



Half Year Report

for the six months ended 30 September 2022



Responsible Economic Returns

Sector Enhancing Initiatives

In-depth Specialist Resource

Sector leading charitable partnerships

Content Themes

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



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About Us

Our Purpose

CIVITAS SOCIAL HOUSING PLC (“CSH”, “Civitas” or the “Company”) and its subsidiaries (the “Group”) invests across the UK in care-based community housing and healthcare facilities for the benefit of working age adults with long-term care needs.

Since IPO in 2016, CSH has completed more than **120 individual transactions** to build the largest portfolio of its kind in the UK that has been independently **valued at £1,000 million**.

CSH provides long-term community-based **homes for 4,594 people**, across **178 local authority areas** that are supported by **130 specialist Care Providers** and **18 housing associations and charities** (“Approved Providers”).

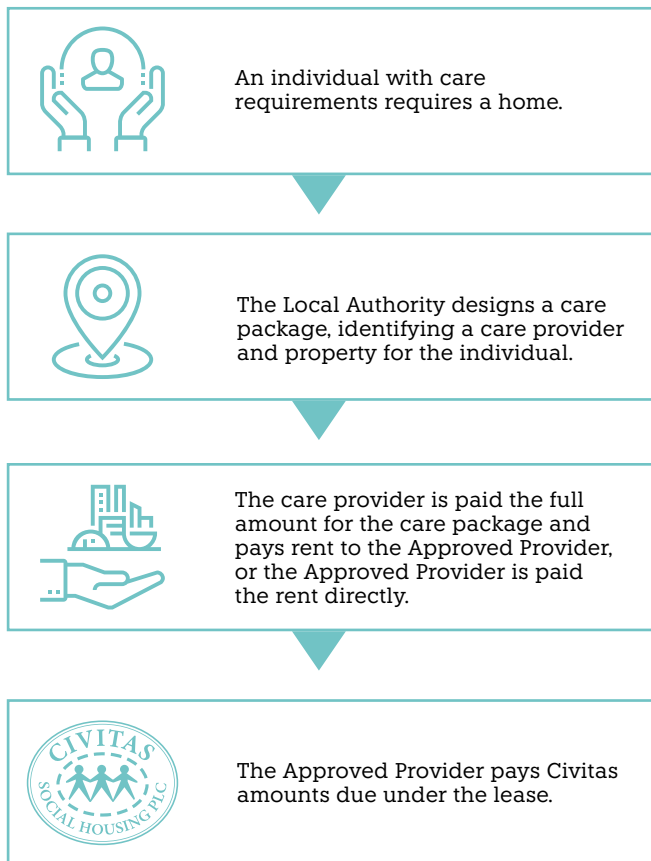
The delivery of care in the community is a primary government policy aimed at enabling people with long-term care needs to reside close to family and friends and achieve more independent and fulfilled lives. It delivers better personal outcomes and offers value for money for the public purse that meets the costs of the service.

82% of the residents living in CSH properties are between 20-50 years old. They typically reside in their adapted CSH community home for many years and sometimes for their whole life.

As a result of making this provision available, CSH is able to offer shareholders the potential of stable, long-term returns with progressive dividends whilst delivering measurable social impact on a large scale.

The Company’s investment policy enables transactions to be entered into directly with Approved Providers, as well as the NHS and other organisations that are either not for profit and/or in receipt of public funding.

Business Model



What We Do

Social Housing Pioneers

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

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

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

Our Portfolio

as at 30 September 2022

£1,000m

Investment property
independently valued
(September 2021: £946m)

697

Properties
(September 2021: 648)

4,594

Tenants
(September 2021: 4,391)

Company Overview

as at 30 September 2022

£652m

Equity Capital Raised

£696m

Net Asset Value

£1,060m

Gross Asset Value

**65.40
pence**

Share price

8.5%

Dividend Yield#
(annual)

5.70 pence

Dividend target for the
current financial year

**Closed Ended
Permanent Capital**

**Inflation Linked
Rental Income**

44.7%

Total return since inception#
(Net Asset Value based)

Financial Highlights as at 30 September 2022

6.98p

(September 2021: 2.87p)

Basic and Diluted Earnings
per Share

£55.0m

(September 2021: £51.9m)

Annual Contracted Rent Roll[#]

21.9 yrs

(September 2021: 22.7 yrs)

Weighted Average
Unexpired Lease Term[#]

How We Performed

Profit before tax

£42.6m 138%

£ million

September 2022

42.6

September 2021

17.9

March 2022

44.8

EPRA EPS[#]

2.22p (7.5)%

Pence

September 2022

2.22

September 2021

2.40

March 2022

4.82

Total shareholder return^{#1} (7.6)%

Percent

September 2022

(7.6)

September 2021

8.91

March 2022

11.6

NAV per share

114.84p 5.9%

Pence

September 2022

114.84

September 2021

108.49

March 2022

110.30

NAV

£696.4m 3.5%

£ million

September 2022

696.4

September 2021

672.9

March 2022

675.5

NAV increase since IPO[#] 17.2%

Percent

September 2022

17.2

September 2021

10.71

March 2022

12.6

Investment property²

£999.5m 5.6%

£ million

September 2022

999.5

September 2021

946.3

March 2022

968.8

Dividends declared (Ordinary shares)

2.85p 2.7%

Pence

September 2022

2.85

September 2021

2.78

March 2022

5.55

Annual contracted rent roll[#]

£55.0m 6.0%

£ million

September 2022

55.0

September 2021

51.9

March 2022

53.3

[#] Alternative Performance Measures. Terms are defined in the Glossary.

¹ On an Ordinary share held since launch (percentage not annualised).

² Investment property independently valued. See note 10.0 of the Condensed Consolidated Financial Statements for details of the valuation.

Key Achievements

Operational Highlights



697 properties acquired¹



£835 million invested¹



4,594 tenants with dependable accommodation



based on long-term leases signed with **18 Approved Providers**



supported by **130 care providers**

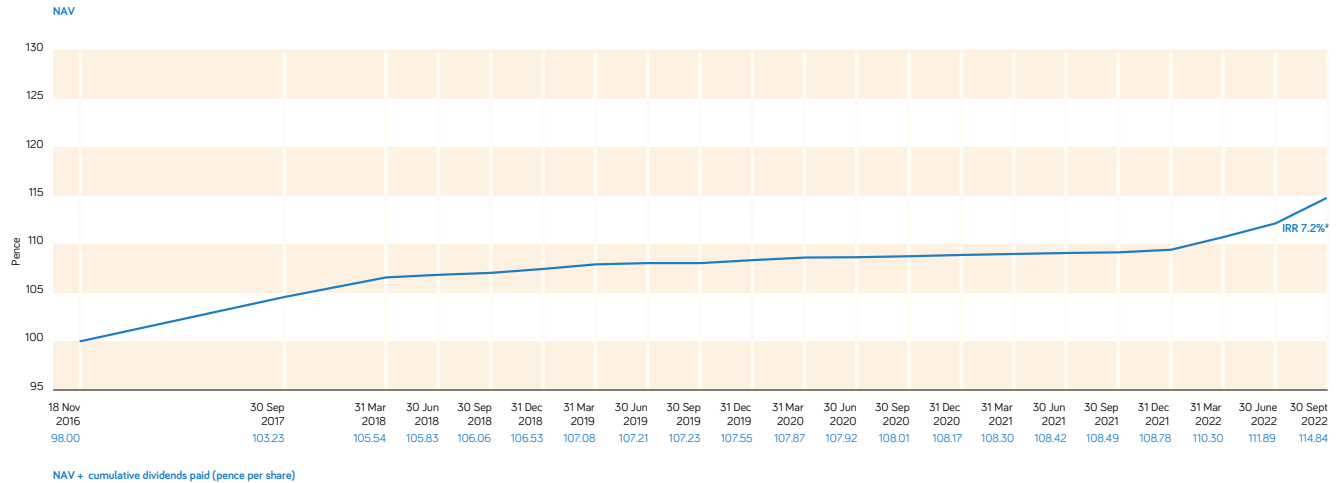


across **178 Local Authority Partners**

The Good Economy (TGE), the social impact advisory firm, in its fourth annual independent Social Impact Report on Civitas, has classified Civitas' assets as 'Contributes to Solutions' according to the internationally recognised Impact Management Project (IMP) dimensions of impact. TGE also notes that Civitas' funding contributes to increasing the supply of specialist housing, easing the burden on residential or inpatient facilities.

¹ over the life of the Company as at 30 September 2022.

Levered IRR[#] since IPO (IFRS Basis)



Past performance is not a reliable indicator of future performance.

[#] Alternative Performance Measure. See Appendix 1 for the calculation.

Share price performance (pence)



Investment Portfolio Overview

The CSH portfolio is one of the largest Specialist Supported Housing (“SSH”) portfolios in the UK and is diverse geographically, in property size, type of care and with multiple counterparties. The overall objective is to have a high-quality portfolio providing long-term accommodation and stable returns. All CSH work with Care Providers and Approved Providers is collaborative, and part of CSH commitment to improve the sector and assist its partners in becoming more independent.

Portfolio

Largest private portfolio in the country.



40% of residents with high acuity



130 Care Providers



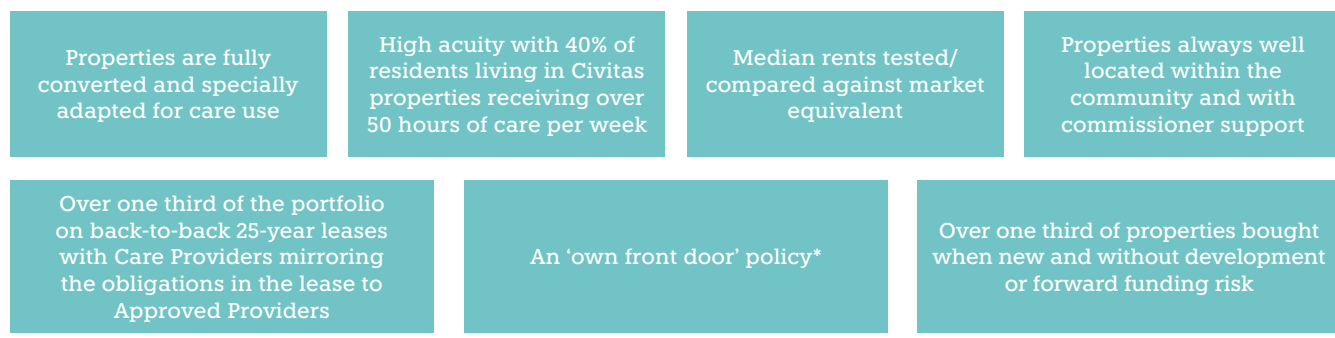
18 Approved Providers



178 local authority partners

Portfolio Characteristics

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



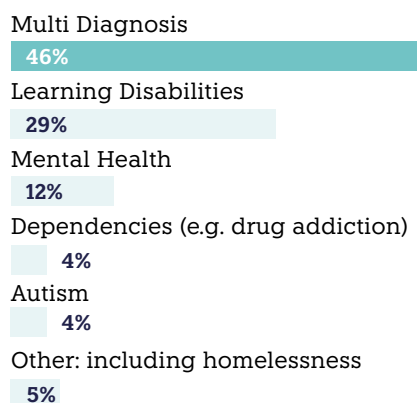
* Not shared accommodation

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

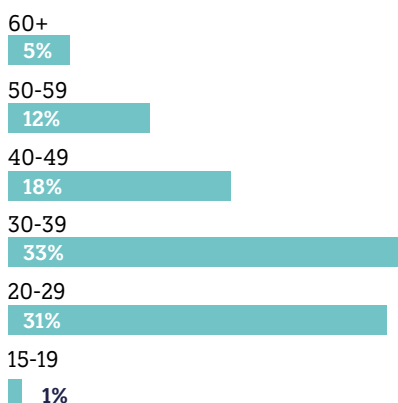
Care-Based Housing, Detailed Knowledge of Residents and Care Provision

- Almost 46% of residents have “multi-diagnosis” or complex care needs
- Reflects larger care packages and over 40% of the residents receive 50+ weekly care hours
- Meaningful level of care is a defining feature of qualification for Specialist Supported Housing exempt rent levels
- Vital to understand the nature of care provision taking place in CSH properties

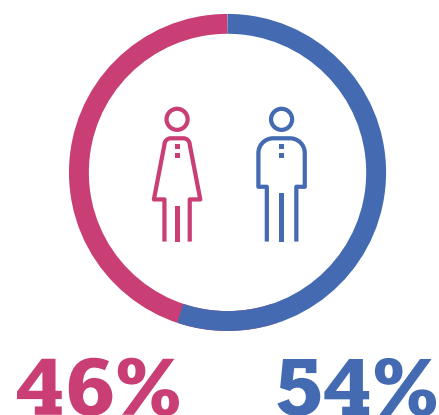
% of Portfolio



Age Breakdown of Civitas Residents



Demographic of Civitas Resident



Key Performance Indicators

Measure	Explanation	Result
Increase in NAV per share	Target to achieve capital appreciation whilst maintaining a low risk strategy from enhancing the quality of cash flows from investments, by physical improvement of properties and by creating a significantly diversified, high-quality portfolio.	NAV increase of 16.9p per share or 17.2% from IPO (September 2021: 10.5p per share or 10.8%).
Dividends per share	Targeting 5.70p per share for the current year.	Dividends of 2.85p per share declared for the six-month period (September 2021: 2.78p per share).
Number of Local Authority Partners, Approved Providers and Care Providers	Target risk mitigation through a diversified portfolio (once fully invested) with no more than 25% exposure to any one Local Authority Partner or single Approved Provider and no more than 20% exposure to any single geographical area, once the capital of the Company is fully invested.	As at 30 September 2022: <ul style="list-style-type: none"> • 178 Local Authority Partners • 18 Approved Providers • 130 Care Providers The Company's largest single exposure is to Falcon Housing Association and currently stands at 19.1% (2021: 19.5%). The largest geographical concentration is in the South West, being 14.2% (2021: 15.6%).
Loan to Gross Assets (Leverage)	Targeted total debt drawn no more than 40% of gross assets.	Leverage as at 30 September 2022 of 33.69% of gross assets (September 2021: 34.55%).



Chairman's Statement



“

We recently passed the sixth anniversary of the Company's listing on the London Stock Exchange and the Board would like to thank shareholders for their ongoing support. We have delivered strong financial results during the period and we are very focussed on addressing the discount to NAV.

”

Michael Wrobel
Chairman

In the time since listing, our manager Civitas Investment Management Limited has brought together the largest single portfolio of care-based properties in the UK that is dedicated to the delivery of care for vulnerable individuals within community settings. At a time of increasing demand for social care across the UK we are pleased to be contributing by providing long-term housing of high quality for more than 4,500 individuals, a number of whom have never previously had the opportunity to live within their own home and in their own community.

Despite the success of our portfolio and delivery of positive financial results that I highlight below, the Company's share price has traded at a discount to NAV for all of the period. The discount has widened further during the recent economic turmoil, along with other REITs and real estate shares. The Company has also been active in examining all strategic options to create shareholder value and is actively pursuing several initiatives. Unfortunately, two projects that did not come to fruition have resulted in certain one-off costs that have been recognised in the period.

In response, the Company has continued to buy back shares – over the past twelve months it has acquired 13,825,000 shares at an average price of 85.63 pence per share for a total investment of £11.84 million. This has enhanced the NAV by 0.49% and benefited the EPRA earnings.

The past six months have seen many economic challenges in the UK and across the world, including the rapid growth in inflation and the Russia/Ukraine conflict. Within our sector of Specialist Supported Housing, I am pleased to note that our rental income has benefited from some positive inflation linkage. At the same time, we note that inflation is causing significant cost increases for both housing associations and Care Providers to which local authorities and central Government is being asked to respond. We continue to monitor the position closely, working with our counterparties to help them operate as efficiently and effectively as possible. Our sector is exempt from rent caps, due in large part to the essential nature of the services that are delivered in the properties owned by the Company.

Financial Performance

During the period under review the portfolio generated net rental income of £26.6 million (30 September 2021: £25.1 million), representing a 6.0% increase over the corresponding period last year. In large part this is due to rental uplifts, and due to the acquisitions of c.£10 million of new properties during this period.

In November 2022, the Company extended its HSBC facility, which now expires in November 2025. As a result of the new hedging arrangements, all of our loan facilities are now at 100% fixed rate.

Net asset value of the Company increased from 108.49 pence per Ordinary Share as at 30 September 2021 to 114.84 pence per share as at 30 September 2022.

Continuation Vote

Shareholders representing 298,478,435 voted in favour of the continuation of the Company at the annual general meeting on 15 September 2022, being 98.85% of those who voted. We would like to thank shareholders for their ongoing support.

Sector Performance

We have been at the forefront of innovating and leading improvements in the sector since our inception six years ago. Most recently this has included the start of the controlled roll out of a new regulatory clause intended to demonstrate greater risk sharing which we believe will better position our Approved Provider counterparties to become RSH compliant.

Enhancing Social Value

As an impact investor, the Company remains at the forefront of delivering and demonstrating social value through our investments and through sector leading partnerships with the charitable and public sector. You can read more about these in the Investment Advisers report.

Outlook

Our sector continues to experience strong demand for quality properties that can provide a long-term stable home for the delivery of community-based care. This is evidenced from our direct engagement with local authorities, Care Providers and housing associations who are seeking additional provision.

We expect our rental income to continue to rise correlated to inflation, noting that c. 30% of our leases have CPI uplifts capped at 4%. We are also mindful of the impact of the recent rises in interest rates and the drag that will have on our EPRA earnings. Nonetheless, it remains our expectation that we will pay dividends of 1.425p over each of the next two quarters to our year-end.

The Company continues to implement its voluntary improvement programme with E.ON leading to lower energy costs for residents and which alongside the latest independent Social Impact Report demonstrates on-going commitment to tenant well-being.

I would like to thank all our stakeholders for their continued work and support.

Michael Wrobel

Chairman

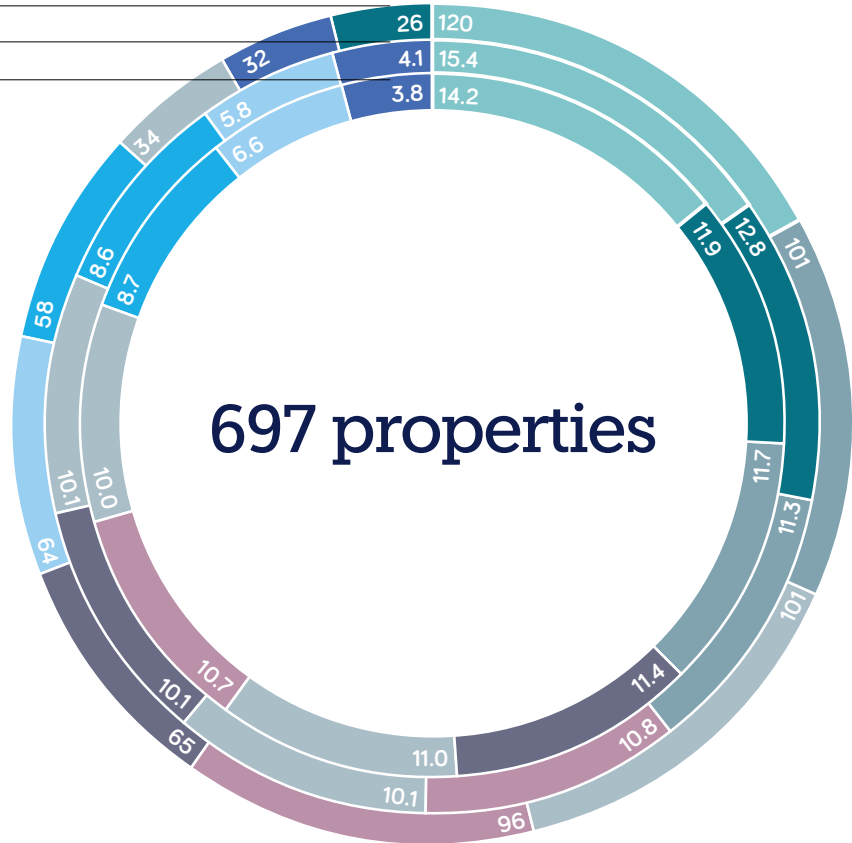
5 December 2022

Our Portfolio

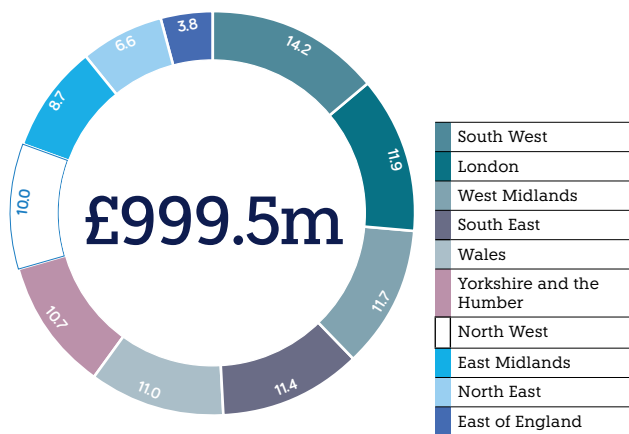
By UK Region as at 30 September 2022



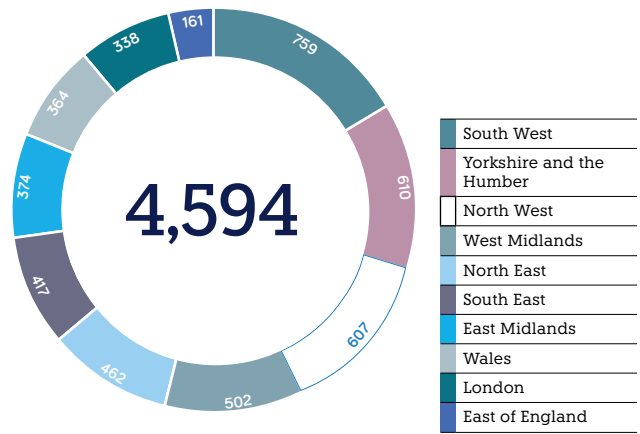
	Properties	Funds invested (Percentage)	Accounting rent roll (Percentage)
North East	64	5.8	6.6
North West	101	10.1	10.0
Yorkshire and the Humber	96	10.8	10.7
East Midlands	58	8.6	8.7
West Midlands	101	11.3	11.7
East of England	32	4.1	3.8
South East	65	10.1	11.4
South West	120	15.4	14.2
Wales	34	11.0	11.0
London	26	12.8	11.9



Market Value (%)



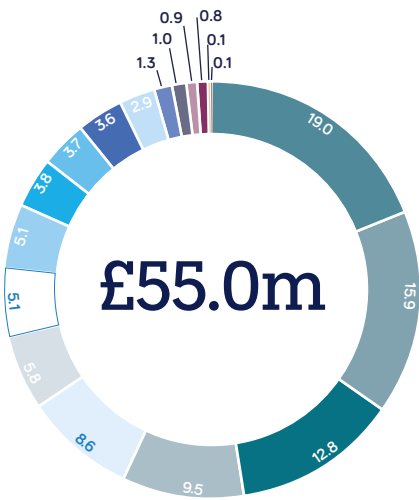
Tenancies



Our Portfolio

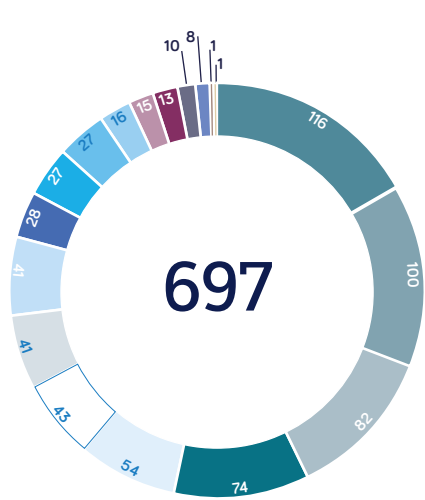
By Approved Provider as at 30 September 2022

Annual Contracted Rent Roll (%)



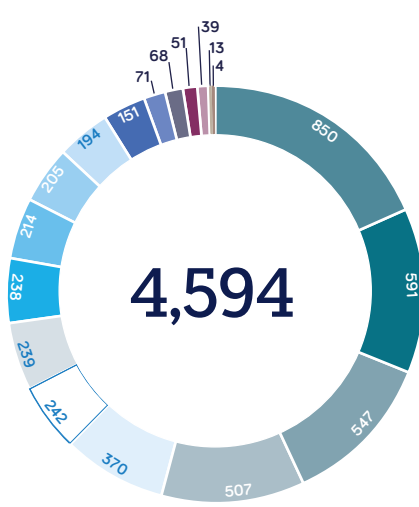
Falcon
Auckland ¹
BeST
Inclusion
Qualitas Housing ¹
Westmoreland
Trinity
Encircle
Pivotal
Harbour
Chrysalis
New Walk
My Space
IKE
Hilldale
Windrush
Lily Rose
Blue Square

Properties



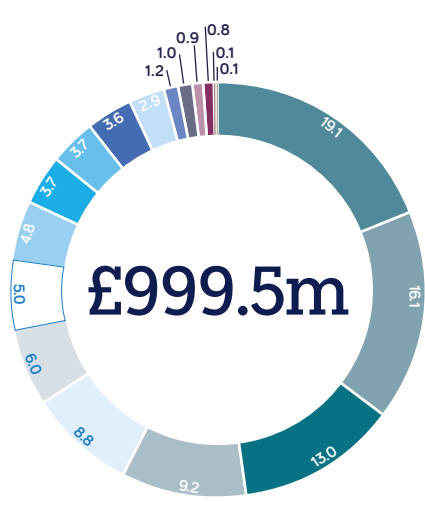
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Blue Square

Market Value (%)



Falcon
Auckland ¹
BeST
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Harbour
Chrysalis
New Walk
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Hilldale
Windrush
Blue Square
Lily Rose

¹ Auckland and Qualitas Housing are both members of the Social Housing Family C.I.C and subject to common control.

Sustained Progression

In the period to September 2022 CIM, working with the CSH Board, has led the development of a range of key initiatives to strengthen and position CSH and its portfolio for the future.

Proposed New Regulatory Clause

- Enhanced information and step in rights (having regard to tenant welfare) in addition to existing lease transfer and assignment rights
- Counterparties better able to achieve regulatory compliance
- Unchanged lease and property values supported by strong underlying demand
- Would demonstrate improved Governance



Sector leading charitable relationships

- Adding social value
- Enabling people to thrive
- Enhancing reputation as a social impact investor



Phase two work with E.ON

- Continued work across identified properties
- Targeting 25% reduction in carbon emissions
- Continued access to Government grant funding sources
- Targeting minimum EPC "A-C" by 2030



In-depth Specialist Resource

- Active Asset Management
- Active Void management
- Property enhancements
- Housing Benefit advice and expertise



Investment Adviser's Report Continued



“

In its sixth year CSH has demonstrated consistent performance in its key objectives of delivering excellent homes with care, delivering the dividend for shareholders and providing value for money to the tax payer, delivering social impact which changes lives for the better.

”

Paul Bridge
CEO, Social Housing
Civitas Investment
Management Limited

Introduction

CIM, the Investment Adviser to CSH, advises on a range of ethically based social and healthcare real estate funds in the UK and Europe with committed capital of c.£3 billion.

CIM advises these funds on behalf of various global investors together with a wide range of local authority pension funds and dedicated impact investors.

CSH was the first listed fund and in many ways the pioneer in bringing substantial equity into the specialist supported housing sector, the ability of CIM to help provided much needed new homes.

On behalf of the Investment Adviser and CSH, we would like to offer our thanks to all of our partners who have continued to provide high-quality care, support, and housing, and to our investors who enable the provision of over 4,500 quality homes for some of the most vulnerable people in society. We would like to give particular thanks at this time to our investors who passed the recent continuation vote by a factor of more than 98% and continue to support us in these challenging times.

CSH continues to be a market leader in the delivery of ethical, care-based residential housing, delivering sustainable returns for shareholders and outstanding community-based homes for residents, while offering value for money to society. This transforms lives.

Delivery and sustained demand

In the half year to September 2022 CIM, working with the CSH Board, has continued to lead the sector in providing high quality accommodation for those with significant life long care needs and has delivered a consistent financial performance with significant social outcomes.

Results Highlights

CSH is a market leader in the delivery of much-needed long-term housing with care in the UK and is leading the charge for ethical investment in the sector. These half year results show a number of key achievements and themes:

- Six years of consistent rental growth and progressive dividend payments that have increased from an initial 3.00p per share to a current target of 5.70p per share reflecting growing dividend.
- A retained high-quality investment credit rating from Fitch Ratings of A secured and A- unsecured, that has been maintained over time and which Civitas was the first to secure in this sector.
- Design, negotiation and announcement of a new innovative regulatory clause, to be implemented over time, assisting Approved Providers to be better able to become RSH compliant, with no diminution to lease or asset values.
- An actively managed portfolio with a sector-leading team of professionals assisting and enabling high quality and longevity of homes and income.
- Professional support to enable Approved Providers to enhance the quality of their delivery and demonstrate long-term financial and operational independence.
- Ownership of properties that facilitates the delivery of high levels of care with 40% of residents receiving over 50 hours of care per week.
- An active programme working with E.ON to permanently reduce carbon emissions across the portfolio leading to lower energy costs for residents and a more carbon neutral portfolio.
- Sector leading partnerships with national and local charities delivering real change and continuing to enhance Civitas's reputation as the most experienced investor in social infrastructure in the UK.
- CIM has a highly experienced asset management team which has overseen some £25 million of physical improvements to the portfolio since inception paid for by the vendors of the properties. The works are also independently scoped and verified by independent RICS qualified surveying firms.

Investment Adviser's Report

Continued

Proposed New Regulatory Clause

This will enable Registered Providers to demonstrate to the RSH how they are sharing risks. This has now been agreed with two housing associations who together are seeking senior level consultation with the Regulator of Social Housing. The key benefits are:

- Counterparties better positioned to achieve regulatory compliance
- Enhanced information and step in rights (having regard to tenant welfare) in addition to existing lease transfer and assignment rights (the rights will only be exercised under stringent criteria)
- Unchanged lease and property values supported by strong underlying demand.

The clause will only be rolled-out with the expectation of it making a difference.

A growing team of specialists

CIM has continued to develop the most experienced team in the sector providing senior level expertise in the following areas:

- Asset Management
- Finance and operations
- Transaction sourcing and execution
- Housing Benefit
- Social Impact

This is of value to the sector and our counterparties as the teams expertise is available if required to offer input in matters such as property enhancements, housing benefit claims and void management. This expertise also provides CIM with the healthy and productive dialogue with all parts of the sector which is a dynamic combination of national and local institutions, private developers, charitable housing organisations and public and private Care Providers.

Sector leading social outcomes

Civitas delivers social and financial benefits to society, the taxpayer and individuals through its direct investment, its ongoing enhancement of the portfolio and through its work with several local and national charities where the focus is upon pro bono expertise and modest financial contributions with the aim of delivering real and sustainable change.

We seek to operate in a fully transparent manner and to offer high quality accommodation at a reasonable price that reflects the use and adaptations to which the property has been designed including the availability of common spaces and accommodation for care staff.

Continuing progress in decarbonisation of the portfolio

- Phase 2 with E.ON seeking external grants as will be required by the whole sector.
- Clean Energy Strategy to achieve minimum EPC "A-C" prior to the Government target of 2035.
- In addition, the continued partnership with E.ON will continue to reduce carbon emissions and add to the environmental performance of the portfolio. Whilst carbon reductions are not included in the valuation it would appear possible that in the future this will become a factor in valuation methodology.

Engagement with Shareholders

CIM continues to work with the Board as outlined in the Chairman's Statement and to make itself available at all times to meet with existing and potential new investors.

A rapidly changing world and a constant and increasing need

There continues to be strong Governmental and cross party support for housing delivery as a major policy objective and for social care which now represents (according to provisional figures from the 2021 Census from the Office for National Statistics (ONS)) £277 billion or nearly 12% of the Gross Domestic Product of the UK.

The CSH portfolio is able to benefit from the following broader market dynamics:

Demand for healthcare services keeps growing

Healthcare demand and consequently government expenditure on healthcare in the UK and across the developed world is consistently rising even pre covid and reflects long term demographic trends for an ageing population with longer term health conditions and increased demand from working aged adults who require care and support.

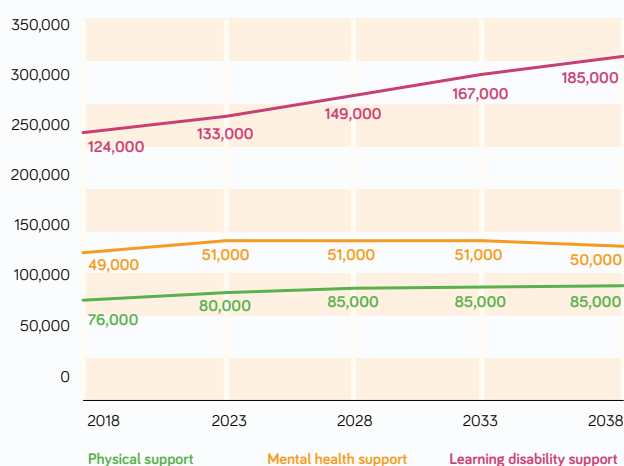
LaingBussion, the leading healthcare consultants, stated in their latest report 'Investing in Healthcare and Real Estate', "The unpredictability of markets exposed to global trade is a reminder of the underlying strength and relative stability of demand for healthcare services".

Healthcare accounts for 10% or more of GDP across the developed world and as shown above, 12% in the UK with considerably rising demands for the NHS. The British Medical Association (BMA) estimates of declared demand on the waiting list have increased from c.3 million in 2018 to 3.5 million pre covid in 2020 and to over 7 million as at September 2022. This, the BMA believes, hides undeclared demand with GP appointments and attendance at hospital significantly lower than pre pandemic levels.

Investment Adviser's Report

Continued

Projected increases in volume of demand for care for adults aged 18 to 64-years-old in England, 2018-2038



Source: Figure 1.18, citing projections by the Care Policy and Evaluation Centre, commissioned by DHSC LaingBuisson Adult Specialist Care Report, 5th Edition

Continued expected rise in demand for supported living

As can be seen in the above graph the expected demand projected by Government for categories of care, mental health support, physical support and learning disabilities show demand increasing from 250,000 in 2023 to over 300,000 by 2038 or an increase of over 50,000 in 15 years. However, our experience over the last two years is that the growth in supply has slowed and, as is demonstrated by the continued housing of people with learning disabilities in hospital, supply is failing to meet current demand and certainly will struggle to meet future demand. In addition, the increasing life expectancy of those with a care need means that parental care is increasingly unavailable.

Multi decade cross party and multi country support for supported living

The UK is not alone in the approach of housing in the community and indeed the United Nations developed policies that have been adopted by the UK, the European Union and 183 States in total that provide a framework for the provision of this support. The "Convention on the Rights of Persons with Disabilities" was signed by the then UK Government in 2007 and enacted into law in 2008.

The Convention sets out broad rights for those considered disabled in Article 1:

"To promote, protect and ensure full and equal enjoyment of all human rights and fundamental freedoms by all persons with disabilities and to promote respect for their inherent dignity."

Article 19 specifically covers housing, including the rights to live independently and be included in the community, Article 20 refers to personal mobility, Article 26 to

habilitation and rehabilitation, and Articles 29 and 30 to the right to participate in political and public life, cultural life, recreation and sports.

Specialist Supported Housing ("SSH") of the type provided by the Company is designed to fulfil these objectives and predates the implementation of the UN Convention. The requirement to provide support for vulnerable people was further enshrined into UK law by the Care Act 2014 which confirms the responsibility of authorities to provide appropriate support and care. There is telling testimony in the publication 'A Place for Me' (sponsored by CSH and the National Care Group), highlighted later in this report, on the transformational effect SSH has upon people's lives.

In terms of current legislation, the Health and Care Bill, which was granted Royal Assent in April 2022, further consolidates the trends of joining up NHS healthcare services with social care through the formation of Integrated Care Systems (ICSs). This is supportive of the forms of care and community housing delivered by the Company.

The sector in which the Company operates is substantially funded by the State as part of the long-standing commitment to provide support for vulnerable adults.

Government Policy

The Government Department for Levelling Up, Housing and Communities published the Levelling Up white paper, in February 2022, which makes clear that the provision of high quality, affordable housing is a major Government priority and will continue to be at the centre of government policy.

Further demonstration of Government support for the sector is the exclusion of exempt rent housing from the Social housing rent cap of 7% for the next two years. This mirrors the previous restriction on social housing rents between 2016 and 2019 when exempt rents were excluded.

Value for money for the public purse is a vital component of claiming exempt rents and each and every rent funded by housing benefit that is claimed by Civitas counterparties has been approved by a local authority housing benefit department. However, there continues to be concern about some providers claiming exempt rents where minimal or no support is provided to residents and where the property was not originally commissioned by a local authority.

The Government launched an enquiry through the Levelling Up, Housing and Communities committee to explore the overall efficacy of exempt rents accommodation.

Investment Adviser's Report

Continued

This committee has been critical of poor quality delivery where there is little care provided. The three key points are:

- The lease-based model enables access to properties for providers who would otherwise not be able to purchase properties outright; if not exploited.
- Local authorities should be able to recover 100% housing benefit even if counterparty is not registered with RSH.
- All providers should be registered with the RSH and RSH encouraged to take on all small providers.

What is clear is that the focus rightly will continue to be on the value for money of supported exempt accommodation that is not commissioned by a local authority. Non-Commissioned exempt accommodation is housing where the provider is claiming enhanced rents based upon providing additional care to meet housing need but the local authority did not initiate the procurement of the housing. It is normal for local authorities to have a mix of commissioned and non-commissioned housing to which they pay benefit at the standard and higher exempt rate. Clearly where a local authority has commissioned a building it means its support is explicit. The Government also funded pilot schemes in areas particularly affected by high levels of exempt rent claims such as Birmingham.

Civitas specialises in forming close relationships with local authorities and only works on schemes where care is meaningful and has been commissioned or supported by a local authority.

The Government also reinforced its support for health and social care in its report 'Our Plan for Patients' in September 2022 (which seeks to improve waiting lists, access to doctors, access to dentists and ambulance service improvements) and its confirmation in the growth plan. The proposed rise in National Insurance of 1.5% designed by the Government to raise an additional £13 billion for the NHS and social care has been withdrawn. The additional expenditure will still be funded from general taxation and borrowing.

The patients plan states "...from next year (we will) rebalance funding across health and social care". In addition, promising an initial £500 million fund will support discharge from hospital into the community. This model continues to enjoy strong cross party support, consistent with the cross party support for all healthcare to be carried out in the community as much as possible.

Regulation

The Social Housing White Paper clearly indicates that the RSH will become a regulator expected to protect and measure residents perceptions of service and ensure consumer standards are high. The housing Ombudsman has become very active, under new leadership in finding against service failures mainly of large providers.

Whilst the compliance of Approved Providers with which we work is subject to further implementation of the regulatory clause, there is substantial evidence in information reported to us that the 'consumer' outcomes experienced by residents of SSH housing providers is very high. This is in part a function of the model in that the division of responsibilities for asset management, care and housing management and monitoring by local authorities of standards encourages high performance.

In addition, SSH providers in data reported to us maintained high standards of compliance with key statutory and health and safety rules. Our independent monitoring by The Good Economy demonstrates high level of satisfaction compared to general needs housing.

Major housing association sector

The ability of large housing associations to operate the provision of social housing subsidy model whereby leverage on existing assets and profits from developments are used to subsidise new social housing is being eroded by a number of factors. Clearly the constraints on rental growth, the drive for decarbonisation which will not be achieved without substantial public investment, catch up repair, fire safety works and development costs are already leading to major housing associations reducing their future social housing development pipelines.

This is likely to lead to a reduction in the overall delivery of social housing further increasing demand for all types of affordable housing.

Financial Review

The Company delivered a strong financial performance over the 6-month period to 30 September 2022, with growth in net rental income, operating profit and NAV per share.

Earnings per share jumped to 6.98p in this period from 2.87p for the comparable period in 2021. Net rental income for the period increased by 6.0% to £26.6million (September 2021: £25.1 million).

The annual contracted rent roll increased 6.0% from £51.9 million at September 2021 to £55.0 million as at 30 September 2022. As the Company's rent roll references historical CPI in upcoming uplifts, the rent roll is expected to continue to benefit from indexation over the remainder of this financial year, reflecting the recent inflationary environment. The Company also continues to enjoy significant demand for its properties from local authorities.

Investment Adviser's Report

Continued

The EPRA cost ratio for the period was higher at 25.9% (September 2021: 19.7%). Excluding the two one-off costs pertaining to two strategic projects, the EPRA cost ratio was in line with the previous period at 19.7%.

During the reporting period, the Company paid two distributions, one at 1.3875p and another at 1.425p per share. The latter distribution is consistent with the Board's previously announced dividend target of 5.70p for the year to March 2023.

The NAV per share at 30 September 2022 was up 4.1% at 114.84p from the 31 March 2022 NAV of 110.30p. At period end, the Company's investment property was independently valued by JLL at £999.5 million (March 2022: £946.3 million), with an average net initial yield of 5.27%.

During the period, the Company extended its £60m debt facility with Lloyds to now mature in July 2024. Loans drawn at period end stood at £357.1 million. Subsequent to period end, the Company also extended the maturity of its £100m facility with HSBC to November 2025. The Company's gearing remains conservative with an LTV at the period end of 33.7% (September 2021: 34.6%) and is supported by the continued strong cash conversion of rental income into net operating cash flows of £20.6 million (September 2021: £21.3 million*).

Net financing costs for the period were £6.2 million (2021: £5.2 million). The average interest cost of the Company's debt for the period was 3.04% (September 2021: 2.46%), noting that benchmark SONIA rates payable on the Company's variable rate debt increased markedly over the period.

To that end, during September 2022, the Company also purchased interest rate caps for its variable rate debt. This allows the Company to mitigate the effect of further interest rate increases but also benefit from any substantial falls in future interest rates. As at 30 September 2022, 100% of the Company's debt obligations are now either fixed or capped (2021: 55% fixed), extenuating further increases to the Company's cost of debt.

Governance

CIM continues to engage actively with the Company's Approved Provider partners and Care Providers, providing advice and shared learning. This has helped to facilitate continued high level operational performance on occupancy rates, property compliance matters, and health and safety.

The Board carries out an annual Board performance evaluation exercise. All of the Company's policies and procedures are reviewed annually and, where appropriate, updated.

Summary

The multi-decade support for providing housing in the community for the most vulnerable and reducing the burden on acute healthcare settings continues to be further supported by cross party consensus and clear evidence of excellent outcomes for people and for the taxpayer.

Civitas is the market leader working at the intersection of government public policy, with public and charitable bodies and the private sector both in undertaking a role as significant investment manager and asset manager and as a catalyst for improving standards and evolving best practice.

Civitas Investment Management Limited

Investment Adviser

5 December 2022

* Cash and cash equivalents and monies held in restricted accounts and deposits have been restated as at 30 September 2021 and 31 March 2022 following clarification by IFRIC on classification of funds with externally imposed restrictions.

Principal Risks and Risk Management

The principal risks facing the Company are set out on pages 38 to 41 of the Annual Report for the financial year ended 31 March 2022. Risks faced by the Company include, but are not limited to, strategy and competitiveness risks, investment management risks, accounting, legal and regulatory risks and operational risks, including cyber crime. Financial risks include market risks in relation to investment in property and liquidity funds, interest rate risk, credit risk and liquidity risk. Details of the Company's management of these risks are set out in the 2022 Annual Report.

The Board recognises that the current macroeconomic environment has increased the level of risk around the Company's financing arrangements regarding borrowing terms and covenants, and the Board has taken steps to address these as set out in the Chairman's Statement and the Investment Adviser's Report. In addition, the historic actions of short sellers and the overall repricing of the REIT market has led to the significant discount to NAV at which the Company's shares trade. All other principal risks facing the Company are substantially unchanged since the date of the Annual Report for the financial year ended 31 March 2022.

Alternative Performance Measures

EPRA

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

Definition

EPRA Earnings

Earnings from operational activities.

EPRA Net Reinstatement Value ("NRV")

EPRA NAV metric which assumes that entities never sell assets and aims to represent the value required to rebuild the entity.

EPRA Net Tangible Assets ("NTA")

EPRA NAV metric which assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

EPRA Net Disposal Value ("NDV")

EPRA NAV metric which represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

Purpose

A key measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.

The EPRA NAV set of metrics make adjustments to the NAV per the financial statements to provide stakeholders with the most relevant information on the fair value of the assets and liabilities of a real estate investment company, under different scenarios.

Performance

EPRA Earnings

£

30 September 2022

13,573,000

30 September 2021

14,908,000

31 March 2022

29,810,000

EPRA NRV

£

30 September 2022

689,934,000

30 September 2021

672,742,000

31 March 2022

673,416,000

EPRA NTA

£

30 September 2022

689,934,000

30 September 2021

672,742,000

31 March 2022

673,416,000

EPRA NDV

£

30 September 2022

710,809,000

30 September 2021

671,524,000

31 March 2022

678,191,000

EPRA Earnings per share

(Basic and diluted) pence

30 September 2022

2.22

30 September 2021

2.40

31 March 2022

4.82

EPRA NRV per share

(diluted) pence

30 September 2022

113.78

30 September 2021

108.47

31 March 2022

109.96

EPRA NTA per share

(diluted) pence

30 September 2022

113.78

30 September 2021

108.47

31 March 2022

109.96

EPRA NDV per share

(diluted) pence

30 September 2022

117.22

30 September 2021

108.27

31 March 2022

110.74

Past performance is not a reliable indicator of future performance.

Environmental, Social & Governance

Environmental, Social and Governance (ESG)

The Company's ESG Policy is located on its website. It provides an overview of the Company's investment procedures and sets out the Board's commitment to a continuous improvement process in its approach to ESG integration.

Environmental: Carbon Reduction/ Energy Cost Savings

CIM continues to work with E.ON (a leading UK energy and solutions company) under a national framework agreement in partnership with CSH APs, to improve the environmental performance of the portfolio. The 'fabric first' approach to reducing the portfolio's carbon footprint includes the installation of cavity wall insulation, loft insulation, external wall insulation, air source heat pumps and solar PV and battery storage to identified properties. The installation of these energy efficient measures, utilising available Government grants and other funding sources, maximises value for the Company and for its counterparties. The collaboration with E.ON is delivering significant environmental enhancements without any cost to our Approved Providers.

The overall energy performance of the portfolio as identified on Environmental Performance Certificates (EPC) reports that data has improved over the last twelve months. The proportion of properties with EPC Rating A-C is currently c.53% and the carbon footprint (estimated from property characteristics) has reduced by 5% per Civitas tenancy (from 2.70 tonnes of CO₂/tenancy in September 2021 to 2.56 tonnes of CO₂/tenancy).

Social Impact and Social Value

The Company's latest independent report from The Good Economy was published in November 2022 and provides details of CSH's portfolio and the continued success in delivering measurable social impact. Findings include:

- one property, housing up to two people, has been added to the CSH portfolio within the period
- 41% of CSH's 697 properties have been brought into the social housing sector for the first time
- CSH's regular engagement with its Approved Providers to monitor the quality of its stock continued through the covid pandemic
- Improvement works have enhanced the energy efficiency of homes, with 99.9% of homes having an EPC rating of at least E+
- CSH homes continue to serve vulnerable individuals and play a significant role in improving resident wellbeing, particularly when individuals are coming out of higher acuity facilities
- Social value analysis (March 2021) revealed that, overall, the portfolio generates £127 million of social value per year, including fiscal savings to public budgets of £75.9 million per year
- 87% of respondents to the resident survey in March 2021 reported that they were satisfied with the quality of their home, 8% reported that they were neither satisfied nor dissatisfied
- 100% statutory compliance rate by housing provider partners is better than the wider affordable housing sector

ESG Rating Providers

As part of this commitment, CIM engages with ESG rating providers on behalf of CSH to set out the activities that are undertaken by CSH and to ensure this is profiled correctly. This includes increased disclosure by CIM in respect of various policies that have been promoted on the CIM website. Notably, active participation in the 2022 GRESB Public Disclosure Assessment has resulted in CSH retaining an A score attained in 2021, whilst the peer group average score has moved up to B. Civitas is up to 2nd position within its Comparison Group (UK Residential). GRESB is an investor driven global ESG framework. Meanwhile, the ESG Risk Rating Score for CSH by Sustainalytics remains at 16.6 (Low Risk) as was reported in March 2022.

The Portfolio's Carbon Footprint as at 30 September 2022

Tonnes (TCO₂) per Civitas Tenancy

September 2022
2.56

September 2021
2.70

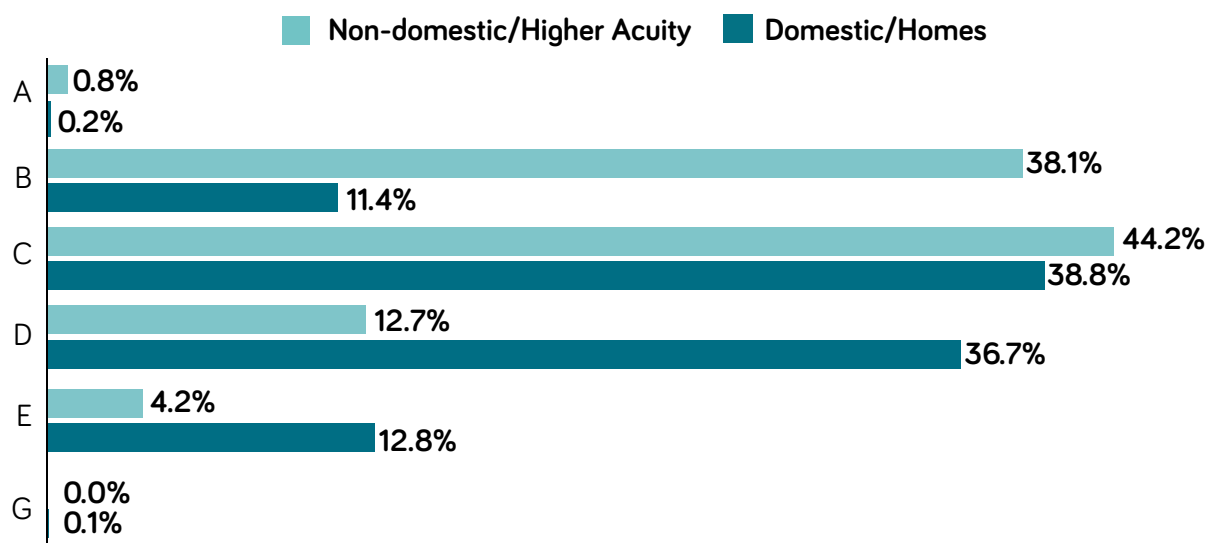
Source: Civitas retained EPC data

Energy Performance Certificates (EPCs) are detailed reports into the energy efficiency of a property or building. It requires trained assessors to examine the key items in the property such as any heating and cooling systems, the presence and levels of the insulation, the type of glazing and material of the window frames, as well as the hot water and lighting systems. EPCs are divided into two further subcategories, Domestic and Non-Domestic.

Domestic EPCs illustrate the efficiency rating of self-contained houses and apartments. Non-Domestic, provide ratings for buildings with more extensive communal areas that are usually served by more complex heating and cooling systems.

The energy assessment for non-domestic buildings takes much longer than a domestic building to inspect, evaluate and produce. The inspection and data inputting is more detailed than a domestic property and will include precise lighting type, building orientation, solar gain, window frames etc. Consequently, the resulting recommendations are more detailed than with a domestic EPC.

Civitas EPC Distribution (Domestic/Non-Domestic) – September 2022



Source: Civitas retained EPC data



Domestic/Homes

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

Domestic properties typically use less energy and have lower carbon footprints than non-domestic/higher acuity properties.



Non-domestic/higher acuity

These are larger properties which generally have additional specialist/communal facilities with higher energy use. This includes industrial kitchens, back house facilities plus extensive rehabilitation services.

Energy Performance/SAP Ratings

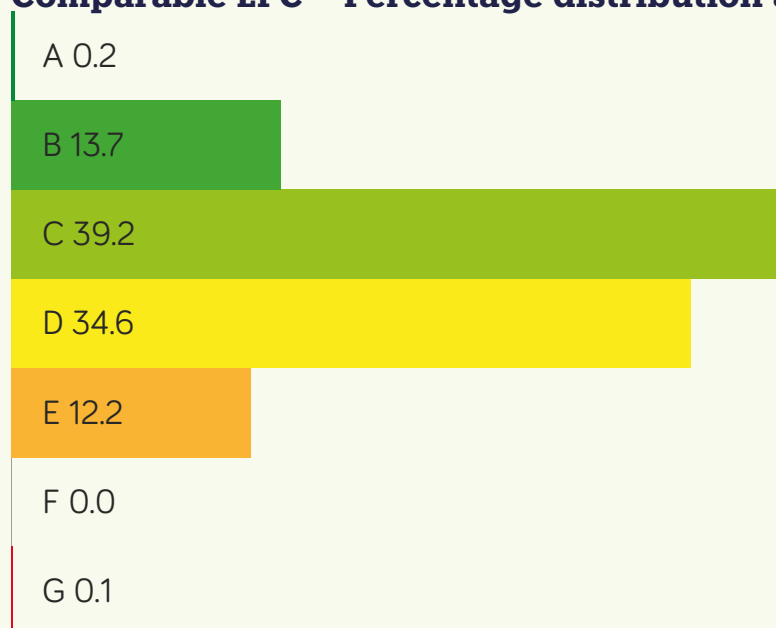
Carbon Reduction – EPC/SAP Ratings

Civitas Portfolio (domestic and non-domestic) Energy Performance Certificates (EPC) – September 2022.

Alongside increasing supply of social housing for vulnerable adults, Civitas continues to improve the overall energy performance, with a strong focus on properties with EPC ratings D and E, through active asset management, including property improvement works, renovations and scheduled post-completion works.



Comparable EPC – Percentage distribution at 30 September 2022



Civitas SSH properties tend to offer larger accommodation for tenants than conventional social housing or other private dwellings. The properties are predominantly street properties built pre 1940 with solid walls.

As shown in the table below, the energy performance of the Civitas portfolio compares favourably against the performance across all housing tenures as reported in the 2020/21 English Housing Survey (EHS). Civitas SSH properties have a larger proportion of detached and semi-detached properties compared to social rented and private rented dwellings.

Comparable EPC/SAP Ratings

by tenure (%)¹ (domestic/homes only)

	Energy Performance Certification Band						Mean SAP Rating
	A/B	C	D	E	F	G	
Owner occupied	3.1	39.2	46.4	8.6	2.2	0.5	65.5
Private rented	2.4	39.4	44.3	9.6	3.4	0.9	64.7
Social rented	2.9	62.6	30.9	2.6	0.8	0.2	69.8
All tenures	2.9	43.2	43.4	7.8	2.2	0.5	66.1
Civitas domestic (Sept 2022)	11.6	38.8	36.7	12.8	0.0	0.1	66.7

¹ Source: English Housing Survey, 2020 Energy efficiency rating bands by tenure (Annex Table 2.8) & Mean SAP rating by tenure (Annex Table 2.7).

Case Study: EON Project Phase 2

Building on the delivery of Phase 1 works, Civitas is working with E.ON on Phase 2 energy improvement works to deliver enhancements at no cost to underlying Approved Partners.

The Phase 2 retrofit surveys which commenced in November 2022 will help to refine the Phase 2 implementation programme and identify the best method for reducing the total carbon dioxide emissions (and fuel costs) associated with individual properties over the medium or long term. The improvement recommendations will be aligned with the long-term needs of the building and of its occupants. Diagnoses will include consideration of:

- future improvement opportunities, which should not be blocked by more immediate projects
- opportunities for integrating energy measures with other building work as required

Target measures following detailed retrofit surveys will include:

- Cavity Wall Insulation
- Loft Insulation
- External Wall Insulation
- Air Source Heat Pump
- Solar PV and battery storage



Environmental improvement works underway

Phase 1 Results:

101 properties
Completed Surveys

14 properties
Confirmed adequate
CWI Insulations (post
retrofit surveys)

20 properties
Confirmed adequate
Loft Insulation (post
retrofit surveys)

43 properties
Solar PV and Battery
Storage (completed/
underway)

“The delivery of the initial phase of the programme has strengthened the collaboration between E.ON and Civitas. The learnings have built the solid foundation and road map to move forward with future deployment of energy saving measures to achieve Civitas’ net-zero target.”

Mark Antcliff

Business Development Manager – E.ON Installation Services.

Case study: Kirkby-In-Ashfield

Project Overview:

Semi-detached House –
3 bedrooms
Solar PV Installation

Specification:

10 x 320W all black panels
Solis 3.6 inverter

Approved Provider:

Auckland Home Solutions CIC



18% CO₂ Reduction

EPC:

C (previously D)

SAP Score:

74 (previously 66)

Social Impact

Social Impact – Publication of The Good Economy Report – Published November 2022

The Good Economy (TGE) – November 2022

TGE, independent social impact advisory firm, assessed Civitas' performance against its stated impact objective and the target outcomes to which the Company aims to contribute.

THE
GOOD
ECONOMY

TGE considers that Civitas has made a meaningful contribution to increasing supply to meet the high level of demand from commissioners for supported housing across the country.

"The portfolio continues to provide homes for people with a range of support needs, including learning disabilities, physical disabilities and mental health diagnoses."

"Civitas is systematically improving the energy efficiency of older stock by running a retrofit programme alongside energy supplier E.ON."

"Civitas has consistently provided support for charitable organisations whose activities align with the Fund's core mission to deliver positive outcomes for individuals with support needs."

Impact Objective

Outcomes



Social Need

Provide housing that meets an identified social need

40% of residents living in Civitas properties receive over **50 hours** of care per week.

82% of residents aged between 20 and 49



Supply

Increase the supply of social housing across the UK particularly for vulnerable people

41% of properties new to social housing at the point of acquisition

69% of properties in the 40% most deprived local authorities



Quality

Improve the quality of social housing

Civitas have worked with Approved Providers, signing off on adaptations to ensure properties continue to meet the changing needs of residents

87% of respondents reported that they were satisfied with the quality of their homes



Contribute Towards



Wellbeing

Improve the wellbeing of residents

53% of respondents reported an improvement in their independence between their previous accommodation and their current home



Value

Offer value for money for the public purse

£3.51 is created in social value for every £1 of annualised investment



Charity Partners

Charities

The Company has supported and worked with the following Charities.

Choir with No Name (CWNN)

CWNN has been running choirs and building joyful communities with homeless and marginalised people since 2008. They use the arts to address the most common reasons someone might find it difficult to move on from homelessness, such as social isolation, low confidence and lack of skills for work and life. They currently have six choirs – in London, Liverpool, Birmingham, Brighton, Cardiff and their most recent choir, a co-produced mixed community choir in Coventry. They work with around 400 people impacted by homelessness a year. Civitas supports CWNN by providing a secure source of funding.

House of St Barnabas (HoSB)

The HoSB is a social enterprise and charity that works to support people affected by homelessness back into long-term employment. Their vision is of a future where lasting good work, a secure home and a supportive network are a reality for those affected by homelessness. Civitas sponsors the mentoring programme.

Women in Social Housing (WISH)

WISH CIC is a social enterprise, a membership-based networking community for women working across every discipline in the UK housing sector. Their aim is to create a legacy by challenging gender inequality and the gender pay gap, by encouraging new and existing female talent to remain in the sector and by boosting each other through career successes. They offer encouragement and support, championing positive outcomes through events, initiatives and activities. Civitas promotes the work of WISH to increase inclusivity and gender balance across the social housing sector.

Care Workers Charity (CWC)

The CWC authentically represents the social care sector's workforce and is its safety net. It specifically advocates for the nearly 2 million care workers that comprise one of the UK's largest workforces. CWC delivers award-winning activities to address the symptoms and the causes of care workers' challenging situations. Over the past two years, CWC has provided over £3.3 million in grants and supported over 5,100 care workers and influenced national workforce policy, guidance, and research. The annual donation from Civitas, on a 3-year commitment enables CWC to train up Mental Health (MH) First Aiders for deployment into member organisations.

Little Sprouts

Little Sprouts promotes the health and wellbeing of communities through delivery of targeted cooking and food education workshops, surplus food collection, and other activities. The charity places a particular focus on supporting deprived communities where the socio-economic position – housing, employment, or education – has had a massive contributory effect on well-being and health. It has also provided meals for those with mental health issues affected by the pandemic.

Charity Partners – Case Studies

The House of St Barnabas

The House of St Barnabas is a social enterprise and charity that works to support people affected by homelessness back into long-term employment.

Civitas helps to fund The House of St Barnabas' Employment Academy. This is a 10-week programme which provides work experience, qualifications, job opportunities and mentoring to individuals who have experienced homelessness. Once an individual has completed the programme, they then continue to receive structured support and mentoring for another year. It is this ongoing mentoring programme which Civitas provides funding for.

“

Our mentoring and progression work is key to the success of our programme, and thanks to Civitas' commitment of sponsoring our mentoring programme we are closer to succeeding in our mission of 'Good Work, Good Homes' for all our graduates.

- House of St Barnabas

”

Since launching the Employment Academy:

- 260 people with a history of homelessness have graduated from the programme
- 63% of graduates secured work within 12 months
- Over half of those who found jobs were still in work 12 months later

“

You will have a stepping-stone to success and getting off benefits with help from the progression team and mentors. They will help you to find good work after the programme.

- Employment Academy graduate

”

Care Home Open Week

Care Home Open Week is an annual event which aims to connect care homes with their communities and to raise awareness of the positive value of the social care sector. The week is hosted by Championing Social Care.

Civitas has been one of two sponsors for Care Home Open Week since the initiative was established in 2021¹. Paul Bridge (CEO of Civitas Investment Management) is also part of the Championing Social Care Ambassador Group, and this year helped to open the annual Care Home Open Week which ran from 27 June to 3 July 2022.

This year's event focused on a set of three key aims:

1. To demonstrate the positive value of care homes as community hubs, inviting the surrounding communities in
2. To showcase career opportunities in the sector
3. To promote volunteering and other support services

The 2022 Care Home Open Week:

- Involved 2,409 care services across the country (including elderly care, supported living, day centres and children's services)
- 72,286 people took part
- Over 100 MPs visited care homes during the week
- PR and social media reach of more than 49 million people during the week



¹ Note Care Home Open Week was run by Care England prior to this date, but Championing Social Care relaunched it in 2021. Since this relaunch, the programme has been supported by CIM.

Governance Indices

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

What is it?



GRESB is the leading sustainability benchmark for the global real estate sector. Assessments take place annually and are guided by factors that investors and the industry consider to be material issues in the sustainability performance of real asset investments. The benchmark assessment covers more than 850 property companies, REITs, funds and developers.

How is CSH rated?

- CSH retained its **A** score following the GRESB Public Disclosure Assessment 2022
- Peer Group Average score of B.
- CSH is up to 2nd position within its Comparison Group (UK Residential).



MSCI ESG Ratings provide insight into ESG risks and opportunities within multi-asset class portfolios. MSCI rate 7,000 companies according to their exposure to industry significant ESG risks and their ability to manage those risks relative to industry peers.

- CSH MSCI ESG rating of **BB**.
- CIM has made relevant policies available to MSCI and other rating agencies through hosting on the CIM website on behalf of the Company.
- This should be reflected in future rating assessment.



Sustainalytics measure how well companies proactively manage the environmental, social and governance issues that are most material to their business. It is based on a structured, objective and transparent methodology. The ESG ratings provide an assessment on companies' ability to mitigate risks and capitalise on opportunities.

- CSH has an ESG Risk Rating score of **16.6 (Low Risk)** on Sustainalytics.



EPRA BPR Guidelines focus on making the financial statements of public real estate companies clearer and more comparable across Europe. This is designed to enhance the transparency and coherence of the sector as a whole and play an important role in attracting global flows of capital into the European listed property sector.

- CSH received a Gold Award for EPRA BPR reporting in 2022. This is an improvement on the Silver Award received in 2021.
- CSH submission for EPRA sBPR assessment remains under consideration

EPRA sBPR Guidelines provide a consistent way of measuring sustainability performance. The EPRA sBPR are raising the standards and consistency of sustainability reporting for listed real estate companies across Europe.

In recognition of property companies that have successfully adopted EPRA's BPR or sBPR Guidelines and which have submitted an assessment of their performance against the guidelines, EPRA holds annual EPRA BPR and sBPR Awards. Based on the assessment performed by EPRA's independent external partner, the surveyed companies are awarded either a Gold, Silver, or Bronze Award.

Statement of Directors' Responsibilities

in respect of the financial statements

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

The Directors acknowledge responsibility for the Half Year Report and confirm that, to the best of their knowledge, these condensed consolidated financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting', and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the Half Year Report (including the Chairman's Statement and the Investment Adviser's Report) includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- i. an indication of important events that have occurred during the six-month period to 30 September 2022 and their impact on the condensed consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- ii. material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The Directors of the Company are listed on page 51.

The principal risks and uncertainties facing the Group are consistent with those outlined in the Group's most recent annual financial statements for the year ended 31 March 2022, reflecting the information required by DTR 4.2.7R.

Approval

This Half Year Report was approved by the Board of Directors and the above responsibility statement was signed on its behalf by:

Michael Wrobel

Chairman

5 December 2022

Independent review report to Civitas Social Housing PLC

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Civitas Social Housing PLC's condensed consolidated interim financial statements (the "interim financial statements") in the Half Year Report of Civitas Social Housing PLC for the 6 month period ended 30 September 2022 (the "period"). Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 30 September 2022;
- the Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Statement of Cash Flows for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half Year Report of Civitas Social Housing PLC have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. We have read the other information contained in the Half Year Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half Year Report, including the interim financial statements, is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the Half Year Report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Half Year Report, including the interim financial statements, the Directors are responsible for assessing the group'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 to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Half Year Report based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London

5 December 2022

Condensed Consolidated Statement of Comprehensive Income

For the period from 1 April 2022 to 30 September 2022

	Note	From 1 April 2022 to 30 September 2022 Unaudited £'000	From 1 April 2021 to 30 September 2021 Unaudited £'000	For the year ended 31 March 2022 Audited £'000
Revenue				
Rental income	4.0	27,792	25,712	51,636
Less direct property expenses	4.0	(1,197)	(636)	(978)
Net rental income		26,595	25,076	50,658
Directors' remuneration		(104)	(103)	(206)
Investment advisory fees	17.2	(3,110)	(3,080)	(6,132)
General and administrative expenses	5.0	(3,570)	(1,757)	(3,909)
Total expenses		(6,784)	(4,940)	(10,247)
Change in fair value of investment properties	10.0	25,510	2,258	12,269
Operating profit		45,321	22,394	52,680
Finance income		54	–	7
Finance expense	6.0	(6,292)	(5,228)	(10,608)
Change in fair value of interest rate derivatives	14.0	3,555	686	2,675
Profit before tax		42,638	17,852	44,754
Taxation	7.0	–	–	–
Profit being total comprehensive income for the period		42,638	17,852	44,754
Earnings per share – basic and diluted	8.0	6.98p	2.87p	7.23p

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

The notes on pages 32 to 43 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 September 2022

	Note	30 September 2022 Unaudited £'000	30 September 2021 Unaudited £'000	31 March 2022 Audited £'000
Assets				
Non-current assets				
Investment property	10.0	974,491	923,943	945,237
Other receivables	10.0	25,029	22,351	23,519
Interest rate derivatives	14.0	6,423	142	2,131
		1,005,943	946,436	970,887
Current assets				
Trade and other receivables		11,626	10,704	12,865
Cash and cash equivalents	12.0	42,227	76,494	53,337
		53,853	87,198	66,202
Total assets		1,059,796	1,033,634	1,037,089
Liabilities				
Current liabilities				
Trade and other payables		(10,889)	(9,179)	(9,492)
Non-current liabilities				
Bank and loan borrowings	13.0	(352,550)	(351,571)	(352,050)
Total liabilities		(363,439)	(360,750)	(361,542)
Total net assets		696,357	672,884	675,547
Equity				
Share capital	15.0	6,225	6,225	6,225
Share premium reserve		292,626	292,626	292,626
Capital reduction reserve		317,714	329,551	322,365
Retained earnings		79,792	44,482	54,331
Total equity		696,357	672,884	675,547
Net assets per share – basic and diluted	16.0	114.84p	108.49p	110.30p

These Condensed Consolidated Financial Statements on pages 28 to 43 were approved by the Board of Directors of Civitas Social Housing PLC and authorised for issue and signed on its behalf by:

Michael Wrobel

Chairman and Independent Non-Executive Director

5 December 2022

Company No: 10402528

The notes on pages 32 to 43 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the period from 1 April 2022 to 30 September 2022

	Note	Share capital £'000	Share premium reserve £'000	Capital reduction reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2022		6,225	292,626	322,365	54,331	675,547
Profit and total comprehensive income for the period		–	–	–	42,638	42,638
Shares bought back into treasury	15.0	–	–	(4,651)	–	(4,651)
Dividends paid	9.0	–	–	–	(17,177)	(17,177)
Balance at 30 September 2022 (unaudited)		6,225	292,626	317,714	79,792	696,357
Balance at 1 April 2021		6,225	292,463	331,140	43,670	673,498
Profit and total comprehensive income for the period		–	–	–	17,852	17,852
Shares reissued from treasury	15.0	–	163	484	–	647
Shares bought back into treasury	15.0	–	–	(2,073)	–	(2,073)
Dividends paid	9.0	–	–	–	(17,040)	(17,040)
Balance at 30 September 2021 (unaudited)		6,225	292,626	329,551	44,482	672,884
Balance at 1 April 2021		6,225	292,463	331,140	43,670	673,498
Profit and total comprehensive income for the year		–	–	–	44,754	44,754
Shares reissued from treasury	15.0	–	163	484	–	647
Shares bought back into treasury	15.0	–	–	(9,259)	–	(9,259)
Dividends paid	9.0	–	–	–	(34,093)	(34,093)
Balance at 31 March 2022 (audited)		6,225	292,626	322,365	54,331	675,547

The notes on pages 32 to 43 are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the period from 1 April 2022 to 30 September 2022

	Note	From 1 April 2022 to 30 September 2022 Unaudited £'000	From 1 April 2021 to 30 September 2021 *Restated Unaudited £'000	For the year ended 31 March 2022 *Restated Audited £'000
Cash flows from operating activities				
Profit for the period before taxation		42,638	17,852	44,754
– Change in fair value of investment properties		(25,510)	(2,258)	(12,269)
– Change in fair value of interest rate derivatives		(3,555)	(686)	(2,675)
– Rent and incentive straight line adjustments		190	149	397
– Bad debts expensed/(recovered)		122	(7)	(17)
Finance income		(54)	–	(7)
Finance expense		6,292	5,228	10,608
Increase in lease incentive receivable		(1,700)	(595)	(2,011)
Decrease/(increase) in trade and other receivables		634	1,447	(236)
Increase in trade and other payables		1,511	172	551
Cash generated from operations		20,568	21,302	39,095
Interest received		54	–	7
Net cash flow generated from operating activities		20,622	21,302	39,102
Investing activities				
Purchase of investment properties and other capital expenditure		(3,447)	(16,491)	(27,695)
Acquisition costs		(245)	(1,115)	(1,640)
Purchase of subsidiary – including property		–	(13,559)	(13,559)
Sale proceeds on sale of subsidiary – excluding property		–	2,695	2,695
Net cash flow used in investing activities		(3,692)	(28,470)	(40,199)
Financing activities				
Cost of shares bought into treasury		(4,646)	(1,665)	(9,259)
Proceeds from shares released from treasury		–	919	919
Dividends paid to equity shareholders		(17,254)	(17,005)	(33,928)
Interest rate derivative premium paid		(737)	–	–
Bank borrowing issue costs paid		(324)	(1,445)	(1,805)
Interest and security fees paid on bank borrowings and derivatives		(5,079)	(4,239)	(8,590)
Net cash flow used in financing activities		(28,040)	(23,435)	(52,663)
Net decrease in cash and cash equivalents		(11,110)	(30,603)	(53,760)
Cash and cash equivalents at the start of the period		53,337	107,097	107,097
Cash and cash equivalents at the end of the period	12.0	42,227	76,494	53,337

The notes on pages 32 to 43 are an integral part of these condensed consolidated financial statements.

* Cash and cash equivalents and monies held in restricted accounts and deposits have been restated as at 30 September 2021 and 31 March 2022 following clarification by IFRIC on classification of funds with externally imposed restrictions.

Notes to the Condensed Consolidated Financial Statements

For the period from 1 April 2022 to 30 September 2022

1.0 Corporate information

These condensed consolidated financial statements for the period from 1 April 2022 to 30 September 2022 comprise the results of the Company and its subsidiaries (together the "Group") and were approved by the Board and authorised for issue on 5 December 2022.

The Company is incorporated in England and Wales under the Companies Act 2006 as a public company limited by shares with company number 10402528.

The address of the registered office is 6th Floor, 65 Gresham Street, London EC2V 7NQ. 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 the Group, whose principal activity is to provide shareholders with an attractive level of income, together with the potential for capital growth from investing in a portfolio of social homes.

2.0 Basis of preparation

The Group's condensed consolidated financial statements ("Financial Statements") have been prepared on a going concern basis and in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority ("FCA") and with UK-adopted international accounting standard 34 'Interim Financial Reporting'. The condensed consolidated financial statements should be read in conjunction with the Annual Report & Accounts for the year ended 31 March 2022, which have been prepared in accordance with UK-adopted International Accounting Standards and in conformity with the requirements of the Companies Act 2006.

The current period financial statements have been reviewed, not audited. The financial statements for the period ended 30 September 2022 do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 March 2022 has been delivered to the Registrar of Companies. The Auditors' report on those accounts was not qualified. The Auditors' report did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The comparative periods represent the period from 1 April 2021 to 30 September 2021 as reported in the Group's 2021 Interim Report, and for the year ended 31 March 2022 as reported in the Company's 2022 Annual Report.

The Group has chosen to adopt EPRA best practice guidelines for calculating key alternative performance measures. These are disclosed on pages 16 to 17 with supporting calculations in Appendix 1 on pages 44 to 47.

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

The same accounting policies, estimates, presentation and methods of computation are followed in the Half Year Report as applied in the Group's latest annual audited financial statements, with the exception of the following items:

IFRIC Agenda Item: Following clarification by IFRIC on the classification of monies held in restricted accounts, monies that are restricted by use only are classified at 30 September 2022 as 'Cash and cash equivalents'. The comparative balances have been restated where applicable to reflect this change in classification.

Amendments to IFRS 3 'Business Combinations' (effective for periods beginning on or after 1 January 2022) – gives clarification on the recognition of contingent liabilities at acquisition and clarifies that contingent assets should not be recognised at the acquisition date. The amendments have not had a significant impact on the preparation of the financial statements.

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' (effective for periods beginning on or after 1 January 2022) – gives clarification on costs to include in estimating the cost of fulfilling a contract for the purpose of assessing whether that contract is onerous. The amendments have not had a significant impact on the preparation of the financial statements.

Amendments to IFRS 9 'Financial Instruments' (effective for periods beginning on or after 1 January 2022) – gives clarification on the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original liability. The amendments have not had a significant impact on the preparation of the financial statements.

2.1 Functional and presentation currency

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

2.2 Going concern

The Group benefits from a secure income stream from long leases with the Approved Providers and presents a well-diversified risk. The Group's cash balances as at 30 September 2022 were £42,227,000 of which £4,287,000 was held as restricted cash. Details of this can be found in note 12.0.

The Company and its Investment Adviser, Civitas Investment Management Limited ("CIM") continue to work closely with the Company's major counterparties to monitor the position on the ground and, should it be needed, to offer assistance and guidance where possible. The Board of Directors believes that the Company operates a robust and defensive business model and that social housing and specialist healthcare are proving to be some of the more resilient sectors within the market, given that they are based on non-discretionary public sector expenditure and that demand exceeds supply.

In May 2022 the facility with Lloyds Bank plc was extended to July 2024.

Cash flow forecasts based on severe but plausible downside scenarios have been run, in particular the financial performance of tenants and a reduction in rent. As at 30 September 2022, the rent would have to drop by approximately 29% before its loan covenants are breached. At the date of approval of this report, the Company has substantial headroom within all its financial loan covenants. The Company also benefits from a secure income stream from leases with long average unexpired term leases. 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 Company's articles of association include a requirement for the Board to propose an ordinary resolution at the annual general meeting following the fifth anniversary from the initial public offering of the Company for the Company to continue in its current form (the Continuation Resolution). This vote was passed in September 2022 so the Company will continue its business as presently constituted and will propose the same resolution at the AGM in September 2027 and every fifth annual general meeting thereafter.

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

On 17 November 2022, an extension was granted for the facility with HSBC UK Bank plc, which now expires on 28 November 2025. Please refer to note 19.0 for refinancing initiatives post period end.

2.3 Segmental information

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

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

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

All of the Group's properties are based in the UK. No geographical grouping is contained in any of the internal financial reports provided to the Investment Adviser's Executive Team and, therefore no geographical segmental analysis is required by IFRS 8.

3.0 Significant accounting judgements, estimates and assumptions

In the application of the Group's accounting policies, 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 are unchanged from those outlined in the Annual Report.

Notes to the Consolidated Financial Statements

Continued

4.0 Rental income

	From 1 April 2022 to 30 September 2022 Unaudited £'000	From 1 April 2021 to 30 September 2021 Unaudited £'000	For the year ended 31 March 2022 Audited £'000
Rental income from investment property	26,907	25,225	51,038
Rent straight line adjustments	313	299	529
Lease incentive adjustments	(503)	(448)	(926)
Rechargeable costs received	1,075	636	995
Rental income	27,792	25,712	51,636
Less direct property expenses			
Insurance and service charge costs	(1,075)	(636)	(995)
Bad debt	(122)	-	17
Direct property expenses	(1,197)	(636)	(978)
Net rental income	26,595	25,076	50,658

Rechargeable costs received represent insurance and service charge costs paid by the Group and recharged to the Approved Providers and are accounted for under IFRS 15 'Revenue from contracts with customers'.

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

5.0 General and administrative expenses

General and administrative expenses for the current period contain exceptional professional costs of £1,636,000. These costs pertain to two strategic projects the Company has been evaluating that did not come to fruition.

6.0 Finance expense

	From 1 April 2022 to 30 September 2022 Unaudited £'000	From 1 April 2021 to 30 September 2021 Unaudited £'000	For the year ended 31 March 2022 Audited £'000
Interest paid and payable on bank borrowings and derivatives	5,446	4,390	8,907
Amortisation of loan arrangement fees	824	814	1,653
Loan security fees	18	21	42
Bank charges	4	3	6
Total	6,292	5,228	10,608

Notes to the Consolidated Financial Statement

Continued

7.0 Taxation

As a UK REIT, the Group is exempt from corporation tax on the profits and gains from its property investment business, provided it meets certain conditions as set out in the UK REIT regulations. For the period ended 30 September 2022, 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 UK REIT for the foreseeable future, such that deferred tax has not been recognised on temporary differences relating to the property rental business.

A deferred tax asset of £2,586,000 (30 September 2021: £2,405,000; 31 March 2022: £1,268,000) calculated using the forthcoming tax rate of 25% has not been recognised in respect of the unutilised residual current year losses as it is not anticipated that sufficient residual profits will be generated in the future.

	From 1 April 2022 to 30 September 2022 Unaudited £'000	From 1 April 2021 to 30 September 2021 Unaudited £'000	For the year ended 31 March 2022 Audited £'000
Corporation tax charge/(credit) for the period	-	-	-
Total	-	-	-

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

	From 1 April 2022 to 30 September 2022 Unaudited £'000	From 1 April 2021 to 30 September 2021 Unaudited £'000	For the year ended 31 March 2022 Audited £'000
Group			
Profit before taxation	42,638	17,852	44,754
UK corporation tax rate	19.00%	19.00%	19.00%
Theoretical tax at UK corporation tax rate	8,101	3,392	8,503
Effects of:			
Change in value of exempt investment properties	(4,847)	(429)	(2,331)
Exempt REIT income	(3,342)	(3,259)	(6,598)
Amounts not deductible for tax purposes	(251)	(22)	(230)
Unutilised residual current year tax losses	339	318	656
Total	-	-	-

The standard rate of corporation tax is currently 19%. The government has announced that the corporation tax standard rate will rise to 25% from 1 April 2023.

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

Notes to the Consolidated Financial Statements

Continued

8.0 Earnings per share

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

The calculation of basic and diluted EPS is based on the following:

	From 1 April 2022 to 30 September 2022 Unaudited £'000	From 1 April 2021 to 30 September 2021 Unaudited £'000	For the year ended 31 March 2022 Audited £'000
Calculation of Basic EPS			
Net profit attributable to Ordinary shareholders (£'000)	42,638	17,852	44,754
Weighted average number of Ordinary shares (excluding shares held in treasury)	610,707,145	622,260,670	618,797,942
EPS – basic and diluted	6.98p	2.87p	7.23p

9.0 Dividends

	From 1 April 2022 to 30 September 2022 Unaudited £'000	From 1 April 2021 to 30 September 2021 Unaudited £'000	For the year ended 31 March 2022 Audited £'000
Dividend of 1.3500p for the three months to 31 March 2021	–	8,403	8,403
Dividend of 1.3875p for the three months to 30 June 2021	–	8,637	8,637
Dividend of 1.3875p for the three months to 30 September 2021	–	–	8,555
Dividend of 1.3875p for the three months to 31 December 2021	–	–	8,498
Dividend of 1.3875p for the three months to 31 March 2022	8,474	–	–
Dividend of 1.4250p for the three months to 30 June 2022	8,703	–	–
Total	17,177	17,040	34,093

On 9 November 2022, the Company announced a dividend of 1.425 pence per share in respect of the period 1 July 2022 to 30 September 2022 totalling £8,641,000. The dividend will be paid on or around 9 December 2022 to shareholders on the register as at 18 November 2022. The financial statements do not reflect this dividend.

10.0 Investment property

	From 1 April 2022 to 30 September 2022 Unaudited £'000	From 1 April 2021 to 30 September 2021 Unaudited £'000	For the year ended 31 March 2022 Audited £'000
Balance at beginning of period	968,756	915,589	915,589
Property acquisitions	562	23,061	33,466
Improvements to investment properties	3,182	4,940	5,818
Lease incentives and rent straight line adjustments recognised	1,510	446	1,614
Change in fair value during the period	25,510	2,258	12,269
Value advised by the property valuers	999,520	946,294	968,756
Less lease incentive assets and rent straight line assets	(25,029)	(22,351)	(23,519)
Total	974,491	923,943	945,237

During the prior year, the Group acquired a property holding company from Herleva Properties Limited which held assets totalling £8,611,000. These are included within Property Acquisitions in the note above. Herleva Properties Limited is a subsidiary of Specialist Healthcare Operations Limited ("SHO"). Andrew Dawber and Tom Pridmore (both directors of the Investment Adviser), are 14.99% shareholders in SHO. They are not directors of SHO, and have no operational role in that business. SHO does not meet the definition of a related party under IAS 24.

Improvements to investment properties includes capital expenditure incurred to date in respect of climate change initiatives.

Valuation

In accordance with "IAS 40: Investment Property", the investment property has been independently valued at fair value by Jones Lang LaSalle Ltd ("JLL"), an accredited external valuer with recognised and relevant professional qualifications and recent experience of the location and category of the investment property being valued. However, the valuations are the ultimate responsibility of the Directors.

JLL valued the Group's properties if they were each sold in independent transactions in accordance with IFRS, at £999,520,000 as at 30 September 2022 (30 September 2021: £946,294,000; 31 March 2022: £968,756,000).

JLL has provided additional valuation services on the acquisition of investment property to the Company during the period. In relation to the period ended 30 September 2022, the proportion of the total fees payable by the Company to JLL's total fee income was less than 5% and is therefore minimal. Additionally, JLL has a rotation policy in place whereby the signatories on the valuations rotate after seven years.

With the exception of the transaction detailed in note 11.0, which occurred in the prior period, all other corporate acquisitions occurring during the periods disclosed have been treated as asset purchases rather than business combinations because, following review of the IFRS 3 concentration test, they are considered to be acquisitions of properties rather than businesses.

The following table provides the fair value measurement hierarchy for investment property:

	Total £'000	Quoted prices in active markets (Level 1) £'000	Significant observable inputs (Level 2) £'000	Significant observable inputs (Level 3) £'000
Investment properties measured at fair value:				
30 September 2022	974,491	–	–	974,491
31 March 2022	945,237	–	–	945,237
30 September 2021	923,943	–	–	923,943

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

The valuations have been prepared in accordance with the RICS Valuation – Professional Standards (incorporating the International Valuation Standards) by JLL, one of the leading professional firms engaged in the Social Housing sector.

As noted previously, all of the Group's investments are reported as Level 3 in accordance with IFRS 13 where external inputs are "unobservable" and value is the Directors' best estimate, based upon advice from relevant knowledgeable experts.

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:

1. the regulated social housing sector and demand for the facilities offered by each SSH property owned by the Group;
2. 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;
3. detailed financial analysis with discount rates supporting the carrying value of each property;
4. a full repairing and insuring lease with annual indexation based on CPI or CPI+1.

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

Notes to the Consolidated Financial Statements

Continued

Valuation techniques: income approach

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

The valuation methodology used by the valuers follows the income approach. This approach considers the rental income currently payable; the next uplift for that income under review; the likelihood of a continuation of that rental income – with growth in accordance with the leases – over the remaining terms; and then a long-term reversion which considers the likely ability of the properties to continue to generate rent through supported housing occupation, as distinct from a reversion to vacant possession value.

Risks are involved in both assessing the value of the rental income over the remaining terms of the leases and also in predicting that income will continue beyond the end of the existing leases. This is a balanced judgement which can be properly reflected in the exit yield applied to the final year's income and in the overall return to a purchaser.

Appropriate taxation calculations are adopted for every property based on its value and on the assumption of the sale of the property assets directly as opposed to shares of a subsidiary company holding the property and have considered the individual characteristics of the properties.

The material unobservable inputs that determine the fair value of the Group's investment property:

1. The rate of 2.00% per annum has been used for CPI over the term of the subject properties' leases in line with the Bank of England's long-term inflation targets for CPI. It should be noted that all leases benefit from either CPI or CPI+1 indexation.
2. The discount rate applied to the rental flows.

Key factors in determining the discount rates applied include the regulated social housing sector and demand for each SSH property owned by the Group, costs of acquisition and refurbishment of each property, the anticipated future underlying cash flows for each property, benchmarking of each underlying rent for each property (passing rent), impact of climate change, and the fact that all of the properties within the Group's portfolio have the benefit of full repairing and insuring leases entered into by an Approved Provider. As at the balance sheet date, the lease lengths within the Group's portfolio ranged from an effective 5 years to 35 years with a weighted average unexpected lease term of 21.9 years. The greater the length of the lease, then, all other metrics being equal, the greater the value of the property.

Sensitivities of measurement of significant unobservable inputs

The Group's property investment valuation is open to inherent uncertainties in the inputs that determine fair value. As a result, the following sensitivity analysis has been prepared:

Average discount rate and range

The average discount rate used by the valuer in the Group's property Portfolio Valuation is 6.0% (30 September 2021: 6.0%; 31 March 2022: 5.5%). The valuer took the view that at 30 September 2022, the immediate volatility in the financial markets had not translated into any evidential movement in yields in the SSH sector, which is generally underpinned by long, index-linked leases. Hence, they held their term average discount rate at 6.0%, although there was (as in all previous valuations) some variation across the portfolio due to individual property factors. JLL will keep yields, and therefore discount rates, under regular review.

The range of discount rates used by the valuer in the Group's property Portfolio Valuation is from 4.6% to 11.4% (30 September 2021: 4.7% to 10.7%; 31 March 2022: 4.6% to 11.5%). In assessing the range of discounts, the valuer considers the likely net initial yield which would be sought by the investment market and builds in additional discounts to reflect added risk into the discount rate of the term and, in some cases, the discount rate for the reversion. For example, where larger rental growth is allowed during the lease, an additional discount is built into the reversion because of the greater risk of a fall in the rent at the end of the lease.

Notes to the Consolidated Financial Statement

Continued

Similarly, additional discounts are considered where properties are in the process of being re-purposed and premiums are considered where residential care assets are funded by back-to-back leases with Care Providers. The table below illustrates the change to the value of investment properties if the discount rate and CPI used for the Portfolio Valuation calculations are changed:

	-1.0% in discount rate unaudited £'000	+1.0% in discount rate unaudited £'000	+0.5% in CPI unaudited £'000	-0.5% in CPI unaudited £'000
Increase/(decrease) in the IFRS fair value of investment properties at				
30 September 2022	75,790	(65,656)	60,120	(55,656)
30 September 2021	74,580	(64,304)	58,488	(53,948)
31 March 2022	73,955	(64,020)	58,150	(53,815)

11.0 Subsidiary resale

	From 1 April 2022 to 30 September 2022 Unaudited £'000	From 1 April 2021 to 30 September 2021 Unaudited £'000	For the year ended 31 March 2022 Audited £'000
Acquisition of subsidiary companies (including intercompany loan)	–	13,559	13,559
Acquisition costs	–	753	765
Transfer to investment property	–	(11,617)	(11,629)
Sale proceeds	–	(2,695)	(2,695)
Total	–	–	–

During the prior year, the Group entered into a transaction to acquire the freehold properties operated by CPI Care Limited. Upon the acquisition of the companies for £13,559,000 plus transaction costs; the properties were transferred into other group companies and the company acquired, along with its associated operations, was sold to Envivo Corundum Bidco Limited for £2,695,000. Envivo Corundum Bidco Limited is a subsidiary of Specialist Healthcare Operations Limited (“SHO”). Andrew Dawber and Tom Pridmore (both directors of the Investment Adviser), are 14.99% shareholders in SHO. They are not directors of SHO, and have no operational role. SHO does not meet the definition of a related party under IAS 24.

12.0 Cash and cash equivalents

	30 September 2022 Unaudited £'000	30 September 2021 Unaudited £'000	31 March 2022 Audited £'000
Cash held by solicitors	85	3,456	376
Liquidity funds	10,542	10,485	10,489
Cash held at bank	27,313	58,040	38,110
Unrestricted cash and cash equivalents	37,940	71,981	48,975
Restricted cash	4,287	4,513	4,362
Total	42,227	76,494	53,337

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.

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

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

Notes to the Consolidated Financial Statements

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13.0 Bank and loan borrowings

Bank borrowings are secured by charges over individual investment properties held by certain asset-holding subsidiaries. The banks also hold charges over the shares of certain subsidiaries and any intermediary holding companies of those subsidiaries. Any associated fees in arranging the bank borrowings unamortised as at the period end are offset against amounts drawn on the facilities as shown in the table below:

	From 1 April 2022 to 30 September 2022 Unaudited £'000	From 1 April 2021 to 30 September 2021 Unaudited £'000	For the year ended 31 March 2022 Audited £'000
Bank borrowings at start of period	357,050	357,050	357,050
Bank borrowings drawn	–	–	–
Bank borrowings drawn at end of period	357,050	357,050	357,050
Unamortised loan issue costs at start of period	(5,000)	(4,930)	(4,930)
Less: loan issue costs incurred	(324)	(1,363)	(1,723)
Add: loan issue costs amortised	824	814	1,653
Unamortised loan issue costs at end of period	(4,500)	(5,479)	(5,000)
At end of period	352,550	351,571	352,050

	30 September 2022 Unaudited £'000	30 September 2021 Unaudited £'000	31 March 2022 Audited £'000
Maturity of bank borrowings¹:			
Repayable within 1 year	–	–	–
Repayable between 1 to 2 years	99,493	158,660	158,746
Repayable between 2 to 5 years	118,853	59,236	59,365
Repayable after 5 years	134,204	133,675	133,939
Total	352,550	351,571	352,050

1 Loan balance net of unamortised costs.

The Group is party to the following loan facility agreements:

Summary of Borrowings	Facility	Loan Principal £'000	Expiry Date	Interest rate
Scottish Widows Limited 10-year facility	Term loan	52,500	02/11/2027	2.9936% fixed
Lloyds Bank plc	Revolving credit facility	60,000	15/07/2024	SONIA + 1.67% ²
HSBC Bank plc ⁴	Revolving credit facility	100,000	27/11/2023	SONIA + 2.02% ²
National Westminster Bank Plc 5-year facility	Revolving credit facility	60,000	14/08/2024	SONIA + 2.00% ³
M&G Investment Management Limited 7-year facility	Term loan	84,550	24/02/2028	3.137% fixed
		357,050		

2 Interest rate caps have been purchased to cap interest costs on this facility as per the details in notes 14.0 and 19.0.

3 Fixed by way of an interest rate swap as detailed in note 14.0.

4 On 17 November 2022, an extension was granted for the facility with HSBC UK Bank plc, which now expires on 28 November 2025.

Borrowings are secured on investment property to the value:

	30 September 2022 Unaudited £'000	30 September 2021 Unaudited £'000	31 March 2022 Audited £'000
Scottish Widows Limited 10-year facility principal £52,500,000	178,773	172,994	173,777
Lloyds Bank plc principal £60,000,000	159,607	152,240	153,340
HSBC Bank plc principal £100,000,000	234,078	220,291	222,745
National Westminster Bank Plc 5-year facility principal £60,000,000	138,208	132,134	135,330
M&G Investment Management Limited 7-year facility principal £84,550,000	234,864	226,353	230,487

Notes to the Consolidated Financial Statement

Continued

At 30 September 2022, the Group is in compliance with all covenants. The covenants in place under the five agreements are summarised in the table below:

Loan	Historical and projected interest cover	Loan to Value ratio
Scottish Widows Limited 10-year facility	At least 325%	Must not exceed 40%
Lloyds Bank plc revolving credit facility	At least 300%	Must not exceed 52.5%
HSBC Bank plc facility	At least 250%	Must not exceed 55%
National Westminster Bank Plc 5-year facility	At least 250%	Must not exceed 50%
M&G Investment Management Limited 7-year facility	At least 250%	Must not exceed 55%

14.0 Interest rate derivatives

The Group has entered into an interest rate swap with NatWest Markets in order to mitigate the risk of changes in interest rates on its loan with National Westminster Bank Plc under which £60 million is currently drawn. The swap has a notional value of £60 million and fixes interest at 2.60% (including the 2% margin on the bank loan).

During the period, the Group has entered into two new interest rate cap arrangements:

An interest rate cap that caps the £60,000,000 Lloyds Bank plc facility at 3.92% (including the 1.67% margin on the loan facility) for the period from between 16 September 2022 to 20 February 2023.

An interest rate cap that caps the £100,000,000 HSBC Bank plc facility at 4.62% (including the 2.02% margin on the loan facility) for the period from 21 September 2022 to 17 April 2023. From 18 April 2023 to 28 November 2025, the interest rate cap will become 4.60% (including the 2.15% margin on the loan facility).

Interest rate derivative assets/(liabilities)	30 September 2022 Unaudited £'000	30 September 2021 Unaudited £'000	31 March 2022 Audited £'000
At start of the period	2,131	(544)	(544)
Change in fair value during the period	3,555	686	2,675
Interest rate cap premium paid	737	–	–
At end of the period	6,423	142	2,131

The table below shows the fair value measurement hierarchy for interest rate derivatives:

	Quote prices in active Markets (Level 1) £'000	Significant Observable Inputs (Level 2) £'000	Significant unobservable Inputs (Level 3) £'000
30 September 2022	–	6,423	–
31 March 2022	–	2,131	–
30 September 2021	–	142	–

The fair value of Group's interest rate derivatives is recorded in the Group Statement of Financial Position and is determined by forming an expectation the interest rates will exceed strike rates and discounting these future cash flows at the prevailing market rates as at the period end. This valuation technique falls within Level 2 of the fair value hierarchy as defined by IFRS 13. The valuation was provided by the counterparty to the derivatives. There have been no transfers between Level 1 and Level 2 during any of the periods, nor have there been any transfers between Level 2 and Level 3 during any of the periods.

Notes to the Consolidated Financial Statements

Continued

15.0 Share capital

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

	From 1 April 2022 to 30 September 2022 Unaudited £'000	From 1 April 2021 to 30 September 2021 Unaudited £'000	For the year ended 31 March 2022 Audited £'000
Share capital			
At end of period	6,225	6,225	6,225
Number of shares issued and fully paid Ordinary shares of £0.01 each			
At end of period	622,461,380	622,461,380	622,461,380

During the period the Company purchased 6,050,000 Ordinary shares to be held in treasury at a cost of £4,651,000 (period from 1 April 2021 to 30 September 2021: 2,250,000 Ordinary shares for £2,073,000; year ended 31 March 2022: 10,025,000 Ordinary shares for £9,259,000).

During the prior year, the Company reissued 565,000 Ordinary shares held in treasury for £647,000. The cost of purchasing these shares into treasury of £484,000 has been credited to the capital reduction reserve with the gain credited to the Share premium reserve.

At 30 September 2022 the Company held 16,075,000 (30 September 2021: 2,250,000; 31 March 2022: 10,025,000) Ordinary shares in treasury. The shares will continue to be held in treasury until either reissued or cancelled.

At 30 September 2022 the number of Ordinary shares used to calculate the net asset value per share is 606,386,380 (30 September 2021: 620,211,380; 31 March 2022: 612,436,380) which excludes the shares held in treasury.

16.0 Net asset value

Basic NAV per share is calculated by dividing net assets in the Consolidated Statement of Financial Position attributable to ordinary equity holders of the parent by the number of Ordinary shares outstanding at the end of the year.

Net asset values have been calculated as follows:

	30 September 2022 Unaudited	30 September 2021 Unaudited	31 March 2022 Audited
Net assets (£'000)	696,357	672,884	675,547
Number of Ordinary shares in issue at end of period	622,461,380	622,461,380	622,461,380
Number of Ordinary shares held in treasury	(16,075,000)	(2,250,000)	(10,025,000)
Number of Ordinary shares excluding treasury shares held by the Company	606,386,380	620,211,380	612,436,380
NAV per share – basic and diluted	114.84p	108.49p	110.30p

17.0 Related party disclosures

17.1 Transactions with Directors

The Directors are remunerated for their services at such rate as the Directors shall from time to time determine. The aggregate remuneration and benefits in kind of the Directors of the Company (in each case, solely in their capacity as such) in respect of the year ending 31 March 2023 payable out of the assets of the Company is not expected to exceed £200,000.

Notes to the Consolidated Financial Statement

Continued

As at 30 September 2022, the Directors (including their connected persons) had beneficial interests in the following number of shares in the Company:

	30 September 2022 Ordinary shares	30 September 2021 Ordinary shares	31 March 2022 Ordinary shares
Director			
Michael Wrobel	200,000	100,598	120,598
Alastair Moss	11,766	11,766	11,766
Alison Hadden	–	–	–
Caroline Gulliver	58,832	58,832	58,832
Peter Baxter	82,065	47,065	82,065

For the period from 1 April 2022 to 30 September 2022, fees of £97,000 (1 April 2021 to 30 September 2021: £95,000; year ended 31 March 2022: £190,000) were incurred and paid to the Directors.

17.2 Transactions with the Investment Adviser

On 1 November 2016, CIM was appointed as the Investment Adviser of the Company.

For the period from 1 April 2022 to 30 September 2022, fees and expenses of £3,110,000 (1 April 2021 to 30 September 2021: £3,080,000; year ended 31 March 2022: £6,132,000) were incurred and paid to CIM.

In the prior year, the Investment Adviser agreed to contribute £100,000 towards legal and professional fees incurred.

As at 30 September 2022, £16,000 was payable to CIM (30 September 2021: £27,000 receivable; 31 March 2022: £151,000 receivable).

At 30 September 2022, CIM held 167,664 (30 September 2021 and 31 March 2022: 50,000) Ordinary shares in the Company.

18.0 Capital commitments

The Company has no capital commitments in the period.

19.0 Post balance sheet events

Dividends

On 9 November 2022, the Company announced a dividend of 1.425 pence per share in respect of the period 1 July 2022 to 30 September 2022 totalling £8,641,000. The dividend will be paid on or around 9 December 2022 to shareholders on the register as at 18 November 2022. The dividend will be paid as a REIT property income distribution ("PID").

Financing

On 12 October 2022 the Group entered into an interest rate cap transaction to mitigate the risk of the SONIA interest rate exceeding 2.45%pa on the principal of £100,000,000 for the period 17 April 2023 to 28 November 2025 for the cost of £8,104,200. This instrument covers the remaining term of the revolving credit facility with HSBC Bank plc and its extension to November 2025.

On 11 November 2022, the agreement between the Company and Lloyds Bank plc has been amended. The overall loan outstanding amount was reduced to £57,200,000 and the historical and projected interest cover ratio covenants have been revised to 205% from 300%. The Loan to Value ratio also changed to 40%.

On 17 November 2022, an extension was granted for the facility with HSBC UK Bank plc, which now expires on 28 November 2025.

On 1 December 2022, the Company signed a £70.875m facility with an institutional investor. The facility comprises 5.69% fixed coupon, Senior Secured Guaranteed Notes due February 2028. The transaction is expected to fund in the new year subject to certain closing conditions.

Appendix 1: Notes to the calculation of EPRA and other alternative performance measures

Notes 1 to 6 support the EPRA metrics disclosed on page 16 to 17 of the Report where the definition and purpose of each metric are outlined.

1.0 EPRA Earnings

	30 September 2022 £'000	30 September 2021 £'000	31 March 2022 £'000
Earnings from operational activities			
Profit after taxation	42,638	17,852	44,754
Change in fair value of derivative financial instruments	(3,555)	(686)	(2,675)
Changes in value of investment properties	(25,510)	(2,258)	(12,269)
EPRA Earnings	13,573	14,908	29,810
Weighted average number of shares in issue (adjusted for shares held in treasury)	610,707,145	622,260,670	618,797,942
EPRA EPS – basic and diluted	2.22p	2.40p	4.82p

2.0 EPRA NAV Metrics

	EPRA Net Reinstatement Value £'000	EPRA Net Tangible Assets £'000	EPRA Net Disposal Value £'000
At 30 September 2022			
Net assets	696,357	696,357	696,357
Fair value of derivative financial instruments	(6,423)	(6,423)	–
Fair value of bank borrowings	–	–	14,452
NAV	689,934	689,934	710,809
Number of shares in issue (adjusted for shares held in treasury)	606,386,380	606,386,380	606,386,380
NAV per share	113.78p	113.78p	117.22p
	EPRA Net Reinstatement Value £'000	EPRA Net Tangible Assets £'000	EPRA Net Disposal Value £'000
At 30 September 2021			
Net assets	672,884	672,884	672,884
Fair value of derivative financial instruments	(142)	(142)	–
Fair value of bank borrowings	–	–	(1,360)
NAV	672,742	672,742	671,524
Number of shares in issue (adjusted for shares held in treasury)	620,211,380	620,211,380	620,211,380
NAV per share	108.47p	108.47p	108.27p
	EPRA Net Reinstatement Value £'000	EPRA Net Tangible Assets £'000	EPRA Net Disposal Value £'000
At 31 March 2022			
Net assets	675,547	675,547	675,547
Fair value of derivative financial instruments	(2,131)	(2,131)	–
Fair value of bank borrowings	–	–	2,644
NAV	673,416	673,416	678,191
Number of shares in issue (adjusted for shares held in treasury)	612,436,380	612,436,380	612,436,380
NAV per share	109.96p	109.96p	110.74p

Appendix 1: Notes to the calculation of EPRA and other alternative performance measures

Continued

3.0 EPRA Net Initial Yield

	30 September 2022 £'000	30 September 2021 £'000	31 March 2022 £'000
Investment property	999,520	946,294	968,756
Allowance for estimated purchasers' costs	58,404	55,365	56,412
Gross up completed property portfolio	1,057,924	1,001,659	1,025,168
Annualised net rents	55,752	51,966	54,091
Add: notional rent expiration of rent free periods or other lease incentives	–	–	–
Topped-up net annualised rent	55,752	51,966	54,091
EPRA NIY	5.27%	5.19%	5.28%
EPRA "topped-up" NIY	5.27%	5.19%	5.28%

4.0 EPRA Vacancy Rate

	30 September 2022 £'000	30 September 2021 £'000	31 March 2022 £'000
Estimated Market Rental Value (ERV) of vacant spaces	10	–	–
Estimated Market Rental Value (ERV) of whole portfolio	55,752	51,966	54,091
EPRA Vacancy Rate	0.02%	0.00%	0.00%

5.0 EPRA Costs Ratio

	30 September 2022 £'000	30 September 2021 £'000	31 March 2022 £'000
Total administrative and operating expenses	6,784	4,940	10,247
Direct property expenses	1,197	636	978
Less property expenses recovered through rents	(1,075)	(643)	(995)
EPRA Costs (including direct vacancy costs)	6,906	4,933	10,230
Direct vacancy costs	–	–	–
EPRA Costs (excluding direct vacancy costs)	6,906	4,933	10,230
Rent income	27,792	25,712	51,636
Less recharge costs received	(1,075)	(643)	(995)
Gross rental income	26,717	25,069	50,641
EPRA Cost Ratio (including direct vacancy costs)	25.85%	19.68%	20.20%
EPRA Cost Ratio (excluding direct vacancy costs)	25.85%	19.68%	20.20%

Appendix 1: Notes to the calculation of EPRA and other alternative performance measures

Continued

6.0 EPRA LTV

	30 September 2022 £'000	30 September 2021 £'000	31 March 2022 £'000
Net Debt			
Borrowings from financial institutions	357,050	357,050	357,050
Cash and cash equivalents	(42,227)	(76,494)	(53,337)
	314,823	280,556	303,713
Total Property Value			
Investment properties at fair value	974,491	923,943	945,237
Net receivables	25,766	23,876	26,892
	1,000,257	947,819	972,129
EPRA LTV	31.47%	29.60%	31.24%
	30 September 2022 £'000	30 September 2021 £'000	31 March 2022 £'000
Net receivables comprise of:			
Other receivables	25,029	22,351	23,519
Trade and other receivables	11,626	10,704	12,865
Less trade and other payables	(10,889)	(9,179)	(9,492)
Total	25,766	23,876	26,892
	30 September 2022 £'000	30 September 2021 £'000	31 March 2022 £'000
Components of Net Assets used in EPRA LTV calculation			
Investment properties at fair value	974,491	923,943	945,237
Net receivables	25,766	23,876	26,892
Cash and cash equivalents	42,227	76,494	53,337
Less borrowings from financial institutions	(357,050)	(357,050)	(357,050)
Net assets used in the EPRA LTV calculation	685,434	667,263	668,416
Less amounts excluded from the calculation			
Interest rate derivatives	6,423	142	2,131
Unamortised loan issue costs	4,500	5,479	5,000
Net assets	696,357	672,884	675,547

7.0 EPRA Table of Capital Expenditure

	From 1 April 2022 to 30 September 2022 £'000	From 1 April 2021 to 30 September 2021 £'000	For the year ended 31 March 2022 £'000
Acquisitions including incidental costs of purchase	562	23,061	33,466
Development	–	–	–
Investment properties	–	–	–
Incremental lettable space	–	–	–
Enhancing lettable space (refer to note 10.0)	3,182	4,940	5,818
Tenant incentives	1,700	595	1,614
Other material non-allocated types of expenditure	–	–	–
Capitalised interest	–	–	–
Total Capital Expenditure	5,444	28,596	40,898
Conversion from accrual to cash basis	(52)	469	1,312
Total Capital Expenditure on cash basis	5,392	29,065	42,210

The Group has not capitalised any overhead or operating expenses. The Group does not have any properties under Joint Venture.

Appendix 1: Notes to the calculation of EPRA and other alternative performance measures

Continued

8.0 Leveraged Internal rate of return (IRR)

This is the annual growth rate, based on growth in net asset value per share since launch and dividends paid to Ordinary shareholders.

		30 September 2022	30 September 2021	31 March 2022
NAV per share		114.837p	108.490p	110.300p
31 May 2017	Interim dividend	0.750p	0.750p	0.750p
31 August 2017	Interim dividend	0.750p	0.750p	0.750p
30 November 2017	Interim dividend	0.750p	0.750p	0.750p
9 March 2018	Interim dividend	0.750p	0.750p	0.750p
8 June 2018	Interim dividend	1.250p	1.250p	1.250p
7 September 2018	Interim dividend	1.250p	1.250p	1.250p
30 November 2018	Interim dividend	1.250p	1.250p	1.250p
11 January 2019	Interim dividend	1.110p	1.110p	1.110p
28 February 2019	Interim dividend	0.140p	0.140p	0.140p
7 June 2019	Interim dividend	1.325p	1.325p	1.325p
6 September 2019	Interim dividend	1.325p	1.325p	1.325p
29 November 2019	Interim dividend	1.325p	1.325p	1.325p
28 February 2020	Interim dividend	1.325p	1.325p	1.325p
12 June 2020	Interim dividend	1.325p	1.325p	1.325p
7 September 2020	Interim dividend	1.350p	1.350p	1.350p
4 December 2020	Interim dividend	1.350p	1.350p	1.350p
1 March 2021	Interim dividend	1.350p	1.350p	1.350p
11 June 2021	Interim dividend	1.350p	1.350p	1.350p
10 September 2021	Interim dividend	1.3875p	1.3875p	1.3875p
13 December 2021	Interim dividend	1.3875p	–	1.3875p
11 March 2022	Interim dividend	1.3875p	–	1.3875p
28 June 2022	Interim dividend	1.3875p	–	–
9 September 2022	Interim dividend	1.4250p	–	–
		141.8370p	129.9025p	134.4875p
NAV per share at launch		98.00p	98.00p	98.00p
Leveraged IRR		7.16%	6.44%	6.63%

Shareholder Information

Share Information

The Company's Ordinary shares of 1p each are quoted on the Official List of the FCA and traded on the premium segment of the Main Market of the London Stock Exchange (LSE).

SEDOL number	BD8HBD3
ISIN	GB00BD8HBD32
Ticker/TIDM	CSH
LEI	213800PGBG84J8GM6F95

Frequency of NAV Publication

The Company's NAV is released to the LSE on a quarterly basis and published on the Company's website: www.civitassocialhousing.com.

Sources of Further Information

Copies of the Company's Annual and Half-Yearly Reports, Stock Exchange announcements and further information on the Company can be obtained from its website: www.civitassocialhousing.com.

Share Register Enquiries

The register for the Company's Ordinary shares is maintained by Link Group. In the event of queries regarding your holding, please contact the Registrar on 0371 664 0300 (calls are charged at the standard geographic rate and will vary by provider; calls outside the UK will be charged at the applicable international rate). Lines are open between 9.00am and 5.30pm, Monday to Friday, excluding public holidays in England and Wales. You can also email enquiries@linkgroup.co.uk.

Changes of name and/or address must be notified in writing to the Registrar: Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL

Key Dates

June	Annual results announced Payment of fourth final dividend
September	Company's half-year end Annual general meeting Payment of first interim dividend
November	Half-yearly results announced
December	Payment of second interim dividend
February	Payment of third interim dividend
March	Company's year end

Association of Investment Companies

The Company is a member of the AIC, which publishes statistical information in respect of member companies. The AIC can be contacted on 020 7282 5555, enquiries@theaic.co.uk or visit the website: www.theaic.co.uk.

Electronic Communications from the Company

Shareholders now have the opportunity to be notified by email when the Company's Annual Report, Half-Yearly Report and other formal communications are available on the Company's website, instead of receiving printed copies by post. This has environmental benefits in the reduction of paper, printing, energy and water usage, as well as reducing costs to the Company.

If you have not already elected to receive electronic communications from the Company and wish to do so, please contact the Registrar.

Glossary

AIFM means the Alternative Investment Fund Manager.

AIFMD means the Alternative Investment Fund Managers Regulations 2013 (as amended by The Alternative Investment Fund Managers (Amendment etc.) (EU Exit) Regulations 2019) and the Investment Funds Sourcebook forming part of the FCA Handbook.

ALMO means an arm's length management organisation, a not-for-profit company that provides housing services on behalf of a Local Authority.

Alternative Performance Measures (APMs) means a financial measure of historical financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

Annual contracted rent roll means the annual contractual rental income currently receivable on a property as at the Balance Sheet date.

Approved Provider means Approved Providers, Local Authorities, ALMOs, Community Interest Companies, Registered Charities and other regulated organisations directly or indirectly in receipt of payment from local or central government including the NHS.

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

CIM means Civitas Investment Management Limited or CIM (formerly known as Civitas Housing Advisors Limited until its change of name on 7 May 2020).

Community Interest Company or **CIC** means a company approved by the Office of the Regulator of Community Interest Companies as a community interest company and registered as such with Companies House.

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

CMA Order means the Statutory Audit Services Order 2014, issued by the Competition and Markets Authority.

Current Leverage means the percentage taken as total bank borrowings drawn over total assets.

Dividend Yield means the ratio of the total trailing annual dividend payments over market price per share.

EPRA means the European Public Real Estate Association.

EPRA EPS is the EPRA earnings divided by the weighted average number of shares in issue in the period.

EPRA LTV is the EPRA loan to value ratio calculated as debt (including net payables but net of cash balances) divided by the market value of property (including net receivables) as defined in the EPRA Best Practice Guidelines.

EPRA Net Initial Yield ("EPRA NIY") is calculated as the annualised rental income based on the cash rents passing at the balance sheet date less non-recoverable property operating expenses, divided by the gross market value of the property.

EPRA Net Reinstatement Value ("EPRA NRV") is an EPRA NAV metric which assumes that entities never sell assets and aims to represent the value required to rebuild the entity.

EPRA Net Tangible Assets ("EPRA NTA") is an EPRA NAV metric which assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

EPRA Net Disposal Value ("EPRA NDV") is an EPRA NAV metric which represents the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

EPRA Run Rate means the ratio of a company's earnings (excluding fair value gains/losses) over dividends paid to shareholders.

Gross Asset Value means total assets.

Group means the Company and its subsidiaries.

Housing Association or **HA** means an independent society, body of trustees or company established for the purpose of providing low-cost social housing for people in housing need generally on a non-profit making basis. Any trading surplus is typically used to maintain existing homes and to help finance new ones. Housing Associations are regulated by the Regulator of Social Housing.

Investment Adviser means Civitas Investment Management Limited ("CIM"), a company incorporated in England and Wales with company number 10278444, in its capacity as investment adviser to the Company.

IPO means Initial Public Offering.

IRR means internal rate of return.

Levered IRR means the internal rate of return including the impact of debt.

Local Authority or **LA** means the administrative bodies for the local government in England comprising 326 authorities (including 32 London boroughs).

Net Asset Value or **NAV** means the net asset value of the Group on the relevant date, prepared in accordance with IFRS accounting principles.

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

NHS means the publicly funded healthcare system of the United Kingdom comprising The National Health Service in England, NHS Scotland, NHS Wales and Health and Social Care in Northern Ireland, including, for the avoidance of doubt, NHS Trusts.

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NHS Trust means a legal entity, set up by order of the Secretary of State under section 25 of, and Schedule 4 to, the National Health Service Act 2006, to provide goods and services for the purposes of the health service.

Ongoing Charges means the figure published annually by the Company which shows the drag on performance caused by operational expenses. More specifically, it is the annual percentage reduction in shareholder returns as a result of recurring operational expenses assuming markets remain static and the portfolio is not traded. Although the Ongoing Charges figure is based on historical information, it provides shareholders with an indication of the likely level of costs that will be incurred in managing the Company in the future.

Portfolio means the Group's portfolio of assets.

Portfolio Valuation means an independent valuation of the Portfolio by Jones Lang LaSalle Limited or such other property adviser as the Directors may select from time to time, based upon the Portfolio being held, directly or indirectly, within a corporate vehicle or equivalent entity which is a wholly owned subsidiary of the Company and otherwise prepared in accordance with RICS "Red Book" guidelines.

REIT means a qualifying real estate investment trust in accordance with the UK REIT Regime introduced by the UK Finance Act 2006 and subsequently re-written into Part 12 of the Corporation Tax Act 2010.

RICS means Royal Institution of Chartered Surveyors.

RSH means the Regulator of Social Housing, the executive non-departmental public body, sponsored by the Ministry of Housing, Communities and Local Government, which is the regulator for Social Homes providers in England and Wales.

Social homes or **social housing** means social rented homes and other accommodation that are offered at rents subsidised below market level or are constituents of other appropriate rent regimes such as exempt rents or are subject to bespoke agreement with entities such as NHS Trusts and are provided by Approved Providers.

Specialist Supported Housing or **SSH** means social housing which incorporates some form of care or other ancillary service on the premises.

SPV means special purpose vehicle, a corporate vehicle in which the Group's properties are held.

Target Return means the target return on investment.

Total Return means Net Total Return, being the change in NAV over the relevant period plus dividend paid.

Total Shareholder Return means a measure of the return based upon share price movement over the period plus dividend paid.

Valuation means an independent valuation of the Portfolio by Jones Lang LaSalle Limited or such other property adviser as the Directors may select from time to time, prepared in accordance with RICS "Red Book" guidelines and based upon a valuation of each underlying investment property rather than the value ascribed to the portfolio and on the assumption of a theoretical sale of each property rather than the corporate entities in which all of the Company's investment properties are held.

WAULT or "Weighted Average Unexpired Lease Term" is the product of annual contracted rent roll at period end and the time in years to when the lease expires for each given lease, summed across leases, and then divided by the total annual contracted rent roll of the portfolio. The result is expressed in years. WAULT is a key measure of the quality of the Company's portfolio. Long lease terms underpin the security of the Company's income stream.

Company Information

Non-executive Directors

Michael Wrobel, Chairman

Peter Baxter, Senior Independent Director and Chairman of the Nomination and Remuneration Committee

Caroline Gulliver, Chair of the Audit and Management Engagement Committee

Alison Hadden

Alastair Moss

Registered Office

6th Floor,
65 Gresham Street,
London
EC2V 7NQ
Registered no: 10402528
www.civitassocialhousing.com

Alternative Investment Fund Manager

G10 Capital Limited
3 More London Riverside
London SE1 2AQ

Investment Adviser

Civitas Investment Management Limited
25 Maddox Street
London W1S 2QN

Joint Corporate Brokers

Liberum Capital Limited
Ropemaker Place
25 Ropemaker Street
London EC2Y 9LY

Panmure Gordon (UK) Limited
One New Change
London EC4M 9AF

Company Secretary

Link Company Matters Limited
6th Floor,
65 Gresham Street,
London
EC2V 7NQ

Administrator

Link Alternative Fund Administrators Limited
Beaufort House
51 New North Road
Exeter
Devon EX4 4EP

Depository

INDOS Financial Limited
5th Floor
54 Fenchurch Street
London EC3M 3JY

Registrar

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds LS1 4DL

Independent Auditors

PricewaterhouseCoopers LLP
7 More London Riverside
London SE1 2RT

Legal and Tax Adviser

Cadwalader, Wickersham & Taft LLP
Dashwood House
69 Old Broad Street
London EC2M 1QS

Public Relations Adviser

Buchanan
107 Cheapside
London EC2V 6DN

Tax Adviser

BDO LLP
55 Baker Street
London W1U 7EU



Civitas Investment Management Limited
25 Maddox Street,
London, W1S 2QN
T 020 3058 4840
E enquiries@civitasim.com
W www.civitasim.com