunities.	CSH has an ESG Risk Rating score of 14.1 (Low Risk) on Sustainalytics.
 EPRA	EPRA sBPR Guidelines provide a consistent way of measuring sustainability performance. The EPRA sBPR are raising the standards and consistency of sustainability reporting for listed real estate companies across Europe. In recognition of property companies that have successfully adopted the EPRA BPR Guidelines and which have submitted for an assessment of their performance against the guidelines, EPRA hold annual EPRA BPR Awards. The surveyed companies are awarded either a Gold, Silver, or Bronze Award.	CSH has not yet submitted to EPRA to be assessed against these guidelines, but will be working on a submission during 2021 and will report on any awards received in due course.

Governance

Frameworks

In addition to the ESG indices, Civitas participates in the following frameworks which don't issue a grading.

IMPACT MANAGEMENT PROJECT

Impact Management Project

The Impact Management Project is a:

- ▢ Global forum for building consensus on how to measure, manage and report impact
- ▢ Practitioner Community of over 2,000 organisations and investors
- ▢ Provides a set of norms and a shared and holistic understanding of impact.
- ▢ Five core dimensions of impact: What? Who? How much? Contribution and Risk.



Operating Principles for Impact Management

The Operating Principles for Impact Management

The Operating Principles are a framework for investors for the design and implementation of their impact management systems;

- ▢ Ensuring that impact considerations are integrated throughout the investment lifecycle
- ▢ Implemented through different types of systems, each of which can be designed to fit the needs of an individual institution
- ▢ Do not prescribe specific tools and approaches, or specific impact measurement frameworks
- ▢ Industry participants are expected to continue to learn from each other as they implement the Principles



United Nations Sustainable Development Goals

In 2015, UN countries adopted the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals ('SDGs').

- ▢ The SDGs call for worldwide action among governments, business and civil society to end poverty
- ▢ Create a life of dignity and opportunity for all, within the boundaries of the planet
- ▢ No official process for supporting the SDGs
- ▢ Companies are encouraged to select which goals are aligned with their business activities and report on how they are working to achieve them

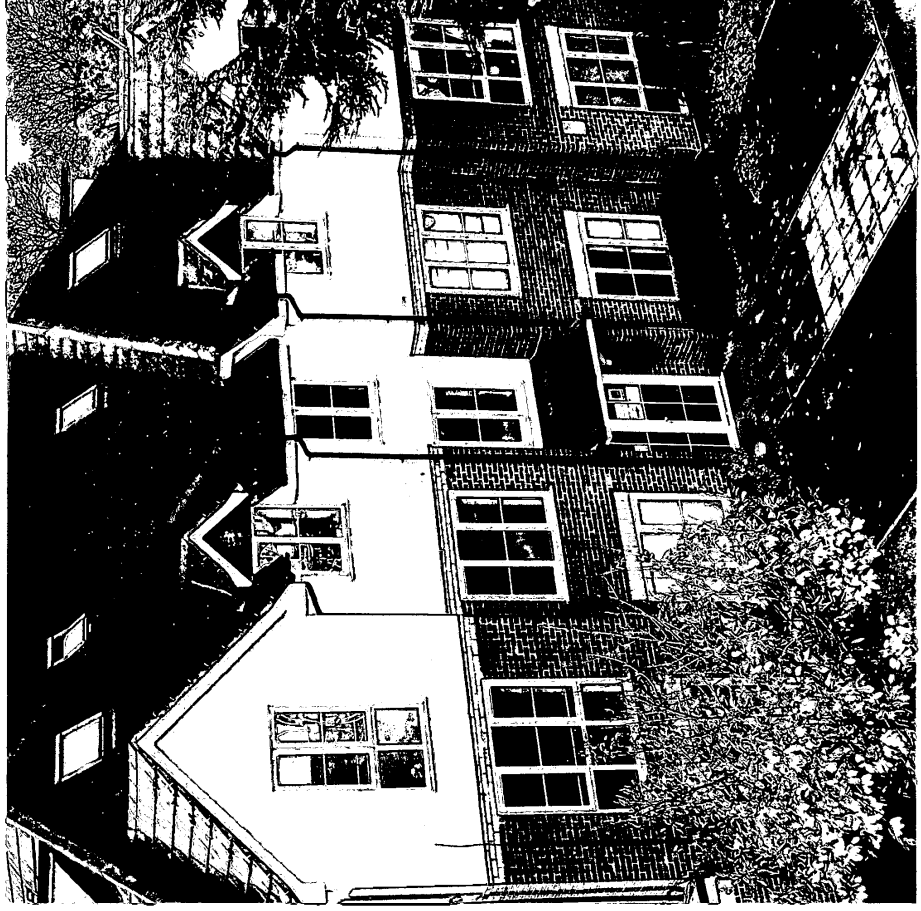
Sector Specific

CSH is an early adopter of the Sustainability Reporting Standard for Social Housing (the Standard). The Standard, developed through a collaboration between housing associations, banks, lenders and investors, has over 100 signed up early adopters and endorsers.

- ▢ Over 100 signed up early adopters
- ▢ 12 themes and 48 criteria for ESG reporting by housing associations
- ▢ Qualitative and quantitative and are identified as core and enhanced requirements to demonstrate strong ESG performance
- ▢ Will help the sector establish a credible, meaningful, and consistent approach to reporting its environmental, social and governance (ESG) performance
- ▢ Aligned to international frameworks and standards including the United Nations Sustainable Development Goals (UNSDGs), Global Reporting Initiative (GRI), SASB (Sustainability Accounting Standards Board), ICMA (International Capital Market Association) and LMA (Loan Market Association) Principles



Corporate Governance



Board of Directors.....	65
Report of the Directors.....	69
Report of the Audit and Management Engagement Committee.....	75
Corporate Governance Statement.....	76
Directors' Remuneration Report.....	82
Statement of Directors' Responsibilities.....	85
Alternative Investment Fund Managers Directive.....	87
Independent Auditors' Report.....	89

Board of Directors



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

Michael Wrobel
Chairman

Michael has over 40 years' experience in the investment industry as a portfolio manager and running institutional businesses and retail businesses at Fidelity and Gartmore. He serves as a trustee director of the BAT UK Pension Fund, the Deutsche Bank UK pension schemes and as a trustee of the Cooper Gay (Holdings) Limited Retirement Benefits Scheme. Michael has previously served as a Non-Executive Director of several investment trusts and a number of industry associations. Michael has an M.A. in Economics from Cambridge University.

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

Caroline Gulliver
Director

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

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



Peter Baxter **Director**

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

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



Alastair Moss **Director**

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

Alastair was appointed to the Board on 24 October 2016.



Alison Hadden **Director**

Alison has over 25 years' experience in the housing industry. She has held a number of chief executive positions at several major housing associations, including Paradigm Housing, a 13,000-home housing association based in Buckinghamshire. Alison has also been an executive director at Circle Housing, one of the largest housing associations in the UK with over 67,000 homes. In these roles, she has worked with many of the stakeholders in the industry, including the Regulator of Social Housing. Alison was previously the Chair of Housing Plus Group, an 18,000-home housing association group in Staffordshire and Shropshire. She is currently a non-executive director and member of the Group Business Assurance and Homes and Places Committee of Yorkshire Housing, a 20,000-home housing association operating in the Yorkshire area, Vice Chair and a member of the Governance Committee of Peaks and Plains Housing and Chair of Heyford Regeneration a for-profit Housing Association operating in the Cherwell area.

Alison was appointed to the Board on 21 November 2019.

Report of the Directors

The Directors present their Report and the audited financial statements for the year ended 31 March 2021.

Principal Activities

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

Business Review

A review of the business and future developments is contained in the Chairman's Statement and Investment Adviser's Report. The principal risks and uncertainties are detailed on pages 44 to 47. See note 35.0 for a summary of the post balance sheet events.

Results and Dividends

The results for the year are shown on page 6.

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

First dividend	1.325p per share paid on 12 June 2020
Second dividend	1.35p per share paid on 7 September 2020
Third dividend	1.35p per share paid on 4 December 2020
Fourth dividend	1.35p per share paid on 1 March 2021

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

Quarterly dividend	1.35p per share paid on 10 May 2021
---------------------------	--

No final dividend is being recommended on the Ordinary shares.

Directors

The members of the Board are listed on pages 66 and 67. All Directors served throughout the period under review.

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

In accordance with Board policy, all Directors will retire and, being eligible, will stand for re-election at the AGM.

Performance evaluation of the Board, its Committee and individual Directors is carried out in accordance with the procedure set out on pages 78 and 79.

No Director is under a contract of service with the Company and no Director or any persons connected with them had a material interest in the transactions and arrangements of the Company. Details of Directors' remuneration are set out in the Directors' Remuneration Report on pages 82 to 85.

The beneficial interests of the Directors in the securities of the Company are set out in the Directors' Remuneration Report on page 85.

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

The general powers of the Directors are contained within the relevant UK legislation and the Company's Articles of Association. The Directors are entitled to exercise all powers of the Company, subject to any limitations imposed by the Articles of Association or applicable legislation. As set out on page 69, the Articles of Association may only be amended by way of a special resolution of shareholders.

Report of the Directors

continued

Capital Structure

Issue of shares

At the AGM held on 8 September 2020, the Directors were authorised to issue equity securities up to an aggregate nominal amount of £621,646 (being approximately 10% of the issued Ordinary share capital). The Company was also authorised to disapply pre-emption rights in respect of equity securities and to issue equity securities for cash up to an aggregate nominal amount equal to £621,646 (being approximately 10% of the issued Ordinary share capital).

250,000 Ordinary shares were issued from Treasury under these authorities during the year. These shares were issued at a price of not less than the net asset value per share at the time of issue plus an amount to cover the cost.

The issuance was made with a view to balancing the premium to NAV and satisfying market demand for additional shares in the Company.

Post the year end, the Company issued 565,000 Ordinary shares from Treasury. At the date of this Report, the Company does not hold any shares in Treasury.

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

Purchase of own shares

At the AGM held on 8 September 2020, the Directors were granted the authority to buy back up to 93,184,792 Ordinary shares, being 14.99% of the Ordinary shares in issue at the time of the passing of the resolution.

During the year, no shares were bought back for Treasury or for cancellation.

The authority to buy back up to 93,184,792 shares will expire at the conclusion of the forthcoming AGM, when a resolution for its renewal will be proposed. Further information will be contained in the Notice of AGM, which will be circulated to shareholders in due course.

Current share capital

As at 31 March 2021, there were 622,461,380 Ordinary shares in issue, of which 565,000 shares were held in treasury. The total voting rights of the Company as at 31 March 2021 was 621,896,380.

As at the date of signing this Report, the total voting rights of the Company was 622,461,380.

Shareholder Rights

Ordinary shares

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

Transfers of shares

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

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

Articles of Association

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

Management Arrangements

Investment Adviser

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

Report of the Directors

continued

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

Details of the fees payable to the Investment Adviser are described in note 8.0 of the financial statements. The basis for the calculation of the Investment Adviser's fees is based upon the IFRS NAV.

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

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

AIFM

G10 Capital Limited ("G10" or the "AIFM") has been appointed as the Company's AIFM with effect from 24 August 2017. The AIFM receives an annual management fee of 0.03% of the total Company NAV for its services, subject to a minimum of £96,000 per annum, and the agreement is terminable on three months' notice by either party.

Depository

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

Administrator

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

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

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

Company Secretary

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

Report of the Directors

continued

Review of service providers

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

Substantial Shareholdings

At 31 March 2021, the Company had been informed of the following disclosable interests in the share capital of the Company:

	Number of Ordinary shares	Percentage of Total Voting Rights
Investec Wealth & Investment Limited	62,135,615	9.99
East Riding of Yorkshire Council	37,153,492	5.97
BlackRock, Inc.	31,266,521	5.03
Massachusetts Financial Services Company	31,210,592	5.02
Standard Life Aberdeen plc	30,492,544	4.90

Between 31 March 2021 and the date of this Report, the Company has been informed of the following changes in the disclosable interests:

	Number of Ordinary shares	Percentage of Total Voting Rights
BlackRock, Inc	30,918,419	4.96
Massachusetts Financial Services Company	30,300,144	4.86

Continuation Vote

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

Listing Rule 9.8.4

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

Financial Instruments

The Company utilises financial instruments in its operations. The financial instruments of the Company at 31 March 2021 comprised trade receivables and payables, other debtors, cash and cash equivalents, non-current borrowings, current borrowings and derivatives.

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

For a more detailed analysis of the Company's financial risk management, please refer to note 33.0 of the financial statements.

Greenhouse Gas Emissions

The Board has considered the requirements to disclose the annual quantity of emissions in tonnes of carbon dioxide equivalent for activities for which the Company is responsible. The Board believes that the Company has, from a formal reporting perspective, no reportable emissions as this reporting falls under the lessees' responsibility as part of the terms of their fully repairing and insuring leases; emissions produced from either the registered office of the Company or from the offices of other service providers are deemed to fall under the responsibility of other parties; and the Company has not leased or owned any vehicles which fall inside the scope of the GHG Protocol Corporate Standard. In relation to the Streamlined Energy and Carbon Reporting (SECR), implemented by The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, for the year ended 31 March 2021 the Group is considered to be a low energy user.

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

Further details can be found in the Environmental, Social and Governance report on page 50.

Report of the Directors

continued

Charitable Donations

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

The following charitable donations were agreed during the year:

Charity	Donation
Crisis	£35,946
Choir with No Name*	£15,000
Little Sprouts	£5,000
House of St Barnabus	£5,000
WISH*	£3,600
Total	£64,546

* paid in the year to March 2021.

Auditor

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

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

PricewaterhouseCoopers LLP has expressed its willingness to continue to act as auditor of the Company and a resolution for its re-appointment will be proposed at the 2021 Annual General Meeting.

Corporate Governance

The Corporate Governance Statement, the Report of the Audit and Management Engagement Committee and the Directors' Remuneration Report form part of the Report of the Directors.

Approval

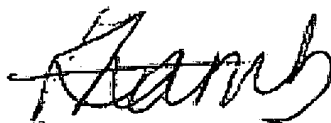
The Report of the Directors has been approved by the Board.

By order of the Board

Link Company Matters Limited

Company Secretary

29 June 2021



Report of the Audit and Management Engagement Committee

Introduction

The Audit and Management Engagement Committee (the "Committee") oversees the financial reporting process for the Company, with consideration of the internal controls and risk management of the Company, and oversight of the Company's compliance with accounting standards and regulatory requirements. It also oversees the performance of the Investment Manager and the Company's administrative and company secretarial support.

Composition

The Committee is chaired by Caroline Gulliver and comprises all the Directors. The Committee operates within written terms of reference as determined by the Board. The Board considers that at least one member has recent and relevant financial experience and is satisfied that the Committee as a whole has competence relevant to the sector in which the Company operates.

Meetings

The Committee meets twice a year; on both occasions, part of the meeting is held with the external auditor without the Investment Adviser present. The Committee met twice in the financial year and the meetings were attended by each member as set out on page 78.

Responsibilities of the Committee:

The principal functions of the Committee are to:

- oversee the financial reporting process for the Company and monitor the integrity of the financial statements of the Company and the Group, including their compliance with accounting standards and regulatory requirements;
- to advise the Board, where requested, on whether the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- review and monitor the internal financial control and risk management systems of the Company;
- monitor and review annually whether an internal audit function is required;
- review the Investment Adviser's whistleblowing arrangements;
- approve the appointment, re-appointment or

removal of the external auditor, and approve their remuneration and terms of engagement;

- manage the relationship between the Company and the external auditor, including reviewing their independence and objectivity and the effectiveness of the audit process;
- develop and implement a policy on the engagement of the external auditor to supply non-audit services; and
- review and monitor the performance of, and contractual arrangements with, the Investment Adviser, the AIFM and other service providers.

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

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

- discussed and agreed the scope of the audit and the audit plan with the external auditor;
- agreed the remuneration of the external auditor;
- reviewed the half-year and annual financial statements and discussed the results of the audit with the external auditor;
- reviewed the internal controls of the Company and the Risk Matrix, which is reviewed by the Committee on a six-monthly basis, and carried out an assessment of the effectiveness of the Company's risk management and internal control systems; the Committee has not identified nor been advised of any failings or weaknesses which it has determined to be significant;
- reviewed the performance of the Investment Adviser, the AIFM and other key service providers and made a recommendation to the Board about their continuing engagement; and
- monitored the Company's whistleblowing arrangements. No incidents were raised during the period.

Performance Evaluation

The process for the evaluation of the performance of the Committee is disclosed on pages 78 and 79.

Report of the Audit and Management Engagement Committee

continued

Risk Management and Internal Control

The Company has an ongoing process for identifying, evaluation and managing the principal and emerging risks faced by the Group. Further details can be found on pages 79 and 80.

The principal risks and uncertainties identified from the risk register and a description of the Group's risk management procedures can be found on pages 44 to 47.

Activities

The Committee meets at least twice a year to consider the annual report, interim report, any other formal financial performance announcements and any other matters as specified under the Committee's terms of reference and reported to the Board on how it discharged its responsibilities.

During the year, the Committee discussed and considered the external audit performance, objectivity and independence, the external auditor re-appointment, accounting policies and alternative accounting treatments, significant accounting judgements and estimates, the need for an internal audit function and the risk register.

During the year, the Committee also conducted a comprehensive review of the key agreements with its service providers, and a detailed review of the performance, composition, personnel, processes and internal control systems of the Investment Manager, a review of all of the Group's other corporate advisers and key service providers. The discussion included an assessment of performance and suitability of the services provided in the context of the fees paid to each provider, and a review of the termination period of each agreement.

The Committee considered the terms of the Investment Management Agreement, to ensure it continues to reflect the commercial arrangements agreed between the Company and the Investment Manager and was satisfied that this was the case.

Significant Issues Considered by the Committee

The Committee considered the key accounting judgements underlying the preparation of the financial statements focusing specifically on:

Significant Financial Reporting Issue – Valuation of Investment Property

The valuation of the property portfolio is crucial to the statement of financial position and reported results.

After discussion with the Investment Adviser, the Committee has determined that the key risks of misstatement of the Company financial statements relate to the valuation of investment property.

The valuations of the investment properties at the end of the financial period were independently performed by Jones Lang LaSalle ("JLL"), whom the Committee considers to have sufficient expertise, experience and local and national knowledge of social housing and supported housing to undertake the valuations.

JLL also conducts initial valuations of properties on acquisition.

The Investment Adviser confirmed to the Committee that the method of valuation has been applied consistently during the year. It further confirmed that, during the course of the period, JLL was regularly challenged by the Investment Adviser on the assumptions used in the valuation of the Company's investment properties to ensure robust and appropriate methods were being applied. The Investment Adviser discuss these areas of challenge with the Committee.

The Auditor met separately with JLL and reported back to the Committee on its challenge of the valuations and assumptions. The Auditor was satisfied that the valuations had been prepared using appropriate methods and assumptions, and had been prepared in accordance with RICS Valuation – Professional Standards.

As explained in note 15.0 to the financial statements, the approach adopted by the Company is to recognise investment properties at fair value, with the fair value of the property being based on valuations performed by JLL. The revaluation of the investment properties gave rise to new revaluation gains of £5.5 million in the period.

Maintenance of REIT status.

There are a number of conditions that a company (or principal company of a group REIT) needs to satisfy in order to become a REIT and remain within the regime. The UK REIT regime affords the Group a beneficial tax treatment for income and capital gains, provided certain criteria are met. There is a risk that these REIT conditions may not be met and additional tax becomes payable by the Company. The Board regularly reviews the REIT tests that are performed by the Administrator.

The Board is satisfied that the Company has maintained its REIT status throughout the year.

Misstatements

The Investment Adviser confirmed to the Committee that it was not aware of any material or immaterial misstatements made intentionally to achieve a particular presentation. The Committee confirms that it is satisfied that the auditor has fulfilled its responsibilities with diligence and professional scepticism.

Report of the Audit and Management Engagement Committee

continued

Conclusion in respect of the Annual Report and Financial Statements

Having reviewed the presentations and reports from the Investment Adviser, the Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates, both in respect of the amounts reported and the disclosures.

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

Auditor Appointment and Tenure

As a result of the UK's implementation of the EU's mandatory audit firm rotation requirements, the Company is required to ensure that the external auditor's contract is put out to tender at least every 10 years, with the proviso that no single firm may serve as the Company's external auditor for a period exceeding 20 years. PwC was first appointed as the Company's auditor with effect from March 2017. It is intended that the external audit will be put out to tender no later than for the financial year commencing 1 April 2026, which is 10 years after the Company's initial listing.

Sandra Dowling has been the senior statutory auditor for the audit since PwC's appointment. Under the partner rotation rules set out in the applicable ethical standards, Saira Choudhry will take over as audit partner for the 2022 audit, her final year as partner will be 2027 after five years service.

Assessment of the Effectiveness of the External Audit Process

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

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

Non-audit Services

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

The total fees paid to PricewaterhouseCoopers LLP during the period, net of VAT, totalled £361,000 (2020: £246,000), of which £57,000 (2020: £51,000) was received for non-audit services. For the years ended 31 March 2021 and 2020, the non-audit service fees related to the review of the half-yearly report.

Note 9.0 to the consolidated financial statements details all services provided and total fees paid to PricewaterhouseCoopers LLP for the financial year ended 31 March 2021. The Committee considers PricewaterhouseCoopers LLP to be independent of the Company.

Re-appointment of the Auditor

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

CMA Order*

The Company has complied with the provisions of the CMA Order throughout the year ended 31 March 2021.

Caroline Gulliver

Chairman, Audit and Management Engagement Committee

29 June 2021

* Terms defined in the Glossary.



Corporate Governance Statement

Background

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

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

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

Statement of Compliance

Except as set out below, the Company has complied with the provisions of the AIC Code throughout the year ended 31 March 2021.

Provision 23: Directors are not appointed for a specified term, as all Directors are non-executive and the Board believes that a Director's performance and their continued contribution to the running of the Company is of greater importance and relevance to Shareholders than the length of time for which they have served as a Director of the Company. Each Director is subject to the election and re-election provisions set out in the Articles which provide that a Director appointed during the year is required to retire and seek election by Shareholders at the next Annual General Meeting following their appointment. Thereafter the Directors intend to offer themselves for re-election annually and will aim to not be on the Board for more than 9 years; and

Provision 37: As all the Directors are non-executive, the Board was of the view that there was no requirement for a separate remuneration committee. Directors' fees were considered by the Board as a whole within the limits approved by Shareholders. Since the end of the year, the Board has agreed the establishment of a separate Remuneration and Nomination Committee.

The UK Code includes provisions relating to:

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

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

The Board

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

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

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

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

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

Corporate Governance Statement

continued

The Chairman, Michael Wrobel, was independent of the Investment Adviser at the time of his appointment and is deemed by his fellow Directors to continue to be independent in character and judgement and free of any conflicting relationships. He leads the Board and is responsible for its overall effectiveness in directing the Company. In liaison with the Company Secretary, he ensures that the Directors receive accurate, timely and clear information. Mr Wrobel considers himself to have sufficient time to commit to the Group's affairs. He has no significant commitments other than those disclosed in his biography on page 66. The role and responsibilities of the Chairman are clearly defined and set out in writing, a copy of which is available on the Company's website.

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

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

Board Operation and Culture

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

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

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

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

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

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

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

Independence of Directors

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

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

Corporate Governance Statement

continued

with the Company or its stakeholders, have received disproportionate fees, have close family relationships with stakeholders or represent significant shareholders.

Board Meetings

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

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

The number of Board and Audit and Management Engagement Committee meetings held during the year ended 31 March 2021 along with the attendance of the Directors is set out below:

	Board		Audit and Management Engagement Committee	
	Number entitled to attend	Number attended	Number entitled to attend	Number attended
Michael Wrobel	13	13	2	2
Alastair Moss	13	13	2	2
Alison Hadden	13	12	2	2
Caroline Gulliver	13	13	2	2
Peter Baxter	13	13	2	2

Committee

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

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

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

The Report of the Audit and Management Engagement Committee is set out on pages 73 to 75.

Remuneration and Nomination Committees

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

Post the year end, the Board has agreed to establish a new committee taking on responsibility for Nomination and Remuneration matters, plus the annual performance evaluation, with the Senior Independent Director as Chairman.

Diversity

The Board recognises the benefits of diversity and has adopted a diversity policy. All Board appointments will be made on merit and have regard to diversity in relation to factors such as gender, ethnicity, skills, background and experience. The Board does not consider it to be in the interests of the Company and its shareholders to set prescriptive diversity criteria or targets, but will continue to monitor diversity and take such steps as it considers appropriate to maintain its position as a meritocratic and diverse business. See also the Strategic Report on page 28.

Induction of New Directors

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

Performance Evaluation

Each year the Board undertakes an annual performance evaluation of the Board to include the Board's Audit and Management Engagement Committee, the Chairman and individual directors.

Corporate Governance Statement

continued

This year an external review was conducted by BoardAlpha Limited, an independent specialist adviser with no connection with the Company or any individual Director.

BoardAlpha undertook an information gathering exercise, analysing Board material as well as holding individual interviews, by video conference, with each Director, key personnel at the Investment Adviser, the Company Secretary and other third-party advisers. BoardAlpha also attended a Board meeting as an observer.

The evaluation was wide-ranging, including frequency and effectiveness of meetings and processes, knowledge, behaviours, balance of skills, diversity and succession planning.

BoardAlpha produced a formal report that included a number of recommendations, which were reviewed in full by the Board. In addition to general processes, the Board intends to implement the following specific recommendations and, where relevant, will report on progress in the 2022 Annual Report:

- The formation of a new committee taking on responsibility for Nomination and Remuneration matters, plus the annual performance evaluation, with Peter Baxter as Chairman. This is intended to avoid conflict for the Company Chairman, specifically in relation to the appointment of a successor, and spread responsibilities.
- Allocation of time at each board meeting for the Board to meet privately.
- Task key third party providers to submit a self-assessment against agreed KPIs, as an addition to the current internal assessment.

The Board considered a recommendation to separate the responsibilities of the Audit and Management Engagement Committee, but concluded that this would not deliver any improvement. This will be kept under review.

The results of the evaluation concluded a strong and collaborative Board, with high calibre and experienced Board members and a strong and independent Chairman. The Board was found to provide good and independent challenge to the Investment Adviser in order to achieve the best outcome for shareholders that is consistent with the Company's social impact aims. It also concluded that the flow and activities of both the Board and its Audit and Management Engagement Committee worked well.

The results of the evaluation of the Chairman were presented to the Senior Independent Director and concluded that he is a very strong and independent Chairman, with excellent leadership.

The Board concluded that each Director brings considerable expertise and experience to the Board and the Board operates with good independent thought and challenge.

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

Conflicts of Interest

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

Health and Safety

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

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

Risk Management and Internal Control

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

An ongoing formal process, in accordance with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, has been established for identifying, evaluating and managing the principal and other risks most likely to impact the Group. This process, which is regularly reviewed, together with key procedures established with a view to providing effective financial control, has been in place throughout the year ended 31 March 2021 and up to the date of this Report.

Corporate Governance Statement

continued

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

- the nature and extent of risks which it regards as acceptable for the Company to bear within its overall business objective;
- the threat of such risks becoming reality;
- the Company's ability to reduce the incidence and impact of risk on its performance; and
- the cost to the Company and benefits related to the Company and third parties operating the relevant controls.

The risk matrix is reviewed twice a year by the Committee and at other times as necessary. The principal risks facing the Company are set out on pages 44 to 47 of this Annual Report, together with the processes applied to mitigate those risks.

On an annual basis, the Committee reviews the control reports of its key service providers and the Auditor notes any deficiencies in internal controls and processes that have been identified during the course of the audit.

The Committee is mindful of these key risks as well as considering evolving and emerging risks such as the impact of the COVID-19 pandemic and associated lockdowns and climate change, which have the potential to affect the Group. The Committee ensures that the Board takes appropriate advice and debates the issues facing the Group.

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

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

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

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

Financial Reporting

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

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

Corporate Responsibility

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

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

Business conduct

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

All customers and suppliers will be treated fairly and responsibly.

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

Corporate Governance Statement

continued

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

Governance

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

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

Socially responsible investment

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

Further details on the social impact of the Company's investments are included in the Social Impact report from the The Good Economy, a summary of which can be found on page 58.

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

Transparency

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

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

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

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

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

Communities

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

Relations with Shareholders

Details regarding the Company's engagement with its shareholders are set out within the Strategic Report on pages 30 to 31.

Approval

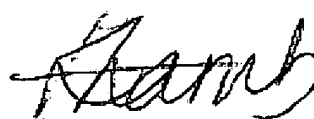
The Corporate Governance Statement has been approved by the Board.

By order of the Board

Link Company Matters Limited

Company Secretary

29 June 2021



Directors' Remuneration Report

Directors' Remuneration Policy

Introduction

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

Policy

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

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

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

Directors' Remuneration Components

Component	Director	Rate at 1 April 2021	Purpose of Remuneration
Annual fee	Chairman	£52,000	Commitment as Chairman of a public company ¹
Annual fee	Non-executive Directors	£33,280	Commitment as non-executive Directors of a public company ²
Additional fee	Chairman of the Audit and Management Engagement Committee	£5,000	For additional responsibilities and time commitment ³
Additional fee	All Directors	Discretionary	For extra or special services performed in their role as a Director ⁴
Expenses	All Directors	n/a	Reimbursement of expenses incurred in the performance of duties as a Director ⁵

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

2 The Company's Articles of Association limit the aggregate fees payable to the Board of Directors to £250,000 per annum.

3 The Company's policy is for the Chairman of the Audit and Management Engagement Committee to be paid a higher fee than the other Directors to reflect the more onerous role.

4 This is a provision of the Company's Articles. Additional fees would only be paid in exceptional circumstances in relation to the performance of extra or special services.

5 Directors are entitled to claim expenses in respect of duties undertaken in connection with their role as a Director.

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

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

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

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

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

Directors' Remuneration Report

continued

Service Contracts

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

Approach to Recruitment Remuneration

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

Views of Shareholders

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

Remuneration Report

The Board presents its Directors' Remuneration Report in respect of the year ended 31 March 2021. The Board has prepared this report in accordance with the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. An ordinary resolution for the approval of the Directors' Remuneration Report will be put to shareholders at the forthcoming AGM of the Company.

The law requires the Company's auditor to audit certain of the disclosures required. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in the auditor's report on pages 89 to 95.

Annual Statement from the Chairman

I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2021.

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

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

Directors' fees for the year ended 31 March 2021 were at a level of £50,000 per annum for the Chairman and £32,000 per annum for other non-executive Directors. The Chairman of the Audit and Management Engagement Committee received an additional fee of £4,000 per annum. No changes relating to Directors' remuneration were made during the year to 31 March 2021. With effect from 1 April 2021, the Directors have agreed to increase the Director's, Audit and Management Engagement Committee Chairman and Chairman's annual fee by 4% with the additional fee paid to the Audit and Management Engagement Committee Chairman increasing by £1,000 to reflect the additional work undertaken.

There were no other payments for extra or special services in the year ended 31 March 2021.

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

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

Directors' Remuneration Report

continued

Directors' Fees for the Period (audited)

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

Director	Year ended 31 March 2021			Year ended 31 March 2020		
	Fees	Taxable benefits	Total	Fees	Taxable benefits	Total
Michael Wrobel (Chairman)	£50,000	–	£50,000	£50,000	–	£50,000
Alastair Moss	£32,000	–	£32,000	£32,000	–	£32,000
Alison Hadden ¹	£32,000	–	£32,000	£11,569	£1,073	£12,642
Caroline Gulliver	£36,000	–	£36,000	£36,000	–	£36,000
Peter Baxter	£32,000	–	£32,000	£32,000	–	£32,000
Total	£182,000	–	£182,000	£161,569	£1,073	£162,642

¹ Appointed on 21 November 2019.

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

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

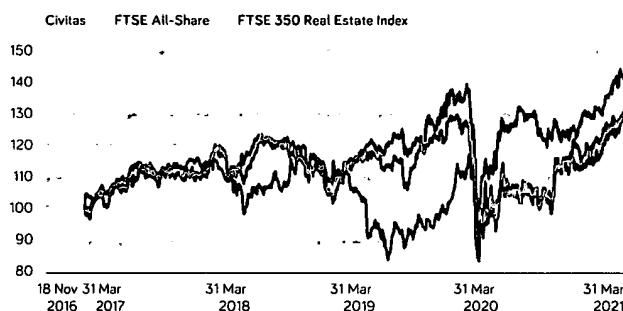
Loss of Office (audited)

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

Company Performance

The following graph compares the performance for the period from IPO on 18 November 2016 to 31 March 2021, the total shareholder return of the Company's Ordinary shares relative to the FTSE All-Share Index and FTSE 350 Real Estate Index. Although the Company has no formal benchmark, these indices have been selected as the FTSE All-Share represents all companies of a similar capital size, and the constituents of the FTSE 350 Real Estate Index are UK-based real estate companies and are therefore considered to represent the most appropriate comparative.

Total Shareholder Return (rebased)



Relative Importance of Spend on Pay

The table below sets out, in respect of the year ended 31 March 2021:

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

	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Directors' remuneration	182	162
Dividends paid to Ordinary shareholders	33,413	32,970

Directors' Remuneration Report

continued

Directors' Interests (audited)

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

As at 31 March 2021, the Directors (including their connected persons) had beneficial interests in the following number of shares in the Company:

	31 March 2021 Ordinary shares	31 March 2020 Ordinary shares
Michael Wrobel	100,598	100,598
Alastair Moss	11,766	11,766
Alison Hadden	–	–
Caroline Gulliver	58,832	58,832
Peter Baxter	47,065	47,065

There have been no changes to Directors' share interests between 31 March 2021 and the date of this Report.

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

Voting at AGM

The Directors' Remuneration Policy was approved at the AGM held on 5 September 2019 and the Directors' Remuneration Report for the year ended 31 March 2020 was approved at the AGM held on 8 September 2020. The votes cast by proxy on these resolutions were:

Resolution	Votes for ¹ % of votes cast	Votes against % of votes cast	Votes withheld	Total votes cast
To approve the Directors' Remuneration Report	99.99	0.01	10,801	307,334,672
To approve the Directors' Remuneration Policy	99.99	0.01	–	320,495,728

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

Consideration of Shareholder Views

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

Approval

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

Michael Wrobel
Chairman

29 June 2021



Statement of Directors' Responsibilities

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the Group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and

disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and as regards the Group financial statements Article 4 of the IAS Regulation.

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

Directors' confirmations

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Board of Directors confirm that, to the best of their knowledge:

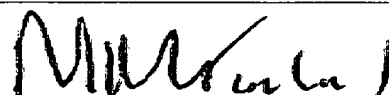
- the Group financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities, financial position and profit of the Company; and
- the Group Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

Approval

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

Michael Wrobel
Chairman

29 June 2021



Alternative Investment Fund Managers Directive

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

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

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

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

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

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

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

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

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

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

The AIFM (G10 Capital Limited) is a private limited company with its registered office at 3 More London Riverside, London SE1 2AQ. G10 Capital Limited is authorised and regulated by the Financial Conduct Authority (FRN 648953). It has been appointed by the Company to manage the Company under an AIFM Agreement with effect from 24 August 2017.

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

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

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

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

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

Alternative Investment Fund Managers Directive

Continued

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

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

Independent Auditor (AIFMD 23(1)(d))

The independent auditor of the Company for the year ended 31 March 2021 was PricewaterhouseCoopers LLP. The auditor's duties, which are set out on pages 94 to 95, are owed to the Company as a whole. They have a statutory responsibility to report to the members of the Company as a whole in relation to the truth and fairness of the Company's state of affairs and profit or loss.

Valuation (AIFMD 23(1)(g))

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

Fees and Expenses (AIFMD 23(1)(i))

The Company incurs costs in the form of depositary fees, custodian fees, bank fees and charges, marketing fees, auditors' fees, lawyers' fees, fund administration fees, company secretarial fees and other fees.

Fair Treatment of Investors and Preferential Treatment (AIFMD 23(1)(j))

No preferential rights have been granted to any existing shareholder.

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

Issue and Redemption of Shareholder Interests in the Company (AIFMD 23(1)(l))

The Company is closed-ended and does not provide for redemption or repurchase of the interests of ordinary shareholders at their request.

Reporting and Performance (AIFMD 23(1)(k), 23(1)(m) and 23(1)(n))

The historic performance of the Company, to the extent available, has been disclosed to shareholders in the Company's Annual and Half Yearly Reports, which will be sent to shareholders and are available from <http://civitassocialhousing.com/>.

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

Prime Broker (AIFMD 23(1)(o))

The Company does not have a prime broker.

Method of Making Ongoing/Periodic Disclosures (AIFMD 23(1)(p), 23(4), 23(5))

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

Risk Profile and Risk Management (AIFMD 23(4)(c))

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

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

Restrictions on the Use of Leverage and Maximum Leverage (AIFMD 23(5))

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

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

Independent auditors' report to the members of Civitas Social Housing PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- Civitas Social Housing PLC's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2021 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 March 2021; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated and Company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in Note 2.0 to the financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

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

Independence

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

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

Other than those disclosed in Note 9.0, we have provided no non-audit services to the Group or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

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

Key audit matters

- Valuation of investment property (Group)
- COVID-19 (Group and Company)

Materiality

- Overall Group materiality: £10.4 million (2020: £9.5 million) based on 1% of total assets.
- Specific Group materiality: £1.5 million (2020: £1.4 million), based on 5% of European Public Real Estate ('EPRA') Earnings, for financial statement line items impacting EPRA Earnings.
- Overall Company materiality: £7.4 million (2020: £7.4 million) based on 1% of total assets.
- Performance materiality: £7.8 million (Group) and £5.6 million (Company).

Independent auditors' report to the members of Civitas Social Housing PLC

Continued

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter

Valuation of investment property (Group)

Refer to the Report of the Audit and Management Engagement Committee, Note 3.1, Significant estimate – valuation of investment property and Note 15.0, Investment property. Investment properties are held at a fair value of £893.7 million as at 31 March 2021 in the Consolidated Statement of Financial Position. The valuation of the Group's investment property is the key component of the net asset value and underpins the Group's result for the year. The result of the revaluation this year was a gain of £5.5 million, which is accounted for within 'Change in fair value of investment properties' in Note 15.0 Investment property. The Group's investment property portfolio consists of specialist social housing properties located in England and Wales which are let to Registered Providers of social housing on long-term leases. Investment property valuations were carried out by a third party valuer, Jones Lang LaSalle Limited ('JLL' or the 'Valuer'). The Valuer, engaged by the Directors, performed their work in accordance with the Royal Institute of Chartered Surveyors ('RICS') RICS Valuation – Professional Standards and the requirements of International Accounting Standard 40 'Investment Property'. In determining the value of a property, the Valuer has taken into account property-specific information including the lease term and rental income payable. They applied assumptions for the yield, discount rate and CPI growth which are influenced by prevailing market conditions and comparable transactions, to arrive at the final valuation as at the valuation date. The valuation of the Group's investment property portfolio was identified as a key audit matter given the valuation is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental streams for that particular property. The wider challenges currently facing real estate investor markets as a result of COVID-19 further contributed to the subjectivity for the year ended 31 March 2021. The significance of the estimates and judgements involved, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warranted specific audit focus in this area.

How our audit addressed the key audit matter

Given the inherent subjectivity involved in the valuation of the property portfolio, and therefore the need for deep market knowledge when determining the most appropriate assumptions and the technicalities of valuation methodology, we engaged our internal valuation experts (qualified chartered surveyors) to assist us in our audit of this area.

Assessing the valuers' expertise and objectivity

We read the Valuer's report and confirmed that the approach used was consistent with the RICS guidelines. We assessed the Valuer's qualifications and expertise and read their terms of engagement with the Group, determining that there were no matters that affected their independence and objectivity or imposed scope limitations upon them. We also considered fees and other contractual arrangements that might exist between the Group and the Valuer. We found no evidence to suggest that the objectivity of the Valuer was compromised.

Data provided to the Valuer and legal title

We validated the data provided to the Valuer by management and found that it was consistent with the information we audited. This data included inputs such as current rent, rent indexation (CPI or CPI+1%) and lease term, which we have agreed on a sample basis to executed lease agreements as part of our audit work. We verified legal ownership of properties through independent title deed confirmations on a sample basis.

Assumptions and estimates used by the Valuer

In our testing, which involved the use of our internal real estate valuation experts, we considered the assumptions utilised by the Valuer within the valuation and benchmarked to market evidence. We challenged the Valuer regarding the impact of the regulatory environment on investor sentiment and asset values.

Independent auditors' report to the members of Civitas Social Housing PLC

Continued

Key audit matter

How our audit addressed the key audit matter

We attended meetings with management and the Valuer, at which the valuation methodology and the key assumptions were discussed. We challenged their approach to the valuations, and the rationale behind the more significant valuation assumptions adopted. Where assumptions were outside the expected range, we undertook further investigations, held further discussions with the Valuer and obtained evidence to support explanations received. The valuation commentaries provided by the Valuer and supporting evidence, enabled us to consider the property specific factors that may have had an impact on value, including recent comparable transactions where appropriate. We concluded that the assumptions used by the Valuer were consistent with our expectations and comparable benchmarking and market transaction information for the asset type.

We have no issues to report in respect of this work.

COVID-19 (Group and Company)

Refer to the Group Strategic Report – 'Principal Risks and Risk Management' and the 'Going Concern and Viability Statement', the Report of the Audit and Management Engagement Committee, Note 2.0, Basis of preparation and Note 3.0, Significant accounting judgements, estimates and assumptions. The outbreak of Covid-19 has been declared as a global pandemic and is having a major impact on economies and financial markets. In order to assess the impact of COVID-19 on the business, the Directors' have updated their risk assessment and prepared an analysis of the potential impact on the revenues, profits, cash flows, operations and liquidity position of the Group for the next 12 months and over the next five years. The analysis and related assumptions have been used by the Directors in their assessment of the Group's going concern and viability. We considered the impact of Covid-19 on the valuation of investment properties. Given the Social Housing sector within which Civitas operates, their portfolio has seen an uplift in value during the year. We also considered the impact of COVID-19 on any tenant receivables and lease incentives. Management's analysis includes base and downside case scenarios. At the balance sheet date, the Group's cash balance is £107.1 million of which £3.3 million is held as restricted cash and post the year end, the Group has extended the term of the loan presented in current liabilities as at 31 March 2021. In making their assessment management took into account the covenant headroom on the Group's loan facilities. After considering all of these factors, management has concluded that preparing the financial statements on a going concern basis remains appropriate. No material uncertainty in relation to going concern exists.

We evaluated the Group's updated risk assessment and analysis and considered whether it addresses the relevant threats posed by COVID-19. We also evaluated management's assessment and corroborated evidence of the operational impacts, considering their consistency with other available information and our understanding of the business.

Our procedures in respect of the valuation of investment properties are set out in the key audit matter above.

We assessed the disclosures presented in the Annual Report in relation to COVID-19 by reading the other information, including the Principal Risks and Risk Management and the Going Concern and Viability Statement set out in the Group Strategic Report, and assessing its consistency with the financial statements and the evidence we obtained in our audit. We considered the appropriateness of the disclosures around the accounting estimates within the Annual Report and consider these to be adequate. We have obtained management's assessment over the expected credit losses on financial assets and assessed the methodology applied. We have tested the integrity of data in this calculation through agreeing a sample of invoices to the aged debtors report to determine appropriate aged classification. We have challenged management on the assumptions used in the analysis including the default rate and where specific provisions have been applied.

Our conclusions relating to going concern and other information are set out in the 'Conclusions relating to going concern' and 'Reporting on other information' section of our report, respectively, below.

We have no issues to report in respect of this work.

How we tailored the audit scope

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

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

Independent auditors' report to the members of Civitas Social Housing PLC

Continued

Materiality

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

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

	Financial statements – Group	Financial statements – Company
Overall materiality	£10.4 million (2020: £9.5 million).	£7.4 million (2020: £7.4 million).
How we determined it	1% of total assets	1% of total assets
Rationale for benchmark applied	The key measure of the Group's performance is the valuation of investment properties and the balance sheet as a whole. Given this, we set an overall Group materiality level based on total assets.	The Company's main activity is the holding of investments in subsidiaries. On this basis, we set an overall Company materiality level based on total assets.

In addition to overall Group materiality, a specific materiality was also applied to income statement line items that impact EPRA Earnings, which is based on profit before tax, adjusted to exclude fair value gains/(losses) on investment property and derivatives. We set a specific overall materiality level of £1.5 million (2020: £1.4 million), equating to 5% of EPRA Earnings. In arriving at this judgement, we considered the fact that EPRA Earnings is a secondary financial indicator of the Group (refer to the Strategic Report where the term is defined in full).

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £7.8 million for the Group financial statements and £5.6 million for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Management Engagement Committee that we would report to them misstatements identified during our audit above £518,000 (Group audit) (2020: £474,000) and £372,000 (Company audit) (2020: £370,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

In addition we agreed with the Audit and Management Engagement Committee we would report to them misstatements identified during our Group audit above £77,000 (2020: £72,000) for misstatements related to financial statement line items impacting EPRA Earnings within the financial statements, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Corroborated key assumptions (eg liquidity forecasts and financing arrangements) to underlying documentation and ensured this was consistent with our audit work in these areas;
- Considered management's forecasting accuracy by comparing how the forecasts made in the prior year compare to the actual results of the current year;
- Understood and assessed the appropriateness of the key assumptions used both in the base case and in the severe but plausible downside scenario, including assessing whether we considered the downside sensitivities to be appropriately severe;
- Tested the integrity of the underlying formulas and calculations within the going concern and cash flow models;
- Considered the appropriateness of the mitigating actions available to management in the event of the downside scenario materialising. Specifically, we focused on whether these actions are within the Group's control and are achievable;
- Reviewed the debt covenant calculations agreeing the inputs to the audited results. Additionally, we have reviewed management's stress tests on the covenants; and

Independent auditors' report to the members of Civitas Social Housing PLC

Continued

- Reviewed the disclosures provided relating to the going concern basis of preparation and found that these provided an explanation of the directors' assessment that was consistent with the evidence we obtained.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and 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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

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

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

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 March 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Directors' Remuneration

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

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independent auditors' report to the members of Civitas Social Housing PLC

Continued

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Management Engagement Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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 Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with the Real Estate Investment Trust (REIT) status Part 12 of the Corporation Tax Act 2010 and the UK regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates and judgmental areas of the financial statements such as the valuation of investment properties. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud, and review of the reports made by management;
- Understanding of management's internal controls designed to prevent and detect irregularities;
- Assessment of matters, if any, reported to the Audit and Management Engagement Committee;
- Reviewing relevant meeting minutes, including those of the Board of Directors and the Audit and Management Engagement Committee;
- Review of tax compliance with the involvement of our tax specialists in the audit;
- Designing audit procedures to incorporate unpredictability over the nature, timing and extent of our testing of expenses;

Independent auditors' report to the members of Civitas Social Housing PLC

Continued

- Procedures relating to the valuation of investment properties described in the related key audit matter below; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations and words.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

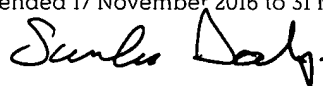
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Management Engagement Committee, we were appointed by the members on 31 March 2017 to audit the financial statements for the year ended 17 November 2016 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 17 November 2016 to 31 March 2021.

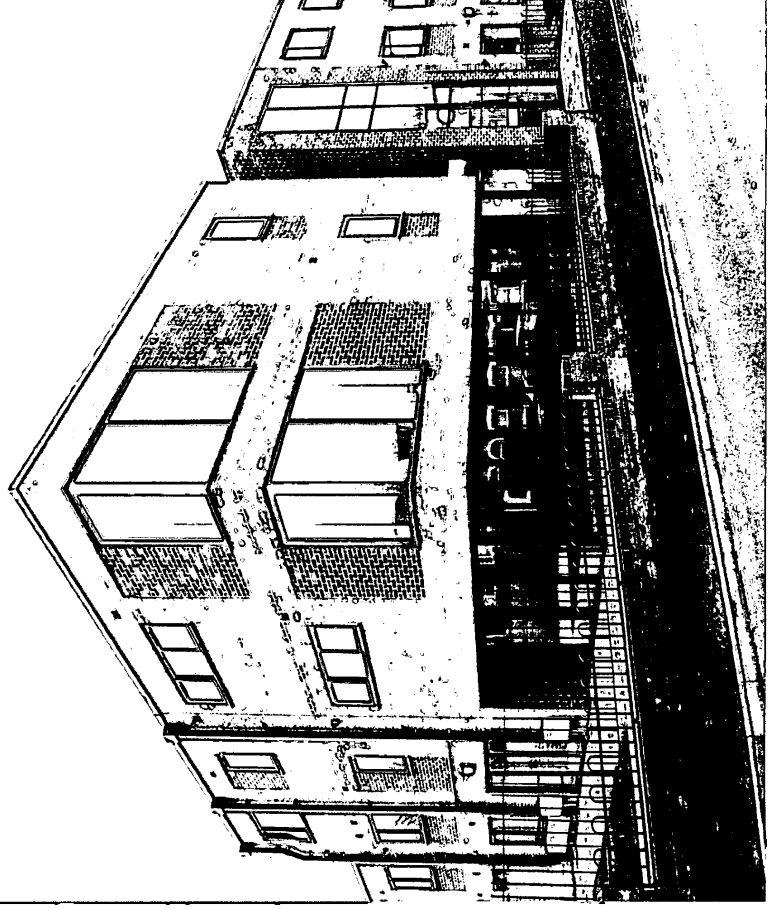


Sandra Dowling (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

29 June 2021

Financial Statements



Consolidated Statement of Comprehensive Income.....	98
Consolidated Statement of Financial Position.....	99
Consolidated Statement of Changes in Equity.....	100
Consolidated Statement of Cash Flows.....	101
Notes to the Consolidated Financial Statements.....	102
Company Statement of Financial Position.....	131
Company Statement of Changes in Equity.....	132
Notes to the Company Financial Statements.....	133

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	Note	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Revenue			
Rental income	5.0	49,020	46,165
Less direct property expenses	5.0	(1,175)	(259)
Net rental income		47,845	45,906
Directors' remuneration	6.0	(198)	(176)
Investment advisory fees	8.0	(6,117)	(6,183)
General and administrative expenses	9.0	(3,183)	(3,501)
Total expenses		(9,498)	(9,860)
Change in fair value of investment properties	15.0	5,511	9,389
Operating profit		43,858	45,435
Finance income	10.0	20	110
Finance expense – relating to bank borrowings	11.0	(7,737)	(7,342)
Change in fair value of interest rate derivatives	21.0	(66)	(478)
Profit before tax		36,075	37,725
Taxation	12.0	–	–
Profit being total comprehensive income for the year		36,075	37,725
Earnings per share – basic and diluted	13.0	5.80p	6.06p

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

The notes on pages 102 to 130 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
Assets			
Non-current assets			
Investment property	15.0	893,684	867,988
Other receivables	17.0	21,905	10,755
		915,589	878,743
Current assets			
Trade and other receivables	17.0	12,821	10,838
Cash and cash equivalents	18.0	107,097	58,374
		119,918	69,212
Total assets		1,035,507	947,955
Liabilities			
Current liabilities			
Trade and other payables	19.0	(9,345)	(7,743)
Bank and loan borrowings	20.0	(59,937)	(59,730)
		(69,282)	(67,473)
Non-current liabilities			
Bank and loan borrowings	20.0	(292,183)	(209,440)
Interest rate derivatives	21.0	(544)	(478)
Total liabilities		(362,009)	(277,391)
Total net assets		673,498	670,564
Equity			
Share capital	22.0	6,225	6,225
Share premium reserve	23.0	292,463	292,405
Capital reduction reserve	24.0	331,140	330,926
Retained earnings	25.0	43,670	41,008
Total equity		673,498	670,564
Net assets per share – basic and diluted	26.0	108.30p	107.87p

These consolidated financial statements on pages 98 to 130 were approved by the Board of Directors of Civitas Social Housing PLC and authorised for issue and signed on its behalf by:

Michael Wrobel

Chairman and Independent Non-Executive Director

29 June 2021

Company No: 10402528



The notes on pages 102 to 130 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021

	Note	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2019		6,225	292,405	331,625	36,253	666,508
Profit and total comprehensive income for the year		–	–	–	37,725	37,725
Issue of Ordinary shares						
Shares bought back into treasury		–	–	(699)	–	(699)
Dividends paid						
Total interim dividends for the year ended 31 March 2020 (5.30p)	14.0	–	–	–	(32,970)	(32,970)
Balance at 31 March 2020		6,225	292,405	330,926	41,008	670,564
Profit and total comprehensive income for the year					36,075	36,075
Issue of Ordinary shares						
Shares reissued from treasury		–	58	214	–	272
Dividends paid						
Total interim dividends for the year ended 31 March 2021 (5.375p)	14.0	–	–	–	(33,413)	(33,413)
Balance at 31 March 2021		6,225	292,463	331,140	43,670	673,498

The notes on pages 102 to 130 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

As at 31 March 2021

	Note	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Cash flows from operating activities			
Profit for the year before taxation		36,075	37,725
– Change in fair value of investment properties		(5,511)	(9,389)
– Change in fair value of interest rate derivatives		66	478
– Rent and incentive straight line adjustments		68	(87)
– Bad debt expense		289	–
Finance income		(20)	(110)
Finance expense		7,737	7,342
Increase in lease incentive receivable		(11,217)	–
Increase in trade and other receivables		(3,150)	(3,290)
Increase in trade and other payables		1,762	126
Cash generated from operations		26,099	32,795
Interest received		20	110
Net cash flow generated from operating activities		26,119	32,905
Investing activities			
Purchase of investment properties		(19,462)	(17,986)
Acquisition costs		(938)	(9,737)
Purchase of subsidiary company		–	(19,829)
Sale proceeds on sale of subsidiary company		–	2,221
Lease incentives paid		–	(6,844)
Release/(increase) in restricted cash held for investing activities		14,232	(9,726)
Net cash flow used in investing activities		(6,168)	(61,901)
Financing activities			
Cost of shares bought into treasury	24.0	–	(699)
Dividends paid to equity shareholders		(33,319)	(32,889)
Bank borrowings advanced	20.0	84,550	64,053
Bank borrowing issue costs paid		(2,811)	(1,364)
Loan interest paid		(5,981)	(5,804)
Net cash flow generated from financing activities		42,439	23,297
Net increase/(decrease) in cash and cash equivalents		62,390	(5,699)
Unrestricted cash and cash equivalents at the start of the year	18.0	41,429	47,128
Unrestricted cash and cash equivalents at the end of the year	18.0	103,819	41,429

The notes on pages 102 to 130 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

1.0 Corporate information

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

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

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

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

The principal activity of the Company and its subsidiaries (the "Group") is to provide shareholders with an attractive level of income, together with the potential for capital growth from investing in a portfolio of social homes.

2.0 Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

The Group has chosen to adopt EPRA best practice guidelines for calculating key metrics such as net asset value and earnings per share. These are disclosed on page 42 with supporting calculations in Appendix 1 on pages 144 to 146.

2.1 Functional and presentation currency

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

2.2 Going concern

The Group benefits from a secure income stream from long leases with the Approved Providers, which are not overly reliant on any one tenant and present a well-diversified risk. The Group's cash balances as at 31 March 2021 were £107,097,000, of which £3,278,000 was held as restricted cash. Details of this can be found in note 18.0.

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

On 27 November 2020, an extension was granted for the facility with HSBC Bank PLC, which now expires in November 2022.

The facility with Lloyds Bank plc has also been successfully re-financed with a 2 year Revolving Credit Facility expiring in July 2023.

As a result of the positive cash balances and the positive future outlook regarding the social housing and specialist healthcare sector, the Directors believe that the Group is well placed to manage its financing and other business risks and that the Group will remain viable, continuing to operate and meet its liabilities as they fall due.

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

Notes to the Consolidated Financial Statements

continued

2.3 New standards, amendments and interpretations

The following new standards are now effective and have been adopted for the year ended 31 March 2021.

- **Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors':** (effective for annual periods beginning on or after 1 January 2020). These amendments clarify the definition of 'material'. The amendments make the standards more consistent but have no significant impact on the preparation of these financial statements.
- **Amendments to IFRS 3 Business Combinations:** (effective for periods beginning on or after 1 January 2020). These amendments clarify the definition of a business and the subsequent accounting treatment applied. Careful consideration is given to the accounting treatment for each acquisition. Most acquisitions made by the Group are treated as an asset acquisition, so the amendments to this standard have not had any impact on the Group financial statements.

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

The following are new standards, interpretations and amendments, which are not yet effective and have not been early adopted in this financial information, that will or may have an effect on the Group's future financial statements:

- **Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 7 'Financial Instruments: Disclosures', IFRS 4 'Insurance Contracts' and IFRS 16 'Leases'** (effective for periods beginning on or after 1 January 2021). These amendments address issues that might affect financial reporting when an existing interest rate benchmark is replaced with an alternative benchmark interest rate.

The Group's borrowings with Lloyds Bank plc, HSBC Bank PLC and National Westminster Bank Plc will be transitioning from the London Interbank Offer Rate (LIBOR) benchmark to the Sterling Overnight Index Average (SONIA) benchmark in due course. There is expected to be negligible cost involved in the borrowing facility transition and the respective hedge instrument amendments.

The Directors are currently assessing the impact of the changes in accounting standards but as the Group does not apply hedge accounting, it is anticipated that the accounting standard amendments will not have a significant impact on the preparation of the financial statements.

- **Amendments to IAS 1 'Presentation of Financial Statements'** (effective for periods beginning on or after 1 January 2022) – clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period and not expectations of or actual events after the reporting date. The amendments also give clarification to the definition of settlement of a liability. The amendments are not expected to have a significant impact on the preparation of the financial statements.
- **Amendments to IFRS 3 'Business Combinations'** (effective for periods beginning on or after 1 January 2022) – gives clarification on the recognition of contingent liabilities at acquisition and clarifies that contingent assets should not be recognised at the acquisition date. The amendments are not expected to have a significant impact on the preparation of the financial statements.

2.5 Segmental information

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal financial reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker, which in the Group's case is delegated to the Investment Adviser, who has formed an Executive Team, in order to allocate resources to the segments and to assess their performance.

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

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

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

Notes to the Consolidated Financial Statements

continued

3.0 Significant accounting judgements, estimates and assumptions

In the application of the Group's accounting policies, which are described in note 4.0, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

3.1 Significant estimate – valuation of investment property

The Group uses the valuation carried out by its independent valuers as the fair value of its property portfolio. The valuation is based upon assumptions including future rental income and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties. Further information is provided in note 15.0.

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

In accordance with RICS guidelines the Material Valuation Uncertainty that had previously been applied to the valuation of the majority of classes of real estate as a result of the COVID-19 pandemic had, for the year ended 31 March 2021, been lifted from the Company's portfolio. RICS confirmed that the condition would no longer be applied to specialist supported housing of both C2 and C3 designations let on full repairing and insuring leases.

With respect to the Group's consolidated financial statements, investment properties are valued at their fair value at each balance sheet date in accordance with IFRS 13. Fair value measurements should be presented and classified using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1	Unadjusted, quoted prices for identical assets and liabilities in active (typically quoted) markets.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs). Value is the Directors' best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and a determination of which assumptions should be applied in valuing such assets and with particular focus on the specific attributes of the investments themselves.

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

3.2 Significant judgement – business combinations

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

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

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

During the comparative year, the Group entered into a transaction to acquire the freehold properties operated by New Directions Flexible Social Care Solutions Ltd and Vision MH Ltd. Upon the acquisition of the companies, investment properties were transferred into other Group companies and the companies, along with their associated operations, were sold to TLC Care Homes Limited. Further details are shown in note 16.0 to the financial statements.

Notes to the Consolidated Financial Statements

continued

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

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

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

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

3.4 Significant judgement – REIT Status

Civitas Social Housing PLC is a Real Estate Investment Trust (REIT). The UK REIT regime applies when entities meet certain conditions with the effect that the income profits and capital gains of the qualifying property rental business are exempt from tax. Within these conditions at least 90% of the Group's property income must be distributed as dividends to Shareholders and the Group must ensure that the property rental business represents more than 75% of total profits and assets. It is management's judgement that the Group will continue as a REIT for the foreseeable future.

4.0 Summary of significant accounting policies

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

4.1 Basis of consolidation

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

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

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

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

4.2 Investment property

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

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

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

Significant accounting judgements, estimates and assumptions made for the valuation of investment properties are discussed in note 3.1.

Notes to the Consolidated Financial Statements

continued

4.3 Leases

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

The Company has determined that it retains all the significant risks and rewards of ownership of the properties and accounts for the contracts as operating leases as discussed in note 3.3.

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

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

4.4 Financial Assets

Classification

The Group classifies its financial assets in the following measurement categories:

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

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

Trade and other receivables

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

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

Impairment

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

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

The expected loss rates are based on the payment profiles of lease income over a period of up to 12 months before 31 March 2021 or 1 April 2020, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the tenants to settle the receivable. Such forward-looking information would include: changes in economic, regulatory, technological and environmental factors (such as industry outlook, GDP, employment and politics); external market indicators; and tenant base.

Based on the assessment and the specific work that is underway around collection of aged arrears, a provision of £256,400 has been reflected in the annual results.

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

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

Cash and cash equivalents

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

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

Notes to the Consolidated Financial Statements

continued

4.5 Financial liabilities

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

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

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

Trade and other payables

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

Bank and other borrowings

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

Derivative financial instruments

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

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

4.6 Provisions

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

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

4.7 Taxation

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

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

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

Notes to the Consolidated Financial Statements

continued

4.8 Capital management

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

Capital assets comprise the following:

	31 March 2021 £'000	31 March 2020 £'000
Proceeds from the issue of Ordinary shares and retained earnings thereon	673,498	670,564
Bank and loan borrowings	352,120	269,170
	1,025,618	939,734

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

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

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

4.9 Dividends payable to shareholders

Dividends are included in the financial statements in the year in which they are paid.

4.10 Rental income

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

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

4.11 Finance income

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

4.12 Finance costs

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

4.13 Expenses

All expenses, including investment advisory fees, are recognised in the Consolidated Statement of Comprehensive Income on an accruals basis.

4.14 Share issue costs

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

4.15 Share held in treasury

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

Notes to the Consolidated Financial Statements

continued

5.0 Rental income

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Rental income from investment property	48,201	45,819
Rent straight line adjustments	372	361
Lease incentive adjustments	(439)	(274)
Rechargeable costs received	886	259
Rental income	49,020	46,165
Less direct property expenses	(1,175)	(259)
Net rental income	47,845	45,906

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

Direct property expenses represent insurance costs of £886,000 (2020: £259,000) and bad debt expense of £289,000 (2020: £nil).

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

6.0 Directors' remuneration

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Directors' fees	182	162
Employer's National Insurance Contributions	16	14
Total	198	176

The Directors are remunerated for their services in accordance with the Remuneration Policy which sets parameters within which Directors' remuneration may be set. The Remuneration Policy is approved by shareholders.

7.0 Particulars of employees

The Group had no employees during the year (2020: nil) other than the Directors.

8.0 Investment advisory fees

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Advisory fee	6,117	6,131
Disbursements	–	52
Total	6,117	6,183

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

- on that part of the Net Asset Value up to and including £250 million, an amount equal to 1% of such part of the Net Asset Value;
- on that part of the Net Asset Value over £250 million and up to and including £500 million, an amount equal to 0.9% of such part of the Net Asset Value;
- on that part of the Net Asset Value over £500 million and up to and including £1,000 million, an amount equal to 0.8% of such part of the Net Asset Value;

Notes to the Consolidated Financial Statements

continued

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

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

Prior to 26 April 2019, the Advisory Fee calculation was based upon the higher Portfolio NAV which is defined in Appendix 1 on page 146.

9.0 General and administrative expenses

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Legal and professional fees	1,044	1,081
Administration fees	983	1,070
Consultancy fees	116	148
Audit fees	361	246
Abortive costs	174	303
Valuation fees	96	96
Depositary fees	71	71
Grants and donations	19	88
Insurance	65	49
Marketing	179	269
Regulatory fees	19	14
Sundry expenses	56	65
Directors' expenses	–	1
Total	3,183	3,501

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

Services provided by the Company's auditors and their associates

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

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Fees payable to the group's auditor and its associates for auditing financial statements:		
Audit of the Group's financial statements*	272	195
Audit of the Company's subsidiaries	32	–
Total fees payable for audit services	304	195
Fees payable to the group's auditor and its associates for other services:		
Audit related services – review of the half year financial statements	57	51
Total fees payable to the group's auditor and its associates	361	246

* Includes £50,000 cost in relation to the prior year audit

10.0 Finance income

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Interest and dividends received on liquidity funds	11	81
Bank interest received	9	29
Total	20	110

Notes to the Consolidated Financial Statements

continued

11.0 Finance expense

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Bank charges	3	2
Interest paid and payable on bank borrowings	6,416	5,795
Bank borrowing commitment fees	–	220
Amortisation of loan arrangement fees	1,293	1,325
Other interest	25	–
Total	7,737	7,342

12.0 Taxation

As a UK REIT, the Group is exempt from corporation tax on the profits and gains from its property investment business, provided it meets certain conditions as set out in the UK REIT regulations. For the current year ended 31 March 2021, the Group did not have any non-qualifying profits and accordingly there is no tax charge in the year. If there were any non-qualifying profits and gains, these would be subject to corporation tax.

It is assumed that the Group will continue to be a UK REIT for the foreseeable future, such that deferred tax has not been recognised on temporary differences relating to the property rental business.

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Corporation tax charge/(credit) for the year	–	–
Total	–	–

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

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Group		
Profit before taxation	36,075	37,725
UK corporation tax rate	19.00%	19.00%
Theoretical tax at UK corporation tax rate	6,854	7,168
Effects of:		
Change in value of exempt investment properties	(1,047)	(1,784)
Exempt REIT income	(6,511)	(6,136)
Amounts not deductible for tax purposes	171	175
Unutilised residual current year tax losses	533	577
Total	–	–

A deferred tax asset of £1,508,000 (2020: £1,128,000) has not been recognised in respect of the unutilised residual current year losses as it is not anticipated that sufficient residual profits will be generated in the future.

The standard rate of corporation tax is currently 19%. The Government has announced that the corporation tax standard rate will rise to 25% from 1 April 2023.

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

Notes to the Consolidated Financial Statements

continued

13.0 IFRS Earnings per share

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

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

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Calculation of Earnings per share		
Net profit attributable to Ordinary shareholders (£'000)	36,075	37,725
Weighted average number of Ordinary shares	621,651,859	622,103,798
Earnings per share – basic and diluted	5.80p	6.06p

14.0 Dividends

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Dividend of 1.325p for the 3 months to 31 March 2020 (1.325p 3 months to 31 March 2019)	8,237	8,248
Dividend of 1.350p for the 3 months to 30 June 2020 (1.325p 3 months to 30 June 2019)	8,392	8,248
Dividend of 1.350p for the 3 months to 30 September 2020 (1.325p 3 months to 30 September 2019)	8,392	8,238
Dividend of 1.350p for the 3 months to 31 December 2020 (1.325p 3 months to 31 December 2019)	8,392	8,236
Total	33,413	32,970

On 11 May 2020, the Company announced a dividend of 1.325 pence per share in respect of the period 1 January 2020 to 31 March 2020. The dividend payment was made on 12 June 2020 to shareholders on the register as at 22 May 2020.

On 6 August 2020, the Company announced a dividend of 1.350 pence per share in respect of the period 1 April 2020 to 30 June 2020. The dividend payment was made on 7 September 2020 to shareholders on the register as at 14 August 2020.

On 6 November 2020, the Company announced a dividend of 1.350 pence per share in respect of the period 1 July 2020 to 30 September 2020. The dividend payment was made on 4 December 2020 to shareholders on the register as at 20 November 2020.

On 2 February 2021, the Company announced a dividend of 1.350 pence per share in respect of the period 1 October 2020 to 31 December 2020. The dividend payment was made on 1 March 2021 to shareholders on the register as at 12 February 2021.

On 11 May 2021, the Company announced a dividend of 1.350 pence per share in respect of the period 1 January 2021 to 31 March 2021 totalling £8,396,000. The dividend payment was made on 11 June 2021 to shareholders on the register as at 21 May 2021. The financial statements do not reflect this dividend.

Notes to the Consolidated Financial Statements

continued

15.0 Investment property

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Balance at beginning of year	878,743	826,918
Property acquisitions	19,129	33,194
Acquisition costs	1,056	5,311
Lease incentives recognised	11,150	3,931
Change in fair value of investment properties	5,511	9,389
Value advised by the property valuers	915,589	878,743
Adjustments for lease incentive assets and rent straight line assets recognised	(21,905)	(10,755)
Total	893,684	867,988

Acquisitions include capital expenditure to enhance lettable space of £4,077,000 (2020: £1,757,000).

New incentives undertaken in the year include a £10,000,000 payment following a rent review on two properties.

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

Valuation

JLL valued the Civitas Social Housing PLC property portfolio on the basis of each individual property and the theoretical sale of the properties without the benefit of any corporate wrapper at £915,589,000 as at 31 March 2021 (2020: £878,743,000).

JLL has provided valuation services to the Company with regards to the properties during the year. In relation to the year ended 31 March 2021, the proportion of the total fees payable by the Company to JLL's total fee income was less than 5% and is therefore minimal. Additionally, JLL has a rotation policy in place whereby the signatories on the valuations rotate after seven years.

With the exception of acquisition in the prior year detailed in note 16.0, all corporate acquisitions during the year and the comparative year have been treated as asset purchases rather than business combinations because following review of the IFRS 3 concentration test, they are considered to be acquisitions of properties rather than businesses (note 3.2).

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

	Total £'000	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000
Investment properties measured at fair value:				
31 March 2021	893,684	–	–	893,684
31 March 2020	867,988	–	–	867,988

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

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

As noted previously all of the Group's investments are reported as Level 3 in accordance with IFRS 13 where inputs are not based on observable market data and the value is based upon advice from relevant knowledgeable experts.

Notes to the Consolidated Financial Statements

continued

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

These include:

- i) the regulated social housing sector and demand for the facilities offered by each SSH property owned by the Group;
- ii) the particular structure of the Group's transactions where vendors, at their own expense, meet the majority of the refurbishment costs of each property and certain purchase costs;
- iii) detailed financial analysis with discount rates supporting the carrying value of each property;
- iv) a full repairing and insuring lease with annual indexation based on CPI or CPI+1% and effectively 25 years outstanding in most cases with a Housing Association, itself regulated by the Regulator of Social Housing.

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

Valuation techniques: income approach

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

The valuation methodology used by the valuers follows the income approach. This approach considers the rental income currently payable; the next uplift due in that income on review; the likelihood of a continuation of that rental income – with growth in accordance with the leases – over the remaining terms; and then a long-term reversion which considers the likely ability of the properties to continue to generate rent through supported housing occupation, as distinct from a reversion to vacant possession value.

Risks are involved in both assessing the value of the rental income over the remaining terms of the leases and in also predicting that income will continue beyond the end of the existing leases. This is a balanced judgment, which can properly be reflected in the exit yield applied to the final year's income and in the overall return to a purchaser.

Appropriate taxation calculations are adopted for every property based on its value and on the assumption of the sale of the property assets directly as opposed to shares of a subsidiary company holding the property and have considered the individual characteristics of the properties.

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

- i) The rate of 2.00% per annum has been used for CPI over the term of the subject properties' leases in line with the Bank of England's long-term inflation targets for CPI. It should be noted that all leases benefit from either CPI or CPI+1 indexation.
- ii) The discount rate applied to the rental flows.

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

As at the balance sheet date, the lease lengths within the Group's portfolio ranged from an effective 15 years to 37 years with a weighted average unexpired lease term of 22.6 years (2020: 23.7). The greater the length of the lease, then, all other metrics being equal, the greater the value of the property.

Sensitivities of measurement of significant unobservable inputs

As set out within significant accounting estimates at 3.1 above, the Group's property investment valuation is open to inherent uncertainties in the inputs that determine fair value. As a result, the following sensitivity analysis has been prepared:

Average discount rate and range

The average discount rate used by the valuer in the Group's property Portfolio Valuation is 6.0% (2020: 5.3%).

The range of discount rates used by the valuer in the Group's property Portfolio Valuation is from 4.7% to 10.7% (2020: 4.9%).

Notes to the Consolidated Financial Statements

continued

to 10.7%). In assessing the range of discounts, the valuer considers the likely net initial yield which would be sought by the investment market and builds in additional discounts to reflect added risk into the discount rate of the term and, in some cases, the discount rate for the reversion. For example where larger rental growth is allowed during the lease, an additional discount is built into the reversion because of the greater risk of a fall in the rent at the end of the lease.

Similarly additional discounts are considered where properties are in the process of being re-purposed and premiums are considered where residential care assets are funded by back-to-back leases with care providers.

The table below illustrates the change to the value of investment properties if the discount rate and CPI used for the portfolio valuation calculations are changed:

	-0.5% in discount rate £'000	+0.5% in discount rate £'000	+0.25% in CPI £'000	-0.25% in CPI £'000
Increase/(decrease) in the IFRS fair value of investment properties at:				
31 March 2021	34,131	(31,776)	27,211	(26,175)
31 March 2020	34,733	(32,245)	26,917	(25,846)

16.0 Subsidiary resale

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Balance at the beginning of the year	–	–
Acquisition	–	19,829
Transfer to investment property	–	(17,608)
Sale proceeds	–	(2,221)
	–	–

On 11 March 2020, the Group entered into a transaction to acquire the freehold properties operated by New Directions Flexible Social Care Solutions Ltd and Vision MH Ltd. Upon the acquisition of the companies for £19,829,000, investment properties were transferred into other Group companies and the companies, along with their associated operations, were sold to TLC Care Homes Limited for £2,221,000.

17.0 Trade and other receivables

	31 March 2021 £'000	31 March 2020 £'000
Amounts falling due in less than one year		
Trade receivables	4,869	4,307
Less provision for impairment of trade receivables	(256)	–
Accrued income	5,264	4,267
Prepayments and other receivables	2,944	2,264
Total	12,821	10,838

Prepayments and other receivable amounts include prepaid legal and professional fees of £200,000 (2020: £469,000) that have been incurred in connection with acquisitions yet to be completed and £817,000 (2020: £1,695,000) in respect of ongoing works on the property portfolio.

Notes to the Consolidated Financial Statements

continued

The increase in accrued income relates mainly to rent accrued for the year but not yet demanded.

	31 March 2021 £'000	31 March 2020 £'000
Amounts falling due after more than one year		
Debtor arising from straight line adjustments	1,524	1,152
Lease incentives	20,381	9,603
	21,905	10,755

The aged analysis of trade receivables was as follows:

	31 March 2021 £'000	31 March 2020 £'000
Current	2,128	1,594
< 30 days	817	657
30-60 days	322	319
> 60 days	1,602	1,737
	4,869	4,307
Less provision for impairment	(256)	–
Total	4,613	4,307

The Directors consider the fair value of receivables equals their carrying amount.

The table above shows the aged analysis of trade receivables included in the table above which are past due.

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

The provision for impairment movement was as follows:

	31 March 2021 £'000	31 March 2020 £'000
Balance at beginning of year	–	–
Impairment provision made	289	–
Amounts written off	(33)	–
Balance at end of year	256	–

18.0 Cash and cash equivalents

	31 March 2021 £'000	31 March 2020 £'000
Cash held by solicitors	721	3,325
Liquidity funds	10,485	10,475
Cash held at bank	92,613	27,629
	103,819	41,429
Unrestricted cash and cash equivalents	103,819	41,429
Restricted cash	3,278	16,945
Total	107,097	58,374

Liquidity funds refer to money placed in money market funds. These are highly liquid funds with accessibility within 24 hours and subject to insignificant risk of changes in value.

Cash held by lawyers is money held in escrow for expenses expected to be incurred in relation to investment properties pending completion. These funds are available immediately on demand.

Notes to the Consolidated Financial Statements

continued

Restricted cash represents amounts held for specific commitments, tenant deposits and retention money held in relation to deferred payments subject to achievement of certain conditions, other retentions and cash segregated to fund repair, maintenance and improvement works to bring the properties up to satisfactory standards for the Group and the tenants.

19.0 Trade and other payables

	31 March 2021 £'000	31 March 2020 £'000
Deferred income	646	245
Acquisition costs accrued	3,706	5,068
Finance costs	1,557	1,014
Dividend withholding tax payable	892	798
Accruals and other creditors	1,979	618
Tenant deposits	565	–
Total	9,345	7,743

Acquisition costs accrued also includes the balance of retention monies of £2,508,000 (2020: £4,819,000).

20.0 Bank and loan borrowings

Bank borrowings are secured by charges over individual investment properties held by certain asset-holding subsidiaries. The banks also hold charges over the shares of certain subsidiaries and any intermediary holding companies of those subsidiaries. Any associated fees in arranging the bank borrowings unamortised as at the year end are offset against amounts drawn on the facilities as shown in the table below:

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Balance at start of year	272,500	208,447
Bank borrowings drawn	84,550	64,053
Bank borrowings drawn at end of year	357,050	272,500
Unamortised costs at start of year	(3,330)	(3,291)
Less: loan issue costs incurred	(2,893)	(1,364)
Add: loan issue costs amortised	1,293	1,325
Unamortised costs at end of year	(4,930)	(3,330)
At end of year	352,120	269,170

	Loan Balance* 31 March 2021 £'000	Loan Balance* 31 March 2020 £'000	Loan Principal 31 March 2021 £'000	Loan Principal 31 March 2020 £'000
Maturity of bank borrowings				
Repayable within 1 year	59,937	59,730	60,000	60,000
Repayable between 1 to 2 years	99,256	99,004	100,000	100,000
Repayable between 2 to 5 years	59,102	58,840	60,000	60,000
Repayable after 5 years	133,825	51,596	137,050	52,500
Total	352,120	269,170	357,050	272,500

* Loan balance net of unamortised costs.

The Group is party to the following loan facility agreements:

A 10-year Sterling Term Facility Agreement dated 2 November 2017 for up to £52,500,000 with Scottish Widows Limited. Interest is fixed at a total of 2.9936% per annum.

The borrowings include amounts secured on investment property to the value of £170,831,000 (2020: £170,599,000).

Notes to the Consolidated Financial Statements

continued

A 3-year Sterling Revolving Credit Facility Agreement dated 15 November 2017 for up to £40,000,000 (increased to £60,000,000) with Lloyds Bank plc. Interest is charged at LIBOR +1.50% margin. This facility was extended in the normal course to November 2021. Since the year end, the facility with Lloyds Bank plc has been successfully re-financed with a 2 year Revolving Credit Facility expiring in July 2023.

The borrowings include amounts secured on investment property to the value of £149,728,000 (2020: £147,475,000).

A 3-year Revolving Credit Facility Agreement dated 28 November 2018 for up to £100,000,000 with HSBC Bank PLC. Interest is charged at LIBOR +1.70% margin. During the year this facility was extended to 27 November 2022 with interest charged at LIBOR + 1.90% margin.

The borrowings include amounts secured on investment property to the value of £219,606,000 (2020: £216,026,000).

A 5-year loan facility with National Westminster Bank Plc, dated 15 August 2019, for up to £60,000,000. Interest is charged at LIBOR +2.00% margin and has been fixed by way of a 5-year swap. The swap fixes interest on £20,000,000 at 0.7105% and £40,000,000 at 0.5475%. The loan can be extended for an additional 2 years and there is the option of a further £40,000,000 accordion.

The borrowings include amounts secured on investment property to the value of £131,283,000 (2020: £129,933,000).

A 7-year loan facility with M&G Investment Management Limited, dated 22 January 2021, for up to £84,550,000. Interest is fixed at a total of 3.137% per annum.

The borrowings include amounts secured on investment property to the value of £225,221,000.

At 31 March 2021, the Group is in compliance with all covenants.

The covenants in place under the five agreements are summarised in the table below:

Loan	Historical and projected interest cover	Loan to Value ratio
Scottish Widows Limited 10-year facility	At least 325%	Must not exceed 40%
Lloyds Bank plc 3-year revolving credit facility	At least 250%	Must not exceed 55%
HSBC Bank PLC 3-year facility	At least 250%	Must not exceed 60%
National Westminster Bank Plc 5-year facility	At least 250%	Must not exceed 50%
M&G Investment Management Limited 7-year facility	At least 250%	Must not exceed 55%

The Group's borrowings with Lloyds Bank plc, HSBC Bank PLC and National Westminster Bank Plc will be transitioning from the London Interbank Offer Rate (LIBOR) benchmark to Sterling Overnight Index Average (SONIA) benchmark in due course. There is expected to be negligible cost involved in the borrowing facility transition and the respective hedge instrument amendments.

21.0 Interest rate derivatives

The Group has entered into interest rate swap agreements with NatWest Markets in order to mitigate the risk of changes in interest rates on its loan with National Westminster Bank Plc under which £60,000,000 is currently drawn.

The swaps have a notional value of £60,000,000 and fix interest at 2.60% (including the 2% margin rate on the bank loan).

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
At start of year	(478)	–
Change in fair value during the year	(66)	(478)
At end of the year	(544)	(478)

Notes to the Consolidated Financial Statements

continued

The table below shows the fair value measurement hierarchy for interest derivatives:

	Quote prices in active Markets (Level 1) £'000	Significant Observable Inputs (Level 2) £'000	Significant unobservable Inputs (Level 3) £'000
31 March 2021	-	(544)	-
31 March 2020	-	(478)	-

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

22.0 Share capital

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

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Share capital		
At beginning and end of year	6,225	6,225
Number of shares issued and fully paid Ordinary shares of £0.01 each		
At beginning and end of year	622,461,380	622,461,380

The Company holds 565,000 (2020: 815,000) Ordinary shares in treasury. On 24 March 2021, the Company reissued 250,000 Ordinary shares from treasury.

The number of Ordinary shares used to calculate the net asset value is 621,896,380 (2020: 621,646,380).

23.0 Share premium reserve

The share premium reserve represents the amounts subscribed for Ordinary share capital in excess of nominal value less associated issue costs of the subscriptions.

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
At beginning of year	292,405	292,405
Premium arising on shares reissued from treasury	58	-
At end of year	292,463	292,405

Notes to the Consolidated Financial Statements

continued

24.0 Capital reduction reserve

The capital reduction reserve is a distributable reserve to which the value of the cancelled share premium has been transferred. Pursuant to Article 3 of The Companies (Reduction of Share Capital) Order 2008, the balance held in the capital reduction reserve is to be treated for the purposes of Part 23 of the Companies Act 2006 as a realised profit and therefore available for distribution in accordance with section 830 of the Companies Act. The Company has used this reserve for the costs of buying back shares to be held in treasury.

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
At beginning of year	330,926	331,625
Shares bought back into treasury	–	(699)
Shares reissued from treasury	214	–
At end of year	331,140	330,926

The Company holds 565,000 (2020: 815,000) Ordinary shares in treasury. The shares will continue to be held in treasury until either re-issued or cancelled.

During the year, the Company re-issued 250,000 Ordinary shares from treasury for a total of £272,000.

During the comparative year, the Company purchased 815,000 Ordinary shares for a total cost of £699,000 to be held in treasury.

25.0 Retained earnings

This reserve represents the profits and losses of the Group.

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
At beginning of year	41,008	36,253
Profit for the year	36,075	37,725
Dividends paid in the year (as per note 14.0)	(33,413)	(32,970)
At end of year	43,670	41,008

26.0 Net asset value

Basic NAV per share is calculated by dividing net assets in the Consolidated Statement of Financial Position attributable to ordinary equity holders of the parent by the number of Ordinary shares outstanding at the end of the year.

Net asset values have been calculated as follows:

	31 March 2021	31 March 2020
Net assets (£'000)	673,498	670,564
Number of Ordinary shares in issue at end of year	622,461,380	622,461,380
Number of Ordinary shares held in treasury	(565,000)	(815,000)
Number of Ordinary shares excluding treasury shares held by the Company	621,896,380	621,646,380
NAV – basic and diluted	108.30p	107.87p

Notes to the Consolidated Financial Statements

continued

27.0 Reconciliation of liabilities to cash flows from financing activities

	Interest rate derivatives £'000	Bank borrowings £'000	For the year ended 31 March 2021 £'000
At beginning of year	(478)	269,170	268,692
Cash flows from financing activities			
Loan draw down	–	84,550	84,550
Loan arrangement costs paid	–	(2,811)	(2,811)
Non cash movements			
Loan arrangement fees payable	–	(82)	(82)
Amortisation of loan arrangement costs	–	1,293	1,293
Change in valuation	(66)	–	(66)
At end of year	(544)	352,120	351,576

	Interest rate derivatives £'000	Bank borrowings £'000	For the year ended 31 March 2020 £'000
At beginning of year	–	205,156	205,156
Cash flows from financing activities			
Loan draw down	–	64,053	64,053
Loan arrangement costs paid	–	(1,364)	(1,364)
Non cash movements			
Amortisation of loan arrangement costs	–	1,325	1,325
Change in valuation	(478)	–	(478)
At end of year	(478)	269,170	268,692

28.0 Operating leases

The Group is party to a number of operating leases on its investment properties with Approved Providers. The future minimum lease payments under non-cancellable operating leases receivable by the Group are as follows:

	31 March 2021 £'000	31 March 2020 £'000
Amounts receivable		
< 1 year	50,367	48,416
1-2 years	50,410	48,451
2-5 years	151,511	145,545
> 5 years	873,826	886,677
At end of year	1,126,114	1,129,089

Leases are direct-let agreements with Approved Providers for a term between 15 – 37 years with indexed linked annual rent reviews. All current leases are full repairing and insuring leases; the tenants are therefore obliged to repair, maintain and renew the properties back to the original conditions.

Notes to the Consolidated Financial Statements

continued

The following table gives details of percentage of annual rental income per Approved Provider:

	31 March 2021 %	31 March 2020 %
Auckland Home Solutions	23.88	22.73
Falcon Housing Association CIC	19.74	20.43
Bespoke Supportive Tenancies	13.25	11.05
Inclusion Housing CIC	8.70	8.74
Westmoreland Supported Housing Limited	6.07	7.97
Encircle Housing Limited	5.96	6.11
Trinity Housing Association Limited	5.31	5.50
Pivotal Housing Association	3.91	3.96
Harbour Light Assisted Living CIC	3.67	3.76
Chrysalis Supported Association Limited	3.38	3.49
New Walk Property Management CIC	2.80	2.87
My Space Housing Solutions	1.16	1.19
IKE Supported Housing Limited	1.12	1.15
Hilldale Housing Association Limited	0.96	0.98
Blue Square Limited	0.07	0.07
Qualitas Housing	0.02	–
Total	100.0	100.0

The Group is also party to a number of operating leases on its long leasehold properties. The ground rent payment commitments under these operating leases are negligible so the future minimum lease payments under these leases have not been disclosed in these financial statements.

29.0 Controlling parties

As at 31 March 2021, there is no ultimate controlling party.

30.0 Related party disclosures

The Directors are remunerated for their services at such rate as the Directors shall from time to time determine. The aggregate remuneration and benefits in kind of the Directors of the Company (in each case, solely in their capacity as such) in respect of the year ended 31 March 2021 payable out of the assets of the Company is not expected to exceed £200,000.

Fees of £182,000 (2020: £162,000) were incurred and paid to the Directors.

As at 31 March 2021, the Directors held the following number of shares:

Director	31 March 2021 Ordinary shares	31 March 2020 Ordinary shares
Michael Wrobel Chairman	100,598	100,598
Alastair Moss Director	11,766	11,766
Alison Hadden Director	–	–
Caroline Gulliver Audit and Management Engagement Committee Chair	58,832	58,832
Peter Baxter Director	47,065	47,065

Remuneration

The Investment Adviser has reviewed its remuneration policies and procedures to ensure incentives are aligned with the requirements of AIFMD. It includes measures to avoid conflicts of interest such as providing staff with a fixed monthly salary and determining discretionary payments by the performance of the Investment Adviser as a whole and not linked to any one AIF in particular. The Investment Adviser and its staff receive no remuneration through profit share, carried interest, co-investment or other schemes related to the Company's performance.

Notes to the Consolidated Financial Statements

continued

31.0 Transactions with the Investment Adviser

On 1 November 2016, Civitas Investment Management Limited ("CIM") was appointed as the Investment Adviser of the Company.

Fees of £6,117,000 (2020: £6,131,000) were incurred and paid to CIM. In addition, disbursements of £nil (2020: £52,000) were paid in the year.

As at 31 March 2021, a net amount of £13,000 (2020: £nil) was due from CIM.

As at 31 March 2021, CIM held 50,000 Ordinary shares in the Company.

32.0 Consolidated entities

The Company has provided a guarantee under s479C of the Companies Act 2006 in respect of the financial year ended 31 March 2021 for a number of its subsidiary companies (as indicated in the table on the following pages). The guarantee is over all outstanding liabilities to which the subsidiary companies are subject at 31 March 2021 until they are satisfied in full.

The Group consists of a parent company, Civitas Social Housing PLC, incorporated in England and Wales (company number 10402528) and a number of subsidiaries held directly by Civitas Social Housing PLC, which operate and are incorporated in England and Wales or Jersey.

The Group owns 100% equity shares of all subsidiaries listed below and has the power to appoint and remove the majority of the board of directors of those subsidiaries. The relevant activities of the below subsidiaries are determined by the Board of Directors based on the purpose of each company.

Therefore, the Directors concluded that the Group has control over all these entities and all these entities have been consolidated within the consolidated financial statements.

A list of all related undertakings included within these consolidated financial statements are noted below. Indirectly held subsidiary companies are marked by an indentation in the table below.

Name	Registered number	Principal activity	Country of incorporation	Ownership %
Civitas Social Housing Finance Company 1 Limited*	10997707	Finance company	England & Wales	100.00%
Civitas Social Housing Jersey 1 Limited	124129	Holding company	Jersey	100.00%
Civitas SPV1 Limited*	10518729	Property investment	England & Wales	100.00%
Civitas SPV2 Limited*	10114251	Property investment	England & Wales	100.00%
Civitas SPV11 Limited*	10546749	Property investment	England & Wales	100.00%
Civitas SPV15 Limited*	09777380	Property investment	England & Wales	100.00%
Civitas SPV25 Limited*	10791473	Property investment	England & Wales	100.00%
Civitas SPV27 Limited*	10883112	Property investment	England & Wales	100.00%
Civitas SPV33 Limited*	10546407	Property investment	England & Wales	100.00%
Civitas SPV35 Limited*	10588530	Property investment	England & Wales	100.00%
Civitas SPV38 Limited*	10738318	Property investment	England & Wales	100.00%
Civitas SPV39 Limited*	10547333	Property investment	England & Wales	100.00%
Civitas SPV40 Limited*	10738510	Property investment	England & Wales	100.00%
Civitas SPV41 Limited*	10738542	Property investment	England & Wales	100.00%
Civitas SPV50 Limited*	10775419	Property investment	England & Wales	100.00%
Civitas Social Housing Finance Company 2 Limited*	10997698	Finance company	England & Wales	100.00%
Civitas Social Housing Jersey 2 Limited	124876	Holding company	Jersey	100.00%
Civitas SPV3 Limited*	10156529	Property investment	England & Wales	100.00%
Civitas SPV4 Limited*	10433744	Property investment	England & Wales	100.00%
Civitas SPV5 Limited*	10479104	Property investment	England & Wales	100.00%
Civitas SPV6 Limited*	10674493	Property investment	England & Wales	100.00%
Civitas SPV9 Limited*	10536388	Property investment	England & Wales	100.00%
Civitas SPV10 Limited*	10535243	Property investment	England & Wales	100.00%
Civitas SPV12 Limited*	10546753	Property investment	England & Wales	100.00%
Civitas SPV17 Limited*	10479036	Property investment	England & Wales	100.00%

Notes to the Consolidated Financial Statements

continued

Name	Registered number	Principal activity	Country of incorporation	Ownership %
Civitas SPV18 Limited*	10546651	Property investment	England & Wales	100.00%
Civitas SPV19 Limited*	10548932	Property investment	England & Wales	100.00%
Civitas SPV20 Limited*	10588735	Property investment	England & Wales	100.00%
Civitas SPV22 Limited*	10743958	Property investment	England & Wales	100.00%
Civitas SPV24 Limited*	10751512	Property investment	England & Wales	100.00%
Civitas SPV26 Limited*	10864336	Property investment	England & Wales	100.00%
Civitas SPV29 Limited*	10911565	Property investment	England & Wales	100.00%
Civitas SPV30 Limited*	10956025	Property investment	England & Wales	100.00%
Civitas SPV31 Limited*	10974889	Property investment	England & Wales	100.00%
Civitas SPV32 Limited*	11007173	Property investment	England & Wales	100.00%
Civitas SPV34 Limited*	10738381	Property investment	England & Wales	100.00%
Civitas SPV36 Limited*	10588792	Property investment	England & Wales	100.00%
Civitas SPV42 Limited*	10738556	Property investment	England & Wales	100.00%
Civitas SPV43 Limited*	10534877	Property investment	England & Wales	100.00%
Civitas SPV45 Limited*	10871854	Property investment	England & Wales	100.00%
Civitas SPV46 Limited*	10871910	Property investment	England & Wales	100.00%
Civitas SPV47 Limited*	10873270	Property investment	England & Wales	100.00%
Civitas SPV48 Limited*	10873295	Property investment	England & Wales	100.00%
Civitas SPV51 Limited*	10826693	Property investment	England & Wales	100.00%
Civitas SPV52 Limited*	10827006	Property investment	England & Wales	100.00%
Civitas SPV63 Limited*	10937805	Property investment	England & Wales	100.00%
Civitas SPV64 Limited*	10938411	Property investment	England & Wales	100.00%
Civitas SPV70 Limited*	10770201	Property investment	England & Wales	100.00%
Civitas SPV71 Limited*	10888639	Property investment	England & Wales	100.00%
Civitas SPV72 Limited*	10938022	Property investment	England & Wales	100.00%
Civitas SPV74 Limited*	11001855	Property investment	England & Wales	100.00%
Civitas SPV75 Limited*	11001834	Property investment	England & Wales	100.00%
Civitas SPV80 Limited*	11001998	Property investment	England & Wales	100.00%
Civitas Social Housing Finance Company 3 Limited*	10997714	Finance Company	England & Wales	100.00%
Civitas SPV8 Limited*	10536157	Property investment	England & Wales	100.00%
Civitas SPV28 Limited*	10895228	Property investment	England & Wales	100.00%
Civitas SPV53 Limited*	11021625	Property investment	England & Wales	100.00%
Civitas SPV55 Limited*	11056455	Property investment	England & Wales	100.00%
Civitas SPV57 Limited*	11091444	Property investment	England & Wales	100.00%
Civitas SPV60 Limited*	11111908	Property investment	England & Wales	100.00%
Civitas SPV61 Limited*	10937662	Property investment	England & Wales	100.00%
Civitas SPV66 Limited*	10937898	Property investment	England & Wales	100.00%
Civitas SPV77 Limited*	11166491	Property investment	England & Wales	100.00%
Civitas SPV78 Limited*	11170099	Property investment	England & Wales	100.00%
Civitas SPV79 Limited*	11236544	Property investment	England & Wales	100.00%
Civitas SPV81 Limited*	11192811	Property investment	England & Wales	100.00%
Civitas SPV82 Limited*	11380796	Property investment	England & Wales	100.00%
Civitas SPV83 Limited*	11371128	Property investment	England & Wales	100.00%
Civitas SPV85 Limited*	11300749	Property investment	England & Wales	100.00%
Civitas SPV95 Limited*	11208184	Property investment	England & Wales	100.00%
Civitas SPV97 Limited*	11463890	Property investment	England & Wales	100.00%
Civitas SPV103 Limited*	11500596	Property investment	England & Wales	100.00%
Civitas SPV105 Limited*	11532177	Property investment	England & Wales	100.00%
Civitas SPV106 Limited*	11532179	Property investment	England & Wales	100.00%

Notes to the Consolidated Financial Statements

continued

Name	Registered number	Principal activity	Country of incorporation	Ownership %
Civitas SPV107 Limited*	11532182	Property investment	England & Wales	100.00%
Civitas SPV116 Limited*	11504399	Property investment	England & Wales	100.00%
Civitas SPV117 Limited*	11504445	Property investment	England & Wales	100.00%
Civitas Social Housing Finance Company 4 Limited*	11906660	Finance Company	England & Wales	100.00%
Civitas SPV23 Limited*	10746881	Property investment	England & Wales	100.00%
Civitas SPV54 Limited*	11039750	Property investment	England & Wales	100.00%
Civitas SPV59 Limited*	11111912	Property investment	England & Wales	100.00%
Civitas SPV69 Limited*	11142372	Property investment	England & Wales	100.00%
Civitas SPV73 Limited*	10939075	Property investment	England & Wales	100.00%
Civitas SPV84 Limited*	11381455	Property investment	England & Wales	100.00%
Civitas SPV86 Limited*	11418432	Property investment	England & Wales	100.00%
Civitas SPV87 Limited*	10888903	Property investment	England & Wales	100.00%
Civitas SPV88 Limited*	10939044	Property investment	England & Wales	100.00%
Civitas SPV90 Limited*	10939131	Property investment	England & Wales	100.00%
Civitas SPV91 Limited*	10941377	Property investment	England & Wales	100.00%
Civitas SPV92 Limited*	11449913	Property investment	England & Wales	100.00%
Civitas SPV93 Limited*	11043111	Property investment	England & Wales	100.00%
Civitas SPV94 Limited*	11208105	Property investment	England & Wales	100.00%
Civitas SPV96 Limited*	11270786	Property investment	England & Wales	100.00%
Civitas SPV100 Limited*	11069703	Property investment	England & Wales	100.00%
Civitas SPV101 Limited*	09978282	Property investment	England & Wales	100.00%
Civitas SPV102 Limited*	11521555	Property investment	England & Wales	100.00%
Civitas SPV109 Limited*	11532120	Property investment	England & Wales	100.00%
Civitas SPV112 Limited*	11579750	Property investment	England & Wales	100.00%
Civitas SPV114 Limited*	11579733	Property investment	England & Wales	100.00%
Civitas SPV115 Limited*	11522178	Property investment	England & Wales	100.00%
Civitas SPV118 Limited*	11411498	Property investment	England & Wales	100.00%
Civitas SPV121 Limited*	11099917	Property investment	England & Wales	100.00%
Civitas SPV122 Limited*	11482646	Property investment	England & Wales	100.00%
Civitas SPV126 Limited*	11459821	Property investment	England & Wales	100.00%
Civitas SPV127 Limited*	10941401	Property investment	England & Wales	100.00%
Civitas SPV129 Limited*	11664994	Property investment	England & Wales	100.00%
Civitas SPV130 Limited*	11705074	Property investment	England & Wales	100.00%
Civitas SPV131 Limited*	11675132	Property investment	England & Wales	100.00%
Civitas SPV132 Limited*	11473735	Property investment	England & Wales	100.00%
Civitas SPV145 Limited*	11842306	Holding company	England & Wales	100.00%
SPV153 Limited (previously Fieldbay Limited)*	5219012	Property investment	England & Wales	100.00%
Civitas SPV148 Limited*	11632633	Property investment	England & Wales	100.00%
Civitas SPV149 Limited*	11462691	Property investment	England & Wales	100.00%
Civitas SPV150 Limited*	11462555	Property investment	England & Wales	100.00%
FPI CO 324 Ltd*	11633019	Property investment	England & Wales	100.00%
Civitas Social Housing Finance Company 5 Limited*	13083077	Finance Company	England & Wales	100.00%
Civitas SPV7 Limited*	10536368	Property investment	England & Wales	100.00%
Civitas SPV13 Limited*	09517692	Property investment	England & Wales	100.00%
Civitas SPV37 Limited*	10738450	Property investment	England & Wales	100.00%
Civitas SPV44 Limited*	10588783	Property investment	England & Wales	100.00%
Civitas SPV49 Limited*	11031349	Property investment	England & Wales	100.00%
Civitas SPV56 Limited*	11056465	Property investment	England & Wales	100.00%
Civitas SPV62 Limited*	10937528	Property investment	England & Wales	100.00%

Notes to the Consolidated Financial Statements

continued

Name	Registered number	Principal activity	Country of incorporation	Ownership %
Civitas SPV65 Limited*	10938467	Property investment	England & Wales	100.00%
Civitas SPV67 Limited*	10937929	Property investment	England & Wales	100.00%
Civitas SPV68 Limited*	10938269	Property investment	England & Wales	100.00%
Civitas SPV98 Limited*	11478695	Property investment	England & Wales	100.00%
Civitas SPV99 Limited*	11478707	Property investment	England & Wales	100.00%
Civitas SPV104 Limited*	11532174	Property investment	England & Wales	100.00%
Civitas SPV108 Limited*	11532135	Property investment	England & Wales	100.00%
Civitas SPV113 Limited*	11580068	Property investment	England & Wales	100.00%
Civitas SPV123 Limited*	08253452	Property investment	England & Wales	100.00%
Civitas SPV133 Limited*	11698972	Property investment	England & Wales	100.00%
Civitas SPV134 Limited*	11689461	Property investment	England & Wales	100.00%
Civitas SPV135 Limited*	11579880	Property investment	England & Wales	100.00%
Civitas SPV136 Limited*	11579760	Property investment	England & Wales	100.00%
Civitas SPV143 Limited*	11546808	Property investment	England & Wales	100.00%
Civitas SPV144 Limited*	11546696	Property investment	England & Wales	100.00%
Civitas SPV146 Limited*	11861500	Holding Company	England & Wales	100.00%
Bryn Eithin (2019) Limited*	11844898	Property investment	England & Wales	100.00%
Civitas SPV147 Limited*	11861974	Holding Company	England & Wales	100.00%
Mynydd Mawr (2019) Limited*	11844917	Property investment	England & Wales	100.00%
Civitas SPV152 Limited*	11955719	Property investment	England & Wales	100.00%
Civitas SPV155 Limited*	12044281	Property investment	England & Wales	100.00%
Civitas SPV156 Limited*	12081093	Property investment	England & Wales	100.00%
Civitas SPV157 Limited*	12188610	Property investment	England & Wales	100.00%
Civitas SPV158 Limited*	12202674	Property investment	England & Wales	100.00%
Civitas SPV160 Limited*	12272906	Property investment	England & Wales	100.00%
Bedford SPV1 Limited*	12315518	Property investment	England & Wales	100.00%
Bridge Property Herts Limited*	12435985	Property investment	England & Wales	100.00%
Bridge Propco Limited*	12445439	Property investment	England & Wales	100.00%
FPI Co 294 Ltd*	11519226	Property investment	England & Wales	100.00%
Civitas SPV14 Limited*	10479041	Property investment	England & Wales	100.00%
Civitas SPV16 Limited*	09917557	Property investment	England & Wales	100.00%
Civitas SPV21 Limited*	10631541	Property investment	England & Wales	100.00%
Civitas SPV159 Limited*	12258313	Property investment	England & Wales	100.00%

* These entities are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of Section 479A of that Act. These are all entities that have a year end of 31 March 2021

The registered addresses for the subsidiaries are consistent based on their country of incorporation and are as follows:

- **England & Wales entities:** Beaufort House, 51 New North Road, Exeter, Devon, EX4 4EP
- **Jersey entities:** 12 Castle Street, St Helier, Jersey, JE2 3RT

33.0 Financial risk management

33.1 Financial instruments

The Group's principal financial assets and liabilities are those that arise directly from its operations: trade and other receivables, trade and other payables and cash and cash equivalents. The Group's other principal financial liabilities are bank borrowings, the main purpose of which is to finance the acquisition and development of the Group's investment property portfolio, and interest rate derivatives as detailed in notes 20.0 and 21.0.

Notes to the Consolidated Financial Statements

continued

All financial liabilities are measured at amortised cost, except interest rate derivatives, which are measured at fair value. All financial instruments were designated in their current categories upon initial recognition.

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements:

	Book value 31 March 2021 £'000	Fair value 31 March 2021 ¹ £'000	Book value 31 March 2020 £'000	Fair value 31 March 2020 £'000
Financial assets				
Trade and other receivables ¹	11,667	11,667	8,595	8,595
Cash and cash equivalents	107,097	107,097	58,374	58,374
Financial liabilities				
Trade and other payables ²	8,699	8,699	7,498	7,498
Bank borrowings	352,120	354,142	269,170	269,174
Interest rate derivatives	544	544	478	478

¹ Excludes prepayments and debtors arising on rent smoothing.

² Excludes deferred income and tax liabilities.

The Group has five bank loans: a 10-year fixed rate loan of £52,500,000 provided by Scottish Widows Limited; a 3-year revolving credit facility variable rate loan of £60,000,000 provided by Lloyds Bank plc; a 3-year revolving credit facility variable rate loan of £100,000,000 provided by HSBC Bank PLC; a 5-year revolving credit facility variable rate loan of £60,000,000 provided by National Westminster Bank Plc; and a 7-year fixed rate loan of £84,550,000 with M&G Investment Management Limited. The fair value of the fixed rate loan is determined by comparing the discounted future cash flows.

Financial risk management

The Group is exposed to market risk, interest rate risk, credit risk and liquidity risk in the current and future years. The Board of Directors oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks that are summarised below.

33.2 Market risk

The Group's activities will expose it primarily to the market risks associated with changes in property values and changes in interest rates.

Risk relating to investment in property

Investment in property is subject to varying degrees of risk. Some factors that affect the value of the investment in property include:

- changes in the general economic climate;
- competition for available properties;
- obsolescence; and
- government regulations, including planning, environmental and tax laws.

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

Notes to the Consolidated Financial Statements

continued

Risk relating to liquidity funds classified as cash and cash equivalents

The Group holds positions in two AAA rated liquidity funds that invest in a diversified range of government and non-government money market securities, which are subject to varying degrees of risk. Some factors that affect the value of the liquidity funds include:

- the performance of the underlying government and non-government money market securities; and
- interest rates.

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

33.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk principally arises from long-term borrowings. To manage this, the Group has entered into a fixed rate bank loan and three variable rate bank loans. The Group has entered into an interest rate swap on the 5-year loan facility with National Westminster Bank Plc in order to mitigate the risk of rising interest rates.

At 31 March 2021, 55% (2020: 41%) of the Group's borrowings are subject to a fixed rate of interest.

The exposure of the Group to variable rates of interest is considered upon drawing of any new loan facilities, to ensure that the Group's exposure to interest rate fluctuations is within acceptable levels.

The Investment Adviser monitors the Group's exposure to any changes in interest rate on an ongoing basis, with the Board updated on a quarterly basis of the current exposure of the Group's loan facilities.

As at 31 March 2021, if interest rates had been 100 basis points higher/(lower) with all other variables held constant the impact on profits after taxation for the year would be as below. The Investment Adviser anticipates these levels are reasonably possible based on the observation of current market conditions that interest rates would not fluctuate more than 1%.

	31 March 2021 £'000	31 March 2020 £'000
(Decrease)/increase in profits due to interest rates		
100 basis points higher	(529)	(1,016)
100 basis points lower	1,600	1,535

The average effective interest rates of financial instruments at 31 March 2021 were as follows:

	31 March 2021 %	31 March 2020 %
Bank borrowings – fixed rate	2.93584	2.31950
Bank borrowings – variable rate	1.75639	2.80046
Cash and cash equivalents	–	0.11048

The Group's borrowings with Lloyds Bank plc, HSBC Bank PLC and National Westminster Bank Plc will be transitioning from the London Interbank Offer Rate (LIBOR) benchmark to Sterling Overnight Index Average (SONIA) benchmark in due course. There is expected to be negligible cost involved in the borrowing facility transition and the respective hedge instrument amendments.

33.4 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risks from both its leasing activities and financing activities, including deposits with banks and financial institutions.

Notes to the Consolidated Financial Statements

continued

Debtors and accrued income represent rent due or accrued, these amounts due are diversified between a number of different Approved Providers of differing financial strength, see note 28.0 for details of the different counterparties. None of the Approved Providers have listed debt and as such do not have a credit rating, however, the diversified nature of this asset supports the credit quality.

The Group has policies in place to ensure that rental contracts are entered into only with lessees with an appropriate credit and operational history, and limits exposure to any one tenant. The credit risk is considered to be further reduced as the source of the rents received by the Group is ultimately provided by the Government, by way of housing benefit and care provision, via a diverse range of Local Authorities.

For details of provisions for impairment please refer to note 17.0.

Credit risk related to financial instruments and cash deposits

One of the principal credit risks of the Group will arise with the banks and financial institutions. The Board of Directors believes that the credit risk on short-term deposits and current account cash balances is limited because the counterparties are banks considered to be of good credit quality. In the case of cash deposits held with lawyers, the credit risk is limited because the cash is held by the lawyers within client accounts at banks with high credit quality.

The credit ratings for banks where balances are held by the Group are as follows:

Lloyds Bank plc	A+/F1
HSBC Bank plc	A+/F1
RBS International Limited	A/F1
National Westminster Bank plc	A+/F1

Ratings advised by Fitch

33.5 Liquidity risk

The Group manages its liquidity and funding risks by considering cash flow forecasts and ensuring sufficient cash balances are held within the Group to meet future needs. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of financing through appropriate and adequate credit lines, and the ability of customers to settle obligations within normal terms of credit. The Group ensures, through forecasting of capital requirements, that adequate cash is available.

The following table details the Group's maturity profile in respect of its financial instrument liabilities based on contractual undiscounted payments:

	On demand £'000	<1 year £'000	1-5 years £'000	>5 years £'000	Total £'000
31 March 2021					
Trade and other payables	8,699	–	–	–	8,699
Bank borrowings	–	67,909	181,048	144,602	393,559
	8,699	67,909	181,048	144,602	402,258
31 March 2020					
Trade and other payables	7,498	–	–	–	7,498
Bank borrowings	–	66,896	174,785	55,002	296,683
	7,498	66,896	174,785	55,002	304,181

The profile above shows the maturity profile at 31 March 2021 and included within the contracted payments is £36,509,000 (2020: £24,183,000) of loan interest payable up to the point of maturity.

Notes to the Consolidated Financial Statements

continued

34.0 Capital commitments

At 31 March 2021, the Company had no outstanding capital commitments (2020: £22,100,000). As at 31 March 2020, £12,100,000 related to two properties under development, for which the Company had entered into a conditional sale and purchase agreement contingent on the completion of development. £10,000,000 related to a capital payment for the same properties contingent on the operators achieving certain financial obligations.

Amounts totalling £Nil (2020: £850,000) have been allocated for capital works expenditure on properties, subject to future proofing activities to ensure the longevity of occupation by residents.

35.0 Post balance sheet events

Acquisitions

In April 2021, the Group completed the purchase of a portfolio consisting of 13 existing specialist supported housing properties for 51 adults with learning difficulties in South Wales together with two appurtenant day care accommodation facilities which are integral to the care provided to the adults in the supported living accommodation. The purchase price was c.£10,900,000.

In May 2021, the Group also successfully completed on the acquisition of an additional portfolio of 10 properties each let to an existing Approved Provider on a 15 year lease for which the purchase price was c£8,600,000.

Dividends

On 11 May 2021, the Board declared a quarterly dividend in respect of the Ordinary shares for the three months to 31 March 2021 of 1.350 pence per Ordinary share totalling £8,396,000. The dividend was paid on 11 June 2021 to holders of Ordinary shares on the register as at 21 May 2021. The dividend was paid as a REIT property income distribution ("PID").

Remuneration

From 1 April 2021, the remuneration of the Directors, Audit and Management Engagement Committee Chairman and Chairman's annual fee will increase by 4%. The Audit and Management Engagement Committee Chairman will also receive an additional £1,000 annually.

Financing

The facility with Lloyds Bank plc has also been successfully re-financed with a 2 year Revolving Credit Facility expiring in July 2023.

Sale of Treasury Shares

Since the year end, the balance of the Company's shares held in treasury (565,000) were sold. Gross consideration before the deduction of fees was £654,000. The Company no longer holds any shares in treasury.

Company Statement of Financial Position

As at 31 March 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
Assets			
Fixed assets			
Investment in subsidiaries	7.0	720,918	706,920
Current assets			
Trade and other receivables	8.0	3,644	4,727
Cash and cash equivalents	9.0	15,447	29,011
		19,091	33,738
Total assets		740,009	740,658
Liabilities			
Creditors – amounts falling due within one year			
Trade and other payables	10.0	(171,655)	(191,942)
		(171,655)	(191,942)
Total liabilities		(171,655)	(191,942)
Total net assets		568,354	548,716
Equity			
Share capital	11.0	6,225	6,225
Share premium reserve		292,462	292,405
Capital reduction reserve		331,140	330,926
Accumulated losses	12.0	(61,473)	(80,840)
Total equity		568,354	548,716

The Company has taken advantage of the provisions of Companies Act 2006 s408 and does not disclose the Company's individual profit and loss account. Profits for the year were £52,780,000 (2020: loss of £9,110,000).

The Company financial statements on pages 131 to 137 were approved by the Board of Directors of Civitas Social Housing PLC and authorised for issue and signed on its behalf by:

Michael Wrobel

Chairman and Independent Non-Executive Director

29 June 2021

Company No: 10402528



The notes on pages 133 to 137 are an integral part of these financial statements.

Company Statement of Changes in Equity

For the year ended 31 March 2021

	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Accumulated losses	Total equity £'000
Balance at 1 April 2019	6,225	292,405	331,625	(38,760)	591,495
Loss and total comprehensive expense for the year	–	–	–	(9,110)	(9,110)
Issue of Ordinary shares					
Share bought back into treasury	–	–	(699)	–	(699)
Dividends paid					
Total interim dividends for the year ended 31 March 2020 (5.30p)	–	–	–	(32,970)	(32,970)
Balance at 31 March 2020	6,225	292,405	330,926	(80,840)	548,716
Profit and total comprehensive income for the year	–	–	–	52,780	52,780
Issue of Ordinary shares					
Share reissued from treasury	–	57	214	–	271
Dividends paid					
Total interim dividends for the year ended 31 March 2021 (5.375p)	–	–	–	(33,413)	(33,413)
Balance at 31 March 2021	6,225	292,462	331,140	(61,473)	568,354

The notes on pages 133 to 137 are an integral part of these financial statements.

Notes to the Company Financial Statements

For the year ended 31 March 2021

1.0 Corporate information

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

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

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

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

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

2.0 Basis of preparation

The financial statements have been prepared on a historical cost basis and in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100"), Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006 as applicable to companies using FRS 101.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101.

Therefore, these financial statements do not include:

- certain comparative information as otherwise required by IFRS;
- certain disclosures regarding the Company's capital;
- certain disclosures in relation to IFRS 15 Revenue Contracts with Customers;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of Civitas Social Housing PLC.

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

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

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its own income statement or statement of comprehensive income.

Notes to the Company Financial Statements

continued

New standards, amendments and interpretations

The following new standards are now effective and have been adopted for the year ended 31 March 2021.

- **Amendments to IAS1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors':** (effective for annual periods beginning on or after 1 January 2020). These amendments clarify the definition of 'material'. The amendments make the standards more consistent but have no significant impact on the preparation of these financial statements.

Going concern

The financial statements have been prepared on a going concern basis.

As discussed in the Group financial statements above, the underlying assets of the Company benefit from a secure income stream and to date performance has not been negatively impacted by COVID-19.

The Company financial statements show an accumulated loss, however this is due to a time-lag on profits from subsidiary companies being moved up the structure in the form of dividends.

The Company has a net current liability position of £152,564,000 (2020: £158,204,000). This balance arises due to the intercompany balances totalling £169,465,000 (2020: £187,911,000) with the Company's subsidiary companies. The amounts principally relate to bank loans drawn in the Company's subsidiary companies in order to finance the purchase of new acquisitions in accordance with the Group's business model. The directors of the subsidiary companies have provided a letter of comfort that they will not seek repayment of these balances within the next 12 months.

After review of these items, the Directors believe there are currently no material uncertainties in relation to the Company's ability to continue for a period of at least 12 months from the date of the Company's financial statements and therefore it is appropriate that the financial statements have been prepared on a going concern basis.

Significant judgements and sources of estimation uncertainty

The key source of estimation uncertainty relates to the Company's investment in Group companies, and is stated in the Company's separate financial statements at cost less impairment losses, if any. Impairment losses are determined with reference to the investment's fair value less estimated costs of disposal. Fair value is derived from the subsidiaries', and their subsidiaries', net assets at the balance sheet date. Investment properties held by the subsidiary companies are supported by independent valuation. Judgements and assumptions associated with the property values of the investments held by the subsidiary companies are detailed in the Group financial statements.

3.0 Accounting policies

The financial statements of the Company follow the accounting policies laid out in the Group's consolidated financial statements along with the following accounting policies which have been consistently applied:

Investments in subsidiaries

The investments in subsidiary companies are included in the Company's Statement of Financial Position at cost less provision for impairment. Impairment losses are determined with reference to the investment's fair value less estimated selling costs. Fair value is derived from the subsidiaries', and their subsidiaries', net assets at the balance sheet date. On disposal, the difference between the net disposal proceeds and its carrying amount is included in the income statement.

The investment in a subsidiary company may include both the purchase of shares and an intercompany loan which is subsequently capitalised in return for shares in the subsidiary company. The intercompany loan capitalised is disclosed in note 7.0 as a transfer between the shares and loan columns.

Loans to subsidiaries

Loans made to subsidiary companies which arise as part of the transactions for the acquisition of investments and are subsequently capitalised by the issue of shares are recognised as investment in subsidiaries at cost. At the point the loan is capitalised, this transaction is recognised as a transfer within the table in note 7.0.

Notes to the Company Financial Statements

continued

Amounts due to subsidiary companies

Balances arising with subsidiary companies of a temporary nature are initially recognised at fair value and subsequently measured at amortised cost.

4.0 Dividends

Dividends are included in the financial statements in the year in which they are paid. Details of dividends paid and proposed are included in note 14.0 of the Group's consolidated financial statements.

5.0 Employee information

Details of Directors' remuneration are included in note 6.0 of the consolidated financial statements. The Company had no employees during the year (2020: nil).

6.0 Audit fees

Audit fees in relation to the Company's financial statements total £272,000 (31 March 2020: £195,000). For further details, please refer to note 9.0 of the Group financial statements.

7.0 Investments in subsidiaries

	Shares in subsidiaries £'000	Loans to subsidiaries £'000	For the year ended 31 March 2021 £'000
Balance at the beginning of the year	678,247	28,673	706,920
Increase in investments	928	14,383	15,311
Loans transferred	25,573	(25,573)	–
Impairment	(1,313)	–	(1,313)
At the end of the year	703,435	17,483	720,918

Following a review comparing cost of investments to the underlying net assets of subsidiary companies, an impairment provision has been made of £1,313,000 (2020: £nil).

	Shares in subsidiaries £'000	Loans to subsidiaries £'000	For the year ended 31 March 2020 £'000
Balance at the beginning of the year (as restated)	590,208	86,288	676,496
Increase in investments	4,015	28,232	32,247
Loans transferred	84,024	(84,024)	–
Additions due to internal group restructure	93,289	–	93,289
Disposals due to internal group restructure	(93,289)	(1,823)	(95,112)
At the end of the year	678,247	28,673	706,920

Internal group restructures have taken place in the year in order to facilitate borrowings. As part of the restructures, a number of subsidiary companies where the assets are used as security for bank loans are now directly held by other Group companies.

8.0 Trade and other receivables

	31 March 2021 £'000	31 March 2020 £'000
Trade receivables	722	–
Prepayments and other receivables	1,433	3,357
Accrued income	1,489	1,370
Total	3,644	4,727

Prepayments and other receivable amounts include prepaid legal and professional fees of £200,000 (2020: £469,000) that have been incurred in connection with acquisitions yet to be completed and £817,000 (2020: £1,695,000) in respect of uncompleted works on the property portfolio.

Notes to the Company Financial Statements

continued

9.0 Cash and cash equivalents

	31 March 2021 £'000	31 March 2020 £'000
Cash held by solicitors	720	3,419
Liquidity funds	10,485	10,475
Cash held at bank	3,381	338
Cash and cash equivalents	14,586	14,232
Restricted cash	861	14,779
Total cash held at bank	15,447	29,011

Liquidity funds refer to money placed in money market funds. These are highly liquid funds with accessibility within 24 hours and subject to insignificant risk of changes in value.

Cash held by lawyers is money held in escrow for expenses expected to be incurred in relation to investment properties pending completion. These funds are available immediately on demand.

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

10.0 Trade and other payables

	31 March 2021 £'000	31 March 2020 £'000
Retentions	490	2,653
Accruals	450	580
Dividends payable	892	798
Deferred income	358	–
Amounts due to subsidiary companies	169,465	187,911
Total	171,655	191,942

11.0 Share capital

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

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Share capital		
At beginning and end of year	6,225	6,225

Number of shares issued and fully paid

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Ordinary shares of £0.01 each		
At beginning and end of year	622,461,380	622,461,380

The Company holds 565,000 (2020: 815,000) Ordinary shares in treasury. The number of Ordinary shares used to calculate the net asset value is 621,896,380 (2020: 621,646,380).

Notes to the Company Financial Statements

continued

12.0 Accumulated losses

This reserve represents the profits and losses of the Company

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Balance at the beginning of the year	(80,840)	(38,760)
Profit/(loss) for the year	52,780	(9,110)
Dividends paid in the year	(33,413)	(32,970)
At end of year	(61,473)	(80,840)

13.0 Controlling parties

As at 31 March 2021, there is no ultimate controlling party.

14.0 Related party transactions

For all related party transactions and transactions with the Investment Adviser please make reference to notes 30.0 and 31.0 of the Group's consolidated financial statements, along with note 10.0 of the Company financial statements.

15.0 Post balance sheet events

Acquisitions

In April 2021, the Group completed the purchase of a portfolio consisting of 13 existing specialist supported housing properties for 51 adults with learning difficulties in South Wales together with two appurtenant day care accommodation facilities which are integral to the care provided to the adults in the supported living accommodation. The purchase price was c.£10,900,000.

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Financing

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Sale of Treasury Shares

Since the year end, the balance of the Company's shares held in treasury (565,000) were sold. Gross consideration before the deduction of fees was £654,000. The Company no longer holds any shares in treasury.

Additional Information



Shareholder Information 100

Glossary 141

Company Information 146

Appendix 1 (unaudited) 144

Shareholder Information

Share Information

The Company's Ordinary shares of 1p each are quoted on the Official List of the FCA and traded on the premium segment of the Main Market of the LSE.

SEDOL number	BD8HBD3
ISIN	GB00BD8HBD32
Ticker/TIDM	CSH
LEI	213800PGBG84J8GM6F95

Frequency of NAV Publication

The Company's NAV is released to the LSE on a quarterly basis and published on the Company's website.

Sources of Further Information

Copies of the Company's Annual and Half-Yearly Reports, Stock Exchange announcements and further information on the Company can be obtained from its website: www.civitassocialhousing.com.

Share Register Enquiries

The register for the Company's Ordinary shares is maintained by Link Group. In the event of queries regarding your holding, please contact the Registrar on 0371 664 0300 (calls are charged at the standard geographic rate and will vary by provider; calls outside the UK will be charged at the applicable international rate). Lines are open between 9.00am to 5.30pm, Monday to Friday, excluding public holidays in England and Wales. You can also email enquiries@linkgroup.co.uk.

Changes of name and/or address must be notified in writing to the Registrar: Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL

Key Dates

June	Annual results announced
	Payment of first dividend
September	Company's half-year end
	Annual general meeting
	Payment of second dividend
December	Half-yearly results announced
	Payment of third dividend
February	Payment of fourth dividend
March	Company's year end

Association of Investment Companies

The Company is a member of the AIC, which publishes statistical information in respect of member companies. The AIC can be contacted on 020 7282 5555, enquiries@theaic.co.uk or visit the website: www.theaic.co.uk.

Electronic Communications from the Company

Shareholders now have the opportunity to be notified by email when the Company's Annual Report, Half Yearly Report and other formal communications are available on the Company's website, instead of receiving printed copies by post. This has environmental benefits in the reduction of paper, printing, energy and water usage, as well as reducing costs to the Company.

If you have not already elected to receive electronic communications from the Company and wish to do so, please contact the Registrar.

Glossary

ALMO means an arm's length management organisation, a not-for-profit company that provides housing services on behalf of a Local Authority.

Alternative Performance Measures (APMs) means a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

Approved Provider means Approved Providers, Local Authorities, ALMOs, Community Interest Companies, Registered Charities and other regulated organisations directly or indirectly in receipt of payment from local or central government including the NHS.

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

CIM means Civitas Investment Management Limited or CIM (formerly known as Civitas Housing Advisors Limited until its change of name on 7 May 2020).

Community Interest Company or **CIC** means a company approved by the Office of the Regulator of Community Interest Companies as a community interest company and registered as such with Companies House.

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

CMA Order means the Statutory Audit Services Order 2014, issued by the Competition and Markets Authority.

Current Leverage means the percentage taken as total bank borrowings over total assets.

Dividend Yield means the ratio of the total annual dividend payments over market price per share.

EPRA means the European Public Real Estate Association.

EPRA EPS is the EPRA earnings divided by the weighted average number of shares in issue in the period.

EPRA Net Reinstatement Value ("EPRA NRV") is a new EPRA NAV metric which assumes that entities never sell assets and aims to represent the value required to rebuild the entity.

EPRA Net Tangible Assets ("EPRA NTA") is a new EPRA NAV metric which assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

EPRA Net Disposal Value ("EPRA NDV") is a new EPRA NAV metric which represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

EPRA Run Rate means the ratio of a company's earnings (excluding fair value gains/losses) over dividends paid to shareholders.

Gross Asset Value means total assets.

Group means the Company and its subsidiaries.

Housing Association or **HA** means an independent society, body of trustees or company established for the purpose of providing low-cost social housing for people in housing need generally on a non-profit making basis. Any trading surplus is typically used to maintain existing homes and to help finance new ones. Housing Associations are regulated by the Regulator of Social Housing.

IFRS Net Asset Value or **IFRS NAV** means the net asset value of the Group on the relevant date, prepared in accordance with IFRS accounting principles.

Investment Adviser means Civitas Investment Management Limited ("CIM"), a company incorporated in England and Wales with company number 10278444, in its capacity as investment adviser to the Company.

IPO means Initial Public Offering.

IRR means internal rate of return.

Levered IRR means the internal rate of return including the impact of debt.

Local Authority or **LA** means the administrative bodies for the local government in England comprising of 326 authorities (including 32 London boroughs).

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

NHS means the publicly funded healthcare system of the United Kingdom comprising The National Health Service in England, NHS Scotland, NHS Wales and Health and Social Care in Northern Ireland, including, for the avoidance of doubt, NHS Trusts.

NHS Trust means a legal entity, set up by order of the Secretary of State under section 25 of, and Schedule 4 to, the National Health Service Act 2006, to provide goods and services for the purposes of the health service.

Glossary

continued

Ongoing Charges (previously Total Expense Ratios or TERs) means the figure published annually by the Company which shows the drag on performance caused by operational expenses. More specifically, it is the annual percentage reduction in shareholder returns as a result of recurring operational expenses assuming markets remain static and the portfolio is not traded. Although the Ongoing Charges figure is based on historical information, it provides shareholders with an indication of the likely level of costs that will be incurred in managing the Company in the future.

Portfolio means the Group's portfolio of assets.

Portfolio Net Asset Value or **Portfolio NAV** means the net asset value of the Company, with assets aggregated rather than valued on an asset by asset basis, as at the relevant date, calculated on the basis of an independent Portfolio Valuation. See note 7.0 to Appendix 1 for a reconciliation to IFRS NAV.

Portfolio Basis means the Portfolio NAV (as defined above)

Portfolio Valuation means an independent valuation of the Portfolio by Jones Lang LaSalle Limited or such other property adviser as the Directors may select from time to time, based upon the Portfolio being held, directly or indirectly, within a corporate vehicle or equivalent entity which is a wholly owned subsidiary of the Company and otherwise prepared in accordance with RICS "Red Book" guidelines.

REIT means a qualifying real estate investment trust in accordance with the UK REIT Regime introduced by the UK Finance Act 2006 and subsequently re-written into Part 12 of the Corporation Tax Act 2010.

RICS means Royal Institution of Chartered Surveyors.

RSH means the Regulator of Social Housing, the executive non-departmental public body, sponsored by the Ministry of Housing, Communities and Local Government, which is the regulator for Social Homes providers in England and Wales.

Social homes or **social housing** means social rented homes and other accommodation that are offered at rents subsidised below market level or are constituents of other appropriate rent regimes such as exempt rents or are subject to bespoke agreement with entities such as NHS Trusts and are provided by Approved Providers.

Specialist Supported Housing or **SSH** means social housing which incorporates some form of care or other ancillary service on the premises.

SPV means special purpose vehicle, a corporate vehicle in which the Group's properties are held.

Target Return means the target return on investment.

Valuation means an independent valuation of the Portfolio by Jones Lang LaSalle Limited or such other property adviser as the Directors may select from time to time, prepared in accordance with RICS "Red Book" guidelines and based upon a valuation of each underlying investment property rather than the value ascribed to the portfolio and on the assumption of a theoretical sale of each property rather than the corporate entities in which all of the Company's investment properties are held.

Company Information

Non-executive Directors

Michael Wrobel, Chairman

Peter Baxter, Senior Independent Director

Caroline Gulliver, Chair of the Audit and Management Engagement Committee

Alison Hadden

Alastair Moss

Registered Office

Beaufort House
51 New North Road
Exeter
Devon EX4 4EP
Registered no: 10402528
www.civitassocialhousing.com

Alternative Investment Fund Manager

G10 Capital Limited
3 More London Riverside
London SE1 2AQ

Investment Adviser

Civitas Investment Management Limited
13 Berkeley Street
London W1J 8DU

Joint Corporate Brokers

Liberum Capital Limited
Ropemaker Place
25 Ropemaker Street
London EC2Y 9LY

Panmure Gordon (UK) Limited

One New Change
London EC4M 9AF

Company Secretary

Link Company Matters Limited
Beaufort House
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Exeter
Devon EX4 4EP

Administrator

Link Alternative Fund Administrators Limited
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Exeter
Devon EX4 4EP

Depository

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London EC3M 3JY

Registrar

Link Group
10th Floor
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29 Wellington Street
Leeds LS1 4DL

Independent Auditors and Reporting Accountants

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Legal and Tax Adviser

Cadwalader, Wickersham & Taft LLP
Dashwood House
69 Old Broad Street
London EC2M 1QS

Public Relations Adviser

Buchanan
107 Cheapside
London EC2V 6DN

Tax Adviser

BDO LLP
55 Baker Street
London W1U 7EU

Appendix 1 (unaudited): Notes to the calculation of EPRA and other alternative performance measures

1.0 EPRA Earnings

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Earnings from operational activities		
Profit after taxation (£'000)	36,075	37,725
Change in fair value of derivative financial instruments (£'000)	66	478
Changes in value of investment properties (£'000)	(5,511)	(9,389)
EPRA Earnings (£'000)	30,630	28,814
Weighted average number of shares in issue (adjusted for shares held in treasury)	621,651,859	622,103,798
EPRA Earnings per share (EPS) – basic & diluted	4.93p	4.63p

2.0 New EPRA NAV Metrics

EPRA has advised three new NAV measures to replace the EPRA NAV & EPRA NNNAV.

For Civitas Social Housing Group, the EPRA NAV calculation has been replaced by the EPRA Net Reinstatement Value and the EPRA NNNAV by the EPRA Net Disposal Value. Upon adoption of these new metrics there are no changes to these calculations.

2.1 EPRA Net Reinstatement Value

EPRA NAV metric which assumes that entities never sell assets and aims to represent the value required to rebuild the entity.

	31 March 2021	31 March 2020
Net assets (£'000)	673,498	670,564
Fair value of derivative financial instruments (£'000)	544	478
EPRA Net Reinstatement Value (£'000)	674,042	671,042
Number of Ordinary shares in issue (adjusted for shares held in treasury)	621,896,380	621,646,380
EPRA Net Reinstatement Value per share	108.38p	107.95p

2.2 EPRA Net Tangible Assets

EPRA NAV metric which assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

	31 March 2021	31 March 2020
Net assets (£'000)	673,498	670,564
Fair value of derivative financial instruments (£'000)	544	478
EPRA Net Tangible Assets (£'000)	674,042	671,042
Number of Ordinary shares in issue (adjusted for shares held in treasury)	621,896,380	621,646,380
EPRA Net Tangible Asset per share	108.38p	107.95p

2.3 EPRA Net Disposal Value

EPRA NAV metric which represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

	31 March 2021	31 March 2020
Net assets (£'000)	673,498	670,564
Fair value of bank borrowings (£'000)	(2,022)	(3,004)
EPRA Net Disposal Value (£'000)	671,476	667,560
Number of Ordinary shares in issue (adjusted for shares held in treasury)	621,896,380	621,646,380
EPRA Net Disposal Value per share	107.97p	107.39p

Appendix 1 (unaudited): Notes to the calculation of EPRA and other alternative performance measures

continued

3.0 EPRA Net Initial Yield

	31 March 2021	31 March 2020
Investment property (£'000)	915,589	878,743
Allowance for estimated purchasers' costs (£'000)	53,753	51,182
Gross up completed property portfolio (£'000)	969,342	929,925
Annualised net rents (£'000)	50,780	48,891
Add: notional rent expiration of rent free periods or other lease incentives (£'000)	—	—
Topped-up net annualised rent	50,780	48,891
EPRA NIY	5.24%	5.26%
EPRA "topped-up" NIY	5.24%	5.26%

4.0 EPRA Vacancy Rate

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

	31 March 2021	31 March 2020
Estimated Market Rental Value (ERV) of vacant spaces (£'000)	—	—
Estimated Market Rental Value (ERV) of whole portfolio (£'000)	50,380	48,416
EPRA Vacancy Rate	0%	0%

5.0 EPRA Costs Ratio

Administrative and operating costs divided by gross rental income.

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Total administrative and operating costs and bad debt expenses (£'000)	9,787	9,860
Gross rental income (excluding bad debt expense) (£'000)	48,134	45,906
EPRA cost ratio	20.33%	21.48%

6.0 EPRA Table of Capital Expenditure

	For the year ended 31 March 2021 £'000	For the year ended 31 March 2020 £'000
Acquisitions including incidental costs of purchase	16,108	36,747
Investment properties portfolio expenditure		
Enhancing lettable space	4,077	1,758
Tenant incentives	11,217	3,844
Total Capital Expenditure	31,402	42,349
Conversion from accruals to cash basis	215	9,826
Total Capital Expenditure on a cash basis	31,617	52,175

Appendix 1 (unaudited): Notes to the calculation of EPRA and other alternative performance measures

continued

7.0 Portfolio NAV

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

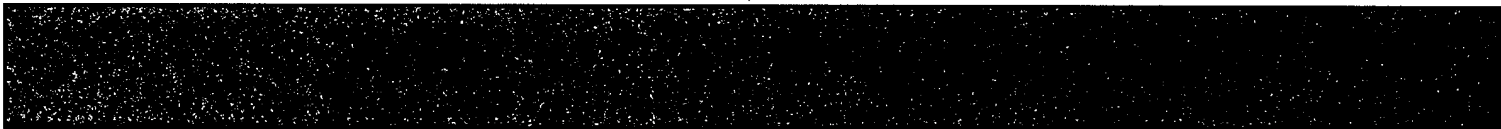
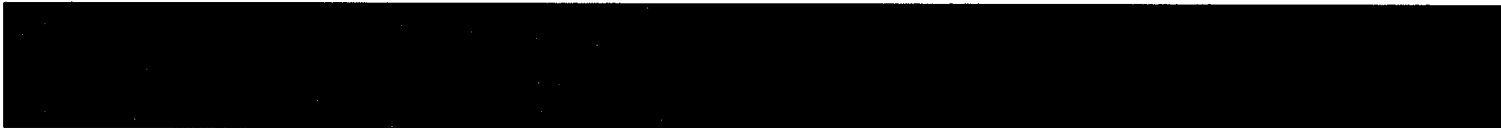
	31 March 2021	31 March 2020
Net assets (£'000)	673,498	670,564
Adjustment for change to property valuation (£'000)	63,270	65,140
Portfolio net assets (£'000)	736,768	735,704
Number of Ordinary shares in issue (adjusted for shares held in treasury)	621,896,380	621,646,380
Portfolio Net Assets per share	118.47p	118.35p

8.0 Leveraged Internal rate of return (IRR)

		31 March 2021	31 March 2020
IFRS NAV per share		108.300p	107.870p
31 May 2017	Interim dividend	0.750p	0.750p
31 August 2017	Interim dividend	0.750p	0.750p
30 November 2017	Interim dividend	0.750p	0.750p
9 March 2018	Interim dividend	0.750p	0.750p
8 June 2018	Interim dividend	1.250p	1.250p
7 September 2018	Interim dividend	1.250p	1.250p
30 November 2018	Interim dividend	1.250p	1.250p
11 January 2019	Interim dividend	1.110p	1.110p
28 February 2019	Interim dividend	0.140p	0.140p
7 June 2019	Interim dividend	1.325p	1.325p
6 September 2019	Interim dividend	1.325p	1.325p
29 November 2019	Interim dividend	1.325p	1.325p
28 February 2020	Interim dividend	1.325p	1.325p
12 June 2020	Interim dividend	1.325p	–
7 September 2020	Interim dividend	1.350p	–
4 December 2020	Interim dividend	1.350p	–
1 March 2021	Interim dividend	1.350p	–
IFRS NAV per share at launch		126.975p	121.170p
Levered IRR		98.00p	98.00p
		6.54%	6.82%

Notes





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