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## ANNUAL REPORT

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# 2018



Shirebrook, Derbyshire

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## Company Overview

# THE VALUE OF HOME

# AT A GLANCE

## Who We Are

Triple Point Social Housing REIT plc invests in UK social housing assets, focusing on homes in the Supported Housing sector which have been adapted for vulnerable adults with care and support needs.

We believe our residents deserve a home that offers greater independence than institutional accommodation, at the same time as meeting their specialist care needs.

Our ambition is to be the leading UK Supported Housing investor, helping guarantee a secure future for people in need across the country, while ensuring that our shareholders have an ethical, attractive, long-term income source.

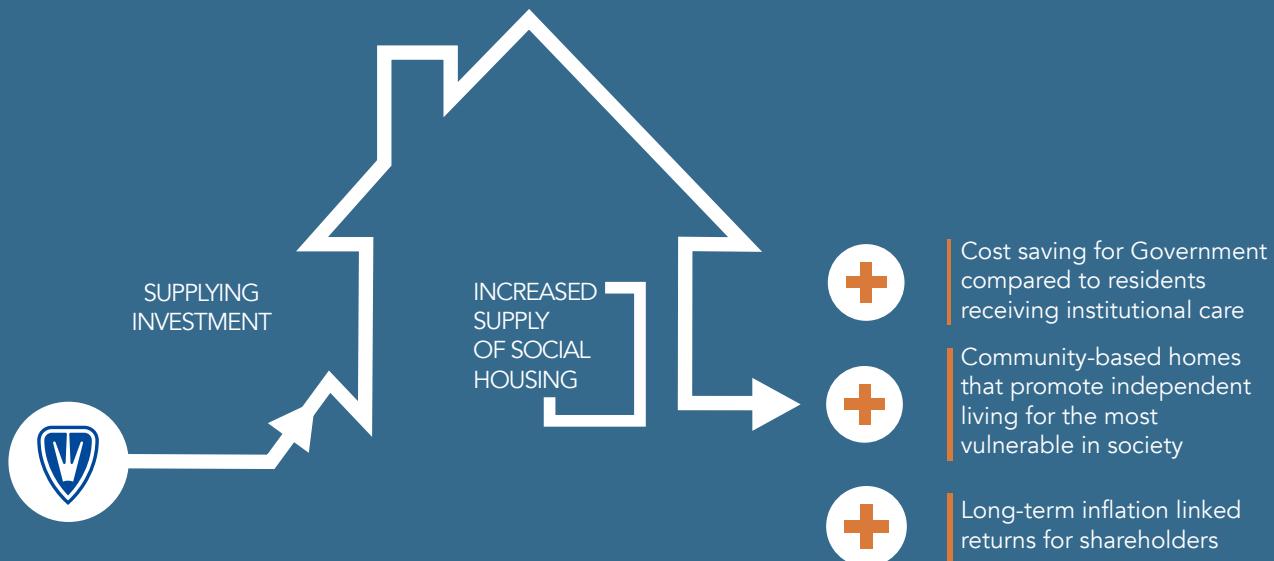
## What We Do

We seek to optimise the opportunities and stability for vulnerable people across the UK. The properties we invest in provide sustainable, high-quality accommodation for adults with specific care and support requirements. These needs often result from mental health problems, learning disabilities, or physical and sensory impairment.

Our accommodation differentiates itself by being a home within a community rather than the care facilities that have historically been a mainstay for vulnerable people with care needs similar to our residents. We also seek to provide value-for-money to local authorities by offering housing that is both more suitable and cost-effective than traditional alternatives.

Our ability to forward fund the development of custom-built properties allows us to bring high-quality, high occupancy new housing stock to market to the benefit of wider society.

Our portfolio assets benefit from long-term leases to Approved Providers, who are bodies that receive their funding from central or local government to provide long-term homes for people in need of housing. Through these leases we offer our shareholders an attractive level of inflation-linked income.



## THE YEAR IN BRIEF

During 2018, we deployed a further £170.8 million into UK Supported Housing.<sup>1</sup> Over the period we acquired an average of 13 properties and sites each month. The Group entered into 13 forward funding agreements of which six projects had their works certified as completed and seven had ongoing works as at 31 December 2018. This rate of acquisition has been made possible by our Investment Manager's ability to complete deals quickly and efficiently, selecting counterparties with assets that meet our strict investment criteria. As at 31 December 2018, we owned a portfolio of 272 Support Housing properties, generating an annualised rental income of £17.4 million.<sup>2</sup>

In addition to deploying £170.8 million during the period under review, as at 31 December 2018 we had outstanding commitments totalling £21.0 million for exchanged and forward funded Supported Housing assets. Since 31 December 2018, we have deployed a further £4.5 million<sup>1</sup> and made further commitments of £21.0 million<sup>1</sup>.

As at 31 December 2018 our portfolio was independently valued at £323.5 million on an IFRS basis. The audited IFRS NAV per share was 103.65 pence, representing an increase since IPO of 5.77%. The Group's properties were valued at £343.7 million on a portfolio valuation basis.



### Eldon Lodge

The Group entered into its first Forward Funding Agreement for a site in Bradford, comprising an aggregate maximum commitment of £3.0 million.

Maximum Commitment	£3.0 million <sup>1</sup>
Build Period	12 months
Completion	February 2019
Lease	25 yrs, CPI-Linked
On/Off Market	Off-Market

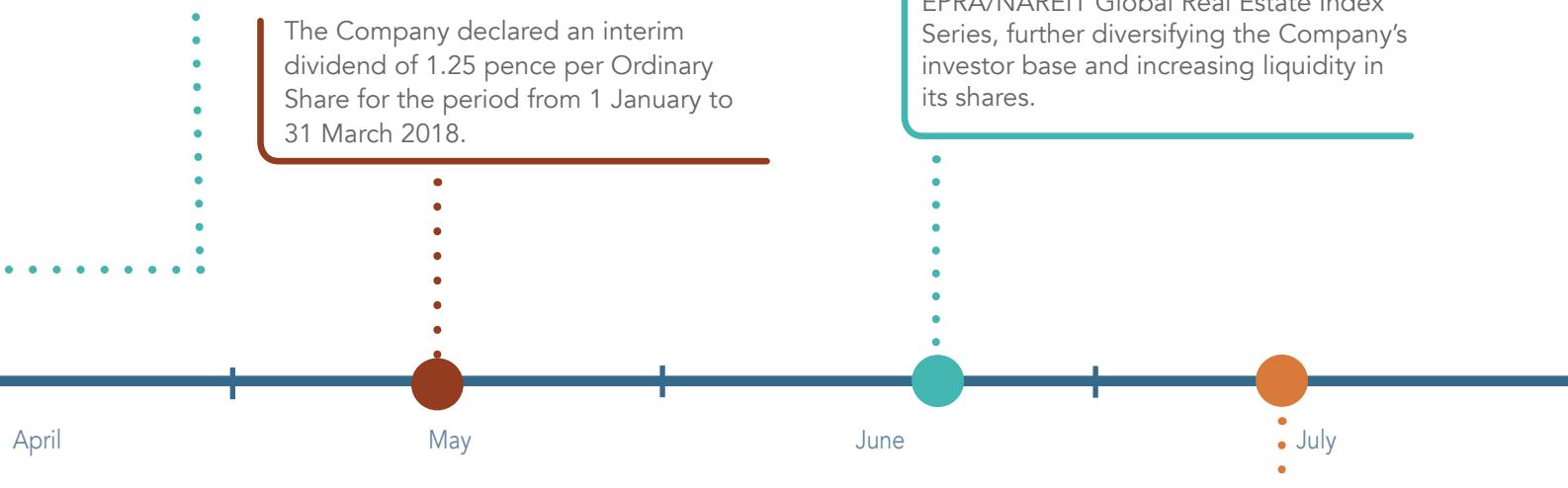


Through the issue of 47,500,000 C Shares, the Company raised gross proceeds of

**£47.5 million**

The Company declared an interim dividend of 1.25 pence per Ordinary Share for the period from 1 January to 31 March 2018.

The Company was added to the FTSE EPRA/NAREIT Global Real Estate Index Series, further diversifying the Company's investor base and increasing liquidity in its shares.



The Group completed on the TPSHIL portfolio of 18 Supported Housing properties, comprising an aggregate 156 units, for £23.2 million, including Dallas Street.

## Dallas Street

- A new-build purpose-built property providing Supported Housing for 15 residents.
- Specially designed to be more accessible for the disabled with laminate floors in the living space and the bathrooms being designed as wet rooms.
- Private car parking space for 17 cars.
- Located in a residential area with a good range of local amenities in close proximity.

Acquisition Price £2.3 million<sup>3</sup>

Gross Area 12,722 sq. ft

Renovated 2018

Lease 25 yrs, CPI-Linked

On/Off Market Off-Market



<sup>3</sup> Excluding acquisition costs

## THE YEAR IN BRIEF (Continued)

The Company declared an interim dividend of 1.25 pence per Ordinary Share for the period from 1 April to 30 June 2018.

The Group entered into a long-dated fixed-rate, interest-only private placement of loan notes for £68.5 million with top tier US life insurance company MetLife.

The Group's C Shares converted into Ordinary Shares on the basis of 0.975836 new Ordinary Shares for every one C Share held. The total number of new Ordinary Shares arising on Conversion was

**46,352,210**

July

August

September

### Tangmere Gardens

The Group completed on a portfolio of 9 Supported Housing properties, comprising an aggregate 56 units situated in the London Borough of Ealing for £12.4 million, including Tangmere Gardens.



### Queens View Crescent

The Group completed construction of its first forward funding development with the scheme comprising an aggregate 8 units for £1.3 million.



The Company published a prospectus in connection with a 12 month placing programme and undertook an initial issue by way of an oversubscribed placing, open offer and offer for subscription of Ordinary Shares raising gross proceeds of **£108.15 million**

The Company declared an interim dividend of 1.25 pence per Ordinary Share for the period from 1 July to 30 September 2018.

The Group entered into a £70 million committed Revolving Credit Facility with Lloyds Bank plc.

October

November

December

## Carlton Boulevard

The Group completed on a portfolio of 22 Supported Housing properties, comprising an aggregate 117 units, for £21.0 million, including Carlton Boulevard.

Acquisition Price £0.8 million<sup>4</sup>

Gross Area 1,900 sq. ft

Renovated 2018

Lease 25 yrs, CPI-Linked

On/Off Market Off-Market



<sup>4</sup> Excluding acquisition costs

<sup>5</sup> Including acquisition costs

## Post Period Events

Since the year end the Group has acquired a further 17 Supported Housing properties comprising an aggregate 144 units, for £21.0 million<sup>5</sup>.

On the 7 March 2019 the Company declared an interim dividend of 1.25 pence per Ordinary Share for the period from 1 October to 31 December 2018.

# KEY HIGHLIGHTS

## Dividend Per Ordinary Share

**5.00p**

Dividends paid or declared in respect of the financial year ending 31 December 2018 totalled 5 pence.

## IFRS NAV Per Ordinary Share

**103.65p**

(Dec. 17: 100.84 pence)

As at 31 December 2018 the IFRS NAV per share was 103.65 pence.

2.79% increase from 31 December 2017 to 31 December 2018.

## IFRS Valuation

**£323.5m**

(Dec. 17: £137.5 million)

As at 31 December 2018 the portfolio was independently valued at £323.5 million on an IFRS basis, an uplift of 6.89% against total invested funds of £302.6 million.<sup>6</sup>

The Group's properties were valued at £343.7 million on a portfolio valuation basis, reflecting a portfolio premium of 6.2% or a £20.2 million uplift against the IFRS valuation.

## Ongoing Charges Ratio

**1.58%**

(Dec. 17: 1.34%)

The ongoing charges ratio was 1.58%. This is a ratio of annualised ongoing charges expressed as a percentage of average net asset value throughout the period.

## Dividend Per C Share

**1.29p**

Dividends of 1.29 pence per share paid to holders of C Shares comprised a fixed dividend of 3% per annum pro rated for the period from admission to trading on 27 March to conversion of C Shares on 30 August 2018.

The C Shares converted into Ordinary Shares on the basis of 0.975836 new Ordinary Shares for every one C Share held on 30 August 2018.

## Market Capitalisation

**£349.9m**

(Dec. 17: £208.75 million)

As at 31 December 2018, the market capitalisation was £349.9 million.

67.6% increase from 31 December 2017 to 31 December 2018.

## Equity Raised

**£155.7m**

The Company raised gross proceeds of £47.5 million in March 2018 and a further £108.2 million in October 2018.

## Debt Raised

**£138.5m**

The Company raised gross proceeds of £68.5 million in July 2018 and a further £70 million in December 2018.<sup>7</sup>

## Total Investment Portfolio

# 272

(Dec. 17: 116)

In the year, the Group purchased 156 properties with an aggregate purchase price of £170.8 million bringing the total investment portfolio to 272 properties.

## Units

# 1,893 units

(Dec. 17: 828)

As at 31 December 2018, the portfolio comprised 1,893 units.

## Portfolio

# 100% let or pre let

(Dec. 17: 100%)

Throughout the year 100% of the portfolio was fully let and income producing or pre-let.<sup>8</sup>

## WAULT

# 27.2 years

(Dec. 17: 30.6 years)

As at 31 December 2018, the weighted average unexpired lease term was 27.2 years (assuming exercise of put options).

## Inflation Measure

# 100% index linked

(Dec. 17: 100%)

As at 31 December 2018, 100% of contracted rental income was either CPI or RPI linked.

## Leases

# 189

(Dec. 17: 65)

As at 31 December 2018, the portfolio included 189 leases (across 272 properties).

## Approved Providers

# 16

(Dec. 17: 11)

As at 31 December 2018, the Group had leases with 16 Approved Providers.

## Forward Funding Agreements

# 13

As at 31 December 2018, the Group had entered into 13 Forward Funding Agreements.

## Contracted Rental Income

# £17.4m<sup>8</sup>

(Dec. 17: £7.8 million)

As at 31 December 2018, the contracted rental income was £17.4 million per annum.

## Valuation NIY

# 5.25%

(Dec. 17: 5.32%)

As at 31 December 2018, the blended portfolio yield based on the portfolio valuation (including assumed purchased costs) was 5.25%.

## Forward Funding Commitments

# £26.3m

In the year, the Group entered into forward funding transactions with an aggregate maximum commitment of £26.3 million.

## Forward Funding Completions

# 6

As at 31 December 2018, 6 forward funding schemes had achieved practical completion.

## Post Balance Sheet Activity - Further Investment

The Group has announced the acquisition of 17 Supported Housing properties, comprising 144 units in total, for an aggregate purchase price of £21.0 million (including costs) as at 28 March 2019.

<sup>8</sup>Excluding ongoing forward funded schemes that are under an agreement for lease

## OUR SOCIAL IMPACT

1,215 1,059 £191 £1,931

New Supported Housing units brought to market since launch

Residents provided with accommodation in 2018

Average government saving per person per week for Specialised Supported Housing compared to registered care

Average government saving per person per week for Specialised Supported Housing compared to in-patient care

“Providing a safe, stable and supportive place to live can be the key to unlocking better outcomes for vulnerable people, from tackling poverty and disadvantage to managing crises, rehabilitation or maintaining people’s independence. For many, it is a stepping stone to independent living in the longer term. For some, it is vital life-long support that helps them to live independently in the community”<sup>9</sup>

Since the Winterbourne scandal of 2011, the government has pursued a policy of moving people with care needs from institutions into community-based living. This has since been enshrined in the Care Act 2014 and NHS England’s 2015 Transforming Care programme, which seek to take people out of expensive institutions that are ill-suited for long-term care – like hospitals and care homes – and put them back into the community with appropriate levels of care and in suitable types of housing, with the government saving money in the process.<sup>10</sup> However, the government’s move to Supported Housing came at a time when grant funding was at a historic low.<sup>11</sup> Although grant funding has since partially recovered, a long-term reduction in it, as well as uncertainty around rental levels, has caused the development of Supported Housing to decline.<sup>12</sup> In 2015/16, the annual shortfall of Supported Housing units for vulnerable people of working age was 15,640, which is forecast to rise to 29,053 in 2019/2020, and 46,771 in 2024/25.<sup>13</sup>

It was in the context of a shortage of Supported Housing that the Company was launched in 2017. We believe that, through the investment of private capital into an under-funded sector, we can achieve a positive social impact for a variety of stakeholders and, at the same time, generate a positive, sustainable financial return for shareholders. Using capital raised from institutional investors – pension funds, insurance companies, local authorities and investment managers – the Group’s aim is both to give its investors long-term inflation-linked returns underpinned by government income, and to generate cost-efficiencies for the government compared to funding traditional institutional care, thereby helping some of the most vulnerable people in society by providing them with the community-based homes that they need.

<sup>9</sup> Department for Communities & Local Government and Department for Work & Pensions, Funding for Supported Housing (2016)

<sup>10</sup> Sir Stephen Bubb, Winterbourne View: Time for Change (2014); <sup>11</sup> Mencap, Funding supported housing for all (2018)

<sup>12</sup> Institute for Fiscal Studies, Social Rent Policy: Choices and Trade-Offs (2015)

<sup>13</sup> National Housing Federation, Supported housing: Understanding need and supply (2015)

## Supported housing plays a crucial role in supporting hundreds of thousands of the most vulnerable people.

The evidence suggests that, by funding this type of housing, the Group is having a significant social impact. On average, Specialised Supported Housing costs the government £1,569 per person per week. By contrast, registered care costs the government £1,760 per person per week and in-patient care costs the government £3,500 per person per week.<sup>11</sup> Of the 1,893 units in the Group's portfolio, 1,215 are new Supported Housing units that the Group has brought to market since launch, through funding either the renovation of existing housing stock or the development of new-build Supported Housing stock. These 1,215 units have helped meet the shortfall of Supported Housing by providing new high-quality bespoke assets within communities and, in meeting this shortfall, the Group is materially benefiting the government's purse, even before looking at Supported Housing's indirect financial

benefits such as unblocking hospital beds and reducing the use of other medical services through improved recovery rates.

Beyond the financial benefit, scientific and qualitative evidence suggests that the Group is having a positive impact on residents. Research suggests that residents moving into Specialised Supported Housing have better health and independence and socialise more with the community and their family. Likewise, residents of Specialised Supported Housing can benefit from developing new skills – like learning to drive or cook – and often enter into training or employment (paid or voluntary).<sup>11</sup> In these ways and more, the funding of Supported Housing is giving residents the long-term homes and quality of life they need and deserve.





## SHARED VALUE

### Housing Stock

The housing crisis is helped by the construction of new homes – many of the Group's properties are new-build.



**NHS**

500 m

### NHS

The NHS benefits from patients moving out of hospitals into community-based homes.

### Investors

Investors benefit from long-term, inflation-linked income streams.

**Registered Providers**

Registered Providers benefit from the ability to expand their housing stock while maintaining security of tenure for long-term residents.

**Residents**

Residents with care needs have a better quality of life in adapted community homes.

**Care Providers**

Care providers benefit from the opportunity to provide high-quality care in appropriate settings.



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# Strategic Report

# CHAIRMAN'S STATEMENT



Chris Phillips, Chairman

Our homes give residents the opportunity for a better quality of life while costing local authorities less than alternatives such as residential care and in-patient care.

## Introduction

Since I wrote to you in our maiden annual report 12 months ago, we have had a busy and successful first full financial year. During the year under review, we successfully completed two equity raises and secured two debt facilities. Using these funds, we continued our strategy of acquiring and managing a portfolio of high-quality new-build or renovated Supported Housing properties across the UK, working with proven counterparties in areas of known demand. Over the year we invested £170.8 million of funds to acquire 156 properties, in some cases as single assets and in others as portfolios. Dividends amounting to, in aggregate, 5 pence per Ordinary Share have been declared for the year. The Group's portfolio has enjoyed an IFRS NAV uplift of 2.79% since 31 December 2017. In short, we achieved the solid financial performance that we always intended.

As well as this financial success, in 2018 we saw the positive impact that our Group is having on society. As I discuss in more detail below, and in Our Social Impact section on pages 14 to 15, we believe that investing private capital in this sector is benefiting all stakeholders. By funding the development of Supported Housing, we are saving the government money compared to funding traditional institutional care, we are giving our investors long-term inflation-linked returns underpinned by government income and, above all, we are providing some of the most vulnerable people in society with the community-based homes that they desperately need.

In 2018 we continued to acquire best-in-class properties from around the UK. In February, for example, we acquired Carden Avenue which is leased to Falcon Housing Association for 25 years and is occupied by vulnerable residents cared for by Care Management Group. In June, we bought Meadowhurst Gardens which is leased to Inclusion Housing for 25 years and whose residents are cared for by Lifeways. And in November, we bought Rosslyn Road which is leased to Hilldale Housing Association for 25 years and whose residents are cared for by Priory Care Group. These are only some of the

high-quality, long-life assets that we have bought, and which are likely to be in high demand for many years to come for the benefit of all stakeholders. We have every intention of continuing to buy high-quality properties as we move ahead in 2019.

One way we continue to deliver the greatest social and financial impact – as well as distinguish ourselves from our competition – is through our forward funding offering. Forward funding allows the Group to forge stronger developer relationships through joint construction projects, enjoy valuation uplifts on new-build properties, benefit from the high occupancy such custom-built properties achieve, provide higher quality accommodation for residents, as well as bring new housing stock to market to the benefit of wider society.

This forward funding has translated into tangible financial benefit. We deployed our first funds into a forward-funded asset in January 2018, and over the year committed an aggregate of £26.3 million of funds to acquire 13 sites which already are, or soon will be, newly-built or fully-renovated bespoke Supported Housing schemes. Our first four completed forward funding schemes received an average valuation uplift of 4.86% on the amount we paid as at 31 December 2018. We expect to achieve similar financial returns in 2019, building on our forward funding success in 2018. More detail on our forward funding can be found on pages 46 to 53.

A key development in 2018 has been growing regulation. We launched our fund focused on the Supported Housing market because we saw an opportunity to generate ethical returns from providing capital to a severely under-funded sector with a chronic supply/demand imbalance. However, like many growing sectors, regulation has had to catch up with an evolving market. Most of the Registered Providers we lease to have fewer units than the 1,000-unit threshold above which they are more closely regulated. In 2018, the Regulator of Social Housing began engaging more actively with smaller, lease-based Registered Providers below this threshold. Over the year the Regulator released Regulatory Notices and Judgements on several growing Registered Providers that did not meet the Regulator's standards for viability and governance (details of which are set out in the Investment Manager's report from pages 37 to 40). The Registered Providers are working with the Regulator to address its concerns. We welcome greater oversight as a means of applying the high standards that apply to larger Registered Providers to smaller Registered Providers and hope that the Regulator continues to engage constructively with the sector in 2019 and beyond as the sector grows and matures.

One way we continue to deliver the greatest social and financial impact – as well as distinguish ourselves from our competition – is through our forward funding offering.

13 

We deployed our first funds into a forward funded asset in January 2018, and over the year committed an aggregate maximum commitment of £26.3m of funds to acquire 13 sites which already are, or soon will be, newly-built or fully-renovated bespoke Supported Housing schemes.

## CHAIRMAN'S STATEMENT (Continued)

**272**

Assets acquired to date

**£302.6m**

Total Investment Costs to date

**1,893**

Total Units to date

### Deployment

In 2018 we acquired 156 assets, providing accommodation for 1,059 residents, for a total investment cost (i.e. including transaction costs) of £170.8 million. As at 31 December 2018, we had a further £21.0 million of outstanding commitments, both for five exchanged properties and five forward funded properties which had yet to complete construction. A map showing where all our properties are can be found on page 54. These properties are leased to 16 Approved Providers (2017: 11) operating in 109 Local Authorities (2017: 51). A total of 62 care providers (2017: 26) are providing care and support across our portfolio. The weighted averaged unexpired lease term for all our leases is 27.2 years (assuming exercise of put options). Since the end of 2018, we have acquired 17 more properties, housing 144 residents, for £21.0 million, substantially deploying the proceeds of our October 2018 equity fundraise. All this has increased geographic and counterparty diversification for the benefit of our shareholders, something that will continue to grow as further funds are deployed through 2019.

### Investment Performance

As our first full year, 2018 was a test of our ability to fulfil our promise to our shareholders. By that measure, we believe we succeeded. Using the Investment Manager's strong and growing network, market knowledge and sector expertise, we acquired a diverse spread of properties leased to a range of Approved Providers whose rent is underpinned by numerous different local authorities. As at 31 December 2018, the value of the portfolio was £323.5 million on an IFRS basis, with a valuation uplift of £20.8 million compared to the total investment cost (i.e. including transaction costs), reflecting our success in acquiring off-market, high-quality properties leased to credible counterparties at attractive yields. In doing so, we have paid (or declared) quarterly dividends of, in aggregate, 5 pence for the year.

Such performance reflects and reinforces the disciplined due diligence processes applied by the Investment Manager on each acquisition. Building on its existing sector knowledge and experience, throughout 2018 the Investment Manager continued to ensure that each property we acquired was well built, with suitable adaptations, in an area of strong commissioner support, and managed by a capable Approved Provider working alongside a skilled and experienced care provider. By applying its processes to the best of its ability on each and every acquisition, the Investment Manager has helped us acquire a large portfolio of stable income-generating properties underpinned by both government income and the chronic supply/demand imbalance that is unfortunately likely to remain unresolved for decades to come.

### Financial Results

As mentioned above, at the end of the year our portfolio was independently valued at £323.5 million on an IFRS basis, which reflects a valuation uplift of £20.8 million over the total investment cost (i.e. including transaction costs) we paid for the properties. The valuation represents a blended valuation NIY of 5.25%, a favourable comparison to the portfolio's average net initial purchase yield of 5.89%.

At year end our assets were also valued at £343.7 million on a portfolio valuation basis, which assumes a single sale of the SPVs to a third-party on an arm's length basis with purchaser's costs of 2.30%. The portfolio valuation reflects a portfolio premium of £20.2 million against the IFRS valuation.

EPRA earnings per share in 2018 was 2.27 pence. The audited IFRS NAV per share and the EPRA NAV per share were both 103.65 pence, an increase since IPO of 5.77%.

**103.65p**

IFRS NAV

**£323.5m**

IFRS Valuation

**5.25%**

Valuation NIY

## Dividends

On 6 March 2018, we declared our maiden interim dividend of 1 pence per share for the initial period from 12 June to 31 December 2017. On 7 March 2019, following the payment of three interim dividends of 1.25 pence per share for the first three quarters of 2018, we declared an interim dividend of 1.25 pence per share for the final period of 2018 (1 October to 31 December 2018), bringing the total dividends paid or declared for the year ended 31 December 2018 to an aggregate 5 pence per share, in line with our stated target for the year.

During the year the Board also declared dividends payable to holders of C Shares comprising a fixed dividend of 3% per annum pro rated for the period from admission to trading on 27 March to conversion of C Shares on 30 August 2018. This equated to an aggregate amount of 1.29 pence per C Share, comprising 0.789 pence for the period from 27 March to 30 June 2018 and 0.501 pence for the period from 1 July to 30 August 2018.

In 2019, we intend to pay an aggregate dividend of 5.095 pence per share, being an increase of 1.9% (in line with inflation) on 5 pence per share in respect of 2018, reflecting the anticipated growth in our income. We expect the quarterly dividend at the end of 2019 to be substantially covered by EPRA earnings once equity and debt funds are fully deployed.

## Equity and Debt Raising

Our strategy continues to be raising appropriate levels of capital, balanced between equity and debt, to take advantage of opportunities in the market without exposing the Group to unnecessary risk and ensuring investors receive suitable returns. In 2018 we successfully completed two equity raises and secured two debt facilities.

In terms of equity, in March 2018 we raised £47.5 million of gross proceeds (net proceeds: £46.5 million) through a C share issue, which converted into Ordinary Shares on 30 August 2018 at a conversion ratio of 0.975836. In October 2018 we raised a further £108.2 million of gross proceeds (net proceeds: £106.0 million) via an over-subscribed issue of Ordinary Shares as part of a 12 month placing programme.

In terms of debt, in July 2018 we entered into a long dated, fixed rate, interest only private placement of loan notes with MetLife for £68.5 million. The loan notes are split into two tranches with a weighted average term of 12 years and a weighted average fixed rate coupon of 3.039% per annum. In December 2018, we signed a £70 million revolving credit facility with Lloyds Bank. The facility has an initial term of four years extendable by two years. The interest rate on drawn funds is 1.85% per annum over 3-month LIBOR. For undrawn funds the Group pays a commitment fee of 40% of the margin. As at 31 December 2018 no funds had been drawn on this facility. The MetLife and Lloyds facilities are secured against separate ring-fenced portfolios of UK Support Housing assets without recourse to the Company. The Group's MetLife 10-year and 15-year tranches have a fixed rate coupon and the Board regularly reviews potential hedging arrangements which can be put in place at any time during the term of the Lloyds facility.

We are well placed to fund our strong pipeline of high-quality assets with the flexibility provided by both the Lloyds revolving credit facility and the 12 month equity placing programme put in place as part of the October 2018 fundraise. This flexibility enables us to raise capital only when such funds can be deployed so as to minimise cash drag and help achieve full dividend cover. As we continue to grow, our portfolio will diversify across a wider geographical area and among more counterparties, ensuring we remain an attractive investment proposition into 2019 and beyond.



Our homes give residents the opportunity for a better quality of life while costing local authorities less than alternatives such as residential care and in-patient care.

# CHAIRMAN'S STATEMENT (Continued)

## Investment Manager

During 2018 the Board maintained a regular and open dialogue with the Investment Manager, Triple Point Investment Management LLP. Discussions about the structure of the Group, developments in the market and updates from the Regulator of Social Housing were considered. This collaborative and effective partnership will continue into 2019 and the Board is grateful to the Investment Manager for its hard work and success.

## Social Impact

The Supported Housing shortage continues to receive considerable media attention, remains high up the political agenda and shows no sign of abating in the short-to-medium term. If current trends continue, the annual shortfall in Supported Housing units for people of working age of 29,053 in 2019/20 is forecast to rise to 46,771 by 2024/25.<sup>13</sup> We seek to address the lack of suitable accommodation for vulnerable residents by funding the development of new properties or the repurposing of existing private properties to make them suitable for Supported Housing. We now own 529 units that are in new built properties that provide homes to people with mental health issues, autism, learning disabilities and physical and sensory impairments. Without our funding many of these houses and apartments would not have been developed, requiring the residents to be housed in less suitable and more expensive properties. Our homes give residents the opportunity for a better quality of life while costing local authorities less than alternatives such as residential care and in-patient care.

Supported Housing should provide adults who have a care need with the opportunity to improve their well-being by helping them to take steps towards greater independence and lessening their care requirements. We are committed to the important social aim of helping to provide more accommodation, and more appropriate accommodation, to some of the most vulnerable in society so they can aspire to live more autonomously in local communities and ultimately lessen their reliance on support and the government. This can only be achieved if our accommodation is of a high standard. Our due diligence and strategic relationships with developers allow us to focus on funding high-quality assets. This, combined with significant investment in the sector, is helping to drive quality in building contractors and developers in the Supported Housing space which in turn is improving the standard of accommodation available to our residents.

## Outlook

Given strong underlying demand and the Investment Manager's long-standing relationships with the leading Supported Housing developers, we expect 2019 to be another good year for us. The market remains attractive due to the cost-savings Supported Housing provides local authorities, the higher quality of accommodation provided to residents of Supported Housing, and the lack of alternative funding sources for the development of new schemes.

In the context of ongoing uncertainty about the terms of the UK leaving the European Union, the Regulator published a letter sent to Registered Providers titled 'Preparation for a no deal Brexit'. Many of the risks highlighted by the Regulator are less relevant to Registered Providers that we have leases with due to the fact that they do not typically develop properties and are therefore less exposed to any possible rapid decline in house prices. We will continue to monitor developments but hope that investors view secure income REITs like ours as a good hedge in times of market uncertainty. More detail on Brexit is set out on page 40 of the Investment Manager's report.

Through its existing developer relationships, the Investment Manager has identified a healthy pipeline of properties that meet our investment criteria. With each transaction, the Investment Manager's well-established due diligence process improves. A substantial portion of assets in the pipeline will probably be rejected as a result of asset or lessee quality. Nonetheless, due to the volume of properties in the pipeline and the fact that they principally come from existing developers, we are confident that there is sufficient quality deal flow for us to meet our deployment targets.

I would like to take this opportunity to publicly welcome Tracey Fletcher-Ray to the Board, to which she brings considerable care, property and social housing experience among other things. I would also like to thank my fellow Board members for their support and commitment throughout 2018 and to all shareholders for your continued support.



**Chris Phillips**

Chairman

28 March 2019

# STRATEGY AND BUSINESS MODEL

**The Board is responsible for the Group's Investment Objective and Investment Policy and has overall responsibility for ensuring the Group's activities are in line with such overall strategy. The Group's Investment Policy and Investment Objective are published below.**

## Investment Objective

The Group's investment objective is to provide shareholders with stable, long-term, inflation-linked income from a portfolio of social housing assets in the United Kingdom with a focus on Supported Housing assets. The portfolio comprises investments in operating assets and the forward funding of pre-let development assets, the mix of which the Company seeks to optimise to enable it to pay a covered dividend increasing in line with inflation and so generate an attractive risk-adjusted total return.

## Investment Policy

To achieve its investment objective, the Group invests in a diversified portfolio of freehold or long leasehold social housing assets in the UK. Supported Housing assets account for at least 80% of the Group's gross asset value. The Group acquires portfolios of social housing assets and single social housing assets, either directly or via SPVs. Each asset is subject to a lease or occupancy agreement with an Approved Provider for terms primarily ranging from 20 years to 30 years, with the rent payable thereunder subject to adjustment in line with inflation (generally CPI). Title to the assets remains with the Group under the terms of the relevant lease. The Group is not responsible for any management or maintenance obligations under the terms of the lease or occupancy agreement, all of which are serviced by the Approved Provider lessee. The Group is not responsible for the provision of care to residents of Supported Housing assets.

The social housing assets are sourced in the market by the Investment Manager.

The Group intends to hold its portfolio over the long-term, taking advantage of long-term upward-only inflation-linked leases. The Group will not be actively seeking to dispose of any of its assets, although it may sell investments should an opportunity arise that would enhance the value of the Group as a whole.

The Group may forward fund the development of new social housing assets when the Investment Manager believes that to do so would enhance returns for shareholders and/or secure an asset for the Group's portfolio at an attractive yield. Forward funding will only be provided in circumstances in which:

- (a) there is an agreement to lease the relevant property upon completion in place with an Approved Provider;
- (b) planning permission has been granted in respect of the site; and
- (c) the Group receives a return on its investment (at least equivalent to the projected income return for the completed asset) during the construction phase and before the start of the lease.

For the avoidance of doubt, the Group will not acquire land for speculative development of social housing assets.

In addition, the Group may engage third party contractors to renovate or customise existing social housing assets as necessary.

## Gearing

The Group uses gearing to enhance equity returns. The Directors will employ a level of borrowing that they consider prudent for the asset class and will seek to achieve a low cost of funds while maintaining flexibility in the underlying security requirements and the structure of both the Company's portfolio and the Group.

The Directors intend that the Group will target a level of aggregate borrowings over the medium term equal to approximately 40% of the Group's gross asset value. The aggregate borrowings will always be subject to an absolute maximum, calculated at the time of drawdown, of 50% of the Group's gross asset value.

Debt will typically be secured at the asset level, whether over a particular property or a holding entity for a particular property (or series of properties), without recourse to the Company and having consideration for key metrics including lender diversity, cost of debt, debt type and maturity profiles.

## Use of Derivatives

The Group may use derivatives for efficient portfolio management. In particular, the Group 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 Investment Policy as part of the Group's portfolio management. The Group will not enter into derivative transactions for speculative purposes.

## Investment Restrictions

The following investment restrictions apply:

- the Group will only invest in social housing assets located in the United Kingdom;
- the Group will only invest in social housing assets where the counterparty to the lease or occupancy agreement is an Approved Provider. Notwithstanding that, the Group may acquire a portfolio consisting predominantly of social housing assets where a small minority of such assets are leased to third parties who are not Approved Providers. The acquisition of such a portfolio will remain within the Investment Policy provided that at least 90% (by value) of the assets are leased to Approved Providers and, in aggregate, all such assets within the Group's total portfolio represent less than 5% of the Group's gross asset value at the time of acquisition;
- at least 80% of the Group's gross asset value will be invested in Supported Housing assets;
- the unexpired term of any lease or occupancy agreement entered into (or in the case of an acquisition of a portfolio of assets, the average unexpired term of such leases or occupancy agreements) shall not be less than 15 years, unless the Investment Manager reasonably expects the term of such shorter lease or occupancy agreement (or in the case of an acquisition of a portfolio of assets, the average term of such leases or occupancy agreements) to be extended to at least 15 years;

- the maximum exposure to any one asset (which, for the avoidance of doubt, will include houses and/or apartment blocks located on a contiguous basis) will not exceed 20% of the Group's gross asset value;
- the maximum exposure to any one Approved Provider will not exceed 30% of the Group's gross asset value, other than in exceptional circumstances for a period not to exceed three months;
- the Group may forward fund social housing units in circumstances where there is an agreement to lease in place and where the Group receives a coupon (or equivalent reduction in the purchase price) on its investment (generally slightly above or equal to the projected income return for the completed asset) during the construction phase and before entry into the lease. Forward funding equity commitments will be restricted to an aggregate value of not more than 20% of the Group's net asset value, calculated at the time of entering into any new forward funding arrangement;
- the Group will not invest in other alternative investment funds or closed-ended investment companies (which, for the avoidance of doubt, does not prohibit the acquisition of SPVs which own individual, or portfolios of, social housing assets);
- the Group will not set itself up as an Approved Provider; and
- the Group will not engage in short selling.

The investment limits detailed above apply at the time of the acquisition of the relevant asset in the portfolio. The Group will not be required to dispose of any investment or to rebalance its portfolio as a result of a change in the respective valuations of its assets or a merger of Approved Providers.

## Investment Strategy

The Group specialises in investing in UK social housing, with a focus on Supported Housing. The strategy is underpinned by strong local authority demand for more social housing, which is reflected in the focus on acquiring recently developed and refurbished properties across the United Kingdom. The assets within the portfolio have typically been developed for pre-identified residents and in response to demand specified by local authorities or NHS commissioners. On acquisition, the properties are subject to inflation-adjusted, long-term (typically from

# STRATEGY AND BUSINESS MODEL (Continued)

20 years to 30 years), fully repairing and insuring leases with specialist Approved Providers in receipt of direct payment from local government (usually Registered Providers regulated by the Regulator of Social Housing). The portfolio comprises investments made into properties already subject to a fully repairing and insuring lease as well as forward funding of pre-let developments. The portfolio will not include any direct development or speculative development investments.

## Business Model

The Group owns and manages social housing properties that are leased to experienced housing managers (typically Registered Providers, which are often referred to as housing associations) through long-term, inflation-linked, fully repairing and insuring leases. The vast majority of the portfolio and future deal pipeline is made up of Supported Housing homes which are residential properties that have been adapted or built such that care and support can easily be provided to vulnerable residents who may have mental health issues, learning difficulties or physical disabilities. We are focused on acquiring specially or recently developed properties in order to help local authorities meet increasing demand for suitable accommodation for vulnerable residents (the drivers of this demand are discussed in the Investment Manager's report on pages 36 to 45). Local authorities are responsible for housing these residents and for the provision of all care and support services that are required.

The Supported Housing properties owned by the Group are leased to Approved Providers which are usually not-for-profit organisations focused on developing, tenancy and maintaining housing assets in the public (and private) sectors. Approved Providers are approved and regulated by the Government through the Regulator of Social Housing (or in rare instances, where the Group contracts with care providers, the Care Quality Commission). All the Group's leases with Approved Providers are linked to inflation, have a duration of 20 years or longer, and are fully repairing and insuring – meaning that the obligations for management, repair and maintenance of the property are passed to the Approved Provider. The Approved Provider is also responsible for tenancy the properties. Typically, the government funds both the rent of the individuals housed in Supported Housing and the maintenance costs associated with managing the property. In addition, because of the vulnerable nature

of the residents, the rent and maintenance costs are paid directly from the local authority to the Approved Provider. The rent received from the local authority by the Approved Provider is then paid to the Group via the lease. Ultimate funding for the rent and maintenance comes from the Department for Work and Pensions in the form of housing benefit.

The majority of residents housed in Supported Housing properties require support and/or care. This is typically provided by a separate care provider regulated by the Care Quality Commission. The agreement for the provision of care for the residents is between the local authority and the care provider. The care provider is paid directly by the local authority. Usually the Group has no direct financial or legal relationship with the care provider and the Group never has any responsibility for the provision of care to the residents in properties the Group owns. The care provider will often be responsible for nominating residents into the properties and, as a result, will normally provide some voids cover to the Approved Provider should they not be able to fill the asset (i.e. if occupancy is not 100% it is often the care provider rather than the Approved Provider that will cover the cost). The Group receives full rent regardless of underlying occupancy, but monitors occupancy levels and the payment of voids cover by care providers to ensure that Approved Providers are appropriately protected.

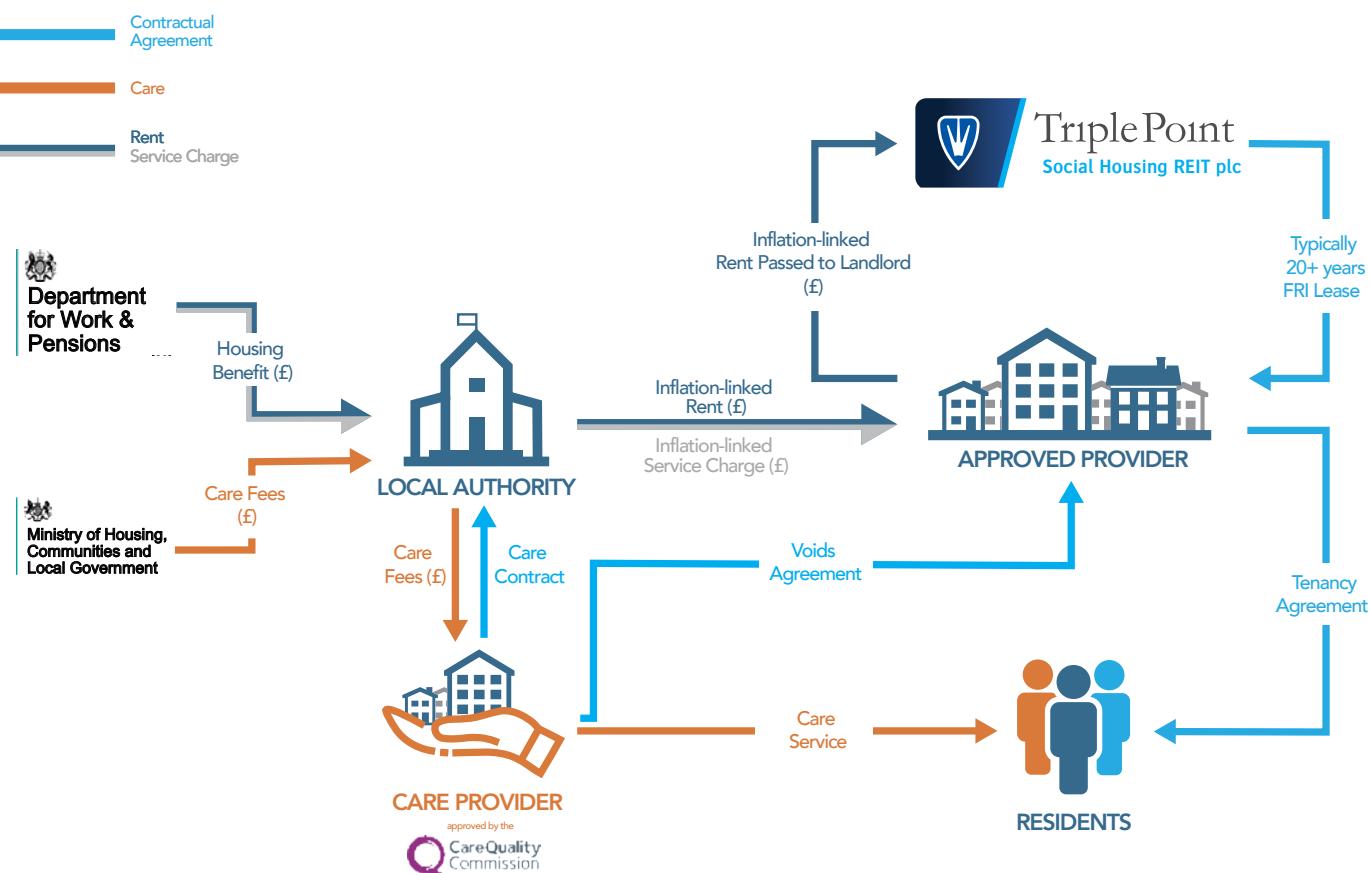
Many assets that the Investment Manager sources for the Group have been recently developed and are either specifically designed new build properties or renovated existing houses or apartment blocks that have been adapted for Supported Housing. The benefit of buying recently-developed stock is that it has been planned in response to local authority demand and is designed to meet the specific requirements of the intended residents. In addition, it enables the Group to work with a select stable of high-quality developers on pipelines of deals rather than being reliant on acquiring portfolios of already-built assets on the open market. This has two advantages: firstly, it enables the Group to source the majority of its deals off-market through trusted developer partners; and, secondly, it ensures the Group has greater certainty over its pipeline with visibility over the long-term deal flow of the developers it works with and knows it will not have to compete with other funders.

As well as acquiring recently-developed properties, the Group can provide forward funding to developers of new

Supported Housing properties. Being able to provide forward funding gives the Group a competitive advantage over other acquirers of Supported Housing assets as it enables the Group to offer developers a single funding partner for both construction and the acquisition of the completed property. This is often more appealing to developers than having to work with two separate funders during the build of a new property as it reduces practical and relationship complexity. As well as strengthening developer relationships, forward funding enables the Group to have a greater portion of new build properties in its portfolio which typically attract higher valuations, are modern and have been custom-built to meet the needs of the residents they house, helping to achieve higher occupancy levels. The Group benefits from the Investment Manager's long track record of successfully forward funding a range of property and infrastructure assets. The Group will only provide forward funding when the property has been pre-let to an Approved Provider

and other protections, such as fixed-priced build contracts and deferred developer profits, have been put in place to mitigate construction risk. More detail on the Group's forward funding can be found on pages 46 to 53 onwards.

Since the Company's IPO, the Group has set out to build a diversified portfolio that contains assets leased to a variety of Approved Providers, in a range of different counties, and serviced by a number of care providers. This has been possible due to the Investment Manager's 14-year track record of asset-backed investments, its active investment in the Supported Housing sector since 2014, and the strong relationships it has enjoyed with local authorities for over a decade. These relationships have enabled the Group, in a relatively short space of time, to work with numerous Approved Providers, care providers and local authorities to help deliver new Supported Housing assets that provide homes to some of the most vulnerable members of society.



# KEY PERFORMANCE INDICATORS

In order to track the Group's progress the following key performance indicators are monitored:

## 1. Dividend - Ordinary Shares

Definition	Relevance to Strategy	Performance	Comment
Dividends paid to Shareholders and declared in relation to the period.	The dividend reflects the Company's ability to deliver a low risk but growing income stream from the portfolio.	Total dividends of 5 pence per Ordinary Share were declared in respect of the year 1 January 2018 to 31 December 2018.	The Company declared a dividend of 1.25 pence per Ordinary Share in respect of the period 1 October 2018 to 31 December 2018, which will be paid on 29 March 2019.  Total dividends paid for the period are in line with the Company's target.

## 2. IFRS NAV per Share

Definition	Relevance to Strategy	Performance	Comment
The value of our assets (based on an independent valuation) less the book value of our liabilities, attributable to shareholders.	The IFRS NAV reflects our ability to grow the portfolio and to add value to it throughout the life cycle of our assets.	103.65 pence as at 31 December 2018.  100.84 pence as at 31 December 2017.	The IFRS NAV per share at IPO in August 2017 was 98.0 pence.  103.65 pence was an increase of 5.77% since IPO driven by growth in the underlying asset value of the investment properties.

## 3. Loan to GAV

Definition	Relevance to Strategy	Performance	Comment
A proportion of our investment portfolio is funded by borrowings. Our medium to long-term target Loan to GAV is 40% with a hard cap of 50%.	The Company uses gearing to enhance equity returns.	15.5% Loan to GAV as at 31 December 2018.	As at 31 December 2018, £68.5 million private placement of loan notes with MetLife; and a £70 million undrawn secured revolving credit facility with Lloyds.

## 4. Earnings per Share

Definition	Relevance to Strategy	Performance	Comment
The post-tax earnings generated that are attributable to shareholders.	The EPS reflects our ability to generate earnings from our portfolio including valuation increases.	8.37 pence per share for the year to 31 December 2018, based on earnings including the fair value gain on properties, calculated on the weighted average number of shares in issue during the year.  3.94 pence per share for the period to 31 December 2017.	The outlook remains positive and we continue to invest to generate an attractive total return for our shareholders.

## 5. Adjusted Earnings per Share

Definition	Relevance to Strategy	Performance	Comment
The post-tax earnings adjusted for the market portfolio valuation including portfolio premium.	The Adjusted EPS reflects the application of using the portfolio premium value and reflects the potential increase in value the Group could realise if assets are sold on a portfolio basis.	12.91 pence per share for the year to 31 December 2018, as shown on page 135 of the Financial Statements.  10.84 pence per share for the period to 31 December 2017.	The Adjusted EPS shows the value per share on a long-term basis.

## 6. Weighted Average Unexpired Lease Term (WAULT)

Definition	Relevance to Strategy	Performance	Comment
The average unexpired lease term of the investment portfolio, weighted by annual passing rents. Our minimum target is a WAULT of at least 15 years.	The WAULT is a key measure of the quality of our portfolio. Long lease terms underpin the security of our income stream.	27.2 years at 31 December 2018 (includes put options).	As at 31 December 2018, the portfolio's WAULT stood at 27.2 years and remains ahead of the Group's minimum target of 15 years.

## 7. Portfolio NAV

Definition	Relevance to Strategy	Performance	Comment
The IFRS NAV adjusted for the market portfolio valuation including portfolio premium.	The portfolio NAV measure highlights the fair value of net assets on an ongoing, long-term basis and reflects the potential increase in value the Group could realise under the special assumption of a hypothetical sale of the underlying property investment portfolio in one single transaction.	The portfolio valuation of £343.7 million equates to a Portfolio NAV of 109.39 pence per Ordinary Share, as shown on page 135 of the Financial Statements.	The portfolio NAV per share shows a good market growth in the underlying asset value of the investment properties.

## 8. Largest Approved Provider Exposure

Definition	Relevance to Strategy	Performance	Comment
The percentage of the Group's gross assets that are leased to the single largest Approved Provider.	The exposure to the largest Approved Provider must be monitored to ensure that we are not overly exposed to one Approved Provider in the event of a default scenario.	15.8%.	The figure as at 31 December 2018 is lower than the target of 25% and the maximum exposure of 30%. We are substantially below our maximum exposure target with our largest Approved Provider, Inclusion Housing.

## 9. Total Return

Definition	Relevance to Strategy	Performance	Comment
IFRS NAV plus total dividends paid during the year.	The total return measure highlights the gross return to investors including dividends paid since the prior year.	Total return was 7.5% for the year to 31 December 2018.	The IFRS NAV per share at 31 December 2017 was 100.84 pence.  Adding back dividends paid during the year of 4.75 pence per Ordinary Share to the IFRS NAV at 31 December 2018 results in an increase of 7.5%.

# EPRA PERFORMANCE MEASURES

The table below shows additional performance measures, calculated in accordance with the Best Practices Recommendations of the European Public Real Estate Association (EPRA). We provide these measures to aid comparison with other European real estate businesses.

Full reconciliations of EPRA Earnings and NAV are included in Notes 35 and 36 of the consolidated financial statements respectively. A full reconciliation of the other EPRA performance measures are included in the Unaudited Performance Measures section.

## 1. EPRA Earnings per Share

Definition	Purpose	Performance
EPRA Earnings per share excludes gains from fair value adjustment on investment property that are included in the IFRS calculation for Earnings per share.	A measure of a Group's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.	2.27 pence per share for the year to 31 December 2018.  0.02 pence per share for the period to 31 December 2017.  The Group is currently in ramp up phase and undertaking forward funding that results in a lag in the Company's ability to fully cover dividends. Our priority remains to achieve a fully covered dividend from operations by the end 2019.

## 2. EPRA NAV per Share

Definition	Purpose	Performance
EPRA NAV makes certain adjustments to IFRS NAV to exclude items not expected to crystallise in a long-term investment property business model.	Provides stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.	103.65 pence per share as at 31 December 2018.  100.84 pence per share as at 31 December 2017.

## 3. EPRA NNNAV per Share

Definition	Purpose	Performance
EPRA NAV adjusted to include the fair values of: 1. financial instruments; 2. debt; and 3. deferred taxes.	EPRA NAV is adjusted to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company.	103.60 pence per share as at 31 December 2018.  100.84 pence per share as at 31 December 2017.

## 4. EPRA Net Initial Yield (NIY)

Definition	Purpose	Performance
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, increased with (estimated) purchaser's costs.	A comparable measure for portfolio valuations. This measure should make it easier for investors to judge for themselves how the valuation of a portfolio compares with others.	5.13% at 31 December 2018. 4.26% at 31 December 2017.

## 5. EPRA 'Topped-Up' NIY

Definition	Purpose	Performance
This measure incorporates an adjustment to the EPRA NIY in respect of the expiry of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).	The topped-up net initial yield is useful in that it allows investors to see the yield based on the full rent that is contracted at 31 December 2018.	5.21% as at 31 December 2018. 5.32% as at 31 December 2017.

## 6. EPRA Vacancy Rate

Definition	Purpose	Performance
Estimated Market Rental Value (ERV) of vacant space divided by ERV of the whole portfolio.	A 'pure' percentage measure of investment property space that is vacant, based on ERV.	0.00% as at 31 December 2018. 0.00% as at 31 December 2017.

## THE INVESTMENT MANAGER



**JAMES CRANMER**  
Co-Managing Partner

James joined the Investment Manager in 2006 to establish its flagship leasing business, Triple Point Lease Partners, which has grown to be one of the UK's most active providers of operating lease finance into Local Authorities and NHS Trust Hospitals. James has over 20 years' experience in structured, asset and vendor finance, and has been responsible for in excess of £1 billion of funding into UK Local Authorities, NHS Hospital Trusts, FTSE 100 and small and medium-sized companies. James is a graduate of St. Andrews University. He became co-Managing Partner in 2016.



**BEN BEATON**  
Co-Managing Partner

Ben joined the Investment Manager in 2007 to lead the sourcing and execution of a broad spectrum of investments including renewable energy, long leased infrastructure and property bridge lending. He has spent his career building innovative products for investors and offering attractive and flexible funding solutions to a range of businesses, both in the public and private sector. Ben has a BSc (Hons) in Biological Sciences from the University of Edinburgh. He became co-Managing Partner in 2016.



**MAX SHENKMAN**  
Head of Investment

Max joined the Investment Manager in 2011 and has led investments across the product range. He has arranged both debt and equity funding for a number of property backed transactions in the social housing, infrastructure and agricultural sectors. Max has led over £150 million of investment into Supporting Housing assets for the Group. Prior to joining the Investment Manager, Max was an Associate in the Debt Capital Markets team at Lazard where he advised private equity clients on both the buy and sell side. Max graduated from the University of Edinburgh. He became a Partner in 2018.

The Group benefits from the Investment Manager's long track record of successfully forward funding a range of property and infrastructure assets.

**ISOBEL GUNN-BROWN**  
Head of Fund Management Services

Isobel joined the Investment Manager in 2010 and acts as Chief Financial Officer to the Group leading the financial reporting responsibilities of the Group in conjunction with the AIFM. At the Investment Manager Isobel is head of the Fund Management Services department. Isobel is ACCA qualified with over 30 years' experience in the financial services sector. Her experience is wide-ranging and includes managing the financial reporting for eight listed venture capital trusts, managing the Investment Manager's FCA regulation and reporting requirements and monitoring investee company compliance with HMRC regulation.

**RALPH WEICHELT**  
Investment Director

Ralph joined the Investment Manager in 2017 as a member of the Investment Team. Prior to joining the Investment Manager, Ralph was a partner in Chalkhill Partners LLP, a debt advisory firm focusing on commercial real estate debt origination via institutions and debt capital markets. Prior to this, he held a number of positions in pan-European real estate entities spanning fund management, transactional work (sourcing/underwriting/execution) and advisory. His experience of over 20 years spans across all investment strategies, ranging from core, value added to opportunistic. Ralph is also a qualified Chartered Surveyor.

**JUSTIN HUBLE**  
General Counsel

Justin joined the Investment Manager in 2017 as General Counsel. He began his legal career as a barrister in New Zealand before moving to the UK where he worked as a private practice lawyer at City firm Ashurst during the dot-com era. On leaving private practice he pursued in-house roles as the General Counsel of several high growth, disruptive tech businesses from start-up to float. Justin is qualified as a barrister and solicitor in New Zealand and as a solicitor in the UK. He is a graduate of Otago University, New Zealand and holds a Master of Laws degree from University College London. He became a Partner in 2018.

## INVESTMENT MANAGER'S REPORT



Max Shenkman, Head of Investment

**The Supported Housing shortage is part of a wider housing shortage. The government has acknowledged that solving the housing crisis is the biggest domestic policy challenge of the current generation.**

### Review of the Business

In 2018, the Group made strong progress in implementing its strategy of investing in high-quality, durable Supported Housing properties in areas of known demand. Over the course of the year, the Group deployed £170.8 million into 156 assets, and had, as at 31 December 2018, another £21.0 million of outstanding commitments, comprising £11.5 million on exchanged contracts for five assets and £9.5 million committed to seven ongoing forward funding transactions. All these acquisitions were funded by the remaining proceeds of the Company's IPO in 2017, as well as two further equity raises (in March and October 2018) and a debt raise in July 2018. A £70 million revolving credit facility was signed at the end of December 2018 to fund continued deployment. All of this reflects the quality of the Group's portfolio and reputation in the market. The Group has achieved strong financial performance, reporting an IFRS NAV per share of 103.65 pence at 31 December 2018, a 2.79% increase since 31 December 2017.

Diversification of the Group's portfolio, in terms of geography, local authority and Approved Provider, continued throughout 2018. Although most of the Group's properties are in the Midlands and North of England, the Group has increased geographical diversification during the year with 15.2% of its portfolio now across the South, South East and South West of England. Similarly, while the Group leased to 11 Approved Providers as at 31 December 2017, the Group as at 31 December 2018 leased to 16 Approved Providers. The pipeline remains strong and based on increasingly-embedded relationships with existing developers and Approved Providers, as well as new relationships born out of our growing reputation in the market for high-quality developments. Based on these successes, we are currently evaluating a pipeline in excess of £400 million over the next 12 months.

When acquisition opportunities are presented, our deep sector knowledge allows us to conduct a quick initial appraisal, at which point schemes are often rejected. Those that pass initial screening undergo our full and exacting due diligence processes. Our surveyors visit each property to carry out a detailed building survey, focusing on structural issues, the general condition, health and safety, and adaptations for the needs of the residents. Our valuers visit the property or development site too, ensuring that the price we pay for the property is supported in the context of the contractual suite and

market conditions. Our lawyers review the property title and negotiate the contractual suite, working off our well-established legal contract templates. Meanwhile we review and negotiate the commercial elements, ensuring we agree a yield adjusted to the risk profile of the scheme. Likewise, we ensure there is commissioner support and housing benefit support, and that the Approved Provider and care provider are financially and operationally appropriate and have conducted their own due diligence on the opportunity. Finally, before any scheme is acquired by the Group, our Investment Committee rigorously appraises it and it is sent to the Board for feedback.

Our due diligence does not stop at the point of acquisition. We conduct ongoing due diligence on all our properties, Approved Providers and care providers. Each quarter, management accounts are requested and analysed, with any issues discussed with the relevant counterparties. Likewise, each quarter we ask Approved Providers to complete a series of key performance indicators focused on occupancy, rent levels, and health and safety. We speak to and meet all Approved Providers on a regular basis and for any ad hoc issues. Finally, we conduct site visits to the properties in our portfolio, allowing us to assess how operations work in practice and enhance ongoing communication. All this creates a positive feedback loop, with the quality of our due diligence continuing to improve based on the lessons of our asset management.

## Market Review

The Group continues to benefit from an attractive investment environment due to the unprecedented demand for new Supported Housing assets. Following recent research and reports commissioned by bodies such as the National Housing Federation,<sup>14</sup> MenCap,<sup>15</sup> and the government's own social housing green paper,<sup>16</sup> the scale and the depth of the Supported Housing crisis in the UK has received considerable publicity and remains high on the political agenda. During 2015/16 the annual shortfall of Supported Housing units for people of working age was as high as 15,640.<sup>14</sup> By 2019/20 that annual shortfall is forecast to have nearly doubled to 29,053, rising still

further to an annual shortfall of 46,771 by 2024/25 if current trends continue.<sup>14</sup>

The Supported Housing shortage is part of a wider housing shortage. The government has acknowledged that solving the housing crisis is the biggest domestic policy challenge of the current generation. In June 2018 the house spending programme running from 2017 to 2022 was increased to £9 billion.<sup>17</sup> The government has also abolished the cap on how much councils can borrow against the value of their housing stock, thereby releasing more capital to fund the development of new properties. While it is estimated that this will result in more than 250,000 new homes by 2022,<sup>17</sup> this still falls short of even current demand and so the UK's housing problems are likely to get worse before they get better.<sup>18</sup>

Demand for Supported Housing has risen because of improvements in healthcare increasing the number of people requiring long-term accommodation adapted to provide care services, as well as a policy shift to move people with a care need from institutional to community-based living, something accelerated by the fall-out from the Winterbourne care scandal in 2011 and enshrined in the Care Act 2014 and NHS England's Transforming Care programme (2015).<sup>19</sup> Local authorities play a pivotal role in determining where those in greatest need will be housed and Supported Housing is usually both more suitable and considerably more cost-effective than traditional alternatives such as care homes and long-stay hospitals. MenCap has estimated that the cost-saving of Specialised Supported Housing compared to registered care is nearly two hundred pounds per week per person, and when compared to in-patient care is nearly two thousand pounds per week per person.<sup>15</sup>

As reported in the Group's 2018 Interim Report, in February 2018 the Regulator issued a Regulatory Notice stating that a Registered Provider, First Priority Housing Association Limited ('FPHA'), had approached the Regulator and that, following a review, did not appear to have the financial capacity to meet its debts as they fell due. The Regulator

<sup>14</sup> National Housing Federation, Supported housing: Understanding need and supply (2015)

<sup>15</sup> MenCap, Funding supported housing for all (2018)

<sup>16</sup> Ministry of Housing, Communities and Local Government, A new deal for social housing (2018)

<sup>17</sup> Secretary of State Ministry of Housing, Communities and Local Government (2018) Affordable Housing: Written statement – HCWS797

<sup>18</sup> House of Commons Library, Tackling the under-supply of housing in England (2018)

<sup>19</sup> Local Government Association, Adass, NHS (2015) Building the right support

## INVESTMENT MANAGER'S REPORT (Continued)

worked closely with FPHA to resolve the issues faced by the organisation. By July 2018 a large portion of FPHA's leases had been transferred away from FPHA to other Registered Providers. On 17 July 2018, the remaining creditors reached a resolution with FPHA by entering into a Company Voluntary Arrangement. While this provides an example of the Regulator assisting Approved Providers which have financial difficulties, the Regulator is understandably keen to ensure that such a situation does not arise again in the Supported Housing sector. Importantly, the Group has never had any leases to FPHA.

Following the problems experienced by FPHA, the Regulator has sought to engage with Registered Providers that specialise in the Supported Housing sector and which have fewer than 1,000 tenanted units under management. Due to their smaller size, these organisations typically would be subject to a lower level of regulation than those with over 1,000 units. Understandably the Regulator appears keen to ensure that other Registered Providers in the Supported Housing sector do not experience the breadth and depth of problems endured by FPHA. The Regulator has therefore asked these smaller Registered Providers to provide information on, among other things, their financial performance and governance and compliance policies. The process of the Regulator engaging with the smaller Registered Providers in the sector has caused the Regulator to publicly raise some concerns about these organisations through the issue of Regulatory Notices and Judgements. Supported Housing specialists Westmoreland Supported Housing Association and Trinity Housing Association Limited both received non-compliant ratings for both governance and viability (a V3, G3 rating) towards the end of 2018. On 15 February 2019 – after the year end – Inclusion Housing Community Interest Company likewise received a V3, G3 rating.

The Group has no leases with Trinity Housing Association Limited but does lease 16 properties to Westmoreland (representing 4.4 per cent. of the Group's NAV as at 31 December 2018) and 60 properties to Inclusion (representing 15.8 per cent. of the Group's GAV as at 31 December 2018). The Group's valuer has not impaired the value of the Group's assets leased to Westmoreland since it was given the non-compliant rating. Likewise, the Group's valuer has confirmed that there should be no impact on the value of the Group's assets leased to Inclusion as a result of the non-compliant rating. The Group has received all its rent from both Registered Providers and there has been no suggestion from either

that the rents payable under the leases with the Group will not continue to be forthcoming. We continue to monitor and maintain a dialogue with, and receive monthly management accounts from, Westmoreland as it works with advisers and the Regulator to implement a financial and governance action plan in order to address the Regulator's concerns and obtain a compliant rating. We receive monthly management accounts from Inclusion and are satisfied that it is a well-run business with a strong and experienced management team.

We welcome the fact that the Regulator is subjecting smaller Registered Providers to a higher degree of regulation at an earlier stage of their development than they might otherwise have expected. It is helping to bring growing transparency to the sector and instil higher operational and governance standards. We have observed the Registered Providers that operate in the Supported Housing sector evolve and develop since 2014 when, as an investment manager, we began to invest in the Supported Housing space. We expect this progress to continue as the Registered Providers grow under the oversight of the Regulator. Every year for the last six years the Regulator has published a sector risk profile which aims to help Registered Providers understand the environment in which they operate and how best they can manage risk. In their last report, the Regulator provided guidance to Registered Providers that pursue the lease model and highlighted the key considerations that should be borne in mind before entering into long leases. We continue to adapt our leases to reflect the evolving Supported Housing market. The leases that we enter into with Approved Providers have become more nuanced and sophisticated over time and, where possible, we have accommodated concerns from both the Regulator and Approved Providers around specific risks (such as a fundamental change in government housing benefit policy). Our aim is always to find a pragmatic solution which protects shareholder value while preserving the wellbeing of residents.

Our due diligence continues to focus on ensuring that Registered Providers have adequately considered and mitigated the risks attached to long leases. For example, we seek to make sure that rental levels have been checked with local authority housing benefits officers such that we and the Registered Provider can be confident that they are sustainable in the long run. We also verify that the service charge received by the Registered Provider is sufficient to cover the costs of managing the property.

Supported Housing should provide adults who have a care need with the opportunity to improve their well-being by helping them to take steps towards greater independence and lessening their care requirements.



Pictured - Jason Bennette, Care Provider

# INVESTMENT MANAGER'S REPORT (Continued)

All properties are demand-driven and we look to confirm commissioner support to mitigate voids risk. Finally, we often allow rent-free periods in leases to accommodate the time it takes to fill properties and we check Registered Providers receive sufficient upfront capital contributions from developers to cover sinking funds and general management costs associated with growth.

Due to the lack of supply in the Supported Housing market, there is a considerable opportunity for long-term funders to deliver returns to investors while also having a positive social impact. By developing sustainable, cost-effective adapted accommodation that is leased to Approved Providers, the Group is simultaneously giving value-for-money to local authorities, providing vulnerable residents with independent homes, and benefiting from rental income ultimately derived from housing benefit. Fundamental to the sustainability of our investment model is the long-term partnership approach we apply to our relationships with Approved Providers. We continually monitor the performance of our Approved Providers and, when entering new leases, we evaluate the risks to their business as well as our investment to be confident that it is a mutually beneficial transaction.

In the context of ongoing uncertainty about the terms of the UK leaving the European Union, the Regulator published a letter sent to Registered Providers titled 'Preparation for a no deal Brexit'. The purpose of this letter was to reiterate the importance of stress-testing business plans and identifying specific, deliverable and timely mitigations to ensure that viability is maintained, and residents and Supported Housing assets are protected.

Many of the risks highlighted by the Regulator are less relevant to Registered Providers that the Group has leases with due to the fact that they do not typically develop properties. They are therefore much less exposed to the housing market than some of the larger Registered Providers with large development businesses. Similarly, they are less reliant on European labour and are less exposed to the cost of building materials. The Group offers investors a relatively risk-averse long-term secure income stream. In the event of a disorderly exit from the European Union, investors may seek to continue allocating capital to REITs in the secure income sector to mitigate the risk of market uncertainty.

## Financial Review

As at 31 December 2018, the annualised rental income of the Group was £17.4 million (excluding forward funding transactions). The Group is a UK REIT for tax purposes and is exempt from corporation tax on its property rental business.

The fair value gain of £14.5 million was recognised during the period on the revaluation of the Group's properties.

Earnings per share was 8.37 pence for the period, compared to 3.94 pence for the period ending 31 December 2017 calculated on the weighted average number of shares in issue during the period. Adjusted earnings per share were 12.91 pence for the period, where post-tax earnings were adjusted for a valuation on a portfolio basis (as opposed to individual asset IFRS basis).

EPRA earnings per share was 2.27 pence for the period, compared to 0.02 pence for the period ending 31 December 2017 calculated on the weighted average number of shares in issue during the period.

The audited IFRS NAV per share was 103.65 pence, representing an increase since IPO of 5.77%. The Group's EPRA NAV per share is the same as the IFRS NAV at 103.65 pence. The IFRS NAV adjusted for the portfolio valuation (including portfolio premium) was £384.3 million which equates to a Portfolio NAV of 109.39 pence per share.

The ongoing charges ratio is calculated as a percentage of the average net asset value for the period under review. The ongoing charges ratio for the period was 1.58%.

At the period end, the portfolio was independently valued at £323.5 million on an IFRS basis reflecting a valuation uplift of 6.89% against the aggregate purchase price of the portfolio (including transaction costs). The valuation reflects a blended valuation NIY of 5.25%, against the portfolio's average net initial purchase yield of 5.89% at the point of acquisition. This equates to a yield arbitrage of 64 bps, reflecting the quality of the Group's asset selection and acquisition process.

The Group's properties were valued at £343.7 million on a portfolio valuation basis, reflecting a portfolio premium of 6.2% or a £20.2 million uplift against the IFRS valuation. The portfolio valuation assumes a single sale of the SPVs to a third-party on an arm's length basis with purchaser's costs of 2.30%.

## Debt Financing

During the period, the Group entered into two debt facilities which were secured against defined portfolios of the Company's UK Supported Housing assets without recourse to the Company.

In July 2018, the Group entered into a long dated, fixed rate, interest only private placement of loan notes with MetLife for £68.5 million. The Loan Notes are split into two tranches: Tranche-A, in an amount of £41.5 million, has a term of 10 years from utilisation and is priced at an all-in coupon of 2.924%; and Tranche-B, in an amount of £27.0 million, has a term of 15 years from utilisation and is priced at an all-in coupon of 3.215%. On a blended basis, the weighted average term is 12 years carrying a weighted average fixed rate coupon of 3.039%.

In December 2018, the Group secured a £70 million revolving credit facility with Lloyds Bank. The floating

rate revolving credit facility has an initial term of four years expiring on 20 December 2022 which may be extended by a further two years to 20 December 2024. The interest rate for drawn amounts under the facility is 1.85% pa over 3-month LIBOR. For undrawn funds, the Group pays a commitment fee of 40% of the margin. As at 31 December 2018 no funds had been drawn on this facility. The Board regularly reviews potential hedging arrangements which can be put in place at any time during the duration of the Lloyds facility.

Both facilities, when fully drawn, represent a loan-to-value ('LTV') of 40% of the value of the secured assets in the defined portfolios, which is in line with the Company's investment policy of a long-term level of aggregate borrowings equal to 40% of the Group's gross asset value, subject to a limit of 50%.

The MetLife facility requires us to maintain an asset cover ratio of x2.25 and an interest cover ratio of x1.75. At year end, the Group was fully compliant with both ratios, with an asset cover ratio of x2.57 and an interest cover ratio of x3.95. The Lloyds facility, once drawn, requires us to maintain an LTV of lower than 50% and an interest cover ratio in excess of x2.75.

By developing sustainable, cost-effective adapted accommodation that is leased to Approved Providers, the Group is simultaneously giving value-for-money to local authorities, providing vulnerable residents with independent homes, and benefiting from rental income ultimately derived from housing benefit.

# INVESTMENT MANAGER'S REPORT (Continued)

## Continued Strategic Alignment and Asset Selection

During the year, the Group has continued to execute its investment strategy, delivering inflation-protected income underpinned by a careful selection of secure, long-let and index-linked properties. In 2018, the Group purchased 156 assets, including 13 forward funding transactions, for a total investment cost (i.e. including transaction costs) of £170.8 million.

	As at 31 December 2018	As at 31 December 2017	Change in 2018
# of Leases	189	70	+119 
# of Assets	272	116	+156 
# of Units	1,893	834	+1,059 
# of APs	16	11	+5 
# of CPs	62	26	+36 
# of LAs	109	51	+58 
# of FFAs	13	0	+13 
WAULT	27.2 years	30.6 years	-3.4 years 

Beyond this deployment, the Group had, as at 31 December 2018, outstanding commitments totalling £21.0 million, comprising £11.5 million for contracts exchanged over five assets and £9.5 million for outstanding forward funding commitments.

## COMMITTED CAPITAL AS AT 31 December 2018

## TOTAL FUNDS £m

Total invested since IPO<sup>20</sup> £302.6

Exchanges £11.5

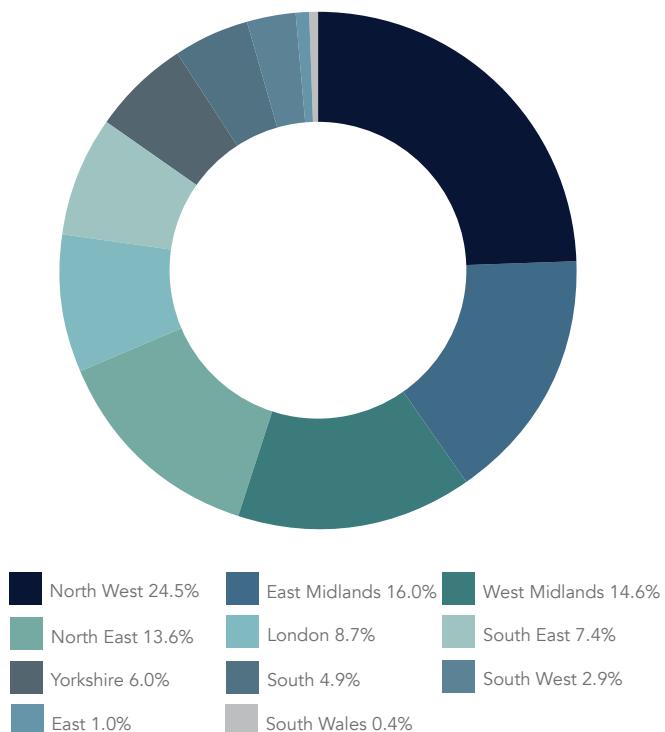
Forward Funding Commitments £9.5

**Total Invested and Committed Capital** £323.6

## Property Portfolio

As at 31 December 2018, the property portfolio comprised 272 properties with 1,893 units and demonstrating broad geographic diversification across the UK. The 3 largest concentrated areas were the North West (24.5%), the East Midlands (16.0%) and the West Midlands (14.6%). The fair value of the property portfolio is £323.5 million (an average of £1.2 million per property).

### Market Value by Region



In 2018, the Group entered into 13 forward funding transactions, of which six had reached practical completion and seven were still under construction as at 31 December 2018. The aggregate maximum capital commitments for all forward funding transactions in the year was £26.3 million, with £9.5 million of this outstanding as at 31 December 2018. Forward funding continues to form an integral part of the Group's investment strategy.

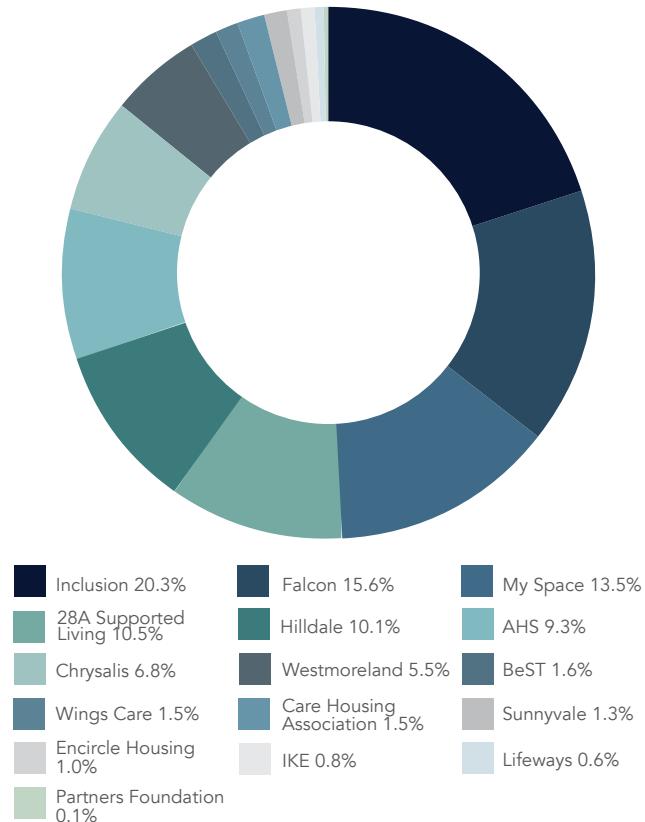
### Rental Income

As at 31 December 2018, the Group's property portfolio was fully let with all assets either let or pre-let on financial close, comprising 189 fully repairing

and insuring leases which includes the forward funding transactions. The total annualised rental income of £17.4 million is the aggregate rental income of the standing investments. The coupon interest received by the Group during the construction period from the developer under forward funding agreements is not included as rental income.

During the year, the Group further diversified its tenant base by adding five Approved Providers to the portfolio: Care Housing Association, Encircle Housing, 28A Supported Living, Sunny Vale Supported Accommodation and Partners Foundation. With the Group having entered into leases with 16 Approved Providers, the Group's tenant base is well diversified across the sector with some of the most capable Registered Providers in the Supported Housing sector. The Group's three largest Approved Providers by rental income were Inclusion Housing (20.3%), Falcon Housing Association (15.6%) and My Space Housing Solutions (13.5%).

### Rental Income by Approved Provider

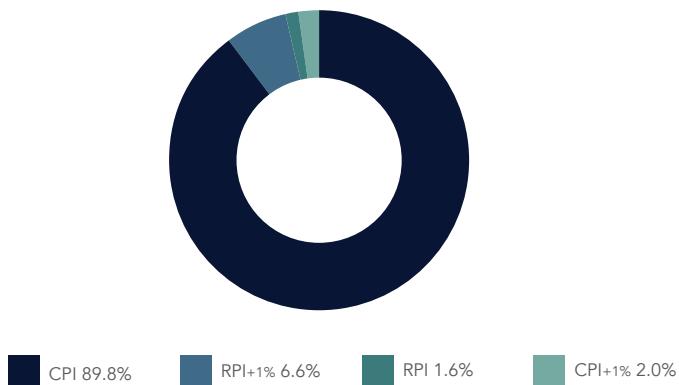


# INVESTMENT MANAGER'S REPORT (Continued)

The three largest Approved Providers by units under management (in the Group's portfolio) were Inclusion Housing with 337 units followed by Falcon Housing Association and My Space Housing Solutions, each with 302 units.

As at 31 December 2018, the property portfolio had a WAULT of 27.2 years, with 88.7% of the property portfolio's income showing an unexpired lease term to first break of between 21-30 years. Compared with Q2 2018, the WAULT has shortened slightly (by 1.8 years) as the majority of the leases added to the portfolio in the reporting period have a fixed lease term of 25 years. The WAULT comprises the initial lease term at lease commencement as well as any reversionary lease or put options available to the Group at the expiry of the initial lease term.

## Rental Income by Index



The rental income received under the FRI leases is indexed annually against CPI (91.8%) or RPI (8.2%), which provides investors with security that the rental income is in line with inflation. Some leases have an indexation 'premium' under which the standard rental increase is based upon CPI or RPI plus a further 1 percentage point, reflecting top-ups by local authorities. For the purpose of the IFRS valuation, Jones Lang LaSalle assumed CPI to increase at 2.0% per annum and RPI to increase at 2.5% per annum over the term of the relevant leases.

As at 31 December 2018, the total rent passing was £17.4 million (excluding forward funding transactions). In this reporting period, 65 leases benefited from a rental uplift, equating to a total rental increase increment of £0.2 million over and above the original contracted rent.

## Pipeline and Outlook

We have been active in the Supported Housing market since 2014 and this has enabled us to build up longstanding relationships with Approved Providers, care providers and developers. Using our thorough but clear due diligence processes, we have established a reputation as a disciplined but pragmatic manager which understands and accounts for the risks of all of the parties involved in a Supported Housing transaction. We have sought to associate ourselves with high-quality deals and keep our commitments to Approved Providers, local authorities, care providers and developers. As a result, we can attract best-in-class Supported Housing development opportunities.

The pipeline for the coming year remains healthy, with current visibility on an aggregate value in excess of £400 million. Based on this pipeline, we anticipate investing the Group's available equity proceeds by the end of April 2019. The Group's available funding options, including the equity placing programme (available until October 2019) and revolving credit facility, provide us with the flexibility to accelerate deployment as necessary.

The developers we work with continue to engage with Approved Providers, care providers and local authorities to identify where the need for Supported Housing is most acute. It can take time to identify a suitable site for development or a property for renovation. Once a site or a property has been selected, planning permission may be required and further engagement with the local authority will be needed to set the rental level and verify demand for the specific asset. There can therefore be a significant time-lag between a property or site being identified and it being sufficiently de-risked for the Group to proceed with its purchase. For example, a new build asset can take over a year to get to the point where it is institutionally fundable. Consequently, the deals contained in the pipeline are at various stages of development and we have good visibility of future deal flow for up to 12 months before financial close.

We are increasingly focused on forward funding new-build projects that are inherently more complex and time-consuming than existing properties that only need to be renovated. However, the extra work required to forward fund is warranted as these are superior assets that have been built with the care requirements of the residents

considered at all stages of development. They also tend to be larger projects and the residents are typically longer term. As with nearly all of the Group's acquisitions, these properties are purchased off-market from developers who value certainty of process and long-standing relationships over achieving the best price possible through marketing each asset to a wide range of funders. Consequently, we expect yields to remain broadly in-line with what we have achieved to date although we are seeing some compression especially with the most attractive assets.

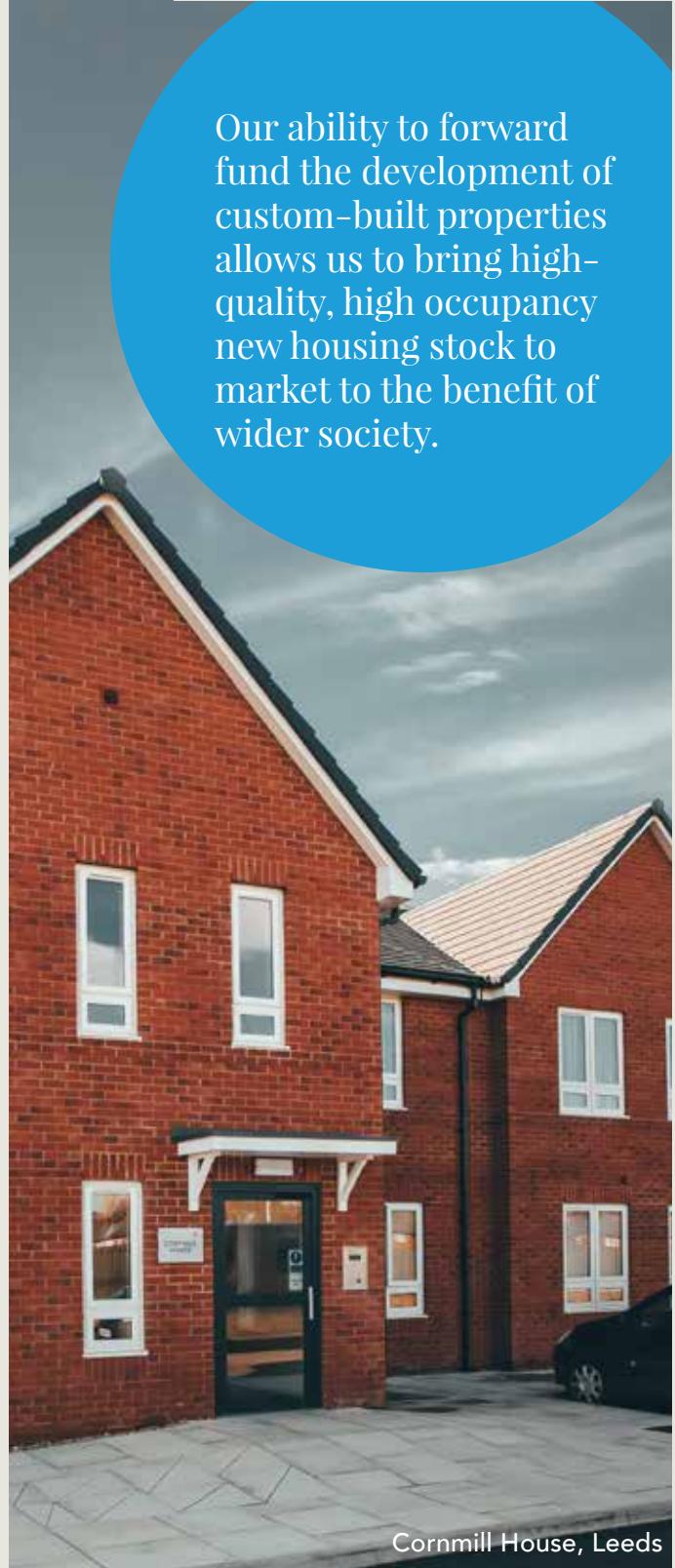
Understandably following the issues experienced by FPHA, Registered Providers in the Supported Housing sector are increasingly focused on managing risk and this can lead to protracted due diligence processes. Although this can slow down deployment, this is undoubtedly a good thing as it means that the general quality of transactions being done in the sector is high and always improving.

Over the next 12 months, as well as focusing on funding more new-build properties, we will also look to further diversify the care providers and Approved Providers that we work with. We expect that the geographic footprint of the portfolio will expand and we will continue to both strengthen existing developer relationships and forge new ones so that we can grow the Group's asset base in 2019 and beyond.



**Max Shenkman**  
Head of Investment  
28 March 2019

Our ability to forward fund the development of custom-built properties allows us to bring high-quality, high occupancy new housing stock to market to the benefit of wider society.



# FORWARD FUNDING

During 2018 the Group entered into 13 forward funding agreements of which six projects had their works certified as completed and seven had ongoing works as at 31 December 2018. The aggregate maximum commitment for the 13 forward funding agreements was £26.3 million, which accounted for 8.1% of total committed capital and 6.0% of GAV or 7.2% of NAV. Of the £26.3 million of maximum commitments made during the year, £9.5 million was outstanding at year end following construction progress. The chart opposite sets out the 13 forward funding projects the Group had entered into as at 31 December 2018, showing their time-frames and maximum commitments.

Forward funding, which the Group has offered from launch, provides benefits to all stakeholders.

For residents, forward funding creates bespoke properties of the highest quality, often designed in collaboration with commissioners, local authorities, care providers and Approved Providers to ensure they are tailored to the needs of residents. Likewise, residents struggling to find suitable accommodation benefit from the new stock that is brought to market by the construction of these new-build properties in areas of high demand.

For developers, forward funding provides construction funding at competitive rates (usually 50-100 bps above the net yield of the completed asset) with funding

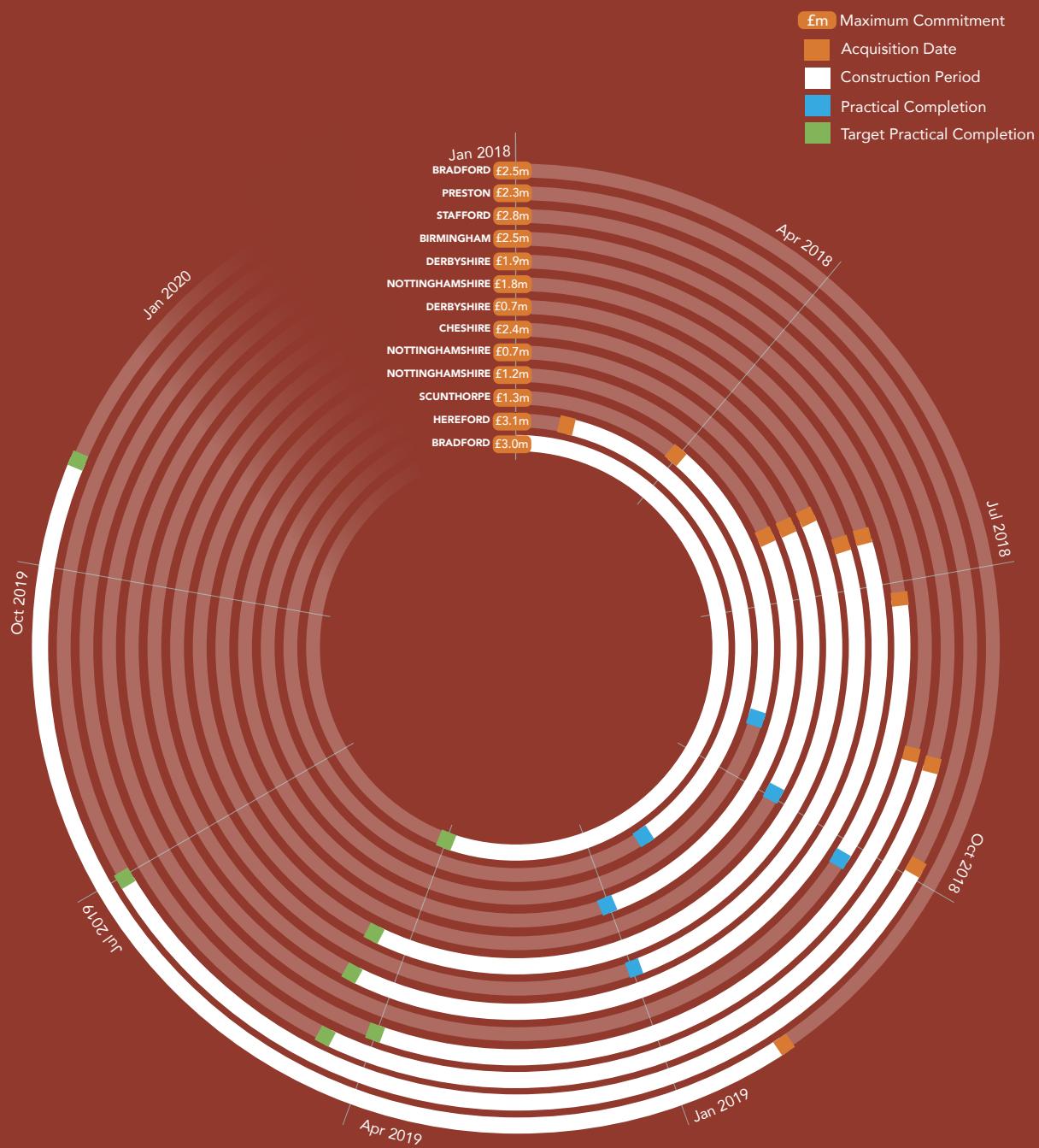
typically provided quicker than from alternative sources like banks. Similarly, forward funding offers developers the practical efficiency of having the construction funding provided by the same entity that will buy the completed asset, as well as giving developers a guaranteed buyer once construction of the project completes.

For the Group, forward funding creates strong relationships with developers, local authorities and commissioners (who benefit from the new accommodation that the schemes provide locally). In addition, forward funding gives the Group off-market access to schemes as well as the ability to shape and contribute to the successful creation of a scheme. Once construction completes, the Group owns high-quality properties that often benefit from valuation uplifts. The Group's first four completed forward funding schemes received an average valuation uplift of 4.9% on the amount the Group paid (as at 31 December 2018). Likewise, the Group's completed schemes enjoy strong levels of occupancy as a result of their high quality, which benefits the Group and its tenants, the Approved Providers.

The Group's ability to offer forward funding therefore provides a number of important financial and social benefits, as well as giving the Group a competitive advantage over market peers unable to provide the same offering.



## Portfolio Timeline



# FORWARD FUNDING



## Due Diligence and Risk Mitigation

On a forward funding scheme the Investment Manager completes all the due diligence it would on a normal scheme, including reviewing the report on title, the lease, the service level agreement, as well as conducting due diligence on the Approved Provider, the care provider, the rent level, and commissioner support.

With lawyers, the Investment Manager negotiates the forward funding agreement under which the Group allows the developer to draw down funds to pay for construction up to an agreed proportion of the maximum commitment. The agreement is

fixed-price, withholds developer profit until practical completion, provides for liquidated damages for delayed practical completion, charges the developer a rolled-up coupon for all funds drawn down, and withholds a retention post practical completion.

The Investment Manager conducts due diligence on the developer and the building contractor, including reviewing previous and ongoing projects, checking financial accounts, meeting key employees, and obtaining references.



## Design

The bespoke design of the building is agreed collaboratively between the Approved Provider, the care provider and the developer, in order to ensure the scheme is well adapted for future residents. Whether the individual residents are specifically identified ahead of construction, or just the user group is known, the building design can continue to be tailored to the needs of each resident as construction progresses. Forward funding ensures that everything from the building materials used through to the end furnishings are robust and well adapted.

Specifications and adaptations may include:

- Widened doorways and corridors
- Lifts
- Impact resistant walls
- Wall flush LED lights, fittings and fixtures
- Magnetic inbuilt window blinds allowing internal and external operation
- Observation windows in service areas
- Access controlled magnetic locks
- Secure outdoor spaces
- Inbuilt zone recognition systems that alert care practitioners via pagers to area activity

## Pre Construction

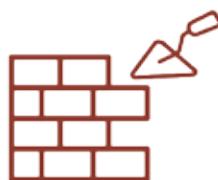
- The Investment Manager's lawyers and surveyors review the technical information. They review any consents (including planning), the site plans, the build programme, the development appraisal, and any health and safety processes and compliance. The site will be visited by the surveyors to report on the scheme's viability. The building contract between the developer and the building contractor is reviewed from both technical and legal perspectives.
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## Financial Close

Once the Investment Manager's due diligence completes and the transaction is approved, the Group buys the site on which construction will take place.

Simultaneously, the Group enters the forward funding agreement and takes the benefit of the agreement for lease, ensuring an Approved Provider will enter into a lease once the construction completes.



## Construction

At least monthly during construction the Group's fund monitor visits the site to ensure that construction is progressing. The fund monitor signs off the developer's employer's agent progress reports; verifies that the cost and timing of works are in line with the development appraisal; checks costs against invoices; and ensures the quality of works matches the agreed specification. This sign off allows the Group to release funds to the developer, with a rolled-up coupon charged on the amount drawn down. By rigorously reviewing the state of construction, any issues are quickly spotted and fixed.

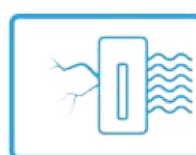
In addition, the Group's own quantity surveyor provides an extra monitor on all construction projects, liaising with fund monitors, developers and builders to ensure construction proceeds smoothly.

## Practical Completion

- Once construction is complete, the Group's fund monitor formally certifies practical completion, allowing the developer's profit (less a retention and the rolled-up coupon) to be released.

## Defects Certification

Once the defects liability period expires, the fund monitor revisits the scheme to confirm whether any snagging has been fixed and whether the final retention can be released.



## Defects Liability Period

Under the forward funding agreement, the Group retains a small portion of the maximum commitment to protect itself from snagging for a certain period after practical completion.

The length of this defects liability period depends on the size and length of the build but is typically 12 months from practical completion.



## Lease Signed

At this point, the lease to the Approved Provider is signed, generating lease payments to the Group.

Similarly, the service level agreement to the Group comes into effect at practical completion, underwriting the Approved Provider's voids.

Residents begin to fill the new property.

# SHIREBROOK, DERBYSHIRE Case Study

## Introduction

On 13 July 2018, following extensive due diligence, the Group acquired its ninth forward funding site at Shirebrook in Derbyshire. At the start of the project, the cost of works to be forward funded was forecast to be £907,236 over a seven-month build programme. The property is a high-specification Supported Housing

scheme comprising 12 self-contained one-bed apartments across three-stories, the apartments were designed in collaboration with the Approved Provider, care provider and local commissioner to meet the needs of residents.

## Construction

It includes specialist adaptations such as wet rooms, assistive technology and concierge control and access. The property benefits from a dedicated staff area catering for 24-hour staffing requirements, as well as 16 car parking spaces.



In March the site was cleared and foundations were laid.



In April the structure of the exterior building began to take shape and by May the roofing contractor completed the roof trusses.



In June and July the windows and staircases were installed and the site was made watertight.

The Group acquired the site on 13 July 2018 as part of the acquisition of the TPSHIL portfolio.

In August and September the interior building work including the specialist adaptations were completed.



In early October the final finishing touches were added.

## Practical Completion

Just short of three months later, the Group's fund monitor certified that construction had successfully completed on time, on budget and to specification.



## The Care Provider Moves In

Eden Futures is the care provider for the Shirebrook development. They specialise in the provision of care for a wide range of enduring mental health illnesses, Asperger's Syndrome, complex learning and physical disabilities, as well as autism and acquired brain injury.

They develop services around the individual at all stages of their care pathway – from help following discharge from hospital environments, to supported living and outreach assistance, to facilitation in accessing the local community. Eden Futures manage a large number of properties throughout the country which are home to over 600 service users supported by 1,100 care staff.

### Lauren

**“I think that the people who are living here are loving it. They’ve got their independence but they’ve also got the back up. They know if there is something wrong or if they’re ill, they can come to us.”**



Lauren Smith, Care Provider

**Residents Move In****Zoe**

Zoe Robinson, Resident

**“Really I’ve got my own independence and I can do whatever I want to do, that’s my favourite thing about living here.**

**I’ve made a lot of friends from all over the building. There are two residents who come up to my flat, we have a coffee, plait each other’s hair and we have a really good time.”**

# PORTFOLIO SUMMARY





Viewfield, Preston



Eldon Lodge, Bradford



Shirebrook, Derbyshire



London



Tangmere Gardens, London

### PORTFOLIO SUMMARY BY LOCATION

Key	County	Properties	% of funds invested
1	North West	76	25.1
2	East Midlands	39	16.1
3	West Midlands	35	14.1
4	North East	38	13.4
5	London	16	8.8
6	South East	23	7.5
7	Yorkshire	16	5.8
8	South	15	5.0
9	South West	10	2.9
10	East	3	1.0
11	South Wales	1	0.3
Total		272	100.0

**Diversification of the Group's portfolio, in terms of geography, local authority and Approved Provider, continued throughout 2018.**

# CORPORATE SOCIAL RESPONSIBILITY REPORT

## Sustainable Business

Acting in a sustainable and responsible manner is fundamental for the achievement of our long-term financial objectives. Our business model seeks to ensure that not only are our properties suitable for individuals with complex living needs but our portfolio continues to meet occupiers' evolving needs in the future. With ethical objectives in mind, we strive to provide value for investors and the wider community at the same time.

## Environment

We always seek to ensure that our properties improve the lives of occupiers, have a minimal detrimental impact on the local and wider environment and maximise shareholder value.

Offering occupiers resource-efficient and adapted living areas is critical to ensure our investments are fit for purpose and sustain their value over the long-term. As a landlord, we have the opportunity to help reduce running costs for our lessees and occupiers, increase occupier well-being and contribute to the prosperity of a location through supporting new building design and development.

Ignoring these issues when considering asset management and investments would risk the erosion of income and value as well as missing opportunities to enhance investment returns. Through construction, long-term use and eventual demolition, the built-up environment accounts for over a third of global energy consumption. In supporting the construction of new build properties, we hope to encourage best practice, in turn helping to reduce the industry's impact on emissions and the consumption of depleting resources. This is especially the case now, when issues such as climate change are in the public eye, meaning the property sector remains a prime target for policy action.

Policy presents new challenges and opportunities for the real estate industry and the social housing market, with potentially profound implications for both owners and occupiers. A good investment strategy must incorporate environmental and social issues alongside traditional economic considerations.

When acquiring assets, we look closely at their environmental impact, and encourage a sustainable approach for new development as well as the maintenance and upgrading of existing properties. Through our rigorous due diligence process, the high standards we expect from developers and significant investment in the Supported Housing sector, we have been able to provide capital and expertise that has enabled parties in the industry to professionalise. This increased professionalisation in the industry will lead to further high-quality housing being made available, alleviate the issue of low supply and enable us and the Approved Providers to support vulnerable residents further.

The Board has considered the requirements to disclose the annual quantity of emissions in tonnes of carbon dioxide equivalent for activities for which the Group is responsible and believes that the Group has no reportable emissions for the period ended 31 December 2018, and therefore has not included the information or methodologies for the calculation of emissions, for the following reasons:

- emissions from the Group's properties were the lessees' responsibility rather than the Group's;
- 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 Group has not leased or owned any vehicles which fall inside the scope of the GHG Protocol Corporate Standard.

## Community and Employees

Our assets provide multiple benefits to their local communities. They provide occupiers with safe and secure accommodation, tailored to meet their individual care needs, and Approved Provider lessees with a sustainable finance option, allowing them to expand the number of individual lives they can support and improve. In a circumstance where carers are needed – which is the case for the majority of our occupiers – this can stimulate local economies by moving jobs to the area. In development and refurbishment, we help create

employment. At the same time, our assets contribute a solution to the critical housing shortage in the UK.

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

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

## Diversity

We are an externally managed business and do not have any employees or office space. As such the Group does not operate a diversity policy with regards to any administrative, management and supervisory functions. A description of the Board's policy on diversity can be found on page 86.

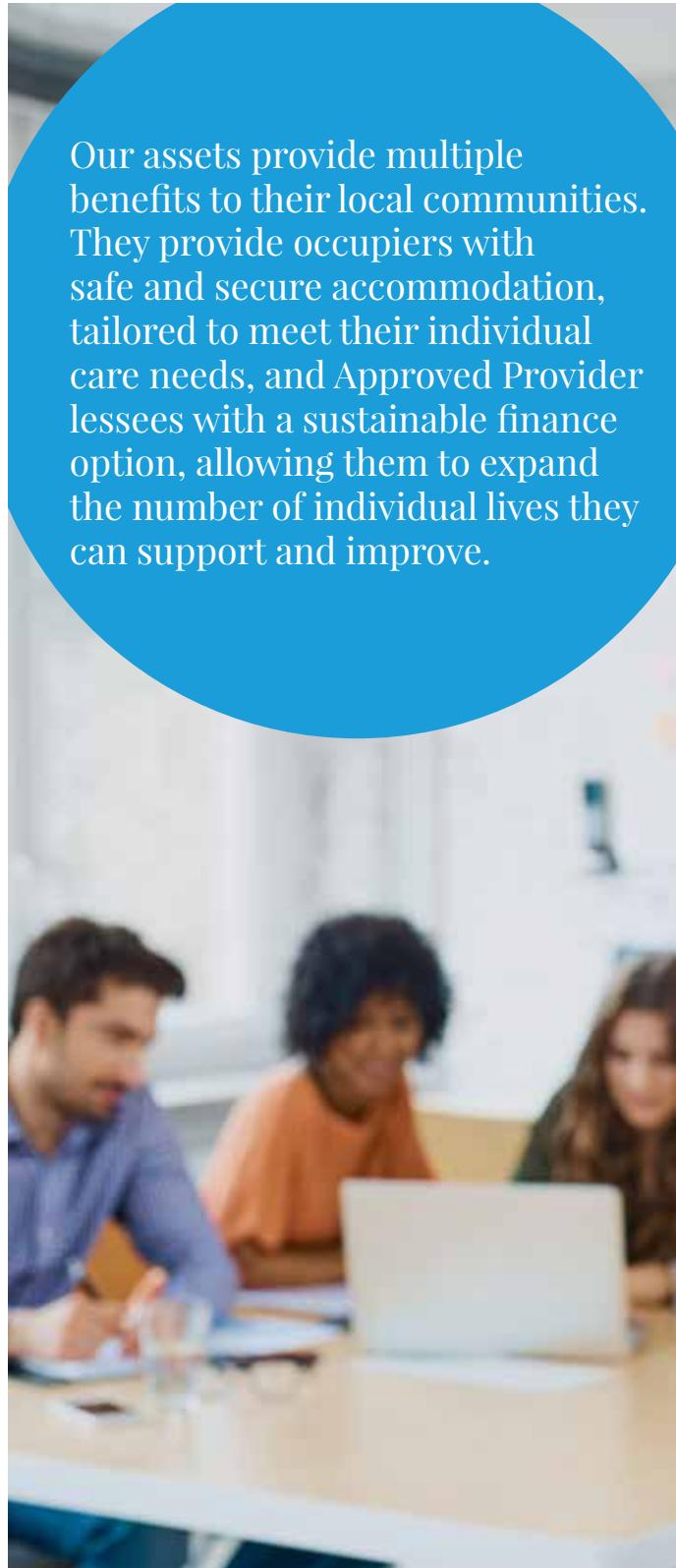
## Human Rights

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

The Board are satisfied that, to the best of their knowledge, the Company's principal advisers, which are listed in the Shareholder Information section on page 138, comply with the provisions of the UK Modern Slavery Act 2015.

Our business is solely in the UK and therefore we consider there is a low risk of human rights abuses.

Our assets provide multiple benefits to their local communities. They provide occupiers with safe and secure accommodation, tailored to meet their individual care needs, and Approved Provider lessees with a sustainable finance option, allowing them to expand the number of individual lives they can support and improve.





It is vital that the Group performs thorough due diligence on each Approved Provider.

# RISK MANAGEMENT

The Board recognises that effective risk management is key to the Group's success and that a proactive approach is critical to ensuring the sustainable growth and resilience of the Group.

We operate in a low-risk environment, focusing on a single sub-sector of the UK real estate market to deliver an attractive, growing and secure income for shareholders. We have a specific Investment Policy, as outlined on pages 26 to 28, which we adhere to and for which the Board has overall responsibility. As our risk appetite is low, we do not undertake speculative development. Furthermore, we have experienced lessees in our properties and we possess a portfolio of high-quality assets with a robust WAULT to them.

As an externally managed investment company, we outsource key services to the Investment Manager and other service providers and rely on their systems and controls. The Board undertakes a formal risk review, with the assistance of the audit committee, twice a year to assess and challenge the effectiveness of our risk management and internal control systems. A description of the key internal controls of the Group can be found on page 80. The AIFM, in conjunction with the Investment Manager, has responsibility for identifying potential risks at an early stage, escalating risks or changes to risk and

relevant considerations and implementing appropriate mitigations which are recorded in the Group's risk register. Where relevant the financial model is stress tested to assess the potential impact of recorded risks against the likelihood of occurrence and graded suitably. The principal risks that have been subject to this methodology are noted in the Risk Heat Matrix below. The Board regularly reviews the risk register to ensure gradings and mitigating actions remain appropriate.

Our risk management process is designed to identify, evaluate and mitigate (rather than eliminate) the significant risks we face and continues to evolve to reflect changes in the business and operating environment. The process can therefore only provide reasonable, and not absolute, assurance. It does however ensure a defined approach to decision making that decreases uncertainty surrounding anticipated outcomes, balanced against the objective of creating value for shareholders.

The Board has not identified or been advised of any failings or weaknesses in our risk management and internal control systems which it has determined to be material.

## Risk Heat Matrix



1. Expensive or lack of debt finance may limit our ability to grow and achieve a fully covered dividend
2. Floating rate debt exposes the business to underlying interest rate movements
3. Unable to operate within debt covenants
4. Default of one or more Approved Provider lessees
5. Forward funding properties involves a higher degree of risk than that associated with completed investments
6. Risk of an Approved Provider receiving a non-compliant financial viability or governance rating by the Regulator
7. Risk of changes to the social housing regulatory regime
8. Risk of not being qualified as REIT
9. Reliance on the Investment Manager
10. Property valuations may be subject to change over time

# RISK MANAGEMENT (Continued)

## Principal Risks and Uncertainties

The table below sets out what we believe to be the principal risks and uncertainties facing the Group. The table does not cover all of the risks that the Group may face. Additional risks and uncertainties not presently known to management or deemed to be less material at the date of this report may also have an adverse effect on the Group.

### 1. RISK CATEGORY - FINANCIAL

Expensive or lack of debt finance may limit our ability to grow and achieve a fully covered dividend

Risk Impact	Risk Mitigation	Impact
Without sufficient debt funding at sustainable rates, we will be unable to pursue suitable investments in line with our Investment Policy. This would significantly impair our ability to pay dividends to shareholders at the targeted rate.	When raising debt finance the Investment Manager adopts a flexible approach involving speaking to multiple funders offering various rates, structures and tenors. Doing this allows the Investment Manager to maintain maximum competitive tension between funders. After proceeding with a funder the Investment Manager agrees heads of terms early in the process to ensure a streamlined, transparent fund-raising process. The Board also keeps liquidity under constant review and we will always aim to have headroom in our debt facilities ensuring that we have a level of protection in the event of adverse fund-raising conditions.	 Likelihood  Change in Year 

### 2. RISK CATEGORY - FINANCIAL

Floating rate debt exposes the business to underlying interest rate movements

Risk Impact	Risk Mitigation	Impact
Interest on our debt facilities is payable based on a margin over Libor and Gilt rates. Any adverse movements in these rates could significantly impair our profitability and ability to pay dividends.	The Group considers cash flow forecasts and ensures 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 to fund the Group's operating activities. The Group's 10-year and 15-year MetLife tranches have a fixed rate coupon and the Board regularly reviews potential hedging arrangements which can be put in place at any time during the duration of the Lloyds facility.	 Likelihood  Change in Year

### 3. RISK CATEGORY - FINANCIAL

#### Unable to operate within debt covenants

Risk Impact	Risk Mitigation	Impact
<p>The borrowings the Group currently has and which the Group uses in the future may contain loan to value and interest covenants ratios. If property valuations and rental income decrease, such covenants could be breached, and the impact of such an event could include: an increase in borrowing costs; a requirement for additional cash collateral; payment of a fee to the lender; a sale of an asset or assets or a forfeit of any asset to a lender.</p> <p>This may result in the Group selling assets to repay drawn loan amounts resulting in a decrease on Group's Net Asset Value.</p>	<p>The Investment Manager monitors loan to value and interest covenants ratios on an ongoing basis. In the unlikely event that an event of default occurs under these covenants the Group has a sufficient remedy period to cure the covenant breach by either injecting cash collateral or equity funded assets in order to restore covenant compliance.</p>	

### 4. RISK CATEGORY - PROPERTY

#### Default of one or more Approved Provider lessees

Risk Impact	Risk Mitigation	Impact
<p>The default of one or more of our lessees could impact the revenue gained from relevant assets. If the lessee cannot remedy the default or no support is offered to the lessee by the Regulator of Social Housing, we may have to terminate or negotiate the lease, meaning a sustained reduction in revenues while a replacement is found.</p>	<p>Under the terms of our Investment Policy and restrictions, no more than 30% (although the Group has a target of 25%) of the Group's gross asset value may be exposed to one lessee, meaning the risk of significant rent loss is low. The lessees are predominantly regulated by the Regulator of Social Housing, meaning that, if a lessee was to suffer financial difficulty, it is likely that the Regulator of Social Housing would assist in making alternative arrangements to ensure continuity for residents who are vulnerable members of the community.</p>	

### 5. RISK CATEGORY - PROPERTY

#### Forward funding properties involves a higher degree of risk than that associated with completed investments

Risk Impact	Risk Mitigation	Impact
<p>Our forward funded developments are likely to involve a higher degree of risk than is associated with standing investments. This could include general construction risks, delays in the development or the development not being completed, cost overruns or developer/contractor default. If any of the risks associated with our forward funded developments materialised, this could reduce the value of these assets and our portfolio.</p>	<p>Before entering into any forward funding arrangements, the Investment Manager undertakes substantial due diligence on developers and their main subcontractors, ensuring they have a strong track record. We enter into contracts on a fixed price basis and then, during the development work, we defer development profit until work has been completed and audited by a chartered surveyor. Further, less than 10% of our portfolio is forward-funded at present and we are limited by our Investment Policy which restricts us to forward funding a maximum of 20% of the Group's net asset value at any one time. Ultimately, with these mitigating factors in place, the flexibility to forward fund allows us to acquire assets and opportunities which will provide prime revenues in future years.</p>	

## RISK MANAGEMENT (Continued)

### 6. RISK CATEGORY - REGULATORY

Risk of an Approved Provider receiving a non-compliant financial viability or governance rating by the Regulator

Risk Impact	Risk Mitigation	Impact
Should an Approved Provider with which the Group has one or more leases in place receive a non-compliant rating by the Regulator, in particular in relation to viability, depending on the further actions of the Regulator, it is possible that there may be a negative impact on the market value of the relevant properties which are the subject of such lease(s). Depending on the exposure of the Group to such Approved Provider, this in turn may have a material adverse effect on Group's Net Asset Value until such time as the matter is resolved through an improvement in the relevant Approved Provider's rating or a change in Approved Provider.	<p>As part of the Group's acquisition process, the Investment Manager conducts a thorough due diligence process on all Registered Providers with which the Company enters into lease agreements that takes account of their financial strength and governance procedures.</p> <p>The Investment Manager has established relationships with the Approved Providers with whom it works. The Approved Providers keep the Investment Manager informed of developments surrounding the regulatory notices.</p> <p>During the year two Approved Providers with which the Group has leases in place received non-compliant ratings.</p> <p>These assets did not suffer from an impairment in value as part of the Q4 valuation by the Group's independent valuer, Jones Lang LaSalle Limited.</p> <p>More detail on this risk can be found on pages 37 to 40.</p>	
		
		

### 7. RISK CATEGORY - REGULATORY

Risk of changes to the social housing regulatory regime

Risk Impact	Risk Mitigation	Impact
Future governments may take a different approach to the social housing regulatory regime, resulting in changes to the law and other regulation or practices of the Government with regard to social housing.	<p>As demand for social housing remains high relative to supply, the Board and the Investment Manager is confident there will continue to be a viable market within which to operate, notwithstanding any future change of government. Even if government funding was to reduce, the nature of the rental agreements the Group has in place means that the Group will enjoy continued lessee rent commitment for the term of the agreed leases.</p>	
		
		

## 8. RISK CATEGORY - REGULATORY

### Risk of not being qualified as REIT

Risk Impact	Risk Mitigation	Impact
If the Group fails to remain in compliance with the REIT conditions, the members of the Group will be subject to UK corporation tax on some or all of their property rental income and chargeable gains on the sale of properties which would reduce the funds available to distribute to investors.	The Group intends to continue to operate as a REIT and work within its investment objective and policy. The Group will retain legal and regulatory advisers and consult with them on a regular basis to ensure it understands and complies with the requirements. In addition, the Board oversees adherence to the REIT regime, maintaining close dialogue with the Investment Manager to ensure we remain compliant with legislation.	 <b>Likelihood</b>  <b>Change in Year</b> 

## 9. RISK CATEGORY - CORPORATE

### Reliance on the Investment Manager

Risk Impact	Risk Mitigation	Impact
We continue to rely on the Investment Manager's services and its reputation in the social housing market. As a result, our performance will, to a large extent, depend on the Investment Manager's abilities in the property market. Termination of the Investment Management Agreement would severely affect our ability to effectively manage our operations and may have a negative impact on the share price of the Company.	Unless there is a default, either party may terminate the Investment Management Agreement by giving not less than 12 months' written notice, which may not expire before August 2020. The Board regularly reviews and monitors the Investment Manager's performance. In addition, the Board meets regularly with the Manager to ensure that we maintain a positive working relationship.	 <b>Likelihood</b>  <b>Change in Year</b> 

## 10. RISK CATEGORY - FINANCIAL

### Property valuations may be subject to change over time

Risk Impact	Risk Mitigation	Impact
Property valuations are inherently subjective and uncertain. Market conditions, which may impact the creditworthiness of lessees, may adversely affect valuations. The portfolio is valued on a Market Value basis, which takes into account the expected rental income to be received under the leases in future. This valuation methodology provides a significantly higher valuation than the Vacant Possession value of a property. In the event of an unremedied default of an Approved Provider lessee, the value of the assets in the portfolio may be negatively affected.	All of the Group's property assets are independently valued quarterly by Jones Lang LaSalle, a specialist property valuation firm, who are provided with regular updates on portfolio activity by the Investment Manager. The Investment Manager meets with the external valuers to discuss the basis of their valuations and their quality control processes. Default risk of lessees is mitigated in accordance with the lessee default principal risk explanation provided above. In order to protect against loss in value, the Investment Manager's property management team seeks to visit each property in the portfolio once a year, and works closely with lease counterparties to ensure, to the extent reasonably possible, their financial strength and governance procedures remain robust through the duration of the relevant lease.	 <b>Likelihood</b>  <b>Change in Year</b> 
Any changes could affect the Group's net asset value and the share price of the Group.		

# GOING CONCERN AND VIABILITY

## Going Concern

The Strategic Report and financial statements have set out the current financial position of the Group and parent Company. The Board has regularly reviewed the position of the Company and its ability to continue as a going concern in Board meetings throughout the period. The Company has targeted high-quality properties in line with yield expectations and will continue to analyse investment opportunities to ensure that they are the right fit for the Group.

The Group has invested £302.6 million up to 31 December 2018, and £21.0 million since the year end. The cash balance of the Group at period end was £114.6 million, of which £97.3 million was readily available for use. As stated in the Strategic Report, the Investment Manager has identified a visible pipeline of over £400 million of attractive investment opportunities for acquisition over the next 12 months. The Board has evaluated the financial position of the Group and plans to raise both debt and equity capital, as necessary, in order to fund the Group's investments for the next 12 months. Income generated from the Group's portfolio of assets is expected to facilitate the payment of dividends to shareholders at the targeted rate. Based on this, the Board believes that the Group is in a position to manage its financial risks for the foreseeable future.

The Board believes that there are currently no material uncertainties in relation to the Group's and Company's ability to continue for a period of at least 12 months from the date of the Group and parent Company's financial statements and, therefore, has adopted the going concern basis in the preparation of the financial statements.

## Viability Statement

In accordance with Principle 21 of the AIC Code, the Board has assessed the prospects of the Group over a period longer than 12 months required by the relevant "Going Concern" provisions. The Board has considered the nature of the Group's assets and liabilities, and associated cash flows, and has determined that five years, up to 31 December 2023, is the maximum timescale over which the performance of the Group can be forecast with a material degree of accuracy and therefore is the appropriate period over which to consider the viability.

In determining this timescale the Board has considered the following:

- That the business model of the Group assumes the future growth in its investment portfolio through the acquisition of Supported Housing assets which are intended to be held for the duration of the viability period
- The length of the service level agreements between Approved Providers and the care providers is typically five years
- The future growth of its investment portfolio of properties is achieved through long-term, inflation linked, fully repairing and insuring leases
- The Group's property portfolio has a WAULT of 27.2 years to expiry, representing a secure income stream for the period under consideration
- The Group's floating rate Revolving Credit Facility has an initial term of four years which may be extended by a further two years.

In assessing the Company's viability, the Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency, liquidity and dividend cover for a five year period.

The Directors' assessment has been made with reference to the principal risks and uncertainties summarised on pages 60 to 63 and how they could impact the prospects of the Group and Company both individually and in aggregate.

The business model was subject to a sensitivity analysis, which involved flexing a number of key assumptions underlying the forecasts. The sensitivities performed were designed to provide the Directors with an understanding of the Group's performance in the event of severe but plausible downturn scenario, taking full account of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks outlined below:

1. Approved Providers defaulting under a lease having a negative impact on rental income and valuations:
  - the viability model has been stressed by a 10% reduction in rental income. The 10% reduction in rent was chosen to represent either a mid-sized Approved Provider becoming insolvent or a major sectoral change that may affect the ability of an Approved Provider to pay full rents. It is assumed that the loss in income has an impact

on the valuation of the portfolio, 90% remains at full valuation and 10% at vacant possession value assumed to be approximately 47% of the full market value. Under the 12 month going concern model rents are reduced by 25% to represent a scenario whereby an Approved Provider, to which the Group had it reached its maximum target exposure, became insolvent.

2. Deterioration in economic outlook which could impact the fundamentals of the social housing sector, including a negative impact on valuations and rental uplifts:

- the business model has been stressed to exclude all rental uplifts which has an impact on the valuation of the portfolio and the ability to pay covered dividends.
- the business model has been stressed with an adverse impact on the yield which has an impact on covenant testing.

3. Lack of availability of debt financing or other capital:

- in the normal course of business, financing is arranged in advance of expected requirements and the business model assumes that the Directors have reasonable confidence that additional or replacement debt facilities will be put in place during 2019 to bring leverage up to the target of 40%. No further financing is assumed in the business model after 2019.

The outcome in the downturn scenario on the Group's covenant testing is that there are no breaches and the Group can maintain a covenant headroom on existing facilities.

In the downturn scenario mitigating actions to reduce variable costs would be required to enable the Group to meet its future liabilities.

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

Based on the results of this analysis, the Directors have a reasonable expectation that the Group and Company will be able to continue in operation and meet its liabilities as they fall due for the next five years.



Thatto Heath, Liverpool

# BOARD APPROVAL OF THE STRATEGIC REPORT

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The Strategic Report has been approved by the Board of Directors and signed on its behalf by:



**Chris Phillips**

Chairman

28 March 2019



We have every intention  
of continuing to buy  
high-quality properties  
as we move ahead in  
2019.



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## Governance

## CHAIRMAN'S LETTER



**Chris Phillips**, Chairman

It is my duty, together with the rest of the Board, to ensure that the principles on matters such as leadership, board effectiveness, financial accountability and risk management underpin everything we do and are rigorously applied. Our approach to these issues influences the way in which the Group conducts itself, its definition of success and its attitude to risk and social matters.

We believe that good governance provides the foundation for an open, informed and transparent environment which supports good decision making and encourages constructive communications with our shareholders. We will continue to actively engage to explain our business model and strategy and remain committed to providing transparency in how we deliver value to our shareholders and other stakeholders.

During the year, the Board spent time reviewing the Group's longer-term strategy and focused further on ensuring a consistent, high-quality approach to due diligence and development. It is vital that the Group performs thorough due diligence on each Approved Provider before leases are signed as well as ongoing due diligence to ensure they remain financially solvent, achieve full occupancy and that they maintain properties appropriately. Equally, although the Group does not have a direct contractual relationship with Care Providers, it is imperative that we conduct full due

diligence both before acquiring a new scheme and on an ongoing basis to ensure that the Care Provider remains financially prudent and compliant with CQC regulation and best practices. The Investment Manager maintains a detailed risk register setting out KPIs for the tenants and care providers that the Group has the most exposure to. We spent considerable time reviewing these and it is one of several measures that we challenge in order to ensure that we attain a best in class due diligence process.

Our Nomination Committee led the process to recruit a new non-executive Director and Tracey Fletcher-Ray joined the Board on 1 November 2018. Tracey brings considerable expertise as both an executive and non-executive in the care and support, property and Supported Housing sectors. A key strength of the Board lies in our diversity across a range of measures, including skills and experience, and this diversity has been further reinforced by Tracey's appointment.

This year also saw our first Board evaluation which I facilitated along with our Senior Independent Director, Ian Reeves, and the Company Secretary. As a Board, we have identified areas of development to ensure that we continue to operate in an open and transparent way and constructively challenge and support the Investment Manager. The Board's evaluation process is more fully described on pages 76 to 77.

The Board remains focused on building upon our high standards of governance in order to support the strategic direction of the Group and deliver ethical, sustainable long-term value for shareholders and other stakeholders. In this section of the annual report we report on our compliance with the principles of corporate governance and highlight the key governance events which have taken place in the year.

A handwritten signature in black ink, appearing to read "R. Phillips".

**Chris Phillips**  
Chairman  
28 March 2019

## Corporate Governance Statement

The Board has considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Group.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to shareholders.

The Group has complied with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive
- executive Directors' remuneration
- the need for an internal audit function

For the reasons set out in the AIC Guide, and as explained in the UK Corporate Governance Code, the Board considers these provisions are not relevant to the Group, being an externally managed investment group. In particular, all of the Group'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 Group has therefore not reported further in respect of these provisions.

The Group is committed to the principles in the AIC Code to ensure that it meets the obligations in relation to the UK Corporate Governance Code and paragraph 9.8.6 of the Listing Rules. The AIC Code is available from the AIC website at <https://www.theaic.co.uk/aic-code-of-corporate-governance-0>

On behalf of the Board:



**Chris Phillips**  
Chairman  
28 March 2019

## BOARD OF DIRECTORS



Left to right: Paul Oliver, Peter Coward, Tracey Fletcher-Ray, Chris Phillips and Ian Reeves CBE

### Chris Phillips, Chairman (68)

Appointed	17 July 2017
Committee memberships	Management engagement committee (Chairman) Nomination committee
Skills and experience	Extensive experience of real estate and listed companies. Of note, Chris' role at Colliers where, after heading its residential consultancy business, he became the first Managing Director of Colliers Capital UK Limited (Colliers commercial real estate property fund), from 1998 to 2005.
Principal external appointments	Places for People Group Limited (Chairman) London & Newcastle 2010 Holdings Limited (Chairman) NCL Technology Ventures Limited (Chairman) Apex Housing Group Limited (Chairman)

## Ian Reeves CBE, Senior Independent Director (74)

Appointed	17 July 2017
Committee memberships	Audit committee Management engagement committee Nomination committee (Chairman)
Skills and experience	<p>Ian is senior partner and co-founder of Synaps Partners LLP. He is visiting Professor of infrastructure investment and construction at The Alliance Manchester Business School, chairman of GCP Infrastructure Investments Limited and Chairman of The Estates and Infrastructure Exchange (EIX).</p> <p>Ian was founder and Chairman of High-Point Rendel Group a pioneering management and engineering consultancy company with a global network of offices. He has been president and CEO of Cleveland Bridge, Chairman of McGee Group, Chairman of Constructing Excellence and Chairman of the London regional council of the CBI.</p> <p>Ian was awarded his CBE in 2003 for services to business and charity.</p>
Principal external appointments	GCP Infrastructure Investments Limited (Chairman) Synaps Partners LLP (Senior Partner and co-founder) The Estates and Infrastructure Exchange (Chairman)

## Peter Coward, Non-executive Director (62)

Appointed	17 July 2017
Committee memberships	Audit committee (Chairman) Management engagement committee Nomination committee
Skills and experience	Peter is a chartered accountant with international commercial and corporate finance experience. He has over 25 years' experience as a Senior Tax Partner at PricewaterhouseCoopers specialising in property, and has worked with a wide range of firms to develop a knowledge and understanding of tax regimes worldwide and of organisational and project structuring to optimise the tax position.
Principal external appointments	True Potential Group Limited (Director) Chancery Gate Limited (Director)

## Paul Oliver, Non-executive Director (63)

Appointed	17 July 2017
Committee memberships	Audit committee Management engagement committee Nomination committee
Skills and experience	Paul has over 35 years' experience in real estate development and investment management, and has been at the forefront of the establishment of property funds since 1991 launching Teesland plc on the LSE and building funds under management to €6.5 billion in 2007.
Principal external appointments	Curlew Alternative Asset Management Limited (CEO)

## Tracey Fletcher-Ray, Non-executive Director (54)

Appointed	1 November 2018
Committee memberships	Audit committee (appointed 24 January 2019) Management engagement committee (appointed 24 January 2019)
Skills and experience	<p>Tracey has considerable expertise as an executive and non-executive in the care and support sectors. Tracey is currently non-executive director to L&amp;Q Group, one of the UK's largest Housing Associations and developers, and Managing Director of Caring Homes, a leading provider of care homes for the elderly.</p> <p>She spent nearly two years as Managing Director at Berendsen PLC, where she was in charge of developing the company's healthcare business, strategy and growth and eight years at Bupa UK, holding Managing Director roles in the Care Home business which involved contracting with and providing services on behalf of local authorities and the NHS, and Bupa Health Clinics, operating as a member of the Bupa UK Board.</p>
Principal external appointments	L&Q Group (Non-executive Director) Caring Homes (Managing Director)

### Changes to the Board

The appointment of Tracey Fletcher-Ray as a non-executive Director is disclosed in this section. There were no other changes to the Board during 2018 and up until the date of this annual report.

# CORPORATE GOVERNANCE

## Responsibilities

The Board is responsible for leading and controlling the Group and has oversight over the management and conduct of the Group's business, strategy and development. The Board determine the Group's Investment Objective and Investment Policy and has overall responsibility for the Group's activities, including a review of investment activity and performance.

The Board is also responsible for the control and supervision of the AIFM and the Investment Manager and compliance with the principles and recommendations of the AIC Code. The Board ensures the maintenance of a sound system of internal controls and risk management (including financial, operational and compliance controls) and reviews the overall effectiveness of systems in place. They are responsible for approval of any changes to the capital, corporate and/or management structure of the Group.

The Board's main focus is the sustainable long-term success of the Group to deliver value for shareholders. The Board does not routinely involve itself in day-to-day business decisions but there is a formal schedule of matters that requires the Board's specific approval, as well as those which can be delegated to the Board committees, the AIFM or the Investment Manager. The Board retains responsibility for all such delegated matters.

The AIFM is responsible for portfolio management and risk management of the Group pursuant to AIFMD. The AIFM has delegated the portfolio management of the Group to the Investment Manager. The Investment Manager also provides certain property management services to the Group, including the preparation of budgets for the properties and co-ordinating with third parties providing services to the Group.

The key matters reserved to the Board are:

- Board membership and powers including the appointment and removal of Board members;
- establishing the overall control framework, Stock Exchange related matters, including the approval of communications to the Stock Exchange, and communications with shareholders, other than announcements of a routine nature;
- key commercial matters, including review of all investments and divestments, and any significant changes in lease terms;
- the appointment, termination, and regular assessment of the performance of the principal advisers, including the AIFM, the Investment Manager, Tax Advisers, Legal Advisers, Joint Financial Advisers, Administrator and Company Secretary, Broker, Registrar, PR Adviser and Auditor;
- the approval of the budget and financial models;
- the approval of annual and half yearly financial reports, to 31 December and 30 June respectively, dividends, accounting policies and significant changes in accounting practices;
- the approval of the net asset value calculation prepared by the Administrator on a quarterly basis at 31 March, 30 June, 30 September and 31 December each year;
- the review of the adequacy of corporate governance procedures;
- the review of the risk inventory and the effectiveness of internal controls;
- approval of changes to the Group's capital structure, dividend policy, treasury policy, borrowing facilities and any banking relationships, hedging strategy, cash management, the Group's business strategy, acquisitions and disposals of investments and capital expenditure;
- approval of any related party transactions subject to further regulatory requirements; and
- oversight of the Group's operations ensuring compliance with statutory and regulatory obligations.

## Board Membership and Meeting Attendance

During the year to 31 December 2018, the number of scheduled Board meetings attended by each Director was as follows:

Director	Attendance <sup>20</sup>
Chris Phillips (Chairman)	17/17
Ian Reeves CBE	17/17
Peter Coward	17/17
Paul Oliver	14/17
Tracey Fletcher-Ray <sup>21</sup>	1/2

## Composition

The Group has a non-executive Chairman and four other non-executive Directors, including a Senior Independent Director, all of whom were considered independent on and since their appointment. All of the Directors are independent of the Investment Manager and the AIFM.

Chris Phillips is the Chairman of the Board. The Chairman is responsible for leadership and oversight of the Board to ensure that it functions effectively. The Chairman sets the agenda for the Board and, in conjunction with the Company Secretary, ensures that accurate, timely and clear information is circulated to the Directors, and sufficient time is given in meetings to review all agenda items thoroughly. He promotes constructive debate and facilitates a supportive, co-operative and open environment between the Investment Manager and the Directors. He is also responsible for ensuring that the views of shareholders are communicated to the Board as a whole.

Ian Reeves is the Senior Independent Director and, if required, will deputise for the Chairman. In addition to the Chairman, he is available to talk to shareholders if they have any issues or concerns, or if there are any unresolved matters that shareholders believe should be brought to his attention.

The Directors hold or have held senior positions in industry and commerce and contribute a wide range of skills, experience and objective perspective to the Board. Through the Board committees, the Directors bring focus and independence to strategy, governance, internal controls and risk management.

The Directors' other principal commitments are listed on pages 72 to 73. During the year, the Board was satisfied that all Directors were able to commit sufficient time to discharge their responsibilities effectively having given due consideration of the Chairman's and the other Directors' external appointments. The Directors were advised on appointment of the expected time required to fulfil their roles and have confirmed that they remain able to make that commitment. All material changes in any Director's commitments outside the Group are required to be, and have been, disclosed prior to the acceptance of any such appointment.

## Board Committees

The Board has established a management engagement committee, an audit committee and a nomination committee. Given that the Company has no executive Directors or other employees; the Board does not consider it necessary to establish a separate remuneration committee. The functions and activities of each of the committees are described in their respective reports.

## Board Meetings

The Board meets formally at least on a quarterly basis with additional meetings as they may decide are required from time to time. During 2018, the Board held four scheduled meetings and thirteen further meetings attended by those Directors available at the time, to deal with transactional and specific events such as the equity raises, debt financing and for the purpose of considering potential transactions and associated due diligence.

The Chairman sets the agenda for the meetings, the papers for which are circulated by the Company Secretary prior to each meeting to ensure that the Directors receive accurate, clear and timely information to help them to discharge their duties. For this purpose, the Board receives periodic reports from the AIFM and the Investment Manager detailing the performance of the Group. The primary focus at the meetings are a review of investment opportunities, investment performance and associated matters such as cash flow and dividend cover, counterparty due diligence, gearing, asset allocation and management, marketing/investor relations, peer group information and industry issues.

<sup>20</sup> Number of scheduled meetings attended/maximum number of meetings that the Director could have attended

<sup>21</sup> Tracey Fletcher-Ray was appointed to Board on 1 November 2018

# CORPORATE GOVERNANCE (Continued)

## Discussions of the Board

During the year the Board considered the following matters:

- approval of various matters in connection with the Company's placing, open offer and offer for subscription of new C Shares in March 2018 and of new Ordinary Shares in October 2018;
- the conversion of the C Shares into new Ordinary Shares in August 2018;
- the purchase by the Company of the entire issued share capital of TP Social Housing Investments Limited in July 2018;
- the terms of the long-dated fixed-rate, interest-only private placement of loan notes for £68.5 million in July 2018 and of the £70 million Revolving Credit Facility in December 2018;
- the potential use of hedging arrangements in connection with the Revolving Credit Facility;
- the Group's longer-term strategy;
- working capital and dividend cover models;
- updates on government or regulatory developments within the social housing sector;
- the declaration of the Company's interim dividends;
- the Group's due diligence process;
- the risk profile of the Group and its counterparties;
- capital deployment, investment pipeline and review of rejected deals;
- the Group's compliance with the REIT regime;
- the Group's communication strategy;
- the Group's property insurance;
- the key performance indicators by which the Group measures success;
- review of quarterly management accounts;
- half yearly broker report regarding the Company's share price rating, performance and trading and NAV performance;
- analysis of the Company's shareholder register; and
- a quarterly review of corporate governance compliance, Group subsidiary activity and depositary report.

## Performance Evaluation

The Directors recognise that the evaluation process is a significant opportunity to review the practices and performance of the Board, its committees and its individual Directors and to implement actions to improve the Board's focus and effectiveness which contribute to the Group's success. The Board has established a formal process to evaluate its own performance each year.

During 2018, the Chairman and Company Secretary agreed the scope of the evaluation which considered, amongst other areas, the Board's composition and balance, leadership, efficiency of Board processes, how Directors work together, the work of the Board during the year and its ongoing development. The Directors were asked to complete a questionnaire which was reviewed and scored. The Chairman held discussions with each Director to obtain open and constructive feedback on their view on the effectiveness of their own individual contribution and the Board, as a whole.

The Senior Independent Director was responsible for the annual performance appraisal of the Chairman and presented the feedback from this process and his recommendations to the nomination committee.

Having conducted its performance evaluation, the Board believe that it, and each of its committees, has been effective in carrying out their objectives and that each individual Director has been effective and demonstrated commitment to the role. The Board discussed the challenges and opportunities that were identified through the performance evaluation and agreed appropriate development points on which progress will be assessed in the next financial period.

Challenges and Opportunities	2019 Development Points
Board and committee succession planning	To continue consideration of Board composition and experience and to assess succession planning including emergency succession planning needs.
Strategic objectives	To continue to refine the strategic review process and dedicate further time to consider the macro environment and its impact on the Company.
Board reporting and counterparty monitoring	To enhance the standardised reporting provided to the Board by the Investment Manager further by extending information flow so as to develop a more comprehensive understanding of counterparty due diligence and portfolio performance.

A full performance evaluation of the Board, its committees and the individual Directors will continue to be conducted annually and the Chairman will consider the need for an externally facilitated Board evaluation in due course.

## Conflicts of Interests

The Group operates a conflict of interest policy that has been approved by the Board and sets out the approach to be adopted and procedures to be followed where a Director, or such other persons to whom the Board has determined the policy applies, has an interest which conflicts, or potentially may conflict, with the interests of the Group. Under the policy and the Company's Articles of Association, the Board may authorise potential matters of conflict that may arise, subject to imposing limits or conditions when giving authorisation, if this is appropriate.

The Group reserves the right to withhold information relating, or relevant, to a conflict matter from the Director concerned and/or to exclude the Director from any Board information, discussions or decisions which may or will relate to that matters of conflict or where the Chairman considers that it would be inappropriate for such Director to take part in the discussion or decision or to receive such information. Procedures have been established to monitor actual and potential conflicts of interest on a regular basis and the Board is satisfied that these procedures are working effectively.

In order to avoid any potential conflicts of interest, due to his position as Chairman of Places for People,

Chris Phillips does not, in his capacity as a Director of the Company, vote on, or participate in a quorum in connection with, any matter to be decided on by the Board which concerns an agreement or other arrangement between the Group and Places for People or any group company of Places for People. To date, no such situation has occurred.

The AIFM and Investment Manager maintain conflicts of interest policies to avoid and manage any conflicts of interest that may arise between themselves and the Group. The Investment Manager has established a clear and robust framework to ensure that any conflicts of interest are appropriately governed that includes:

- potential conflicts where the Investment Manager is party to the transaction;
- the Investment Manager's obligation to, as far as reasonably practical, exclusively offer all new investment opportunities to the Group; and
- other conflict matters, in particular regarding the value, quality or other terms relating to the acquisition or disposal of assets from or to the Group or provision of debt funding by the Investment Manager to the Group.

# CORPORATE GOVERNANCE (Continued)

## Professional Development

The Directors received a comprehensive induction programme on joining the Board that covered the Group's investment activities, the role and responsibilities of a Director and guidance on corporate governance and applicable regulatory and legislative landscape. The Directors' training and development was assessed as part of the annual effectiveness evaluation and, in any event, the Chairman regularly reviews and discusses the development needs with each Director. Each Director is fully aware that they should take responsibility for their own individual development needs and take the necessary steps to ensure they are wholly informed of regulatory and business developments. During the period, the Directors received periodic guidance and training on regulatory and compliance changes.

Tracey Fletcher-Ray joined the Board as a non-executive Director in November 2018. Tracey met with various employees from the Investment Manager for an overview of the corporate and business aspects of the Group as well as specifics around the Supported Housing sector, the Group's portfolio and the due diligence process. She also met with the Group's legal advisers and the Company's brokers. Directors' duties and responsibilities, governance and Board related matters were discussed with the Company Secretary.

## Shareholder Engagement

The Group encourages active interest and contribution from both its institutional and private investors and responds promptly to all queries received by the Group. The Board recognises the importance of maintaining strong relationships with shareholders and the Directors place a great deal of importance on understanding shareholder sentiment.

The Investment Manager and the Group's Joint Financial Advisers regularly meet and receive calls from shareholders and analysts in order to understand their views and the Group's broker speaks to shareholders regularly and ensures shareholder views are communicated to the Board. The Board take responsibility for, and have a direct involvement in, the content of communications regarding major corporate matters.

Shareholders are encouraged to attend and vote at the Company's shareholder meetings, so they can discuss governance and strategy with the Directors and the Board can enhance its understanding of shareholder views. The Board will make itself available at the Group's shareholder meetings to answer any shareholder questions and the Chairman makes himself available, as necessary, outside of these meetings to speak to shareholders. During the year the Chairman met with the Company's major shareholders to discuss a variety of topics including the Company's fundraising activity.

The Board is committed to providing investors with regular announcements of significant events affecting the Group and all investor documentation is available to download from the Group's website <https://www.triplepointreit.com>

# AUDIT COMMITTEE REPORT



**Peter Coward**, Audit Committee Chairman

## Responsibilities

The audit committee has the primary responsibility of reviewing the financial statements and the accounting principles and practices underlying them, liaising with the external auditors and reviewing the effectiveness of the Group's internal controls.

The main role of the audit committee is to:

- provide formal and transparent arrangements for considering how to apply the financial reporting and internal control principles set out in the AIC Code and to maintain an appropriate relationship with the external auditors;
- where requested, provide advice to the Board on whether 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 position and performance, business model and strategy;
- monitor the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained in them;
- review the Group's internal financial controls and the Group's internal control and risk management systems;

- make recommendations to the Board to put to the shareholders for their approval in general meeting in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;
- report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and make recommendations as to the steps to be taken; and
- report to the Board on how it has discharged its responsibilities.

## Committee Membership

The audit committee comprises all the Directors, with the exception of Chris Phillips, and is chaired by Peter Coward. Tracey Fletcher-Ray was appointed to the audit committee on 24 January 2019.

The Board is satisfied that at least one member of the audit committee has recent and relevant financial experience. Peter Coward is qualified as a Chartered Accountant and was, until the end of June 2016, a Senior Tax Partner at PwC specialising in property. The Board is also satisfied that the committee as a whole have competence relevant to the sector in which the Group operates.

## Meeting Attendance

The audit committee met twice in the financial year and the meetings were attended by each member as follows:

Director <sup>22</sup>	Attendance <sup>23</sup>
Peter Coward (Chairman)	2/2
Ian Reeves CBE	2/2
Paul Oliver	1/2

<sup>22</sup> Tracey Fletcher-Ray was appointed to the audit committee on 24 January 2019 and, therefore, was not eligible to attend any meetings in the financial year to 31 December 2018

<sup>23</sup> Number of scheduled meetings attended/maximum number of meetings that the Director could have attended

# AUDIT COMMITTEE REPORT (Continued)

## Activities

The audit committee meets at least twice a year to consider the annual report and interim report and any other matters as specified under the committee's terms of reference. During the period, the audit committee discussed the annual audit process and risk areas, reviewed the Group's KPIs and principal risks and uncertainties and stress tested the Group's working capital model. In addition, the committee considered the Group's short- and medium-term cash flows and dividend cover and the accounting and tax treatment of forward funded deals.

## Internal Control and Risk Management

The Group has an ongoing process in place for identifying, evaluating and managing the principal risks faced by the Group. From admission, the Board satisfied itself that the procedures for identifying the information needed to monitor the business and manage risk so as to make proper judgements on financial position and prospects were robust. The audit committee reviewed and monitored these processes, in addition to the procedures of the Company Secretary and Administrator appointed during the year and confirmed they remained appropriate. The Group has in place the following key internal controls:

- a risk register identifying risks and controls to mitigate their potential impact and/or likelihood is maintained by the AIFM subject to the supervision and oversight of the committee;
- a procedure to ensure that the Group can continue to operate as a REIT;

- internal control reports of the Investment Manager, Administrator and Depositary are reviewed by the committee;
- the Investment Manager and Administrator prepare forecasts and management accounts which allow the Board to assess performance; and
- there is an agreed and defined Investment Policy, specified levels of authority and exposure limits in relation to investments, leverage and payments.

The Board also receives a quarterly depositary report prepared by Langham Hall UK Depositary LLP who are responsible for cash monitoring, asset verification and oversight of the Group and the Investment Manager in performing its function under the AIFMD. The Depositary reports its findings on a quarterly basis during which it monitors and verifies all new acquisitions, share issues, loan facilities, shareholder distributions and other key events. In addition, on an ongoing basis, the Depositary tests the quarterly management accounts, bank reconciliations and performs a quarterly review of the Group when discharging its duties.

Taking into account the review of the reports provided and its knowledge of the business, the audit committee has reviewed and approved any statements included in the annual report concerning internal controls and risk management and we have determined that the effectiveness of the internal controls was satisfactory. 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 59 to 63.

## Significant Issues Considered by the Audit Committee

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

### Viability and going concern

The Board is required to consider and report on the longer-term viability of the business as well as assess the appropriateness of applying the going concern assumption.

The audit committee have taken account of the solvency and liquidity position of the Group from the financial statements and the information provided from the Investment Manager on the forecasted cash flow for the Group, expected pipeline and expected fund raising plans through a fund raise or debt finance over the period to March 2024. As a result, the audit committee consider that it is appropriate to adopt the going concern basis of preparation of the financial statements.

### Valuation of property portfolio

The valuation of the Group's property portfolio is fundamental to the Group's statement of financial position and reported results.

The valuations of the properties at the end of the financial period were performed by Jones Lang LaSalle, whom the audit committee consider to have sufficient local and national knowledge of social housing and specialist Supported Housing and has the skills and knowledge to undertake the valuations competently.

The external auditor meets with the valuer separately from the audit committee and reports

back to the audit committee. The audit committee considered the underlying assumptions of IFRS valuation basis valuation and portfolio valuation and gains comfort from the valuer's methodology and other supporting market information. The audit committee have considered the subjectivity of the property valuations which could affect the NAV and share price of the Group and these were discussed with the Investment Manager and external auditor.

### Accounting for the C Shares

The C Shares were convertible non-voting preference shares issued during the year. The C Shares met the definition of a financial liability and were recognised on issue at fair value less directly attributable transaction costs. After initial recognition, C Shares were subsequently measured at amortised cost using the effective interest rate method. Amortisation is credited to or charged to finance income or finance costs in the Consolidated Statement of Comprehensive Income. C Shares converted into Ordinary Shares on the conversion date based on their respective NAV per share at the calculation date.

### Accounting for forward funded assets

Investment properties under construction are financed by the Group where the Group enters into contracts for the development of a pre-let property under a forward funding agreement. Investment properties under construction are initially recognised in line with stage payments made to the developer. A coupon interest due on the funds paid in the range of 6.5-6.75% per annum is payable by the developer. On completion, the aggregate amount of coupon interest accrued during the construction period is deducted from the gross development cost, reducing the outstanding balance payable to the Developer on practical completion.

# AUDIT COMMITTEE REPORT (Continued)

## Internal Audit

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

## External Auditors, Audit Fees and Non-Audit Services

BDO were appointed as the external auditors of the Group on 18 July 2017, with Thomas Edward Goodworth as the audit partner. It is the committee's responsibility to monitor the performance, objectivity and independence of the external auditors and this is assessed by the committee each year. In evaluating BDO's performance, the committee examine robustness of the audit process, independence and objectivity of the auditor and the quality of delivery.

The auditors attend all audit committee meetings and the audit committee Chairman also has separate meetings with the auditors to discuss relevant matters. The auditors work with the management of the Investment Manager and discuss their findings and recommendations with the audit committee.

The audit committee has approved a non-audit services policy that determines the services that BDO can provide and the maximum fee that may be raised for non-audit services in comparison to the statutory audit fee.

In accordance with the policy, the approval of the audit committee must be obtained before the external auditor is engaged to provide any permitted non-audit services above a fee threshold of £5,000. BDO are prohibited from providing services to the Group that would be considered to jeopardise their independence, such as tax services, bookkeeping and preparation of accounting records, financial systems design and implementation, valuation services, internal audit outsourcing and services linked to the financing, capital structure and asset allocation. The policy is reviewed annually to ensure it continues to be in line with best practice.

The audit committee annually reviews the level of non-audit fees to ensure that the provision of non-audit services does not impair the auditor's independence or objectivity. The policy provides that total fees for non-audit services provided by the auditor to the Group shall be limited to no more than 70% of the average of the statutory audit fee for the Group paid to the auditor in the last three consecutive financial years. The total fee paid to BDO during the period totalled £381,360, of which £190,592 was received for audit services and £190,768 was received for non-audit services, being 100.1% of the audit services fee.

The committee noted that £105,000 of the non-audit services fee was received for BDO's role as reporting accountant in connection with the secondary offerings during the year. The committee considered that engaging BDO as reporting accountant was beneficial in improving efficiency and effectiveness of the role due to the increased understanding of the Group's business in the context of it being the Group's first full financial year. Whilst the committee were content that the non-audit services and fees were appropriate and did not compromise BDO's objectivity or independence, it was agreed that the role of reporting accountant would be tendered in the 2019 financial year and a firm other than the auditors be appointed to ensure best practice compliance with the non-audit service policy.

At the time of the auditor's appointment, the Group did not undertake a formal tender process in initially appointing BDO. The committee therefore now believes that it is appropriate for a tender process to be held shortly after the year end in relation to the appointment of the external auditors for the year ended 31 December 2019. Prior to this process being concluded, however, the committee recommended to the Board that the auditors be proposed for re-appointment at the next Annual General Meeting.



**Peter Coward**  
Audit Committee Chairman

# MANAGEMENT ENGAGEMENT COMMITTEE REPORT



**Chris Phillips**, Management Engagement Committee Chairman

## Responsibilities

The main function of the management engagement committee is to review and make recommendations on any proposed amendment to the Delegated Portfolio Management Agreement or the AIFM Agreement and keep under review the performance of the Investment Manager and the AIFM. The committee will regularly review the composition of the key executives performing the services on behalf of the AIFM and the Investment Manager and monitor and evaluate the performance of other key service providers to the Group.

## Committee Membership

The management engagement committee comprises all of the Directors and is chaired by Chris Phillips. Tracey Fletcher-Ray was appointed to the management engagement committee on 24 January 2019.

## Meeting Attendance

The management engagement committee met once in the financial year which was attended by each member as follows:

### Director<sup>24</sup>

Chris Phillips (Chairman)  
Ian Reeves CBE  
Peter Coward  
Paul Oliver

### Attendance<sup>25</sup>

1/1  
1/1  
1/1  
1/1

## Activities

During the year, the management engagement committee conducted a comprehensive review of the performance of the Investment Manager including their investment and asset management processes and 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. The management engagement committee gave particular focus to the level of service provided by the Group's former Company Secretary and Administrator and the subsequent appointment of Hanway Advisory Limited to these roles.

As part of the review, the management engagement committee considered the terms of the Delegated Portfolio Management Agreement, to ensure it continues to reflect properly the commercial arrangements agreed between the Company and the Investment Manager and we were satisfied that this was the case.

## Management Arrangements

The Company operates as an externally managed alternative investment fund for the purposes of the AIFMD. The AIFM is responsible for portfolio management and risk management of the Group pursuant to the AIFMD. However, the AIFM has delegated the portfolio management of the Group to the Investment Manager, Triple Point Investment Management LLP.

The AIFM receives an annual fee which equates to 3.5 basis points on net assets of up to £300 million, and 3.0 basis points for net assets above £300 million. The annual fee paid to the AIFM for the year ended 31 December 2018 was £89,571. All such fees and expenses are exclusive of VAT. No performance fee is payable to the AIFM.

<sup>24</sup> Tracey Fletcher-Ray was appointed to the management engagement committee on 24 January 2019 and therefore was not eligible to attend any meetings in the financial year ended 31 December 2018

<sup>25</sup> Number of scheduled meetings attended/maximum number of meetings that the Director could have attended

# MANAGEMENT ENGAGEMENT COMMITTEE REPORT (Continued)

The AIFM Agreement is terminable by the AIFM on giving the Group not less than six months' written notice and using its reasonable endeavours to assist with the appointment of a successor alternative investment fund manager of the Company or the Company giving to the AIFM not less than twelve months' written notice to the AIFM. The AIFM Agreement may be terminated earlier by either party with immediate effect in certain circumstances, including, if an order or resolution for liquidation is passed for the other party or the other party has committed a breach of its obligations under the AIFM Agreement that is material in the context of the AIFM Agreement.

The Group has given certain market standard indemnities in favour of the AIFM in respect of the AIFM's potential losses in carrying on its responsibilities under the AIFM Agreement.

The Investment Manager is entitled to receive an annual management fee which is calculated quarterly in arrears based upon a percentage of the NAV of the Group (not taking into account uncommitted cash balances excluding debt) as at 31 March, 30 June, 30 September and 31 December in each year on the following basis:

Company Basic NAV (excluding cash balances)	Annual management fee (percentage of Basic NAV)
Up to and including £250 million	1.0%
Above £250 million and up to and including £500 million	0.9%
Above £500 million and up to and including £1 billion	0.8%
Above £1 billion	0.7%

On a semi-annual basis, once the Group's half year or year end NAV has been announced, the Investment Manager shall procure that 25% of the management fee (net of any applicable tax) for the relevant six month period immediately preceding the date of that NAV shall be applied by subscribing for, or acquiring, Ordinary Shares ("Management Shares"). The Board has agreed with the Investment Manager that Management Shares in respect of the period from IPO to 31 December 2018 will be subscribed for or

acquired, as appropriate, following the publication of the financial results for the year ended 31 December 2018. Thereafter, the Investment Manager will subscribe for or acquire Management Shares on a semi-annual basis as anticipated under the Delegated Portfolio Management Agreement.

The Investment Manager is also entitled to be reimbursed for all disbursements, fees and costs payable to third parties properly incurred by the Investment Manager on behalf of the Group pursuant to provision of the services under the Delegated Portfolio Management Agreement.

There are no performance, acquisition, exit or property management fees.

The Delegated Portfolio Management Agreement has an initial term of three years and may be terminated after the initial term by the Investment Manager or the Group by giving not less than twelve months' written notice. In the event of termination, fees will be calculated to the date of expiry or termination payable pro rata on the day of such expiry or termination.

## Continuing Appointment of the Investment Manager

The management engagement committee has reviewed the continuing appointment of the Investment Manager and based on the Group's strong investment performance, deep sector expertise and counterparty relationships, the committee are satisfied that their appointment remains in the best interests of shareholders as a whole.



**Chris Phillips**

Management Engagement Committee Chairman

# NOMINATION COMMITTEE REPORT



**Ian Reeves**, Nomination Committee Chairman

## Responsibilities

The nomination committee's main function is to review the structure, size and composition of the Board and to consider succession planning for Directors, in particular the role of the Chairman, and the membership of the Board's committees and any other matters as specified under the committee's terms of reference.

## Committee Membership

The nomination committee comprises all of the Directors, with the exception of Tracey Fletcher-Ray, and is chaired by Ian Reeves.

## Meeting Attendance

The nomination committee met once in the financial year which was attended by each member as follows:

Director	Attendance <sup>26</sup>
Ian Reeves CBE (Chairman)	1/1
Chris Phillips	1/1
Peter Coward	1/1
Paul Oliver	1/1

<sup>26</sup> Number of scheduled meetings attended/maximum number of meetings that the Director could have attended

## Activities

The committee met during the year to review the size and structure of the Board. Following the review, the committee were responsible for identifying and nominating Tracey Fletcher-Ray to be appointed to the Board, for the approval of the Board.

## Appointment and Replacement of Directors

Following the decision to commence a search for a new non-executive Director, the committee evaluated the skills and experience considered necessary to complement the existing Board composition giving due regard to the benefits of diversity on the Board, including gender and background. The Board, in conjunction with the Investment Manager, identified a shortlist of potential candidates by leveraging their extensive network across the real estate and social housing sector and Tracey Fletcher-Ray was interviewed by the Board, the Investment Manager and the Group's Joint Financial Advisers as part of the formal search process. Tracey was recommended to the Board for appointment on the basis that she brought considerable expertise as an executive and non-executive in the care and support sectors, alongside strong strategic business acumen and an understanding of the Supported Housing sector. Tracey confirmed that she had sufficient time to discharge the role and was subsequently appointed to the Board with effect from 1 November 2018. She was considered independent on and since her appointment.

## Re-election of Directors

In line with principle 3 of the AIC Code, and pursuant to their letters of appointment all the Directors are subject to re-election by shareholders at intervals of no more than three years and annual re-election for Directors serving for a continuous period of more than nine years. In determining the Directors who will retire by rotation at each AGM, the Directors to retire by rotation shall include those Directors who are due to retire by reason of age or who wish to retire. Any further Directors to retire by rotation shall include those who have been longest in office since their last re-election. Notwithstanding the provisions above, to promote good governance, the Board has recommended that all Directors should submit themselves for election or re-election on an annual basis.

# NOMINATION COMMITTEE REPORT

## (Continued)

Therefore, all Directors in office as at the date of this report are to be proposed for election or re-election at the 2019 AGM. Following a rigorous evaluation of the performance of each Director, the Board is recommending that Tracey Fletcher-Ray, who was appointed since the date of the last AGM, stand for election and that all other Directors stand for re-election.

### Tenure Policy

The Board considers that the length of time each Director, including the Chairman, serves on the Board should not be limited and has not set a finite tenure policy. Continuity, self-examination and ability to do the job are the relevant criteria on which the Board assesses a Director's independence. Length of service of current Directors and future succession planning will be reviewed each year as part of the Board evaluation process.

### Diversity Policy

The Board's objective is to maintain effective decision-making, including the impact of succession planning. The Board recognises the benefits of diversity and supports the recommendations of the Hampton-Alexander Review. All Board appointments will be made on merit and have regard to diversity regarding factors such as gender, skills, background and experience.

Whilst recognising the importance of diversity in the boardroom, the Board does not consider it to be in the interests of the Group and its shareholders to set prescriptive diversity criteria or targets. The Board will continue to monitor diversity, taking such steps as it considers appropriate to maintain its position as a meritocratic and diverse business.

### External Search Consultancy

In identifying suitable candidates for an appointment to the Board, the nomination committee may use open advertising or the services of external advisers to facilitate the search.

### Company's Succession Plans

The nomination committee has given full consideration to succession planning as part of the Board's formal annual evaluation to ensure progressive refreshing of the Board, taking into account the challenges and opportunities facing the Board and the balance of skills and expertise that are required in the future.



**Ian Reeves CBE**

Nomination Committee Chairman

# DIRECTORS' REMUNERATION REPORT

## Annual Statement

Dear shareholder,

I am pleased to present the Directors' Remuneration Report on behalf of the Board for the year ended 31 December 2018. It is set out in two sections in line with legislative reporting regulations:

- Directors' Remuneration Policy – This sets out our Remuneration Policy for Directors of the Company that has been in place since 10 May 2018 following approval by shareholders.
- Annual Report on Directors' Remuneration – This sets out how the Directors were paid for the period ended 31 December 2018. There will be an advisory shareholder vote on this section of the report at our 2019 AGM.

Prior to our IPO in August 2017, the Group introduced a remuneration framework to ensure that remuneration was aligned with best market practice whilst attracting and securing the right non-executive Directors to deliver our investment objectives. The scale and structure of the Directors' remuneration was determined by the Company in consultation with the Joint Financial Advisers having been benchmarked against companies of a similar size in the sector, and having regard to the time commitment and expected contribution to the role.

The Group does not have any executive Directors or employees, and, as a result, operates a simple and transparent remuneration policy with no variable element, that reflects the non-executive Directors' duties, responsibilities and time spent.

In addition to our annual fee the Directors also received a fee in connection with the preparation of the prospectuses dated 7 March 2018 and 19 September 2018, in recognition of the additional time contribution and commitment required in preparation of the secondary offerings. During the year there have been no major decisions or changes related to the Directors' remuneration.

Full details of how the Directors' Remuneration Policy (the "Policy"), as well as how Directors were paid in 2018, are set out on pages 87 to 90. There will be an advisory shareholder vote on this section of the Remuneration Report at our 2019 AGM.

We value engagement with our shareholders and for the constructive feedback we receive and look forward to your support at the forthcoming AGM.



**Chris Phillips**  
Chairman

# DIRECTORS' REMUNERATION POLICY

## Approval of Remuneration Policy

Our Directors' Remuneration Policy was approved by shareholders at the Annual General Meeting of the Group held on 10 May 2018 and became effective from the conclusion of the Annual General Meeting. The provisions of the policy 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 the Remuneration Policy is varied, in which event shareholder approval for the new Remuneration Policy will be sought. The policy applies to the non-executive Directors; the Company has no executive Directors or employees.

## Policy Table

The Directors are entitled only to the fees as set out in the table below from the date of their appointment. No element of Directors' remuneration is subject to performance factors.

Component	Operation	Link to strategy
Annual Fee	Each Director receives a basic fee which is paid on a monthly basis.	The level of the annual fee has been set to attract and retain high calibre Directors with the skills and experience necessary for the role.  The fee has been benchmarked against companies of a similar size in the sector, having regard to the time commitment and expected contribution to the role.
Additional Fee	The Directors are each entitled to an additional fee of £7,500 in connection with the production of every prospectus by the Group.	The additional fee has been included in recognition of the additional time commitment and contribution required in the preparation of a prospectus by the Company.
Other benefits	Article 18.5 of the Company's Articles of Association permits for any Director to be repaid expenses incurred in attending or returning from meetings of the Board, committees of the Board or shareholder meetings or otherwise in connection with the performance of their duties as Directors of the Company.  The Board has the power to pay and agree to pay gratuities, pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director or ex-Director and for the purpose of providing any such gratuities, pensions or other benefits to contribute to any scheme or fund or to pay premiums.	In line with market practice, the Company will reimburse the Directors for expenses to ensure that they are able to carry out their duties effectively.  The Directors do not currently receive any additional benefits; however the Board has included the power to offer the additional benefits as specified to create flexibility in the approach to retain or attract high calibre Board members.

## Policy on Payment for Loss of Office

The Directors are entitled to payment of the fees as specified above, notwithstanding termination of their appointment, for the initial period of 12 months from the date of their appointment. Thereafter, there is no compensation payable upon termination of office as a Director of the Company.

# ANNUAL REPORT ON DIRECTORS' REMUNERATION

## Consideration of Remuneration Matters

The Board does not consider it necessary to establish a separate remuneration committee as it has no executive Directors. The Board as a whole considers the remuneration of the Directors.

## Single Total Figure

Non-executive Directors	Annual Fee	Additional Fee <sup>27</sup>	Other taxable benefits <sup>29</sup>	Total 2018	Total 2017 <sup>30</sup>
Chris Phillips	£75,000	£15,000	–	£90,000	£41,627
Ian Reeves CBE	£50,000	£15,000	–	£65,000	£30,251
Peter Coward	£50,000	£15,000	–	£65,000	£30,251
Paul Oliver	£50,000	£15,000	–	£65,000	£30,251
Tracey Fletcher-Ray	£8,333.34 <sup>27</sup>	–	–	£8,333.34	–

<sup>27</sup> Fees paid was a pro-rated amount from 1 November to 31 December 2018 based on an annual fee of £50,000

<sup>28</sup> The Directors appointed at the time received an additional fee in connection with the preparation of the prospectuses dated 7 March 2018 and 19 September 2018

<sup>29</sup> The Company does not provide a pension, retirement or similar benefits

<sup>30</sup> For the period 17 July 2017 (date of their appointment) to 31 December 2017

## Directors' Fees

The Directors are each paid an annual fee of £50,000 other than the Chairman who is entitled to receive an annual fee of £75,000. In addition to the annual fee, each Director is entitled to an additional fee of £7,500 in connection with the production of every prospectus prepared in connection with a fundraising by the Group in recognition of the additional time contribution and commitment required. In addition, each Director is entitled to recover all reasonable expenses properly incurred in connection with performing his duties as a Director. There were no Directors' expenses for the year to 31 December 2018 and no other remuneration was paid or payable during the year to any Director.

## Service Contracts

The Directors are engaged under letters of appointment and do not have service contracts with the Company.

## Directors' Term of Office

Under the terms of the Directors' letters of appointment, each directorship is for an initial period of 12 months and thereafter terminable on three months' written notice by either the Director or the Company. Each Director will be subject to annual re-election by shareholders at the Company's Annual General Meeting in each financial year. The Group's policy on Director tenure is set out in the nomination committee report on 86.

## Statement of Directors' Shareholding and Share Interests

Outlined below are details of the Directors' shareholdings as at 31 December 2018; there has been no change in shareholding in the period between 31 December 2018 and the date of this report.

The Directors are not required to hold any shares of the Company by way of qualification. A Director who is not a shareholder of the Company shall nevertheless be entitled to attend and speak at shareholders' meetings.

Director	Number of shares held	Percentage of issued share capital as at 31 December 2018
Chris Phillips	54,854 <sup>31</sup>	0.02%
Ian Reeves CBE	0	0.00%
Peter Coward	75,000 <sup>32</sup>	0.02%
Paul Oliver	77,967	0.02%
Tracey Fletcher-Ray	0	0.00%

<sup>31</sup> 25,000 Ordinary Shares were subscribed through Chris Phillips' self-invested personal pension with the balance subscribed by Centaurea Investments Limited

<sup>32</sup> 50,000 Ordinary Shares were subscribed through Peter Coward's self-invested personal pension

# ANNUAL REPORT ON DIRECTORS' REMUNERATION (Continued)

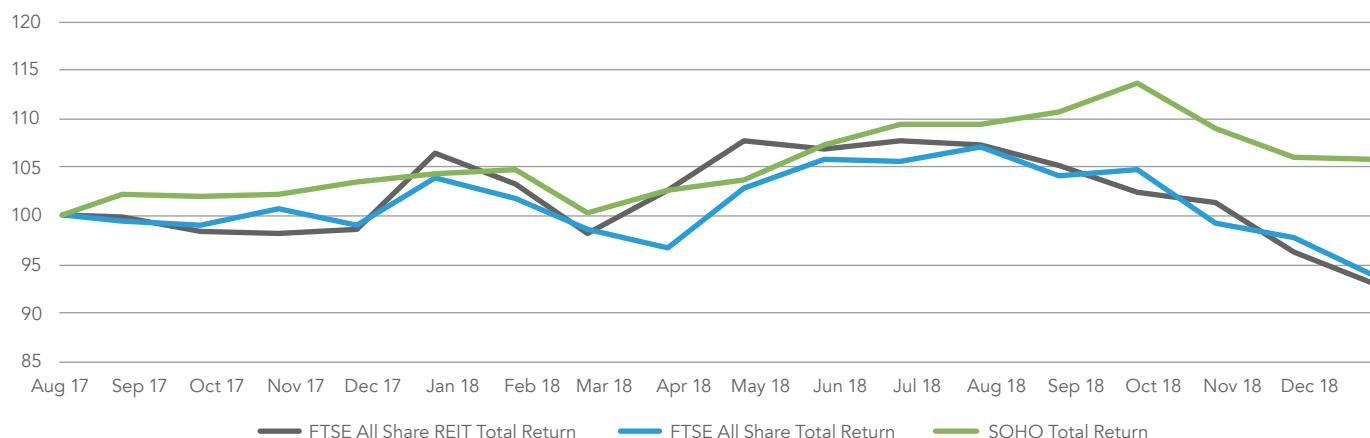
## Consideration of Shareholder Views

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. During the year, the Company did not receive any communications from shareholders specifically regarding Directors' pay.

The resolutions to approve the Directors' Remuneration Policy and the Directors' Remuneration Report were passed at the Annual General Meeting on 10 May 2018.

## Total Shareholder Return

The graph below illustrates the total shareholder return of the Company's Ordinary Shares over the period relative to a return on a hypothetical holding over the same period in the FTSE All-Share Index and the FTSE All-Share REIT Index. These indices have been chosen as they are considered to be the most appropriate benchmarks against which to assess the relative performance of the Company as the FTSE All Share represents companies of a similar capital size, and the constituents of the FTSE 350 REIT Index are UK based real estate companies.



## Relative Importance of Spend on Pay

The table below shows the total spend on remuneration compared to the distributions to shareholders by way of dividends, and the management fees incurred by the Company. As the Group has no employees the total spend on remuneration comprises only the Directors' fees.

	2018	2017
Directors' fees	£233,339	£132,380
Dividends paid and declared	£10,079,403	£-
Management fee	£2,309,470	£471,852

On behalf of the Board:

**Chris Phillips**

Chairman

28 March 2019

# DIRECTORS' REPORT

The Directors are pleased to present the annual report, including the Group's and Company's audited financial statements as at, and for the year ended, 31 December 2018.

The information that fulfils the requirements of the Corporate Governance statement in accordance with rule 7.2 of the DTR can be found in this Directors' report and in the Governance section on pages 70 to 90 all of which is incorporated into this Directors' report by reference.

## Principal Activity

The Company is a closed-ended investment company and is a Real Estate Investment Trust which was incorporated in England and Wales on 12 June 2017. The Company is a holding company of a number of subsidiaries. The Group invests in properties in accordance with the Investment Policy and Investment Objective.

## Directors

The names of the Directors who served from 1 January 2018 to 31 December 2018 are set out in the Board of Directors section on pages 72 to 73, together with their biographical details and principal external appointments.

## AIFM and Investment Manager

The names of the partners and employees of the Group's Investment Manager are set out on pages 34 to 35 and a summary of the principal contents of the AIFM agreement and the Delegated Portfolio Management Agreement are set out in the management engagement committee report on pages 83 to 84.

## Financial Results and Dividends

The financial results for the period can be found in the Group Statement of Comprehensive Income which can be found on page 104. In line with the target set out at launch, the Company declared the following interim dividends in respect of the year to 31 December 2018, amounting to 5 pence per share.

Relevant period	Dividend per share (p)	Ex dividend date	Record date	Payment date
1 January to 31 March 2018	1.25	24 May 2018	25 May 2018	29 June 2018
1 April to 30 June 2018	1.25	23 August 2018	24 August 2018	28 September 2018
1 July to 30 September 2018	1.25	27 September 2018	28 September 2018	31 October 2018
1 October to 31 December 2018	1.25	14 March 2019	15 March 2019	29 March 2019

The Board also declared dividends payable to holders of C Shares in the year comprising a fixed dividend of 3% per annum (based on a C Share price of 100 pence) pro rated for the period from admission to trading on 27 March 2018 to 30 August 2018 (being the date on which the C Shares converted into Ordinary Shares).

An aggregate amount of 1.29 pence per C Share, comprising 0.789 pence for the period from 27 March to 30 June 2018 and 0.501 pence for the period from 1 July to 30 August 2018 was paid to C shareholders on 28 September 2018.

## Powers of the Directors

The powers given to the Directors are contained within the current articles of association of the Company (the "Articles"), are subject to relevant legislation and, in certain circumstances (including in relation to the issuing or buying back by the Company of its shares), are subject to the authority being given to the Directors by shareholders in general meetings.

The Articles govern the appointment and replacements of Directors.

# DIRECTORS' REPORT (Continued)

## Directors' Indemnity

The Group has indemnified the Directors against certain liabilities which may be incurred in the course of their duties. This indemnity remains in force as at the date of this report and will also indemnify any new directors that join the Board. The Company maintains directors' and officers' liability insurance which gives appropriate cover for legal action brought against the Directors.

## Financial Instruments

The information relating to the Group's financial risk management and policies can be found in Note 32 of the financial statements.

## Post-Balance Sheet Events

Important events that have occurred since the end of the financial year can be found in Note 33 of the notes to the financial statements.

## Amendment to the Articles

The Articles may only be amended with shareholders' approval in accordance with relevant legislation.

## Share Capital

The Company was admitted to trading on the Specialist Fund Segment of the Main Market of the London Stock Exchange on 8 August 2017 migrated to trading on the premium segment of the Main Market on 27 March 2018.

As at 31 December 2018, the Company had 351,352,210 Ordinary Shares in issue, none of which were held in treasury, as can be found in Note 22 of the financial statements.

There are no restrictions on the transfer of securities in the Company other than certain restrictions which may be imposed by law, for example, Market Abuse Regulations, and the Group's Share Dealing Code.

The Company is not aware of any agreements between holders of securities that may result in restrictions on transferring securities in the Company. There are no securities of the Company carrying special rights with regards to the control of the Company in issue.

As a REIT, the Company's Ordinary Shares will be "excluded securities" under the FCA's rules on non-mainstream pooled investments. Accordingly, the promotion of the Ordinary Shares will not be subject to the FCA's restriction on the promotion of non-mainstream pooled investments.

## Purchase of Own Ordinary Shares

At the Company's Annual General Meeting on 10 May 2018, the Company was granted authority to make market purchases up to a maximum of 29,980,000 Ordinary Shares. As at the date of this report no Ordinary Shares were purchased in the market using the authority. A resolution to renew the Company's authority to purchase shares in accordance with the Notice of AGM will be put to the shareholders at the Annual General Meeting on 28 May 2019.

## Change of Control

Under the Group's financing facilities, any change of control at the borrower or immediate parent company level may trigger a repayment of the outstanding amounts to the lending banks. In certain facilities, the change of control provisions also include a change of control at the ultimate parent company level.

## Major Shareholdings

In accordance with DTR 5, the Company was advised of the following significant direct and indirect interests in the issued ordinary share capital of the Company as at 31 December 2018.

Shareholder	Interests in Ordinary Shares	% holding disclosed
CCLA Investment Management Limited	31,737,639	12.88%
East Riding of Yorkshire Council	32,879,797	9.36%
Investec Wealth & Management Limited	32,460,856	9.24%
Schroders PLC	14,797,133	7.40%
Tilney Investment Management Services Limited	14,274,140	7.14%
Nottinghamshire County Council Pension Fund	19,417,475	5.53%
Close Asset Management Limited	9,987,644	4.99%
Smith and Williamson Holdings Limited	11,788,972	4.78%
Brewin Dolphin Limited	16,032,858	4.56%
South Yorkshire Pensions Authority	11,955,713	3.40%

Since year end, BlackRock, Inc. has submitted a number of notifications to the Company, all of which have been disclosed to the market. The latest notification dated 22 March 2019 advises that they hold 22,022,245 Ordinary Shares either indirectly or through financial instruments, representing 6.25% of the Company's issued share capital. In addition, on 22 March 2019, the Company was notified by Investec Wealth & Investment Limited that they indirectly hold 28,892,160 Ordinary Shares, representing 8.22% of the Company's issued share capital.

Information provided to the Company pursuant to DTR 5 is available via the Regulatory News section on the Group's website.

## Contracts of Significance

There are no contracts of significance of the Company or a subsidiary in which a Director is or was materially interested or to which a controlling shareholder was a party.

## Disclosure of Information to the Auditors

So far as the Directors are aware, there is no relevant audit information of which the auditor is unaware.

The Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

## Related Party Transactions

Related Party transactions for the period to 31 December 2018 can be found in Note 30 of the financial statements.

## Research and Development

No expenditure on research and development was made during the year (2017: Nil).

## Donations and Contributions

No political or charitable donations were made during the year (2017: Nil).

## Branches Outside the UK

There are no branches of the business located outside the United Kingdom.

## Annual General Meeting

The Annual General Meeting of the Company will be held on 28 May 2019 at 9:30am Canaccord Genuity, 88 Wood Street, London, EC2V, 7QR.

## Information included in the Strategic Report

The information that fulfils the reporting requirements relating to the following matters can be found on the pages identified.

Subject matter	Page reference
Likely future developments	20 to 25
Greenhouse gas emissions	56 to 57
Employee engagement	56 to 57
Employment of disabled persons	56 to 57

On behalf of the Board:



**Chris Phillips**

Chairman

28 March 2019

# DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the annual report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company Law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU subject to any material departures disclosed and explained in the financial statements;
- for the parent Company financial statements, state whether they have been prepared in accordance with Financial Reporting Standards 101 Reduced Disclosure Framework (FRS 101) subject to any material departures disclosed and explained in the parent Company financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business; and
- prepare a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company

and enable them to ensure that its financial statements comply with the Companies Act 2006 and, as regards to the Group financial statements, Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Website Publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## Directors' Responsibilities Pursuant to DTR4

The Directors confirm to the best of their knowledge:

- The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- The annual report includes a fair review of the development and performance of the business and the financial position of the Group and the parent Company, together with a description of the principal risks and uncertainties that they face.

## Approval

This Directors' responsibilities statement was approved by the Board of Directors and signed on its behalf by:



**Chris Phillips**  
Chairman  
28 March 2019

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRIPLE POINT SOCIAL HOUSING REIT PLC

## Opinion

We have audited the financial statements of Triple Point Social Housing REIT plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the Group Statement of Comprehensive Income, the Group and Company Statement of Financial Position, the Group and Company Statement of Changes in Equity, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006. The financial reporting framework that has been applied in preparing the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as

applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 59 to 63 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 59 in the annual report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 64 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group and the Parent 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;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on pages 64 to 65 in the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRIPLE POINT SOCIAL HOUSING REIT PLC (Continued)

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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) that we identified, 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 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.

### Key audit matter

#### Investment property valuations

Refer to notes 3 and 4 in relation to significant estimates and accounting policies.

Refer to note 14 in relation to investment property.

The valuation of investment property requires significant judgement and estimates by the Directors and the independent valuer and is therefore considered a significant risk due to the subjective nature of certain assumptions inherent in each valuation.

The Group's investment property portfolio includes:

- Standing assets: these are existing properties that are currently let. They are valued using the income capitalisation method.
- Properties under construction: these are properties being built under forward funded agreements with developers and which have agreed pre lets with tenants. Such assets have a different risk and investment profile to the standing assets. They are valued using the residual method (ie by estimating the fair value of the completed project using the income capitalisation method less estimated costs to completion and an appropriate developer's margin).

Any input inaccuracies or unreasonable bases used in the valuation judgements (such as in respect of estimated rental value and yield profile applied) could result in a material misstatement of the income statement and balance sheet.

There is also a risk that the Directors may influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets to meet market expectations.

Additionally, properties under construction involve coupon interest receivable from the developer during the construction phase. Accounting for such assets is typically more complex than for standing assets.

### How the scope of our audit addressed the key audit matter

#### Experience of valuer and relevance of its work

We obtained the valuation report prepared by the independent valuer and discussed the basis of the valuations with them. We confirmed that the basis of the valuations was in accordance with the requirements of accounting standards.

We assessed and considered the external valuer's reports, their qualifications, independence and basis of valuation.

We obtained a copy of the instructions provided to the independent valuer and reviewed for any limitations in scope or for evidence of Management bias.

#### Data provided to the valuer

We validated the underlying data provided to the valuer by Management. This data included inputs such as current rent and lease term, which we agreed to the executed lease agreements as part of our audit work.

#### Assumptions and estimates used by the valuer

We developed yield expectations on each property using available independent industry data, reports and comparable transactions in the market around the period end.

We discussed the assumptions used and the valuation movement in the period with both Management and the independent valuer. Where the valuation was outside of our expected range we discussed with the independent valuer specific assumptions and reasoning for the yields applied and corroborated their explanations where relevant. We also discussed with the valuer their views on the expected impact of Brexit on the valuation of these assets. Further, we discussed the appropriateness of the discounts rates applied to the valuations with the valuer.

For properties under construction we assessed the project costs and progress of development and verified the forecast costs to complete included in the valuations to third party information.

#### Accounting for assets under construction

We examined all forward funding agreements entered into during the year for assets under construction and confirmed that the accounting treatment of the asset recognition and the coupon interest was appropriate under accounting standards.

**Key audit matter****Revenue recognition**

Refer to note 4 in relation to accounting policies.

Refer to note 5 in relation to rental income.

The Group's revenue solely comprises of rental income from investment property assets.

Rental income is recognised on a straight line bases over the lease term based upon the rental agreements that are in place. Management judgements are required to determine whether they are reasonably certain whether options to extend the lease term, as contained within a number of leases, will be exercised. This has an impact in determining the period over which the incentives should be recognised. There is a risk that lease incentives may not have been recognised over the expected lease term.

The Group has multiple tenants and leases with different terms and as such there is a risk that revenue is either not supported by the underlying tenancy agreement or is inappropriately recognised. There is also a risk over the correct level of income being accrued or deferred depending on the period which the revenue relates to.

**How the scope of our audit addressed the key audit matter**

We obtained a copy of all new leases entered into in the year and checked these for any lease incentives. We checked the calculation and recognition of rental income and agreed this back to the tenancy schedule prepared by Management.

For all leases that were in place at 31 December 2017, we set expectations for the rental income based on information previously extracted from the leases and compared this to the actual revenue recognised in the year. We investigated any differences above a set threshold.

We obtained a listing of all rent reviews in the year and tested a sample by checking the relevant RPI or CPI uplift to external market data and checking the calculation of the rental uplift.

We checked the calculations for adjustments to spread the minimum contracted rental income over the expected lease term to confirm that the adjustment has been made in accordance with applicable accounting standards and challenged any significant assumptions that Management had made in determining the expected lease term.

**Our application of materiality**

We apply the concept of materiality both in planning and performing our audit, and in the evaluation of the effect of misstatements on the audit and in forming our audit opinion. Materiality is assessed on both quantitative and qualitative grounds.

Group	Financial statement	Specific
Materiality	£4,420,000	£270,000
Performance materiality	£2,210,000	£135,000
Reporting threshold	£88,000	£5,000

**Materiality**

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements.*

We determined materiality for the Group financial statements as a whole to be £4,420,000 (2017: £2,050,000), which was set at 1% of Group total assets (2017: 1%). This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.

We determined that total assets would be the most appropriate basis for determining overall materiality as we consider it to be one of the principal considerations for members of the Company in assessing the financial performance of the Group.

We determined that for other account balances, classes of transactions and disclosures not related to investment properties a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of users. We determined that materiality for these areas should be £270,000 (2017: £15,000). This was set at 5% of European Public Real Estate Association ("EPRA") earnings. EPRA earnings excludes the impact of the net surplus on revaluation of investment properties.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRIPLE POINT SOCIAL HOUSING REIT PLC (Continued)

We determined that the same measures as the Group for financial statement materiality was appropriate for the Parent Company, and the materiality applied was £3,280,000 (2017: £1,950,000). The specific materiality for the Parent Company was higher than that of the Group and was therefore capped at 90% of Group materiality being £243,000 (2017: £12,000).

Whilst materiality for the financial statements as a whole was as outlined above, each significant component of the Group was audited to a lower level of materiality which is used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes used during the audit. Significant component materiality ranged from £77,000 to £938,000.

## Performance materiality

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality for the Group should be 50% (2017: 50%) of materiality. As such, performance financial statement materiality was set at £2,210,000 (2017: £1,025,000) and specific performance materiality was set at £135,000 (2017: £7,500).

We determined that the same measure as the Group was appropriate for the Parent Company, and the performance materiality and specific performance materiality applied were £1,640,000 and £122,000 (2017: £975,000 and £6,000) respectively.

## Reporting threshold

*An amount above which identified misstatements are reported to the Audit Committee.*

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £88,000 (2017: £41,000) as well as differences below this threshold that, in our view, warranted reporting on qualitative grounds.

We agreed that the reporting threshold for the Parent Company would be £65,000 (2017: £39,000).

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

## An overview of the scope of our audit

Our audit of the Group was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, applicable legal and regulatory framework and the industry in which it operates, and assessing the risks of material misstatement at the Group and Parent Company level. This included consideration of the risk that the Group was acting contrary to applicable laws and regulations, including fraud.

The Group operates solely in the United Kingdom and operates through one segment, investment property, structured through a number of subsidiary special purpose vehicle ("SPV") companies. The Group audit team performed all the work necessary to issue the Group and Parent Company audit opinions. At the planning phase we identified two significant components, being two of the Group's SPV's. The audit approach included undertaking audit work on the key risks of material misstatement identified for the Group and auditing the two significant components to a lower threshold of materiality as outlined in the materiality section above.

We undertook audit procedures to respond to the risk of non-compliance with laws and regulations, focussing on those that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, the Companies Act 2006, the UK Listing Rules, the REIT regime requirements and legislation relevant to the rental of properties. We made enquiries of management to obtain further understanding of risks of non-compliance. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We addressed the risk of management override of internal controls, by undertaking procedures to review journal entries processed during and subsequent to the year end and evaluate whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We consider that the audit procedures we planned and performed in accordance with ISAs (UK) have provided us with reasonable assurance that irregularities, including fraud, would have been detected to the extent that they could have resulted in material misstatements in the financial statements. Our audit was not designed to identify misstatements or other irregularities that would not be considered to be material to the financial statements.

## Other information

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

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable as set out on page 94** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting as set out on pages 79 to 82** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code as set out on page 71** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRIPLE POINT SOCIAL HOUSING REIT PLC (Continued)

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the

Companies Act 2006 requires us to report to you if, in our opinion:

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

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement as set out on page 94, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the board of Directors on 18 July 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement is 2 years, covering the years ending 31 December 2017 to 31 December 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

## Use of our report

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



Thomas Edward Goodworth (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London  
United Kingdom  
28 March 2019

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



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## Financial Statements

**FINANCIAL STATEMENTS****Group Statement of Comprehensive Income**

for the year ended 31 December 2018

	Note	Year ended 31 December 2018 £'000	Period from 12 June 2017 to 31 December 2017 £'000
<b>Income</b>			
Rental income	5	<b>11,490</b>	1,027
<b>Total income</b>		<b>11,490</b>	1,027
<b>Expenses</b>			
Directors' remuneration	6	<b>(265)</b>	(147)
General and administrative expenses	9	<b>(1,909)</b>	(446)
Management fees	8	<b>(2,309)</b>	(472)
<b>Total expenses</b>		<b>(4,483)</b>	(1,065)
Gain from fair value adjustment on investment property	14	<b>14,497</b>	5,639
<b>Operating profit</b>		<b>21,504</b>	5,601
Finance income	11	<b>183</b>	79
Finance costs	12	<b>(1,790)</b>	(8)
<b>Profit for the period before tax</b>		<b>19,897</b>	5,672
Taxation	13	—	—
<b>Profit and total comprehensive income attributable to shareholders for the period</b>		<b>19,897</b>	5,672
<b>IFRS Earnings per share – basic and diluted</b>	35	<b>8.37p</b>	3.94p
<b>EPRA Earnings per share – basic and diluted</b>	35	<b>2.27p</b>	0.02p

All amounts reported in the Group Statement of Comprehensive Income for the year ended 31 December 2018 relate to continuing operations.

The accompanying notes on pages 108 to 127 form an integral part of these Group Financial Statements.

## FINANCIAL STATEMENTS

### Group Statement of Financial Position

as at 31 December 2018

	Note	31 December 2018 £'000	31 December 2017 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investment properties	14	<b>324,069</b>	138,512
<b>Total non-current assets</b>		<b>324,069</b>	138,512
<b>Current assets</b>			
Trade and other receivables	15	<b>3,392</b>	12,002
Cash and cash equivalents	16	<b>114,624</b>	58,185
<b>Total current assets</b>		<b>118,016</b>	70,187
<b>Total assets</b>		<b>442,085</b>	208,699
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	<b>8,998</b>	5,876
<b>Total current liabilities</b>		<b>8,998</b>	5,876
<b>Non-current liabilities</b>			
Other payables	18	<b>1,565</b>	1,151
Bank and other Borrowings	19	<b>67,361</b>	–
<b>Total non-current liabilities</b>		<b>68,926</b>	1,151
<b>Total liabilities</b>		<b>77,924</b>	7,027
<b>Total net assets</b>		<b>364,161</b>	201,672
<b>Equity</b>			
Share capital	22	<b>3,514</b>	2,000
Share premium reserve	23	<b>151,157</b>	–
Capital reduction reserve	24	<b>183,921</b>	194,000
Retained earnings	25	<b>25,569</b>	5,672
<b>Total Equity</b>		<b>364,161</b>	201,672
<b>IFRS Net asset value per share – basic and diluted</b>	36	<b>103.65p</b>	100.84p
<b>EPRA Net asset value per share – basic and diluted</b>	36	<b>103.65p</b>	100.84p

The Group Financial Statements were approved and authorised for issue by the Board on 28 March 2019 and signed on its behalf by:



**Chris Phillips**

Chairman

28 March 2019

The accompanying notes on pages 108 to 127 form an integral part of these Group Financial Statements.

**FINANCIAL STATEMENTS****Group Statement of Changes in Equity**

for the year ended 31 December 2018

	Note	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2018</b>		<b>2,000</b>	–	<b>194,000</b>	<b>5,672</b>	<b>201,672</b>
<b>Total comprehensive income for the period</b>		–	–	–	<b>19,897</b>	<b>19,897</b>
<i>Transactions with owners</i>						
Ordinary Shares issued in the year at a premium	22,23	<b>1,514</b>	<b>153,320</b>	–	–	<b>154,834</b>
Share issue costs capitalised	23	–	(2,163)	–	–	(2,163)
Dividends paid	26	–	–	(10,079)	–	(10,079)
<b>Balance at 31 December 2018</b>		<b>3,514</b>	<b>151,157</b>	<b>183,921</b>	<b>25,569</b>	<b>364,161</b>

	Note	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 12 June 2017</b>		–	–	–	–	–
<b>Total comprehensive income for the period</b>		–	–	–	5,672	5,672
<i>Transactions with owners</i>						
Ordinary Shares issued in the period at a premium	22,23	2,000	198,000	–	–	200,000
Share issue costs capitalised	23	–	(4,000)	–	–	(4,000)
Cancellation of share premium	23,24	–	(194,000)	194,000	–	–
<b>Balance at 31 December 2017</b>		2,000	–	194,000	5,672	201,672

The accompanying notes on pages 108 to 127 form an integral part of these Group Financial Statements.

**FINANCIAL STATEMENTS****Group Statement of Cash Flows**

for the year ended 31 December 2018

	Note	Year ended 31 December 2018 £'000	Period from 12 June 2017 to 31 December 2017 £'000
<b>Cash flows from operating activities</b>			
Profit before income tax		<b>19,897</b>	5,672
<i>Adjustments for:</i>			
Gain from fair value adjustment on investment property		(14,497)	(5,639)
Finance income		(183)	(79)
Finance costs		<b>1,790</b>	8
<b>Operating results before working capital changes</b>		<b>7,007</b>	(38)
Increase in trade and other receivables		(2,074)	(722)
Increase in trade and other payables		<b>473</b>	1,555
<b>Net cash flow generated from operating activities</b>		<b>5,406</b>	795
<b>Cash flows from investing activities</b>			
Purchase of investment properties		(163,995)	(127,401)
Prepaid acquisition costs refunded/(paid)		<b>6,655</b>	(11,280)
Restricted cash paid		(12,809)	(3,427)
Restricted cash released		<b>9,419</b>	–
Interest received		<b>150</b>	73
<b>Net cash flow used in investing activities</b>		<b>(160,580)</b>	(142,035)
<b>Cash flows from financing activities</b>			
Proceeds from issue of Ordinary Shares at a premium		<b>108,150</b>	200,000
Ordinary Share issue costs capitalised		(2,150)	(4,000)
Proceeds from issue of C Shares at a premium	20	<b>47,500</b>	–
C Share issue costs capitalised	20	(950)	–
Interest paid		(1,563)	(2)
Bank borrowings drawn	19	<b>68,500</b>	–
Restricted bank borrowings	19	(10,460)	–
Loan arrangement fees paid	19	(1,186)	–
Dividends paid	26	(10,079)	–
<b>Net cash flow generated from financing activities</b>		<b>197,762</b>	195,998
<b>Net increase in cash and cash equivalents</b>		<b>42,588</b>	54,758
Cash and cash equivalents at the beginning of the period		<b>54,758</b>	–
<b>Cash and cash equivalents at the end of the period</b>	16	<b>97,346</b>	54,758

The accompanying notes on pages 108 to 127 form an integral part of these Group Financial Statements.

## FINANCIAL STATEMENTS

### Notes to the Group Financial Statements

for the year ended 31 December 2018

#### 1. CORPORATE INFORMATION

Triple Point Social Housing REIT PLC (the "Company") is a Real Estate Investment Trust ("REIT") incorporated in England and Wales under the Companies Act 2006 as a public company limited by shares on 12 June 2017. The address of the registered office is 1 King William Street, United Kingdom, EC4N 7AF. The Company is registered as an investment company under section 833 of the Companies Act 2006 and is domiciled in the United Kingdom.

The principal activity of the Company is to act as the ultimate Parent Company of Triple Point Social Housing REIT PLC and 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. BASIS OF PREPARATION

The Group's Financial Statements have been prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union ("IFRS"), IFRIC interpretations, and with those parts of the Companies Act 2006 as applicable to companies reporting under IFRS. All accounting policies have been applied consistently.

The Group's Financial Statements have been prepared on a historical cost basis, as modified for the Group's investment properties, which have been measured at fair value. Gains or losses arising from changes in fair values are included in profit or loss.

New standards impacting the Group that have been adopted in the Financial Statements for the year ended 31 December 2018 are:

- IFRS 9 *Financial Instruments*; and
- IFRS 15 *Revenue from Contracts with Customers*

##### IFRS 9 *Financial Instruments*

IFRS 9 replaces IAS 39 *Financial Instrument: Recognition and Measurement* and introduces a single model that has initially only two classification categories rather than the multiple classification and measurement models in the previous standard. The new models are amortised cost and fair value.

Due to the nature of the Group's financial instruments, the adoption of IFRS 9 does not have a material impact on the Group's results or financial position and does not require there be a restatement of comparative figures.

Having considered the requirements of IFRS 9, under section 5.5.15(b), the Directors have chosen to apply the simplified approach when considering the Expected Credit Loss (ECL) model when determining the expectations of impairment. Under the simplified approach the Company is always required to measure lifetime

expected losses. The Directors incorporate forward funding information when estimating the appropriate amount of provisions.

Given the nature of the Group's receivables, the Directors do not consider any to be impaired. They believe that all are fully recoverable. This view is because all rent receivables are from fully repairing and insuring leases and each tenant receives their cash inflows from local and central government. These factors combine to ensure the probability of credit loss is immaterial.

##### IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 has replaced IAS 11 *Construction Contracts* and IAS 18 *Revenue*. The standard introduces a new revenue recognition model that recognises revenue either at a point in time or over time.

The Directors are satisfied the standard has no material impact on the financial statements as rental income is outside the scope of the standard and the Group's only revenue is currently generated from rental income from leases that do not contain any service components.

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

- IFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2019).

The Directors have given due consideration to the impact on the financial statements of IFRS 16 and at present they do not anticipate that the adoption of the standard and interpretation will have a material impact on the financial statements in the period of initial application, other than on presentation and disclosure. This is because where the Group is a lessee i.e. leasehold properties, the Group already recognises these as finance leases on the statement of financial position. Further, no changes have been identified in respect of these leases where the Group also acts as a lessor.

#### 2.1. Going concern

The Group benefits from a secure income stream from long leases which are not overly reliant on any one tenant and present a well-diversified risk. The Directors have reviewed the Group's forecast which show the expected annualised rental income exceeds the expected operating costs of the Group. This is explained further within the Going Concern and Viability section included in the Strategic Report on pages 64 to 65.

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

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

## 2.2. Reporting period

The financial statements have been prepared for the year ended 31 December 2018. The comparative period was for the period from 12 June 2017 to 31 December 2017.

## 2.3. Currency

The Group and Company financial information is presented in Sterling which is also the Company's functional currency.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

### Estimates:

#### 3.1. Investment properties (note 14)

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 14.

The Group's properties have been independently valued by Jones Lang LaSalle Limited ("JLL" or the "Valuer") in accordance with the definitions published by the Royal Institute of Chartered Surveyors' ("RICS") Valuation – Professional Standards, July 2017, Global and UK Editions (commonly known as the "Red Book"). JLL is one of the most recognised professional firms within social housing valuation and has sufficient current local and national knowledge of both social housing generally and specialist supported housing ("SSH") and has the skills and understanding to undertake the valuations competently.

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

Level 1 – Unadjusted, quoted prices for identical assets and liabilities in active (typically quoted) markets;

Level 2 – Quoted prices for similar assets and liabilities in active markets;

Level 3 – External inputs are "unobservable". Value is the Director's best estimate, based on advice from relevant knowledgeable experts, use of recognised valuation techniques and a determination of which assumptions should be applied in valuing such assets and with particular focus on the specific attributes of the investments themselves.

Given the bespoke nature of each of the Group's investments, all of the Group's investment properties are included in Level 3.

### Judgements:

#### 3.2. Asset acquisitions

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. The Directors consider 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 deferred tax arises.

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

#### 3.3. The Group as lessor (note 27)

The Group has acquired investment properties that are subject to commercial property leases with Registered Providers. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, including the duration of the lease terms compared to the economic life of the asset, the minimum lease payments discounted using an average cost of borrowing rate compared to the fair value of the asset at acquisition, 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. The Group as lessee (note 27)

Leases where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group are

## FINANCIAL STATEMENTS

### Notes to the Group Financial Statements

for the year ended 31 December 2018

accounted for as finance leases. The key judgements in making this assessment include the fact that the lease term is for the major part of the economic life of the asset. The asset is treated as if it had been purchased outright and held within the Group's investment properties. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments of ground rents payable over the term of the lease. The corresponding lease commitment is shown as a head lease liability. Ground rent payments are analysed between capital and interest. The interest element is charged to the Statement of Comprehensive Income over the period of the lease. The capital element reduces the balance owed to the lessor.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below.

##### 4.1. Basis of consolidation

The 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 are included in the 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. The Group recognises asset acquisitions on completion. After initial recognition, investment property is stated at its fair value at the Statement of Financial Position date. Gains and losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise in the Statement of Comprehensive Income. Subsequent expenditure is capitalised only when it is probable that future economic benefits are associated with the expenditure.

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

Investment properties under construction are financed by the Group where the Group enters into contracts for the development of a pre-let property under a forward funding agreement. The Group does not expose itself to any speculative development risk as the proposed property is pre-let to a tenant under an agreement for lease and the Group enters into a fixed price development agreement with the Developer. Investment properties under construction are initially recognised in line with stage payments made to the developer. The properties are revalued at fair value at each reporting date in the form of a work-in-progress value. The work-in-progress value of investment properties under construction is estimated as fair value of the completed asset less any costs still payable in order to complete, which includes the Developer's margin.

During the period between initial investment and the lease commencement date (practical completion of the works) a coupon interest due on the funds paid in the range of 6.5-6.75% per annum is payable by the Developer. The accrued coupon interest is considered as a discount on the fixed contract price. It does not result in any cash flows during the development, but reduces the outstanding balance payable to the developer on practical completion. When practical completion is reached, the completed investment property is transferred to operational assets at the fair value on the date of completion.

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

##### 4.3. Leases - Lessor

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

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

#### 4.4. Trade and other receivables

Trade and other receivables are amounts due in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets.

Trade receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

#### 4.5. Cash and cash equivalents

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

Cash held by lawyers is money held in escrow for expenses expected to be incurred in relation to investment properties pending completion. These funds are available immediately on demand.

Restricted Cash represents cash held in relation to retentions for repairs, maintenance and improvement works by the vendors that is committed on the acquisition of the properties; and restricted bank borrowings.

#### 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 Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation.

#### 4.7. Trade and other payables

Trade and other payables are classified as current liabilities if payment is due within one year or less from the end of the current accounting period. 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 using the effective interest method until settled.

#### 4.8. Bank and other borrowings

Bank borrowings and the Group's loan notes are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensure that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Group Statement of Financial Position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payment while the liability is outstanding.

#### 4.9. C Shares financial liability

C Shares were convertible non-voting preference shares issued during the year and met the definition of a financial liability. C Shares were recognised on issue at fair value less directly attributable transaction costs. After initial recognition, C Shares are subsequently measured at amortised cost using the effective interest rate method. Amortisation is credited to or charged to finance income or finance costs in the Consolidated Statement of Comprehensive Income. Transaction costs are deducted from proceeds at the time of issue. C Shares converted into Ordinary Shares on the conversion date on the basis of their respective NAV per share at the calculation date.

#### 4.10. Taxation

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

#### 4.11. Dividends payable to shareholders

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

#### 4.12. Rental income

Rental income from investment property is recognised on a straight-line basis over the term of ongoing leases and is shown gross

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of any UK income tax. A rental adjustment is recognised from the rent review date in relation to unsettled rent reviews, where the directors are reasonably certain that the rental uplift will be agreed.

Rental income is invoiced in advance and any rental income that relates to a future period is deferred and appears within current liabilities on the Statement of Financial Position.

Tenant lease incentives are recognised as a reduction of rental revenue on a straight-line basis over the term of the lease. These are recognised within trade and other receivables on the Statement of Financial Position.

When the Group enters into a forward funded transaction, the future tenant signs an agreement for lease. No rental income is recognised under the agreement for lease, but once the practical completion has taken place the formal lease is signed at which point rental income commences to be recognised in the Statement of Comprehensive Income.

#### 4.13. Finance income and finance costs

Finance income is recognised as interest accrues on cash balances held by the Group. Finance costs consist of interest and other costs that the Group incurs in connection with bank and other borrowings. These costs are expensed in the period in which they occur.

#### 4.14. Expenses

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

#### 4.15. Investment management fees

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

#### 4.16. Share issue costs

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

## 5. RENTAL INCOME

	Year ended 31 December 2018 £'000	Period from 12 June 2017 to 31 December 2017 £'000
Rental income – freehold assets	<b>10,016</b>	876
Rental income – leasehold assets	<b>1,474</b>	151
	<b>11,490</b>	1,027

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

All rental income arose within United Kingdom.

## 6. DIRECTORS' REMUNERATION

	Year ended 31 December 2018 £'000	Period from 12 June 2017 to 31 December 2017 £'000
Directors' fees	<b>234</b>	132
Employer's National Insurance Contributions	<b>31</b>	15
	<b>265</b>	147

The Directors are remunerated for their services at such rate as the Directors shall from time to time determine. The Chairman receives a Director's fee of £75,000 per annum, and the other Directors of the Board receive a fee of £50,000 per annum. The Directors are also entitled to an additional fee of £7,500 in connection with the production of every prospectus by the Company (including the initial issue).

A summary of the Directors' emoluments, including the disclosures required by the Companies Act 2006, is set out in the Directors' Remuneration Report within the Corporate Governance Report on page 87. None of the Directors received any advances or credits from any Group entity during the year.

## 7. PARTICULARS OF EMPLOYEES

The Group had no employees during the period other than the Directors (2017: none).

## 8. MANAGEMENT FEES

	Year ended 31 December 2018 £'000	Period from 12 June 2017 to 31 December 2017 £'000
Management fees	<b>2,309</b>	472
	<b>2,309</b>	472

On 20 July 2017 Triple Point Investment Management LLP was appointed as the delegated investment manager of the Company by entering into the property management services and delegated portfolio management agreement. Under this agreement the delegated investment manager will advise the Company and provide certain management services in respect of the property portfolio. A Deed of Variation was signed on 23 August 2018.

The management fee is an annual management fee which is calculated quarterly in arrears based upon a percentage of the last published Net Asset Value of the Group (not taking into account uncommitted cash balances after deducting borrowings) as at 31 March, 30 June, 30 September and 31 December in each year on the following basis with effect from Admission:

- (a) on that part of the Net Asset Value up to and including £250 million, an amount equal to 1% of such part of the Net Asset Value;
- (b) on that part of the Net Asset Value over £250 million and up to and including £500 million, an amount equal to 0.9% of such part of the Net Asset Value;
- (c) on that part of the Net Asset Value over £500 million and up to and including £1 billion, an amount equal to 0.8% of such part of the Net Asset Value;
- (d) on that part of the Net Asset Value over £1 billion, an amount equal to 0.7% of such part of the Net Asset Value.

Management fees of £2,309,000 (2017: £472,000) were chargeable by TPIM during the year. At the year-end £811,000 (2017: £446,000) was due to TPIM.

## 9. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December 2018 £'000	Period from 12 June 2017 to 31 December 2017 £'000
Legal and professional fees	<b>839</b>	201
Audit fees	<b>226</b>	114
Administration fees	<b>335</b>	88
Other administrative expenses	<b>509</b>	43
	<b>1,909</b>	446

On 1 October 2018 Hanway Advisory Ltd, who are associated with Triple Point Investment Management LLP the delegated investment manager, were appointed to provide Administration and Company Secretarial Services to the Group. During the year Company Secretarial Services of £31,200 were chargeable by Hanway Advisory Ltd.

## 10. AUDIT FEES

	Year ended 31 December 2018 £'000	Period from 12 June 2017 to 31 December 2017 £'000
Group audit fees	<b>174</b>	95
Subsidiary audit fees	<b>14</b>	-
	<b>188</b>	95

BDO LLP also received £113,000 (2017: £53,000) for its role as reporting accountant of the Company in relation to new share issues, and £73,000 in relation to eNAV and interim reviews. The fees relating to the share issuance have been treated as share issue costs and offset against share premium arising on the issue of these shares.

BDO LLP received £nil (2017: £25,000) for corporate finance services which are treated as capitalised in the cost of the investment property.

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The audit fee for the following subsidiaries has been borne by the Company:

- > Norland Estates Limited
- > TP REIT Prop Co 2 Limited
- > TP REIT Super Hold Co Limited
- > TP REIT Hold Co 1 Limited
- > TP REIT Hold Co 2 Limited
- > FPI Co 22 Limited<sup>1</sup>
- > FPI Co 173 Limited<sup>1</sup>

<sup>1</sup> Accounts audited for the period ended 31 December 2017 only.

### 11. FINANCE INCOME

	Year ended 31 December 2018 £'000	Period from 12 June 2017 to 31 December 2017 £'000
Head lease interest income	<b>33</b>	6
Interest on liquidity funds	<b>150</b>	73
	<b>183</b>	79

### 12. FINANCE COSTS

	Year ended 31 December 2018 £'000	Period from 12 June 2017 to 31 December 2017 £'000
Interest payable on bank borrowings	<b>949</b>	–
Amortisation loan arrangement fees	<b>47</b>	–
C Share amortisation expense	<b>134</b>	–
C Share interest expense	<b>613</b>	–
Head lease interest expense	<b>33</b>	6
Bank charges	<b>14</b>	2
	<b>1,790</b>	8
Total finance cost for financial liabilities held at amortised cost	<b>1,762</b>	6

### 13. TAXATION

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

It is assumed that the Group will continue to be a group UK REIT for the foreseeable future, such that deferred tax has not been recognised on temporary differences relating to the property rental business.

	Year ended 31 December 2018 £'000	Period from 12 June 2017 to 31 December 2017 £'000
<b>Current tax</b>		
Corporation tax charge for the year	–	–
Total current income tax charge in the profit or loss	–	–

The tax charge for the period is less than the standard rate of corporation tax in the UK of 19% (2017:19%). The differences are explained below.

	Year ended 31 December 2018 £'000	Period from 12 June 2017 to 31 December 2017 £'000
Profit before tax	<b>19,897</b>	5,672
Tax at UK corporation tax standard rate of 19%	<b>3,780</b>	1,078
Change in value of investment properties	<b>(2,754)</b>	(1,071)
Exempt REIT income	<b>(1,340)</b>	(50)
Amounts not deductible for tax purposes	<b>145</b>	4
Unutilised residual current period tax losses	<b>169</b>	39
	–	–

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

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

## 14. INVESTMENT PROPERTY

	31 December 2018			31 December 2017
	Operational assets £'000	Properties under development £'000	Total £'000	Operational assets £'000
Investment property valuation brought forward	137,432	–	137,432	–
Acquisitions and additions	154,127	16,708	170,835	131,793
Fair value adjustment	14,569	(72)	14,497	5,639
Head lease ground rent	1,305	–	1,305	1,080
Transfer of completed properties	8,684	(8,684)	–	–
<b>Total investment property</b>	<b>316,117</b>	<b>7,952</b>	<b>324,069</b>	138,512

### Reconciliation to independent valuation:

Investment property valuation	315,517	7,952	323,469	137,546
Fair value adjustment – head lease ground rent	1,305	–	1,305	1,080
Fair value adjustment – lease incentive debtor	(705)	–	(705)	(114)
	<b>316,117</b>	<b>7,952</b>	<b>324,069</b>	138,512

Properties under development represent contracts for the development of a pre-let property under a forward funding agreement.

The carrying value of leasehold properties at 31 December 2018 was £26.5 million (2017: £24.1 million).

In accordance with "IAS 40: Investment Property", the Group's investment properties have been independently valued at fair value by Jones Lang LaSalle Limited ("JLL"), an accredited external valuer with recognised and relevant professional qualifications. The independent valuers provide their fair value of the Group's investment property portfolio every six months.

JLL were appointed as external valuers by the Board on 11 December 2017. JLL has provided valuations services to the Group. The proportion of the total fees payable by the Company to JLL's total fee income is minimal. Additionally, JLL has a rotation policy in place whereby the signatories on the valuations rotate after 7 years.

### % Key Statistics

The metrics below are in relation to the total investment property portfolio held as at 31 December 2018.

Portfolio metrics	31 December 2018	31 December 2017
Capital Deployed (£'000) <sup>1</sup>	<b>293,857</b>	128,525
Number of Properties	<b>272</b>	116
Number of Tenancies <sup>3</sup>	<b>189</b>	65
Number of Registered Providers <sup>3</sup>	<b>16</b>	11
Number of Local Authorities <sup>3</sup>	<b>109</b>	51
Number of Care Providers <sup>3</sup>	<b>62</b>	25
Valuation NIY <sup>2</sup>	<b>5.25%</b>	5.32%

<sup>1</sup>calculated excluding acquisition costs.

<sup>2</sup>calculated using IAS 40 valuations (excluding forward funding acquisitions).

<sup>3</sup>calculated excluding forward funding acquisitions.

### Regional exposure

Region	31 December 2018 ^Cost £'000	% of funds invested	31 December 2017 ^Cost £'000	% of funds invested
North West	<b>73,757</b>	<b>25.1</b>	49,664	38.6
East Midlands	<b>47,412</b>	<b>16.1</b>	11,374	8.8
West Midlands	<b>41,327</b>	<b>14.1</b>	18,912	14.7
North East	<b>39,432</b>	<b>13.4</b>	24,037	18.7
London	<b>25,921</b>	<b>8.9</b>	3,421	2.7
South East	<b>22,053</b>	<b>7.5</b>	4,732	3.7
Yorkshire	<b>16,869</b>	<b>5.7</b>	10,140	7.9
South	<b>14,665</b>	<b>5.0</b>	6,245	4.9
South West	<b>8,650</b>	<b>2.9</b>	–	0.0
East	<b>2,889</b>	<b>1.0</b>	–	0.0
South Wales	<b>883</b>	<b>0.3</b>	–	0.0
<b>Total</b>	<b>293,858</b>	<b>100.0</b>	128,525	100.0

<sup>4</sup>excluding acquisition costs.

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#### Fair value hierarchy

	Date of valuation	Quoted prices in Significant markets				
		Total (Level 1) £'000	Significant inputs £'000	Significant unobservable inputs £'000	(Level 3) £'000	
<b>Assets measured at fair value:</b>						
<b>Investment properties</b>						
Investment properties	31 December 2018	324,069	–	–	324,069	
Investment properties	31 December 2017	138,512	–	–	138,512	

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.

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 investment properties are reported as Level 3 in accordance with IFRS 13 where external inputs are "unobservable" and value is the Directors' best estimate, based upon advice from relevant knowledgeable experts.

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

These include i) the regulated social housing sector and demand for the facilities offered by each Specialised Supported Housing ("SSH") property owned by the Group; ii) the particular structure of the Group's transactions where vendors, at their own expense, meet the majority of the refurbishment costs of each property and certain purchase costs; iii) detailed financial analysis with discount rates supporting the carrying value of each property; iv) underlying rents for each property being subject to independent benchmarking and adjustment where the Group considers them too high (resulting in a price reduction for the purchase or withdrawal from the transaction); and v) a full repairing and insuring lease with annual indexation based on CPI or CPI+1% and effectively 25 years outstanding, in most cases with a Housing Association itself regulated by the Homes and Communities Agency.

The valuer treats the fair value for forward funded assets as work-in-progress value whereby the Group forward funds a development by committing a total sum, the Gross Development Value ("GDV") over the development period in order to receive the completed development at practical completion. The work-in-progress value of the asset increases during the

construction period accordingly as payments are made by the Group which leads, in turn, to a pro-rata increase in the valuation in each quarter valuation assuming there are no material events affecting the GDV adversely. Interest accrued during construction as well as an estimation of future interest accrual prior to lease commencement will be deducted from the balancing payment which is the final payment to be drawn by the developer prior to the Group receiving the completed building.

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

#### Valuation techniques: Discounted cash flows

The discounted cash flows model considers the present value of net cash flows to be generated from the property, taking into account the expected rental growth rate and lease incentive costs such as rent-free periods. The expected net cash flows are then discounted using risk-adjusted discount rates.

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

1. The rate of inflation as measured by CPI; it should be noted that all leases benefit from either CPI or RPI indexation.
2. The discount rate applied to the rental flows.

Key factors in determining the discount rates applied include the performance of the regulated social housing sector and demand for each specialist supported housing 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 Group's properties have the benefit of full repairing and insuring leases entered into by a Housing Association.

All of the properties within the Group's portfolio benefit from leases with annual indexation based upon CPI or RPI. The fair value measurement is based on the above items highest and best use, which does not differ from their actual use.

#### Sensitivities of measurement of significant unobservable inputs

As set out within the significant accounting estimates and judgements in Note 3, the Group's property portfolio valuation is open to judgements and is inherently subjective by nature.

As a result the following sensitivity analysis has been prepared:

**Average discount rate and range:**

The average discount rate used in the Group's property portfolio valuation is 6.66% (2017: 6.9%). The range of discount rates used in the Group's property portfolio valuation is from 6.4% to 7.2% (2017: 6.4% to 7.5%).

	-0.5% change in Discount Rate £'000	+0.5% change in Discount Rate £'000	+0.25% change in CPI £'000	-0.25% change in CPI £'000
<b>Changes in the IFRS fair value of investment properties as at 31 December 2018</b>	<b>20,362</b>	<b>(18,307)</b>	<b>10,447</b>	<b>(9,973)</b>
Changes as at 31 December 2017	9,360	(8,415)	4,796	(4,561)

**15. TRADE AND OTHER RECEIVABLES**

	31 December 2018 £'000	31 December 2017 £'000
Prepayments	<b>1,755</b>	11,347
Other receivables	<b>766</b>	183
Rent receivable	<b>871</b>	472
	<b>3,392</b>	12,002

Included in Prepayments are prepaid acquisition costs which include the cost of acquiring assets not completed at the year end. At 31 December 2018 assets not completed but funds transferred represented £Nil (2017: £4,030,000) and a deposit for PUMA pipeline of £475,373 (2017: £7,213,552).

The Directors consider that the carrying value of trade and other receivables approximate their fair value. All amounts are due to be received within one year from the reporting date.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for rent receivables. To measure expected credit losses on a collective basis, rent receivables are grouped based on similar credit risk and ageing.

The expected loss rates are based on the Group's historical credit losses experienced since incorporation in 2017. The historical loss rates are then adjusted for the current and forward-looking information on macroeconomic factors affecting the Group's tenants. Both the expected credit loss provision and the incurred loss provision in the current and prior period are immaterial.

**16. CASH AND CASH EQUIVALENTS**

	31 December 2018 £'000	31 December 2017 £'000
Cash held by lawyers	<b>14,352</b>	38,496
Liquidity funds	<b>75,000</b>	15,872
Restricted cash	<b>17,278</b>	3,427
Cash at bank	<b>7,994</b>	390
	<b>114,624</b>	58,185

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. Interest at market rate between 0.59% and 0.65% per annum is earned on these deposits.

Cash held by lawyers is money held in escrow for expenses expected to be incurred in relation to investment properties pending completion. These funds are available immediately on demand.

Restricted cash represents retention money in relation to repair, maintenance and improvement works by the vendors to bring the properties up to satisfactory standards for the Group and the tenants. The cash is committed on the acquisition of the properties.

	31 December 2018 £'000	31 December 2017 £'000
Total cash and cash equivalents	<b>114,624</b>	58,185
Restricted cash	<b>(17,278)</b>	(3,427)
Cash reported on Statement of Cash Flows	<b>97,346</b>	54,758

**17. TRADE AND OTHER PAYABLES**

	31 December 2018 £'000	31 December 2017 £'000
<b>Current liabilities</b>		
Other creditors	<b>6,818</b>	3,427
Accruals	<b>1,471</b>	2,031
Trade payables	<b>589</b>	380
Deferred consideration	<b>84</b>	–
Head lease ground rent (note 27)	<b>36</b>	29
Deferred income	<b>–</b>	9
	<b>8,998</b>	5,876

The Other Creditors balance consists of retentions due on completion of outstanding works. The Directors consider that the carrying value of trade and other payables approximate their fair value. All amounts are due for payment within one year from the reporting date.

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#### 18. OTHER PAYABLES

	31 December 2018 £'000	31 December 2017 £'000
<b>Non-current liabilities</b>		
Head lease ground rent (note 27)	<b>1,270</b>	1,051
Deferred consideration	<b>195</b>	–
Rent deposit	<b>100</b>	100
	<b>1,565</b>	1,151

#### 19. BANK AND OTHER BORROWINGS

	31 December 2018 £'000	31 December 2017 £'000
Bank and other borrowings drawn at year end	<b>68,500</b>	–
Less: loan issue costs incurred	<b>(1,186)</b>	–
Add: loan issue costs amortised	<b>47</b>	–
Unamortised costs at end of the year	<b>(1,139)</b>	–
Balance at year end	<b>67,361</b>	–

At 31 December 2018 there were undrawn bank borrowings of £70 million.

On 20 July 2018, the Group entered into a long dated, fixed rate, interest only financing arrangement in the form of a private placement of loan notes in an amount of £68.5 million with MetLife and affiliated funds. The Loan Notes are secured against a portfolio of specialist supported living assets throughout the UK, worth approximately £172 million. As at 31 December 2018 £58 million was utilised; the remaining amount of £10.5 million was in a charged account until it was released on 12 February 2019. The Loan Notes represent a loan-to-value of 40% of the value of the secured pool of assets and are split into two tranches: Tranche-A, is an amount of £41.5 million, has a term of 10 years from utilisation and is priced at an all-in coupon of 2.924% pa; and Tranche-B, is an amount of £27 million, has a term of 15 years from utilisation and is priced at an all-in coupon of 3.215% pa. On a blended basis, the weighted average term is 12 years carrying a weighted average fixed rate coupon of 3.039% pa.

On 21 December 2018 the Group signed a secured £70 million Revolving Credit Facility with Lloyds Bank. The floating rate Revolving Credit Facility has an initial term of four years expiring on 20 December 2022. This may be extended by a further two years to 20 December 2024 if requested but is at the sole discretion of Lloyds Bank. The interest rate for amounts drawn is 1.85% per annum over 3 months LIBOR. For undrawn loan amounts the Company pays a commitment fee in the amount of 40% of the margin. As at 31 December 2018 no loan amounts have been drawn under the revolving credit facility and, when fully drawn, the revolving credit

facility will represent a loan-to-value of 40% secured against a defined portfolio of the Group's specialist supported housing assets.

Both financing arrangements, the Loan Notes under the MetLife private placement as well as the loan amounts under the Revolving Credit Facility with Lloyds Bank, are segregated and on a non-recourse basis to the Group.

The Group has met all compliance with its financial covenants on the above loans throughout the year.

Undrawn committed bank facilities – maturity profile	Total £'000	< 1 year £'000	1 to 2 years £'000	3 to 5 years £'000	> 5 years £'000
At 31 December 2018	70,000	–	–	70,000	–
At 31 December 2017	–	–	–	–	–

#### 20. C SHARES

	31 December 2018 £'000	31 December 2017 £'000
At beginning of period	–	–
Proceeds from issue of shares	<b>47,500</b>	–
C Share issue costs	<b>(950)</b>	–
Amortisation of C Share liability	<b>134</b>	–
Conversion into Ordinary Shares	<b>(46,684)</b>	–
At end of period	–	–

On 23 March 2018 the Company announced the issue of 47,500,000 C Shares, issued at 100 pence per share. The C Shares were convertible preference shares. The shares were listed on the London Stock Exchange and dealing commenced on 27 March 2018.

Holders of C Shares were not entitled to receive notice of, attend, speak or vote at general meetings of the Company.

C Shares were treated as a liability. The C shares had the right to participate in a fixed rate dividend of 3% per C Share per annum pro-rated up to the conversion date paid in cash (based on a C Share price of 100 pence). The pro-rated dividend was paid on 28 September 2018.

The funds were raised in order to finance a number of property acquisitions and C Shares were issued rather than Ordinary Shares so that the issue costs associated with the fund raise and the costs associated with the property acquisitions did not dilute the Ordinary Share NAV.

In order to calculate the net assets attributable to each share class, the results, assets and liabilities attributable to the C shares were identified in a separate pool to the results, assets and liabilities of the Ordinary Shares. A share of fund level expenses for the period were

allocated to the C Shares based on the net assets of each share class pool at 31 March 2018. In arriving at the finance charge for the C Share liability the Group amortised issue costs of £134,000 and paid interest on C Shares of £613,000.

On 29 June 2018 90% of the C Share funds had been invested or committed and the C Shares converted into Ordinary Shares on 30 August 2018 (conversion date). The conversion was on the basis of their respective NAV per share as at 29 June 2018 (calculation date), adjusted for dividends payable to both share classes and the fair value gain on assets acquired on which the Company had exchanged contracts but not completed until 13 July 2018. On 30 August 2018 46,352,210 Ordinary Shares were issued on conversion of the C Shares.

## 21. NOTES SUPPORTING STATEMENT OF CASH FLOWS

Reconciliation of liabilities to cash flows from financing activities:

	Bank borrowings £'000 (Note 19)	C Shares £'000 (Note 20)	Head lease £'000 (Note 17,18)	Total
At 1 January 2018	–	–	1,080	1,080
Cashflows	67,314	46,550	(35)	113,829
Non-cash flows:				
– Amortisation of loan arrangement fees	47	–	–	47
– Amortisation of C Share liability	–	134	–	134
– Conversion into Ordinary Shares	–	(46,684)	–	(46,684)
– Head lease additions	–	–	225	225
– Amortisation of head lease liability	–	–	36	36
At 31 December 2018	67,361	–	1,306	68,667

	Bank borrowings £'000 (Note 19)	C Shares £'000 (Note 20)	Head lease £'000 (Note 17,18)	Total
At 12 June 2017	–	–	–	–
Cashflows	–	–	(16)	(16)
Non-cash flows:				
– Head lease additions	–	–	1,081	1,081
– Amortisation of head lease liability	–	–	15	15
At 31 December 2017	–	–	1,080	1,080

## 22. SHARE CAPITAL

	Issued and fully paid Number	Issued and fully paid £'000
At 1 January 2018	200,000,000	2,000
Issued on conversion of C shares on 30 August 2018	46,352,210	464
Issued on public offer on 22 October 2018	105,000,000	1,050
At 31 December 2018	351,352,210	3,514
	Issued and fully paid Number	Issued and fully paid £'000
At 12 June 2017	–	–
Issued on IPO on 8 August 2017	200,000,000	2,000
At 31 December 2017	200,000,000	2,000

The Company achieved admission to the specialist fund segment of the main market of the London Stock Exchange on 8 August 2017, raising £200 million. As a result of the IPO, at 8 August 2017, 200,000,000 shares at one pence each were issued and fully paid. The Company was admitted to the premium segment of the Official List of the Financial Conduct Authority and migrated to trading on the premium segment of the Main Market on 27 March 2018.

On 30 August 2018 the Company converted 47,500,000 C Shares in accordance with the terms for the C Shares as set out in the Company's Articles of Association. For every one C Share held, 0.975836 new Ordinary share was issued. This resulted in a further 46,352,210 Ordinary Shares being issued and fully paid.

Following a third public offer, on 22 October 2018 a further 105,000,000 Ordinary Shares of one pence each were issued and fully paid.

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#### 23. SHARE PREMIUM RESERVE

The share premium relates to amounts subscribed for share capital in excess of nominal value.

	31 December 2018 £'000	31 December 2017 £'000
Balance at beginning of period	–	–
Share premium arising on the conversion of C Shares into Ordinary Shares	<b>46,220</b>	–
Share premium arising on Ordinary Shares issue	<b>107,100</b>	198,000
Share issue costs capitalised	<b>(2,163)</b>	(4,000)
Transfer to capital reduction reserve	–	(194,000)
Balance at end of period	<b>151,157</b>	–

During the Board meeting on 3 August 2017 a resolution was passed authorising the cancellation of the share premium account. The amount standing to the credit of the share premium account of the Company following completion of the issue (less any issue expenses set off against the share premium reserve) was, as a result, credited as a distributable reserve to be established in the Company's books of account which shall be capable of being applied in any manner in which the Company's profits available for distribution (as determined in accordance with the CA 2006) are able to be applied.

In order to cancel the share premium reserve the Company needed to obtain a court order, which was received on 15 November 2017. A SH19 form was filed at Companies House with a copy of the court order and the certificate of cancellation was issued by Companies House on 15 November 2017.

#### 24. CAPITAL REDUCTION RESERVE

	31 December 2018 £'000	31 December 2017 £'000
Balance at beginning of period	<b>194,000</b>	–
Transfer from share premium reserve	–	194,000
Dividends paid	<b>(10,079)</b>	–
Balance at end of period	<b>183,921</b>	194,000

The capital reduction reserve relates to the distributable reserve established on cancellation of the share premium reserve.

#### 25. RETAINED EARNINGS

	31 December 2018 £'000	31 December 2017 £'000
Balance at beginning of period	<b>5,672</b>	–
Total comprehensive income for the period	<b>19,897</b>	5,672
Balance at end of period	<b>25,569</b>	5,672

#### 26. DIVIDENDS

	Year ended 31 December 2018 £'000	Period from 12 June 2017 to 31 December 2017 £'000
Dividend of 1p for the period 12 June to 31 December 2017	<b>2,000</b>	–
Dividend of 1.25p for the 3 months to 31 March 2018	<b>2,500</b>	–
Dividend of 1.25p for the 3 months to 30 June 2018	<b>2,500</b>	–
Dividend of 1.25p for the 3 months to 30 September 2018	<b>3,079</b>	–
	<b>10,079</b>	–

On 6 March 2018, the Company declared its maiden interim dividend of 1 pence per Ordinary Share for the initial period from 12 June to 31 December 2017. The total dividend of £2,000,000 was paid on 26 March 2018 to Ordinary shareholders on the register on 16 March 2018.

On 14 May 2018, the Company declared an interim dividend of 1.25 pence per Ordinary Share for the period 1 January 2018 to 31 March 2018. The total dividend of £2,500,000 was paid on 29 June 2018 to Ordinary shareholders on the register on 25 May 2018.

On 16 August 2018, the Company declared an interim dividend of 1.25 pence per Ordinary Share for the period 1 April 2018 to 30 June 2018. The total dividend of £2,500,000 was paid on 28 September 2018 to Ordinary shareholders on the register on 24 August 2018.

On 19 September 2018, the Company declared an interim dividend of 1.25 pence per Ordinary Share for the period 1 July 2018 to 30 September 2018. The total dividend of £3,079,403 was paid on 31 October 2018 to Ordinary shareholders on the register on 28 September 2018.

On 7 March 2019, the Company declared an interim dividend of 1.25 pence per Ordinary Share for the period 1 October 2018 to 31 December 2018. The total dividend of £4,391,903 will be paid on 29 March 2019 to Ordinary shareholders on the register on 15 March 2019.

The Company paid dividends of 5 pence per Ordinary share for the financial year ended 31 December 2018. The Company intends to pay dividends to shareholders on a quarterly basis and in accordance with the REIT regime.

On 16 August 2018, the Company declared a dividend of an aggregate of 1.29 pence per C share comprising of 0.789 pence per C share for the period from admission to trading on 27 March 2018 to 30 June 2018; and 0.501 pence per C share for the period from 1 July 2018 to the date of conversion into Ordinary shares on 30 August 2018. The total dividend of £612,946 was paid on 28 September 2018 to holders of C shares on the register on 24 August 2018. The C Shares were classified as a liability and as such the dividend paid was treated as a finance expense in the Statement of Comprehensive Income (Note 12).

## 27. LEASES

### A. Leases as lessee

The Group leases a number of properties under finance leases.

The future minimum lease payments under non-cancellable finance lease were payable by the Group as follows:

	< 1 year £'000	2-5 years £'000	> 5 years £'000	Total £'000
Minimum lease payments	36	142	6,801	6,979
Interest	(1)	(10)	(5,663)	(5,674)
Present value at 31 December 2018	35	132	1,138	1,305
	< 1 year £'000	2-5 years £'000	> 5 years £'000	Total £'000
Minimum lease payments	33	114	6,023	6,170
Interest	(4)	(16)	(5,070)	(5,090)
Present value at 31 December 2017	29	98	953	1,080
	31 December 2018 £'000	31 December 2017 £'000		
Current liabilities (Note 17)	35	29		
Non-current liabilities (Note 18)	1,270	1,051		
Balance at end of period	1,305	1,080		

The above is in respect of properties held by the Group under leasehold. There are 19 (2017: 18) properties held under leasehold with lease ranges from 125 years to 999 years.

### B. Leases as lessor

The Group leases out its investment properties (see Note 14).

The future minimum lease payments under non-cancellable operating leases receivable by the Group are as follows:

	< 1 year £'000	2-5 years £'000	> 5 years £'000	Total £'000
31 December 2018	18,290	74,449	415,211	507,950
	< 1 year £'000	2-5 years £'000	> 5 years £'000	Total £'000
31 December 2017	7,315	29,484	113,463	150,262

Leases are direct-let agreements with Registered Providers for a term of at least 15 years and usually between 20 to 25 years with rent linked to CPI or RPI. All leases are full repairing and insuring (FRI) leases, the tenants are therefore obliged to repair, maintain and renew the properties back to the original conditions.

The lease payments were calculated using Weighted Average Unexpired Lease Term ("WAULT"). WAULT is the average unexpired lease term across the property investment portfolio, weighted by the contracted rental income. The WAULT includes all parts of the lease term, including additional leases which are triggered by landlords' put options, but not those triggered by Tenants' call options unless the options were mutual.

The following table gives details of the percentage of annual rental income per Registered Provider with more than a 10% share:

Registered Provider	31 December 2018 % of total annual rent	31 December 2017 % of total annual rent
Inclusion Housing CIC	20	29
Falcon Housing Association CIC	16	10
My Space	14	22
28A Supported Living	11	–
Hilldale	10	12
Auckland Home Solutions	9	10

## 28. CONTROLLING PARTIES

As at 31 December 2018 there is no ultimate controlling party of the Company.

## 29. 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 Delegated Investment Advisor TPIM).

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for the year ended 31 December 2018

The internal financial reports received by TPIM 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 financial statements.

The Group's property portfolio comprised 272 (2017: 116) Social Housing properties as at 31 December 2018 in England and Wales. The Directors consider that these properties represent a coherent and diversified portfolio with similar economic characteristics and, as a result, these individual properties have been aggregated into a single operating segment. In the view of the Directors there is accordingly one reportable segment under the provisions of IFRS 8. All of the Group's properties are engaged in a single segment business with all revenue, assets and liabilities arose in the UK, therefore, no geographical segmental analysis is required by IFRS 8.

### 30. RELATED PARTY DISCLOSURE

#### Directors

Directors are remunerated for their services at such rate as the directors shall from time to time determine. The Chairman receives a Director's fee of £75,000 per annum (2017: £75,000), and the other directors of the Board receive a fee of £50,000 per annum (2017: £50,000). The Directors are also entitled to an additional fee of £7,500 in connection with the production of every prospectus by the Company (including the Issue).

Dividends of the following amounts were paid to the Directors during the year: Chris Philips: £2,375 (2017: nil), Peter Coward: £3,563 (2017: nil), Paul Oliver: £2,924 (2017: nil).

#### Name of Entity

#### Registered Office

	Country of Incorporation	Ownership %
TP REIT Super HoldCo Ltd*	UK	100%
TP REIT Hold Co 1 Ltd*	UK	100%
TP REIT Hold Co 2 Ltd*	UK	100%
TP REIT Hold Co 3 Ltd	UK	100%
TP REIT Prop Co 2 Ltd*	UK	100%
TP REIT Prop Co 3 Ltd	UK	100%
TP Social Housing Investments Limited*	UK	100%
Norland Estates Ltd*	UK	100%
FPI Co 173 Ltd	UK	100%
FPI Co 22 Ltd	UK	100%
SIPP Holding Ltd*	Burleigh Manor, Peel Road, Douglas, Isle of Man IM1 5EP	Isle of Man
FPI Co 243 Ltd	UK	100%
MSL (55) Ltd	UK	100%
MSL (38) Ltd	UK	100%
FPI Co 267 Ltd	UK	100%
MSL(43) Ltd	UK	100%
MSL (51) Ltd	UK	100%
MSL (45) Ltd	UK	100%
PSCI Holdings III Ltd	UK	100%
FPI Co 152 Ltd*	UK	100%
FPI Co 188 Ltd*	UK	100%

Following shareholder approval, the Group completed the purchase of the entire issued share capital of TP Social Housing Investments Limited, a special purpose company holding a portfolio of social housing assets wholly owned by Pantechnicon Capital for a total commitment of £22.3 million on 13 July 2018. Ben Beaton, James Cranmer and Claire Ainsworth are all directors of Pantechnicon Capital Limited and they are also all partners of TPIM, the delegated investment adviser. Triple Point Investment Management LLP receives a management fee which is disclosed in note 8.

The Board reviewed the transaction and concluded it was conducted on an arm's length basis.

### 31. CONSOLIDATED ENTITIES

The Group consists of a Parent Company, Triple Point Social Housing REIT plc, incorporated in the UK and a number of subsidiaries held directly by the Company, which operate and are incorporated in the UK and Guernsey. The principal place of business of each subsidiary is the same as their place of incorporation.

The Group owns 100% of the equity shares of all subsidiaries listed below and has the power to appoint and remove the majority of the Board of those subsidiaries. The relevant activities of the below subsidiaries are determined by the Board based on simple majority votes. Therefore, the Directors of the Company concluded that the Company has control over all these entities and all these entities have been consolidated within the financial statements. The principal activity of all the subsidiaries relates to property investment.

Name of Entity	Registered Office	Country of Incorporation	Ownership %
PSCI Holdings Ltd*	1 Le Truchot St Peter Port, GY1 1WD	Guernsey	100%
SL Heywood Ltd	1 Le Truchot St Peter Port, GY1 1WD	Guernsey	100%
SL Bury Ltd	1 Le Truchot St Peter Port, GY1 1WD	Guernsey	100%
FPI Co 244 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Diamond 72 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
MSL (76) Ltd	1 King William Street, London, EC4N 7AF	UK	100%
MSL (61) Ltd	1 King William Street, London, EC4N 7AF	UK	100%
TP REIT Eshwin Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Allerton SPV 7 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
MSL (48) Ltd	1 King William Street, London, EC4N 7AF	UK	100%
MSL (53) Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Allerton SPV 10 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
FPI Co 211 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
MSL (50) Ltd	1 King William Street, London, EC4N 7AF	UK	100%
FPI Co 169 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
FPI Co 7 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
MSL (32) Ltd	1 King William Street, London, EC4N 7AF	UK	100%
TP REIT Orchard End Ltd	1 King William Street, London, EC4N 7AF	UK	100%

\* indicates entity is a direct subsidiary of Triple Point Social Housing REIT PLC

The subsidiaries listed below have been struck off since the year end:

Name of Entity	Registered Office	Country of Incorporation	Ownership %
Bloxwich Developments Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Court Developments Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Rushden Developments Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Supported Developments Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Stoke Central Developments Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Soho SPV 3 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Soho SPV 4 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Soho SPV 5 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Soho SPV 6 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
FPI Co 153 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
MSL (21) Ltd	1 King William Street, London, EC4N 7AF	UK	100%
MSL (28) Ltd	1 King William Street, London, EC4N 7AF	UK	100%
MSL (30) Ltd	1 King William Street, London, EC4N 7AF	UK	100%
MSL (42) Ltd	1 King William Street, London, EC4N 7AF	UK	100%
MSL (25) Ltd	1 King William Street, London, EC4N 7AF	UK	100%
MSL (37) Ltd	1 King William Street, London, EC4N 7AF	UK	100%
MSL (40) Ltd	1 King William Street, London, EC4N 7AF	UK	100%
MSL (44) Ltd	1 King William Street, London, EC4N 7AF	UK	100%
MSL (26) Ltd	1 King William Street, London, EC4N 7AF	UK	100%
MSL (39) Ltd	1 King William Street, London, EC4N 7AF	UK	100%
FPI Co 150 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
FPI Co 159 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
FPI Co 160 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
FPI Co 170 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
FPI Co 110 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
FPI Co 175 Ltd	1 King William Street, London, EC4N 7AF	UK	100%

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Name of Entity	Registered Office	Country of Incorporation	Ownership %
FPI Co 174 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
TP REIT Maple Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Soho SPV 1 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Soho SPV 8 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Allerton SPV 1 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Allerton SPV 2 Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Sorogold Street Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Sorogold Property Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Puma Properties UK (Elm Place) Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Puma Properties UK (Barnsley) Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Puma Properties UK (Eskdale) Ltd	1 Le Truchot St Peter Port, GY1 1WD	Guernsey	100%
Puma Properties UK (Workington) Ltd	1 Le Truchot St Peter Port, GY1 1WD	Guernsey	100%
Puma Properties UK (CTP 1) Ltd	1 Le Truchot St Peter Port, GY1 1WD	Guernsey	100%
Puma Properties UK (CTP 2) Ltd	1 Le Truchot St Peter Port, GY1 1WD	Guernsey	100%
Puma Properties UK (Prescott Court) Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Puma Properties (Springside) Ltd	1 Le Truchot St Peter Port, GY1 1WD	Guernsey	100%
Puma Properties (Baskerville Hall) Ltd	1 King William Street, London, EC4N 7AF	UK	100%
Puma Social (Care Holdings) Ltd	1 Le Truchot St Peter Port, GY1 1WD	Guernsey	100%
Puma Property Investments Ltd	1 Le Truchot St Peter Port, GY1 1WD	Guernsey	100%
HB Villages St Helens Ltd	1 King William Street, London, EC4N 7AF	UK	100%
SL Boathouse Ltd	1 King William Street, London, EC4N 7AF	UK	100%
PSCI Holdings II Ltd	1 King William Street, London, EC4N 7AF	UK	100%

## 32. FINANCIAL RISK MANAGEMENT

The Group is exposed to market risk, interest rate risk, credit risk and liquidity risk in the current and future periods. The Board oversees the management of these risks. The Board's policies for managing each of these risks are summarised below.

### 32.1. Market risk

The Group's activities will expose it primarily to the market risks associated with changes in property values.

#### 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.

#### 32.2. 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 £70 million Revolving Credit Facility with Lloyds Bank has been secured on a floating rate basis whereby the Group pays a margin of 1.85% per annum above 3 months LIBOR for drawn loan amounts throughout the loan term. The Directors decision was not to put hedging arrangements in place from the date of signing as under the terms of the Revolving Credit Facility the Group has full flexibility, and at its sole discretion, to put hedging arrangements in place at any time during the loan term. Throughout the loan term the Group will closely monitor changes in interest rates and, if necessary, implement hedging at a later stage. The liquidity table in 32.4 below outlines the bank borrowings and interest payable on bank borrowings with a floating interest rate. At 31 December 2018 the facility had not been drawn and therefore the effect of a change in interest rate on the results for the year was £nil.

The fixed rate loan notes with MetLife do not have exposure to interest rate risk.

Exposure to interest rate risk on the liquidity funds is immaterial to the Group.

### 32.3. 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 other institutions as detailed in Notes 16 and 19.

#### Credit risk related to financial instruments and cash deposits

One of the principal credit risks facing the Group arises with the funds it holds with banks and other institutions. The Board believes that the credit risk on short-term deposits and current account cash balances is limited because the counterparties are banks and institutions with high credit ratings.

#### Credit risk related to leasing activities

In respect of property investments, in the event of a default by a tenant, the Group will suffer a rental shortfall and additional costs concerning re-letting the property to another Social Housing Registered Provider. Credit risk is primarily managed by testing the strength of covenant of a tenant prior to acquisition and on an ongoing basis. The Investment Manager also monitors the rent collection in order to anticipate and minimise the impact of defaults by occupational tenants. Outstanding rent receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

The Group has 75 leases with 2 Registered Providers that have received a non-compliant rating for governance and viability from the Regulator. We continue to conduct on going due diligence on all Registered Providers and all rents payable under these leases have been paid. The Group's valuer has confirmed that there is no impact on the value of the Group's assets as a result of the non-compliant rating. We continue to monitor and maintain a dialogue with the Registered Providers as they work with advisers and the Regulator to implement a financial and governance improvement action plan in order to address the Regulator's concerns and obtain a compliant rating. The Board believes that the credit risk associated with the non compliant rating is limited and all rents are received by the Registered Provider from local and central government.

### 32.4. 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 to fund the Group's operating activities.

The following table details the Group's liquidity analysis:

		< 3 months £'000	3-12 months £'000	1-5 years £'000	> 5 years £'000
<b>31 December 2018</b>	<b>£'000</b>				
Headleases (note 27)	<b>6,979</b>	<b>9</b>	<b>27</b>	<b>142</b>	<b>6,801</b>
Trade and other payables	<b>8,878</b>	<b>7,808</b>	<b>1,040</b>	<b>30</b>	<b>–</b>
Bank and other borrowings (note 19):					
– Fixed interest rate	<b>68,500</b>	–	–	–	<b>68,500</b>
Interest payable on bank and other borrowings:					
– Fixed interest rate	<b>24,114</b>	<b>520</b>	<b>1,561</b>	<b>8,326</b>	<b>13,707</b>
	<b>108,471</b>	<b>8,337</b>	<b>2,628</b>	<b>8,498</b>	<b>89,008</b>
		< 3 months £'000	3-12 months £'000	1-5 years £'000	> 5 years £'000
<b>31 December 2017</b>	<b>£'000</b>				
Headleases (note 27)	6,170	8	25	114	6,023
Trade and other payables	5,848	2,433	3,405	100	–
	12,018	2,441	3,430	214	6,023

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#### 32.5 Financial instruments

The Group's principal financial assets and liabilities, which are all held at amortised cost, are those that arise directly from its operation: trade and other receivables, trade and other payables, headleases, borrowings and cash held at bank.

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are included in the financial statements:

	Book value	Fair value	Book value	Fair value
	31 December 2018 £'000	31 December 2018 £'000	31 December 2017 £'000	31 December 2017 £'000
<b>Financial assets:</b>				
Trade and other receivables	<b>1,637</b>	<b>1,637</b>	655	655
Cash held at bank	<b>114,624</b>	<b>114,624</b>	58,185	58,185
<b>Financial liabilities:</b>				
Trade and other payables	<b>8,878</b>	<b>8,878</b>	5,848	5,848
Borrowings	<b>68,500</b>	<b>67,508</b>	—	—

#### 33. POST BALANCE SHEET EVENTS

##### Property acquisitions

Since 31 December 2018, the Group has acquired 17 Supported Housing properties deploying £21.0 million (including acquisition costs).

##### Forward Funding Arrangements

Since 31 December 2018 the Group has entered into 2 forward funding agreements at a total project cost of £6.5 million. The land has been acquired by the Group and a developer has been contracted to carry out the construction. Jones Lang LaSalle Limited have been appointed as the fund monitor for both sites and will be overseeing the projects on behalf of the Group.

#### 34. CAPITAL COMMITMENTS

The Group had capital commitments of £21 million (2017: £nil) in relation to the cost to complete its forward funded pre-let development assets and on properties exchanged but not completed at 31 December 2018.

#### 35. EARNINGS PER SHARE

Earnings per share ("EPS") amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period. As there are no dilutive instruments outstanding, both basic and diluted earnings per share are the same.

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

	Year ended 31 December 2018	Period from 12 June 2017 to 31 December 2017
<b>Calculation of Basic Earnings per share</b>		
Net profit attributable to Ordinary Shareholders (£'000)	<b>19,897</b>	5,672
Weighted average number of Ordinary Shares	<b>237,610,066</b>	143,842,365
<b>IFRS Earnings per share – basic and diluted</b>	<b>8.37p</b>	3.94p
	<b>31 December 2018</b>	31 December 2017
	£'000	£'000
<b>Calculation of EPRA Earnings per share</b>		
Net profit attributable to Ordinary Shareholders (£'000)	<b>19,897</b>	5,672
Changes in value of fair value of investment property (£'000)	<b>(14,497)</b>	(5,639)
Total (£'000)	<b>5,400</b>	33
Weighted average number of Ordinary Shares	<b>237,610,066</b>	143,842,365
<b>EPRA Earnings per share – basic and diluted</b>	<b>2.27p</b>	0.02p

### 36. NET ASSET VALUE PER SHARE

Basic Net Asset Value ("NAV") per share is calculated by dividing net assets in the Group Statement of Financial Position attributable to Ordinary shareholders of the parent by the number of Ordinary Shares outstanding at the end of the period. Although there are no dilutive instruments outstanding, both basic and diluted NAV per share are disclosed below.

Net asset values have been calculated as follows:

	31 December 2018 £'000	31 December 2017 £'000
Net assets at the end of the period	<b>364,161</b>	201,672
Shares in issue at end of the period	<b>351,352,210</b>	200,000,000
Dilutive shares in issue	-	-
<b>IFRS NAV per share - basic and dilutive</b>	<b>103.65p</b>	100.84p
<b>EPRA NAV per share</b>	<b>103.65p</b>	100.84p

### 37. 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 minimise the cost of capital.

The Group considers proceeds from share issuance, bank and other borrowings and retained earnings as capital.

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

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 both the investment property portfolio and the Group.

The directors currently intend that the Group should target a level of aggregate borrowings over the medium term equal to approximately 40% of the Group's Gross Asset Value. The aggregate borrowings will always be subject to an absolute maximum, calculated at the time of drawdown, of 50% of the Gross Asset Value.

The fixed rate facility with Metlife requires an asset cover ratio of x2.25 and an interest cover ratio of x1.75. At 31 December 2018, the Group was fully compliant with both covenants with an asset cover ratio of x2.57 and an interest cover ratio of x3.95. The Lloyds facility, once drawn, requires the Group to maintain an LTV loan to value of less than 50%, and an interest cover ratio in excess of x2.75.

## FINANCIAL STATEMENTS

### Company Statement of Financial Position

as at 31 December 2018

	Note	31 December 2018 £'000	31 December 2017 £'000	Company Registration Number: 10814022
<b>Assets</b>				
<b>Non-current assets</b>				
Investment in subsidiaries	4	<b>24,961</b>	82,187	
<b>Total non-current assets</b>		<b>24,961</b>	82,187	
<b>Current assets</b>				
Trade and other receivables	5	<b>262,310</b>	59,704	
Cash and cash equivalents	6	<b>97,121</b>	57,915	
<b>Total current assets</b>		<b>359,431</b>	117,619	
<b>Total assets</b>		<b>384,392</b>	199,806	
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	7	<b>58,531</b>	4,796	
<b>Total current liabilities</b>		<b>58,531</b>	4,796	
<b>Non-current liabilities</b>				
Other payables	8	<b>63</b>	–	
<b>Total non-current liabilities</b>		<b>63</b>	–	
<b>Total liabilities</b>		<b>58,594</b>	4,796	
<b>Total net assets</b>		<b>325,798</b>	195,010	
<b>Equity</b>				
Share capital	9	<b>3,514</b>	2,000	
Share premium reserve	10	<b>151,157</b>	–	
Capital reduction reserve	11	<b>183,921</b>	194,000	
Accumulated losses	13	<b>(12,794)</b>	(990)	
<b>Total Equity</b>		<b>325,798</b>	195,010	
<b>Net asset value per share – basic and diluted</b>	14	<b>92.73p</b>	97.50p	

The Company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss of the Company for the year was £11,804,000 (2017: £990,000 loss).

The company financial statements were approved and authorised for issue by the Board on 28 March 2019 and signed on its behalf by:



Chris Phillips

Chairman

28 March 2019

The accompanying notes on pages 130 to 134 form an integral part of these Company Financial Statements.

**FINANCIAL STATEMENTS****Company Statement of Changes in Equity**

for the year ended 31 December 2018

	Note	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2018</b>		<b>2,000</b>	–	<b>194,000</b>	(990)	<b>195,010</b>
<b>Total comprehensive loss for the period</b>		–	–	–	(11,804)	(11,804)
<i>Transactions with owners</i>						
Ordinary Share capital issued in the year at a premium	9, 10	<b>1,514</b>	<b>153,320</b>	–	–	<b>154,834</b>
Issue costs capitalised	10	–	(2,163)	–	–	(2,163)
Dividends paid	12	–	–	(10,079)	–	(10,079)
<b>Balance at 31 December 2018</b>		<b>3,514</b>	<b>151,157</b>	<b>183,921</b>	(12,794)	<b>325,798</b>

	Note	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 12 June 2017</b>		–	–	–	–	–
<b>Total comprehensive loss for the period</b>		–	–	–	(990)	(990)
<i>Transactions with owners</i>						
Ordinary Share capital issued in the period at a premium	9, 10	2,000	198,000	–	–	200,000
Issue costs capitalised	10	–	(4,000)	–	–	(4,000)
Cancellation of share premium	10, 11	–	(194,000)	194,000	–	–
<b>Balance at 31 December 2017</b>		2,000	–	194,000	(990)	195,010

The accompanying notes on pages 130 to 134 form an integral part of these Company Financial Statements.

## FINANCIAL STATEMENTS

### Notes to the Company Accounts

for the year ended 31 December 2018

#### 1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

New standards impacting the Company that have been adopted in the Financial Statements for the year ended 31 December 2018 are:

- > IFRS 9 Financial Instruments

The Group adopted the expected credit loss model when calculating impairment losses on its financial assets measured at amortised costs which comprises amounts due from subsidiaries. This resulted in increased judgement being required in order to assess the requirement for an impairment provision due to the need to factor in forward looking information when estimating the appropriate amount of provisions. No material impairment provisions were recognised as a result of the adoption of IFRS 9.

##### 1.1. Disclosure exemptions adopted

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

- > Certain disclosures regarding the Company's capital;
- > A statement of cash flows;
- > The effect of future accounting standards not yet adopted;
- > The disclosure of the remuneration of key management personnel; and
- > Disclosure of related party transactions with other wholly owned members of the Group.

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

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

The principal accounting policies applied in the preparation of the financial statements are set out below.

#### 2. PRINCIPAL ACCOUNTING POLICIES

##### 2.1. Currency

The Company financial information is presented in Sterling which is also the Company's functional currency.

#### 2.2. Investment in subsidiaries

Investment in subsidiaries is included in the Company's Statement of Financial Position at cost less provision for impairment. Investments are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, the asset is written down accordingly. Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. Where assets have been transferred within the Group, a capital reduction in the originating Company is performed, and a dividend is declared to the PLC. This results in an impairment to investments in subsidiaries.

#### 2.3. 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.

Receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost, less provision for impairment.

Impairment provisions for amounts due from subsidiaries are recognised based on a forward looking expected credit loss model using the general approach. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

#### 2.4. 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 known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash held by lawyers is money held in escrow for expenses expected to be incurred in relation to investment properties pending completion. These funds are available immediately on demand.

Restricted Cash represents cash held in relation to retentions for repairs, maintenance and improvement works by the vendors that is committed on the acquisition of the properties; and restricted bank borrowings.

## 2.5. Trade and other payables

Trade and other payables are classified as current liabilities if payment is due within one year or less from the end of the current accounting period. 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 using the effective interest method until settled.

## 2.6. Dividend payable to shareholders

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

## 2.7. Finance income and finance costs

Finance income is recognised as interest accrues on cash balances held by the Company. Finance costs consist of interest and other costs that the Company incurs in connection with bank and other borrowings. These costs are expensed in the period in which they occur.

## 2.8. Expenses

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

## 2.9. Investment management fees

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

## 2.10. 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.

## 2.11. C Shares

C Shares were convertible non-voting preference shares issued during the year and met the definition of a financial liability. C Shares were recognised on issue at fair value less directly attributable transaction costs. After initial recognition, C Shares are subsequently measured at amortised cost using the effective interest rate method. Amortisation is credited to or charged to finance income or finance costs in the Consolidated Statement of Comprehensive Income. Transaction costs are deducted from proceeds at the time of issue. C Shares converted into Ordinary Shares on the conversion date on the basis of their respective NAV per share at the calculation date.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's Financial Statements requires the directors to make judgements, estimates and assumptions that affect

the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. There were no significant accounting judgements, estimates or assumptions in preparing these financial statements.

## 4. INVESTMENT IN SUBSIDIARIES

	31 December 2018 £'000	31 December 2017 £'000
Balance at 1 January	<b>82,187</b>	—
Acquisitions during the period	<b>53,514</b>	82,187
Impairments	<b>(110,740)</b>	—
<b>Balance as at 31 December</b>	<b>24,961</b>	82,187

Investment in subsidiaries are included in the Company's Statement of Financial Position at cost less provision for impairment.

The impairment represents a write down in the value of the Company's subsidiaries after a corporate restructure. The subsidiaries that formed part of the corporate restructure paid a dividend to the Company representing their full value less £1 which remained as equity. The subsidiaries have since been struck off or are in the process of being struck off.

A list of the Company's subsidiary undertakings as at 31 December 2018 is included in Note 31 of the Group Financial Statements.

## 5. TRADE AND OTHER RECEIVABLES

	31 December 2018 £'000	31 December 2017 £'000
Amounts due from subsidiaries	<b>261,698</b>	48,358
Prepayments	<b>554</b>	11,346
Other receivables	<b>58</b>	—
	<b>262,310</b>	59,704

Included in Prepayments are prepaid acquisition costs which include the cost of acquiring assets not completed at the year end. At 31 December 2018 assets not completed but funds transferred represented £nil (2017: £4,030,000) and a deposit for PUMA pipeline £475,373 (2017: £7,213,552).

The Directors consider that the carrying value of trade and other receivables approximate their fair value. All amounts are due to be received within one year from the reporting date.

## FINANCIAL STATEMENTS

### Notes to the Company Accounts

for the year ended 31 December 2018

#### 6. CASH AND CASH EQUIVALENTS

	31 December 2018 £'000	31 December 2017 £'000
Cash held by lawyers	<b>14,352</b>	38,496
Liquidity funds	<b>75,000</b>	15,872
Restricted cash	<b>414</b>	3,427
Cash at Bank	<b>7,355</b>	120
	<b>97,121</b>	57,915

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. Interest at a market rate between 0.59% and 0.65% per annum is earned on these deposits.

Cash held by lawyers is money held in escrow for expenses expected to be incurred in relation to investment properties pending completion. These funds are available immediately on demand.

Restricted cash represents retention money held by lawyers in relation to repair, maintenance and improvement works by the vendors to bring the properties up to satisfactory standards for the Group and the tenants.

#### 7. TRADE AND OTHER PAYABLES

##### Current Liabilities

	31 December 2018 £'000	31 December 2017 £'000
Other creditors	<b>414</b>	3,016
Amounts due to subsidiaries	<b>56,413</b>	601
Accruals	<b>1,083</b>	866
Trade and other payables	<b>589</b>	313
Deferred consideration	<b>32</b>	—
	<b>58,531</b>	4,796

The Directors consider that the carrying value of trade and other payables approximate their fair value. All amounts are due for payment within one year from the reporting date.

#### 8. OTHER PAYABLES

##### Non-current liabilities

	31 December 2018 £'000	31 December 2017 £'000
Deferred consideration	<b>63</b>	—
	<b>63</b>	—

#### 9. SHARE CAPITAL

	Issued and fully paid Number	Issued and fully paid £'000
At 1 January 2018	<b>200,000,000</b>	<b>2,000</b>
Issued on conversion of C shares on 30 August 2018	<b>46,352,210</b>	<b>464</b>
Issued on public offer on 22 October 2018	<b>105,000,000</b>	<b>1,050</b>
<b>At 31 December 2018</b>	<b>351,352,210</b>	<b>3,514</b>
	Issued and fully paid Number	Issued and fully paid £'000
At 12 June 2017	—	—
Issued on IPO on 8 August 2017	200,000,000	2,000
At 31 December 2017	200,000,000	2,000

The Company achieved admission to the specialist fund segment of the main market of the London Stock Exchange on 8 August 2017, raising £200 million. As a result of the IPO, at 8 August 2017, 200,000,000 shares at one pence per share have been issued and fully paid. The Company was admitted to the premium segment of the Official List of the Financial Conduct Authority and migrated to trading on the premium segment of the Main Market on 27 March 2018.

On 30 August 2018 the Company converted 47,500,000 'C' Shares in accordance with the terms for the C Shares as set out in the Company's Articles of Association. For every one C Share held, 0.975836 new Ordinary Share was issued. This resulted in a further 46,352,210 Ordinary Shares being issued and fully paid.

Following a third public offer, on 22 October 2018 a further 105,000,000 Ordinary Shares of one pence each were issued and fully paid. The Company was admitted to the premium segment of the Official List of the Financial Conduct Authority and migrated to trading on the premium segment of the Main Market on 27 March 2018.

## 10. SHARE PREMIUM RESERVE

The share premium relates to amounts subscribed for share capital in excess of nominal value.

	31 December 2018 £'000	31 December 2017 £'000
Balance at beginning of period	–	–
Share premium arising on the conversion of C Shares into Ordinary Shares	<b>46,220</b>	–
Share premium arising on new Ordinary Shares	<b>107,100</b>	198,000
Share issue costs capitalised	<b>(2,163)</b>	(4,000)
Transfer to capital reduction reserve	–	(194,000)
<b>Balance at end of period</b>	<b>151,157</b>	–

During the Board meeting on 3 August 2017 a resolution was passed authorising the cancellation of the share premium account. The amount standing to the credit of the share premium account of the Company following completion of the Issue (less any issue expenses set off against the share premium reserve) was, as a result, credited as a distributable reserve to be established in the Company's books of account which shall be capable of being applied in any manner in which the Company's profits available for distribution (as determined in accordance with the CA 2006) are able to be applied.

In order to cancel the share premium reserve the Company needed to obtain a court order, which was received on 15 November 2017. An SH19 form was filed at Companies House with a copy of the court order and the certificate of cancellation was issued by Companies House on 15 November 2017.

## 11. CAPITAL REDUCTION RESERVE

	31 December 2018 £'000	31 December 2017 £'000
Balance at beginning of period	<b>194,000</b>	–
Transfer from share premium reserve	–	194,000
Dividends paid	<b>(10,079)</b>	–
<b>Balance at end of period</b>	<b>183,921</b>	194,000

The capital reduction reserve relates to the distributable reserve established on cancellation of the share premium reserve.

## 12. DIVIDENDS

	1 January 2018 to 31 December 2018 £'000	Period from 12 June 2017 to 31 December 2017 £'000
Dividend of 1p for the period 12 June to 31 December 2017	<b>2,000</b>	–
Dividend of 1.25p for the 3 months to 31 March 2018	<b>2,500</b>	–
Dividend of 1.25p for the 3 months to 30 June 2018	<b>2,500</b>	–
Dividend of 1.25p for the 3 months to 30 September 2018	<b>3,079</b>	–
	<b>10,079</b>	–

On 6 March 2018, the Company declared its maiden interim dividend of 1 pence per Ordinary Share for the initial period from 12 June to 31 December 2017. The total dividend of £2,000,000 was paid on 29 March 2018 to Ordinary shareholders on the register on 16 March 2018.

On 14 May 2018, the Company declared an interim dividend of 1.25 pence per Ordinary Share for the period 1 January 2018 to 31 March 2018. The total dividend of £2,500,000 was paid on 29 June 2018 to Ordinary shareholders on the register on 25 May 2018.

On 16 August 2018, the Company declared an interim dividend of 1.25 pence per Ordinary Share for the period 1 April 2018 to 30 June 2018. The total dividend of £2,500,000 was paid on 28 September 2018 to Ordinary shareholders on the register on 24 August 2018.

On 19 September 2018, the Company declared an interim dividend of 1.25 pence per Ordinary Share for the period 1 July 2018 to 30 September 2018. The total dividend of £3,079,403 was paid on 31 October 2018 to Ordinary shareholders on the register on 28 September 2018.

On 7 March 2019, the Company declared an interim dividend of 1.25 pence per Ordinary Share for the period 1 October 2018 to 31 December 2018. The total dividend of £4,391,903 will be paid on 29 March 2019 to Ordinary shareholders on the register on 29 March 2019.

## FINANCIAL STATEMENTS

### Notes to the Company Accounts

for the year ended 31 December 2018

#### 13. ACCUMULATED LOSSES

	31 December 2018 £'000	31 December 2017 £'000
Balance at beginning of period	(990)	–
Total comprehensive loss for the period	(11,804)	(990)
Balance at end of period	(12,794)	(990)

#### 14. NET ASSET VALUE PER SHARE

Net Asset Value per share is calculated by dividing net assets in the Company 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. Although there are no dilutive instruments outstanding, both basic and diluted NAV per share are disclosed below.

Net asset values have been calculated as follows:

	31 December 2018 £'000	31 December 2017 £'000
Net assets at end of period	325,798	195,010
Shares in issue at end of period	351,352,210	200,000,000
Dilutive shares in issue	–	–
Basic and dilutive per share	92.73p	97.50p

#### 15. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption not to disclose transactions with other members of the Group as the Company Financial Statements are presented together with the Group Financial Statements.

Note 30 of the Notes to the Group Financial Statements includes details of other related party transactions undertaken by the Company and its subsidiaries.

#### 16. POST BALANCE SHEET EVENTS

There were no post balance sheet events subsequent to the end of the period.

## OTHER INFORMATION

### Unaudited Performance Measures

for the year ended 31 December 2018

#### 1. PORTFOLIO NET ASSET VALUE

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

In order to arrive at Portfolio NAV, two adjustments are made to the IFRS Net Asset Value ("IFRS NAV") reported in the consolidated financial statements such that:

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

	31 December 2018 £'000	31 December 2017 £'000
Net asset value per the consolidated financial statements	<b>364,161</b>	201,672
Value of Asset pools	<b>364,161</b>	201,672
Effects of the adoption to the assumed, hypothetical sale of properties as a portfolio and on the basis of sale of a corporate vehicle	<b>20,181</b>	9,400
<b>Portfolio Net Asset Value</b>	<b>384,342</b>	211,072

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

	31 December 2018 £'000	31 December 2017 £'000
Opening reserves	<b>211,072</b>	–
Net issue proceeds	<b>152,671</b>	196,000
Operating profits/(losses)	<b>7,008</b>	(38)
Capital appreciation	<b>25,278</b>	15,039
Finance income	<b>183</b>	79
Finance costs	<b>(1,791)</b>	(8)
Dividends paid	<b>(10,079)</b>	–
<b>Portfolio Net Assets</b>	<b>384,342</b>	211,072
<b>Number of shares in issue at the period end</b>	<b>351,352,210</b>	200,000,000
<b>Portfolio net asset value per share</b>	<b>109.4p</b>	105.5p

#### 2. ADJUSTED EARNINGS PER SHARE ON A PORTFOLIO NAV BASIS

	31 December 2018 £'000	31 December 2017 £'000
Net rental income	<b>11,490</b>	1,027
Expenses	<b>(4,482)</b>	(1,065)
Fair value gains on investment property	<b>25,278</b>	15,039
Finance income	<b>183</b>	71
Finance costs	<b>(1,791)</b>	–
<b>Value of each pool</b>	<b>30,678</b>	15,072
<b>Weighted average number of shares</b>	<b>237,610,066</b>	143,842,365
<b>Adjusted earnings per share – basic</b>	<b>12.91p</b>	10.48p

#### 3. EPRA NNNAV

	31 December 2018 £'000	31 December 2017 £'000
EPRA net assets (£'000)	<b>364,161</b>	201,672
Include:		
Fair value of debt <sup>1</sup> (£'000)	<b>(147)</b>	–
<b>EPRA NNNAV (£'000)</b>	<b>364,014</b>	201,672
Shares in issue	<b>351,352</b>	200,000
<b>EPRA NNNAV per share (pence)</b>	<b>103.60</b>	100.84

<sup>1</sup> Difference between interest-bearing loans and borrowings included in balance sheet at amortised cost, and the fair value of interest-bearing loans and borrowings.

## OTHER INFORMATION

### Unaudited Performance Measures

for the year ended 31 December 2018

#### 4. EPRA NIY AND EPRA 'TOPPED UP' NIY

	31 December 2018 £'000	31 December 2017 £'000
Investment Property – wholly owned	<b>323,469</b>	138,506
Less: development properties	(7,952)	–
<b>Completed property portfolio</b>	<b>315,517</b>	138,506
Allowance for estimated purchasers' costs	<b>19,185</b>	8,696
<b>Gross up completed property portfolio valuation</b>	<b>334,702</b>	147,202
Annualised passing rental income	<b>17,187</b>	6,227
Property outgoings	–	–
<b>Annualised net rents</b>	<b>17,187</b>	6,227
Contractual increases for lease incentives	<b>242</b>	1,554
<b>Topped up annualised net rents</b>	<b>17,429</b>	7,781
<b>EPRA NIY</b>	<b>5.13%</b>	4.26%
<b>EPRA Topped Up NIY</b>	<b>5.21%</b>	5.32%

#### 5. ONGOING CHARGES RATIO

	31 December 2018 £'000	31 December 2017 £'000
Annualised ongoing charges	<b>4,482</b>	2,663
Average undiluted net assets	<b>282,917</b>	198,836
<b>Ongoing charges</b>	<b>1.58%</b>	1.34%

## OTHER INFORMATION

### Glossary and Definitions

for the year ended 31 December 2018

<b>"AIC Code"</b>	AIC Code of Corporate Governance produced by the Association of Investment Companies;
<b>"AIC Guide"</b>	AIC Corporate Governance Guide for Investment Companies produced by the Association of Investment Companies;
<b>"AIFM"</b>	the alternative investment fund manager of the Company, Langham Hall Fund Management LLP;
<b>"AIFMD"</b>	the EU Alternative Investment Fund Managers Directive 2011/61/EU;
<b>"Approved Provider"</b>	a housing association, local authority or other regulated organisation in receipt of direct payment from local government including a care provider;
<b>"Basic NAV"</b>	the value, as at any date, of the assets of the Company after deduction of all liabilities determined in accordance with the accounting policies adopted by the Company from time to time;
<b>"Board"</b>	the Directors of the Company from time to time;
<b>"Company"</b>	Triple Point Social Housing REIT plc (company number 10814022);
<b>"C Shares"</b>	C non-voting preference shares of 1.25 pence each in the capital of the Company;
<b>"DTR"</b>	the Disclosure Guidance and Transparency Rules sourcebook containing the Disclosure Guidance, Transparency Rules, corporate governance rules and the rules relating to primary information providers;
<b>"EPRA"</b>	the European Public Real Estate Association;
<b>"GAV"</b>	the gross assets of the Company in accordance with applicable accounting rules from time to time;
<b>"Group"</b>	the Company and any subsidiary undertakings from time to time;
<b>"Investment Manager"</b>	Triple Point Investment Management LLP (partnership number OC321250);
<b>"IPO"</b>	the admission by the Company of 200 million Ordinary Shares to trading on the Specialist Fund Segment of the Main Market, which were the subject of the Company's initial public offering on 8 August 2017;
<b>"NAV"</b>	the net assets of the Company in accordance with applicable accounting rules from time to time;
<b>"NIY"</b>	net initial yield, being the annual rent generated under a lease in respect of a property divided by the combined total of that property's acquisition price and acquisition costs;
<b>"Ordinary Shares"</b>	ordinary shares of £0.01 each in the capital of the Company;
<b>"Registered Provider"</b>	a housing association or local authority;
<b>"REIT"</b>	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;
<b>"Supported Housing"</b>	accommodation that is suitable, or adapted, for residents with special needs, which may (but does not necessarily): (a) include some form of personal care provided by a supported housing care provider; and/or (b) that enable those tenants to live independently in the community;
<b>"TPSHIL"</b>	TP Social Housing Investments Limited (company number 11187363) the entire issued share capital of which was acquired by the Company as part of a related party transaction detailed in the Circular dated 22 June 2018; and
<b>"WAULT"</b>	the average unexpired lease term certain across the portfolio, weighted by contracted rental income. We have included all parts of the term certain, including additional leases which are triggered by landlords' put options, but not those triggered by lessees' call options unless the options were mutual.

## OTHER INFORMATION

### Shareholder Information

for the year ended 31 December 2018

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#### Non-executive Directors

Chris Phillips  
Ian Reeves CBE  
Peter Coward  
Paul Oliver  
Tracey Fletcher-Ray (appointed 1 November 2018)

#### Registered Office

1 King William Street  
London  
EC4N 7AF

#### Investment Manager

Triple Point Investment Management LLP  
1 King William Street  
London  
EC4N 7AF

#### Alternative Investment Fund Manager

Langham Hall Fund Management LLP  
5 Old Bailey  
London  
EC4M 7BA

#### Joint Financial Advisers

Akur Limited  
66 St James's Street  
London  
SW1A 1NE

Canaccord Genuity Limited  
88 Wood Street  
London  
EC2V 7QR

#### Legal Adviser

Taylor Wessing LLP  
5 New Street Square  
London  
EC4A 3TW

#### Tax Adviser

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

#### Depository

Langham Hall UK Depositary LLP  
5 Old Bailey  
London  
EC4M 7BA

#### Administrator and Company Secretary

Hanway Advisory Limited  
1 King William Street  
London  
EC4N 7AF

#### Registrar

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZZ

#### Auditors

BDO LLP  
55 Baker Street  
London  
W1U 7EU

#### Valuers

Jones Lang LaSalle Limited  
30 Warwick Street  
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